

**CONVERSE COUNTY, WYOMING**

**FINANCIAL AND COMPLIANCE REPORT**

**JUNE 30, 2012**

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Converse County, Wyoming

We have audited the accompanying basic financial statements of the governmental activities, the aggregate discretely presented component units, each discretely presented component unit, each major fund, and the aggregate remaining fund information of Converse County, Wyoming, as of and for the year ended June 30, 2012, which collectively comprise Converse County, Wyoming's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Converse County, Wyoming's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Memorial Hospital of Converse County, Converse County Weed and Pest Control District, and the Converse County Airport Board, discretely presented component units, which represent 97 percent, 97 percent and 97 percent, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units of Converse County. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the discretely presented component units, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the basic financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each discretely presented component unit, each major fund, and the aggregate remaining fund information of Converse County, Wyoming, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2013, on our consideration of Converse County, Wyoming's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operational, economic, or historical context. We have applied certain limited procedures to management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The budgetary comparison information has been subjected to the auditing procedures applied during 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Converse County's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of Converse County. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The other supplementary information and the schedule of expenditures of federal awards have 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying basic financial statements, required supplementary information, other supplementary information, and our independent auditor's reports are for the purpose of meeting local, state and federal requirements and are for the use of those entities and the management and the Board of County Commissioners and should not be used or relied upon by any other party for any purpose. Additional users of these basic financial statements, required supplementary information, other supplementary information, and independent auditor's reports are hereby advised that the liability of Porter, Muirhead, Cornia & Howard to third party users who use or rely on this information may be limited pursuant to 1995 Wyoming Session Laws, Chapter 155 creating Wyoming Statute §33-3-201.



Porter, Muirhead, Cornia & Howard

Certified Public Accountants

February 28, 2013

## CONVERSE COUNTY, WYOMING

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

(Unaudited)

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This section of Converse County, Wyoming's annual financial report presents our discussion and analysis of financial performance during the fiscal year ended June 30, 2012. The selected financial data presented was derived from the financial statements of the County, which were audited by Porter, Muirhead, Cornia and Howard, Certified Public Accountants. The Independent Auditor's Report, financial statements and accompanying notes and supplementary information should be read in conjunction with the following discussion.

#### ***Financial Highlights***

Converse County's total assets exceeded liabilities as of June 30, 2012 by \$39,747,927 (net assets). Of this amount \$22,921,202 (unrestricted net assets) may be used to meet ongoing obligations, \$14,088,657 is invested in capital assets, net of related debt.

As of June 30, 2012, the County's governmental funds reported combined fund balances of \$24,740,622. Unassigned fund balance of the combined fund balance was \$9,889,123.

The fund balance for the general fund was \$20,304,547 as of June 30, 2012, with an unassigned fund balance of \$9,991,826.

#### ***Overview of the Financial Statements***

The discussion and analysis is intended to serve as an introduction to the County's basic financial statements. In general, the purpose of the financial reporting is to provide external parties that read financial statements with information that will help them to make decisions or draw conclusions about an entity. These parties do not always have the same specific objectives. In order to address the needs of as many parties as reasonably possible the County's, in accordance with required reporting standards, annual report consists of four components 1) management's discussion and analysis (this section); 2) government - wide financial statements; 3) fund financial statements and 4) notes to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

#### ***Government - wide Financial Statements***

The focus of the County's government - wide financial statements is on the overall financial position and activities of Converse County, Wyoming, similar to the focus of a private - sector business. The County's government - wide financial statements include the statement of net assets and statement of activities. The purpose of the statement of net assets is to report all of the assets held and liabilities owed by the County. The County reports all of its assets when it acquires ownership over the assets and reports all of its liabilities when they are incurred. The difference between the County's total assets and total liabilities is titled net assets and this difference is similar to the owner's equity presented by a private - sector business. Although the purpose of the County is not to accumulate net assets, this amount does indicate the financial position of the County.

The purpose of the statement of activities is to present all the revenues and expenses of the County. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a private sector business in that revenues are recognized when earned or established criteria are satisfied, and expenses are reported when incurred by the County. Revenues are reported even when they may not be collected for several months after the end of the accounting period and expenses are recorded even though they may not have been paid during the current period.

Although the statement of activities looks different from a private sector business' income statement, the statement is different only in format, not substance. Whereas the private sector reports its bottom line as net income, the County reports an amount described as change in net assets, essentially the same thing.

# CONVERSE COUNTY, WYOMING

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

(Unaudited)

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The focus of the statement of activities is on the net cost of various activities provided by the County. The first column identifies the cost of each of the County's major functions. Another column identifies the specific revenues related to the classified governmental functions. The difference between the expenses and revenues related to specific programs computes the net cost or benefit of the program, which identifies the extent to which each function of the County draws from general revenues or is self - sufficient through fees, intergovernmental aid, and other sources of resources.

Both of these government - wide financial statements would distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or in part a portion of their costs through user fees and charges (business - type activities). All of the County activities are governmental activities.

The government - wide financial statements include not only Converse County itself, (known as the primary government), but also the following legally separate entities: Converse County Weed and Pest Control District, Converse County Airport Board, Converse County Tourism Board, Converse County Public Library, and the Memorial Hospital of Converse County. The County is financially accountable for these entities and appoints directors to their boards which require them to be identified as component units of Converse County, Wyoming. Financial information for these component units is reported separately from the financial information presented for the primary government itself. Complete financial statements for the Converse County Weed and Pest Control District, Converse County Airport Board, and Memorial Hospital of Converse County may be obtained from these entity's administrative offices.

The County's government - wide financial statements are presented on pages 16 through 18.

### ***Fund Financial Statements***

The fund financial statements provide more detailed information about the County's most significant funds - not the County as a whole. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending. Except for the General Fund, a specific fund is established to satisfy legal requirements established by external parties or governmental statutes or regulations. The County establishes other funds to control and manage money for particular purposes or to show that it is properly using certain resources. The County's fund financial statements are divided into three broad categories, governmental funds, proprietary funds, and fiduciary funds.

Governmental fund financial statements consist of a balance sheet and statement of revenues, expenditures, and change in fund balances. The statements are prepared on an accounting basis that is significantly different from that used to prepare the governmental financial statements. All of the County programs are included in the governmental funds, which focus on how cash and other financial assets that can readily be converted to cash flow in and out in a short period of time. For example, amounts reported on the balance sheet include items such as cash and receivables collectable within a short period of time, but do not include capital assets such as land and buildings. Fund liabilities include amounts that are to be paid in a short period after the end of the fiscal year. The difference between a fund's total assets and total liabilities is labeled as the fund balance. The fund balance generally indicates the amount that can be used to finance next year's activities. The operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid in cash, respectively, during the current period or very shortly after the end of the year. Consequently, the governmental funds statements provide a short - term view that helps determine if there are more or fewer financial resources to finance the County's programs. Because this information does not encompass the long - term focus of the government - wide statements, we provide an analysis at the bottom of the balance sheet reconciling the total fund balances to the amount of net assets reported in the statement of net assets. Also, there is an analysis at the bottom of the statement of revenues, expenditures, and changes in fund balances that reconciles to the change in net assets presented in the government - wide statement of activities.

## CONVERSE COUNTY, WYOMING

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012  
(Unaudited)

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The County presents in separate columns funds that are most significant to the County.

The County governmental fund financial statements are presented on pages 19 through 22.

The County uses a proprietary-type fund to account for its medical insurance activity. A proprietary fund provides the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Internal Service Fund

The basic proprietary fund financial statements can be found on pages 23-25 of this report.

Fiduciary funds are used to account for assets held by the County for the benefit of other parties. Fiduciary funds are not presented in the government - wide financial statements because the resources of these funds are not available to finance the County's activities. However, the financial statements of fiduciary funds are included in the County's financial statements because the County is financially accountable for these resources, even though they belong to other parties.

The fiduciary funds statement is presented on page 26.

Notes to the basic financial statements provide additional information that is essential to a full understanding of data provided in the government - wide and fund statements. The notes are presented on pages 31 through 56.

Required Supplementary Information is presented concerning the County's General Fund budget. The County adopts an annual budget for its general fund. A budgetary comparison schedule has been provided to demonstrate compliance with this budget. Required supplementary information is presented on pages 58 through 60.

In addition to the required elements, we have included combining statements that provide details about our non - major governmental funds and fiduciary funds presented as single columns in the basic financial statements. Additionally, we have included fund financial statements and information about budgetary compliance for the discretely presented component units which do not issue separate financial statements. This information is presented as other supplementary information immediately following the required supplementary information. Other supplementary information is presented on pages 62 through 72 and governmental audit and compliance information is presented on pages 74 through 89.

#### ***Government – wide Financial Analysis***

As noted earlier, net assets may serve over time as a useful indicator of the County's financial position. The County's assets exceeded liabilities by \$39,747,927. A large portion of the County's net assets (35%) reflects its investment in capital assets. The vast majority of these capital assets are the County's roads and bridges. These assets are not available for future spending. The County had \$433,713 in outstanding debt related to its capital assets. The unrestricted net assets of \$22,921,202 (58%) may be used to meet the County's ongoing obligations.

**CONVERSE COUNTY, WYOMING**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2012

(Unaudited)

The County's net assets for the governmental activities as of June 30, 2012 were as follows:

	<u>2012</u>	<u>Variance</u>	<u>2011</u>
<b>ASSETS</b>			
Current assets	\$ 26,716,310	\$ 3,871,420	\$ 22,844,890
Capital assets, net of accumulated depreciation	14,522,370	(7,723,006)	22,245,376
Total assets	<u>41,238,680</u>	<u>(3,851,586)</u>	<u>45,090,266</u>
<b>LIABILITIES</b>			
Current liabilities	916,212	31,345	947,557
Due in more than one year	574,541	(374,135)	200,406
Total liabilities	<u>1,490,753</u>	<u>(342,790)</u>	<u>1,147,963</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	14,088,657	(8,108,723)	22,197,380
Restricted	2,738,068	544,051	2,194,017
Unrestricted	22,921,202	3,370,296	19,550,906
Total net assets	<u>\$ 39,747,927</u>	<u>\$ (4,194,376)</u>	<u>\$ 43,942,303</u>

**CONVERSE COUNTY, WYOMING**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2012

(Unaudited)

The following schedule details the changes in net assets for the County's governmental activities:

Revenues	2012	Percentage	2011	Percentage	Variance
General					
Taxes					
Property	\$ 8,123,597	40.2%	\$ 6,351,386	35.4%	\$ 1,772,211
Sales	3,960,976	19.6%	3,079,012	17.2%	881,964
Other	4,539,733	22.4%	3,260,603	18.2%	1,279,130
Payments in lieu of taxes	626,772	3.1%	765,404	4.3%	(138,632)
Unrestricted interest earnings	189,828	0.9%	252,692	1.4%	(62,864)
Miscellaneous revenue (other)	251,705	1.2%	269,941	1.5%	(18,236)
Program Revenues					
Charges for services	579,395	2.9%	1,022,236	5.7%	(442,841)
Operating grants and contributions	976,529	4.8%	1,044,932	5.8%	(68,403)
Capital grants contributions	988,423	4.9%	1,879,586	10.5%	(891,163)
<b>Total revenues</b>	<b><u>20,236,958</u></b>	<b><u>100.0%</u></b>	<b><u>17,925,792</u></b>	<b><u>100.0%</u></b>	<b><u>2,311,166</u></b>
Expenses					
General government	5,315,353	40.2%	5,658,486	45.2%	(343,133)
Public safety	4,004,719	30.4%	3,563,601	28.5%	441,118
Public works	3,293,828	25.0%	2,714,911	21.7%	578,917
Health, welfare, and recreation	349,492	2.7%	312,161	2.5%	37,331
Conservation of natural resources	218,616	1.7%	257,757	2.1%	(39,141)
<b>Total expenses</b>	<b><u>13,182,008</u></b>	<b><u>100.0%</u></b>	<b><u>12,506,916</u></b>	<b><u>100.0%</u></b>	<b><u>675,092</u></b>
Excess of revenue over expenses	<u>7,054,950</u>		<u>5,418,876</u>		<u>\$ 1,636,074</u>
Net assets, beginning of year as restated	<u>32,692,977</u>		<u>38,523,427</u>		
Net assets, end of year	<u><u>\$39,747,927</u></u>		<u><u>\$43,942,303</u></u>		

## CONVERSE COUNTY, WYOMING

### MANAGEMENT'S DISCUSSION AND ANALYSIS June 30, 2012 (Unaudited)

#### *Financial Analysis of the County's Funds*

The County's activities are contained in the General, County Roads and other non-major funds. As previously mentioned the focus of the County's governmental funds is to provide information on the near - term inflows, outflows and balances of expendable resources.

At June 30, 2012, the County's governmental funds reported combined fund balances of \$24,740,622.

The General Fund is the main operating fund of the County. As of June 30, 2012, the total fund balance was \$20,304,547, while the unassigned General Fund balance was \$9,991,826.

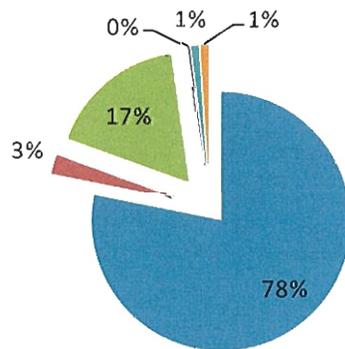
The County Road Fund is used to account for the construction and maintenance of the County roads other than those financed by the general fund. As of June 30, 2012, the County Road Fund shows a fund balance of \$3,902,111.

Revenues for governmental funds were approximately \$20.3 million for the fiscal year ended June 30, 2012. The following schedule presents revenues by source.

Revenues	2012	Percentage	2011	Percentage
Taxes	\$ 15,880,442	78.2%	\$ 12,011,141	67.0%
Licenses and permits	485,363	2.4%	513,332	2.9%
Intergovernmental revenues	3,503,126	17.2%	3,702,459	20.7%
Charges for services	67,717	0.3%	63,020	0.3%
Investment income	184,242	0.9%	248,871	1.4%
Miscellaneous revenues	212,115	1.0%	1,379,996	7.7%
<b>Total revenues</b>	<b>\$20,333,005</b>	<b>100.0%</b>	<b>\$ 17,918,819</b>	<b>100.0%</b>

### Revenue

- Taxes
- Licenses and permits
- Intergovernmental revenues
- Charges for services
- Investment income
- Miscellaneous revenues



**CONVERSE COUNTY, WYOMING**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2012  
(Unaudited)

***Financial Analysis of the County's Funds (Continued)***

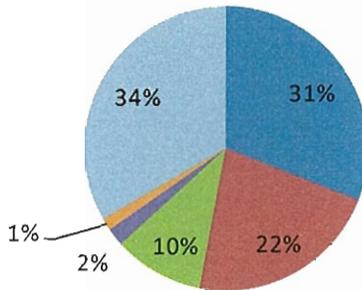
Expenditures for governmental funds were approximately \$17 million for fiscal year 2012.

The following schedule presents expenditures by activities.

Expenditures	2012	Percentage	2011	Percentage
Current				
General government	\$ 5,245,455	30.8%	\$ 5,535,744	36.2%
Public safety	3,754,528	22.0%	3,608,122	23.6%
Public works	1,740,378	10.2%	2,048,029	13.4%
Health, welfare and recreation	354,251	2.1%	340,062	2.2%
Conservation of natural resources	225,141	1.3%	263,076	1.7%
Capital outlay	5,665,710	33.3%	3,489,953	22.9%
<b>Total expenditures</b>	<b>\$17,035,463</b>	<b>100.0%</b>	<b>\$15,284,986</b>	<b>100.0%</b>

**Expenses**

- General government
- Public safety
- Public works
- Health, welfare and recreation
- Conservation of natural resources
- Capital outlay



Overall revenues to the County General Fund in fiscal year 2012 rose 29% from the prior year, continuing a six-year trend of increasing revenue.

Business activities relating to the oil and gas sector, and activities directly supporting oil and gas development, continue to drive increases in county revenues, especially in sales tax collections. In fiscal year 2012, the County received \$5.63 million in sales tax revenue, a 42% increase from fiscal year 2011. In fiscal year 2013, the County is on pace to receive over \$9 million from sales tax collections. In FY 11, the Mining sector, which includes oil and gas development, accounted for \$6.9 in sales tax receipts within Converse County. Those receipts rose to \$14.3 million in FY 12 and \$17 million through the first half of FY 13.

## CONVERSE COUNTY, WYOMING

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

(Unaudited)

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Rising revenues have allowed the County to increase reserves in several funds. As fiscal year 2013 began, the County held \$16.1 million in reserves, in the following funds:

<b>Reserves</b>	<b>Total</b>
Operating Reserve	\$3,770,000
Building Reserve	\$8,430,021
Equipment Reserve	\$2,461,292
Salary Reserve	<u>\$1,503,604</u>
<b>Total Reserves:</b>	<b><u>\$16,164,917</u></b>

Reserves are internally restricted, designated by a resolution of the county commissioners, and may be expended or allocated differently by resolution.

The healthy financial position of the County has allowed it to make significant investments in County infrastructure. Capital outlays totaled \$2.5 million in fiscal year 2010, \$3.4 million in 2011 and \$5.6 million in 2012. The majority of the spending increase is related to the purchase of equipment and investment in County roads.

**CONVERSE COUNTY, WYOMING**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2012

(Unaudited)

***Capital Assets and Debt Administration***

The County's investment in capital assets for its governmental activities as of June 30, 2012 was approximately \$14 million (net of accumulated depreciation). This investment in capital assets includes infrastructure (consisting of land, roadways and bridges), land, site improvements, buildings and equipment. The County's investment in capital assets decreased due to a prior period adjustment.

The following schedule shows the changes in capital assets for governmental activities during the year:

	Beginning Balance	Prior Period Adjustment	Beginning Balance As Restated	Transfers and Additions	Transfers and Deletions	Ending Balance
Capital assets, not being depreciated						
Land	\$ 2,000,325	\$ -	\$ 2,000,325	\$ -	\$ 27,577	\$ 1,972,748
Construction in progress	1,017,207	(342,660)	674,547	3,776,004	4,179,434	271,117
Total capital assets not being depreciated	<u>3,017,532</u>	<u>(342,660)</u>	<u>2,674,872</u>	<u>3,776,004</u>	<u>4,207,011</u>	<u>2,243,865</u>
Capital assets being depreciated						
Infrastructure	35,531,581	102,515	35,634,096	4,179,434	-	39,813,530
Buildings and building improvements	5,027,532	-	5,027,532	836,088	9,570	5,854,050
Machinery, equipment, and office fixtures	10,722,886	(2,378,285)	8,344,601	1,053,618	489,695	8,908,524
Total capital assets being depreciated	<u>51,281,999</u>	<u>(2,275,770)</u>	<u>49,006,229</u>	<u>6,069,140</u>	<u>499,265</u>	<u>54,576,104</u>
Less accumulated depreciation for						
Infrastructure	22,672,545	8,936,894	31,609,439	989,715	-	32,599,154
Buildings and building improvements	3,455,750	28,325	3,484,075	80,304	2,732	3,561,647
Machinery, equipment, and office fixtures	5,925,860	(334,323)	5,591,537	814,668	269,407	6,136,798
Total accumulated depreciation	<u>32,054,155</u>	<u>8,630,896</u>	<u>40,685,051</u>	<u>1,884,687</u>	<u>272,139</u>	<u>42,297,599</u>
Total capital assets, being depreciated, net	<u>19,227,844</u>	<u>(10,906,666)</u>	<u>8,321,178</u>	<u>4,184,453</u>	<u>227,126</u>	<u>12,278,505</u>
Governmental activities, capital assets, net	<u>\$ 22,245,376</u>	<u>\$(11,249,326)</u>	<u>\$ 10,996,050</u>	<u>\$ 7,960,457</u>	<u>\$4,434,137</u>	<u>\$ 14,522,370</u>

Additional information on the Converse County's capital assets can be found in Note 5 on pages 43 to 46 of this report.

## CONVERSE COUNTY, WYOMING

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

(Unaudited)

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#### *Fiscal year 2012 Budget*

In fiscal year 2012, the County budgeted \$12.7 million in revenue and received \$17.2 million, or 136% of the budgeted total.

The majority of the excess revenues were collected in sales and use taxes, where the County budgeted \$2.95 million and received \$5.63 million, as oil and gas activity increased throughout the area.

The County also received \$465,000 more in Payment In-Lieu of Taxes (PILT) funds from the federal government than what was budgeted, as Congress reauthorized PILT payments through 2013. The County budgeted \$300,000 and received \$765,404.

The adopted budget for 2012 authorized \$15,720,834 in spending from the County general fund. As the year closed on June 30, 2012, County departments spent \$15,062,636, or 96% of the total authorized. The unexpended portion of the allocation, \$658,198, contributed to the cash carryover for fiscal year 2013.

In all other funds for County expenditures, including Parks and Recreation, Health Department, Insurance, Grants, etc., the County budgeted \$12,868,860 and spent \$7,959,748, 62% of the total allocation. A large portion of the unspent total was from the Other Roads fund, where \$5.36 million was budgeted but only \$3.1 million was spent, as road projects were delayed or pushed into 2013. The County Insurance Fund also expended less than anticipated, only using \$1 million of a \$1.85 million budget.

#### *Next Year's Budget and Rates*

The 2013 General Fund budget year anticipates \$24,412,942 in revenues and appropriations, up \$5.2 million (27%) from 2012. The County is anticipating \$15,723,491 in revenue in 2013, an increase of \$3 million (24%) from the revenue budgeted in 2012 but \$1.6 million (9%) less than the \$17,290,641 in revenue actually received in 2012.

The county has committed to several road and bridge projects for 2013, funded from a variety of sources:

- Ross Road (Co Rd 31): \$540,000 project. \$290,000 General Fund; \$200,000 CMAG grant;
- Jenne Trail (Co Rd 34) Reconstruction: \$490,000 project. \$290,000 General Fund; \$200,000 CMAQ grant;
- Walker Creek Road (Co Rd 43): \$1,360,000 project. \$460,000 General Fund; \$600,000 WYDOT IRP, \$300,000 SLIB;
- Reese Road: \$156,000;
- Brownfield Road (drainage): \$175,000;
- Other roads as needed, including options for the Coal Shadow Bridge, which burned after budgets were drafted. Estimates cost for the bridge replacement is 1,500,000.

#### *Economic Factors*

The anticipated revenue increase for budget year 2013 is partly due to the steady increase in the assessed valuation of the County, which is the basis for property taxes. For tax year 2012, collected in fiscal year 2013, the valuation increased to just over \$1 billion, another historic high.

**CONVERSE COUNTY, WYOMING**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2012  
(Unaudited)

The valuation increase is being driven by activity in the energy industry, especially oil and gas exploration. Oil valuation increased from \$153.4 million in tax year 2011 to \$281.2 million in tax year 2012, a gain of 83%. Oil and gas exploration has also caused an increase in taxable value for other minerals used in the industry, specifically gravel and bentonite. The valuation for solid minerals less coal and uranium increased 49%, from \$3 million to \$4.4 million.

Historically, Converse County collects 98% of all property taxes assessed.

<i>U.S. Census Data</i>	<i>Converse County</i>	<i>Wyoming</i>
Population, 2010	13,833	568,158
Population, % change 2000 to 2010	14.8%	14.1%
Persons under 18 years, 2010	25.4%	24.0%
Persons 65 years and over, 2010	12.8%	12.4%
High School graduates, age 25+	92.0%	91.3%
Bachelor's degree or higher, age 25+	17.6%	23.6%
Housing units, 2010	6,403	261,868
Homeownership rate, 2006-2010	71.6%	70.2%
Median household income, 2006-2010	\$54,599	\$53,802
Persons below poverty level, 2006-2010	7.7%	9.8%
Building permits, 2010	23	2,298
Labor Force, 2010 average	7,529	293,769
Unemployment rate, 2010 average	5.8%	7.0%

***Long-term Debt***

At the end of the current fiscal year, Converse County had debt of \$952,086 from property tax repayments, construction retainage, capital leases, incurred but not reported claims payable, and compensated absences.

***Property tax repayments***

A Notice of Valuation Change (NOVC) is issued by the Department of Revenue in response to amended returns by a taxpayer or an audit conducted by the Wyoming Department of Audit. When an NOVC is received by Converse County, the County is obligated to refund taxes to the taxpayer. The County Commissioners can elect to repay the taxpayer in equal installments over the subsequent five years.

## CONVERSE COUNTY, WYOMING

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

(Unaudited)

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When each refund is paid, an amount is withheld from all taxing entities representing their portion of the refund, based on the portion they received when the tax was originally paid. Generally, the County's portion is 12% of the total tax payment.

As of June 30, 2012, the County was required to pay back \$657,468 in property taxes over the next six years due to Notice of Valuation Changes. The impact on the County General Fund is approximately 12% of that total, or \$80,990.

#### *Conclusion*

The above discussion and analysis is presented to provide additional information regarding the activities of the County and also to meet the disclosure requirements of GASB Statement No. 34. We believe that all requirements of GASB Statement No. 34 have been met as it applies to the County. This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. If you have questions about the report or need additional financial information, contact Converse County's Treasurer at 107 N 5<sup>th</sup> Street, Suite 129, Douglas, Wyoming 82633.

Three of the County's component units issue financial statements. Financial statements can be obtained for the Memorial Hospital of Converse County, the Converse County Airport Board and the Converse County Weed and Pest District by contacting each entity directly.

**BASIC FINANCIAL STATEMENTS**

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**CONVERSE COUNTY, WYOMING**  
**STATEMENT OF NET ASSETS**  
June 30, 2012

	Primary Government	Component Units
	Governmental Activities	Total
<b>ASSETS</b>		
Cash and cash equivalents	\$ 12,741,114	\$ 17,813,649
Investments	11,892,397	7,154,340
Current portion of assets limited as to use	-	898,209
Taxes receivable	195,637	226,518
Accounts receivable	16,160	5,695,373
Due from other governments	1,432,367	130,127
Due from primary government - fiduciary fund	39,325	252,063
Other current assets	-	309,014
Prepaid expense	61,054	-
Inventory	-	1,203,603
Notes receivable	42,128	-
Cash held in trust for others	296,128	-
Investment in limited liability companies	-	417,050
Investment in real estate	-	686,718
Beneficial interest in assets held by others	-	171,686
Deferred financing costs, net of amortization	-	58,279
Capital assets not being depreciated	2,243,865	5,079,782
Capital assets being depreciated, net of accumulated depreciation	12,278,505	27,805,604
Total assets	41,238,680	67,902,015
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	216,211	2,770,154
Funds held for others	296,128	-
Deferred revenue	3,617	-
Due to third-party payors	-	95,000
Refundable advances	22,711	511,514
Noncurrent liabilities		
Due within one year	377,545	1,248,752
Due in more than one year	574,541	8,035,571
Total liabilities	1,490,753	12,660,991
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	14,088,657	24,637,952
Restricted by state statutes	2,218,382	-
Restricted by grantors/donors	519,686	265,780
Permanently restricted, non spendable	-	242,527
Unrestricted	22,921,202	30,094,765
Total net assets	\$ 39,747,927	\$ 55,241,024

See accompanying notes to the financial statements

**CONVERSE COUNTY, WYOMING**

**STATEMENT OF ACTIVITIES**

Year Ended June 30, 2012

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 5,315,353	\$ 475,471	\$ 238,674	\$ -
Public safety	4,004,719	33,073	253,883	-
Public works	3,293,828	10,761	315,556	988,423
Health, welfare, and recreation	349,492	60,090	168,416	-
Conservation of natural resources	218,616	-	-	-
Total governmental activities	<u>13,182,008</u>	<u>579,395</u>	<u>976,529</u>	<u>988,423</u>
Total primary government	<u>\$ 13,182,008</u>	<u>\$ 579,395</u>	<u>\$ 976,529</u>	<u>\$ 988,423</u>
Component units	<u>\$ 41,152,381</u>	<u>\$ 39,513,879</u>	<u>\$ 743,343</u>	<u>\$ 1,356,630</u>

General revenues  
 Property taxes  
 Sales taxes  
 Other taxes  
 Grants and contributions not restricted to specific programs  
 Payments in lieu of taxes  
 Unrestricted investment income  
 Miscellaneous revenue

Total general revenues

Change in net assets

Net assets, beginning of year

Prior period adjustment

Net assets, beginning of year as restated

Net assets, end of year

See accompanying notes to the financial statements

Net (Expense) Revenue and Changes in Net Assets

<u>Primary Government</u>		<u>Component Units Totals</u>
<u>Governmental Activities</u>	<u>Total</u>	
\$ (4,601,208)	\$ (4,601,208)	\$ -
(3,717,763)	(3,717,763)	-
(1,979,088)	(1,979,088)	-
(120,986)	(120,986)	-
(218,616)	(218,616)	-
<u>(10,637,661)</u>	<u>(10,637,661)</u>	<u>-</u>
(10,637,661)	(10,637,661)	-
-	-	461,471
8,123,597	8,123,597	3,195,638
3,960,976	3,960,976	-
4,539,733	4,539,733	272,210
-	-	31,794
626,772	626,772	-
189,828	189,828	270,737
251,705	251,705	81,352
<u>17,692,611</u>	<u>17,692,611</u>	<u>3,851,731</u>
<u>7,054,950</u>	<u>7,054,950</u>	<u>4,313,202</u>
43,942,303	43,942,303	50,805,993
<u>(11,249,326)</u>	<u>(11,249,326)</u>	<u>121,829</u>
<u>32,692,977</u>	<u>32,692,977</u>	<u>50,927,822</u>
<u>\$ 39,747,927</u>	<u>\$ 39,747,927</u>	<u>\$ 55,241,024</u>

**CONVERSE COUNTY, WYOMING**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2012

	General Fund	County Roads Fund	Other Governmental Funds	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 9,397,526	\$ 2,243,950	\$ 563,495	\$ 12,204,971
Investments	9,743,535	1,551,421	-	11,294,956
Taxes receivable	186,497	-	9,140	195,637
Accounts receivable	-	-	16,160	16,160
Due from other governments	1,097,823	114,240	104,575	1,316,638
Due from other funds	141,815	-	10,773	152,588
Restricted cash	296,128	-	-	296,128
Note receivable	42,128	-	-	42,128
Prepaid expense	36,298	-	-	36,298
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 20,941,750</u>	<u>\$ 3,909,611</u>	<u>\$ 704,143</u>	<u>\$ 25,555,504</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable and accrued liabilities	\$ 179,077	\$ 7,500	\$ 29,637	\$ 216,214
Due to other funds	3,650	-	109,613	113,263
Deferred revenue	158,348	-	8,218	166,566
Cash held in trust for others	296,128	-	-	296,128
Refundable advances	-	-	22,711	22,711
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>637,203</u>	<u>7,500</u>	<u>170,179</u>	<u>814,882</u>
 Fund Balances				
Nonspendable	36,298	-	-	36,298
Restricted				
Special revenue funds	-	-	519,686	519,686
County road construction	-	2,218,382	-	2,218,382
Committed				
Economic development	208,569	-	-	208,569
Special revenue funds	-	-	52,966	52,966
Road construction	-	1,683,729	-	1,683,729
Assigned	10,067,854	-	64,015	10,131,869
Unassigned	9,991,826	-	(102,703)	9,889,123
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>20,304,547</u>	<u>3,902,111</u>	<u>533,964</u>	<u>24,740,622</u>
 Total liabilities and fund balances	<u>\$ 20,941,750</u>	<u>\$ 3,909,611</u>	<u>\$ 704,143</u>	<u>\$ 25,555,504</u>

See accompanying notes to the financial statements

CONVERSE COUNTY, WYOMING

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

June 30, 2012

Total fund balances - governmental funds \$ 24,740,622

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund statements. As capital assets used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in the governmental funds. This is the total capital assets reported in the government-wide statements. 14,522,370

Since the focus of governmental fund statements is on short-term financing, some assets will not be available to pay for current expenditures. Those assets are offset by deferred revenue in the governmental funds and are not included in the governmental fund balances. 162,949  
Property taxes

An internal service fund is used by management to charge the cost of medical insurance to individual funds. Assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets 1,014,072

Some liabilities exceed the amount that is due and payable in the current period and therefore are not fully reported in the governmental funds.

Property tax debt related to change in valuation	\$ (80,990)	
Retainage	(2,750)	
Capital leases	(430,963)	
Compensated absences	(177,383)	(692,086)

Net assets of governmental activities \$ 39,747,927

**CONVERSE COUNTY, WYOMING**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS  
Year Ended June 30, 2012

	General Fund	County Roads Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 15,423,743	\$ -	\$ 456,699	\$ 15,880,442
Licenses and permits	485,363	-	-	485,363
Intergovernmental revenues	1,584,771	1,297,388	620,967	3,503,126
Charges for services	7,627	-	60,090	67,717
Investment income	155,326	25,364	3,552	184,242
Miscellaneous revenues	78,693	92,097	41,325	212,115
<b>Total revenues</b>	<u>17,735,523</u>	<u>1,414,849</u>	<u>1,182,633</u>	<u>20,333,005</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	4,955,182	-	290,273	5,245,455
Public safety	3,339,325	-	415,203	3,754,528
Public works	1,740,378	-	-	1,740,378
Health, welfare and recreation	-	-	354,251	354,251
Conservation of natural resources	105,340	-	119,801	225,141
Economic development	50,000	-	-	50,000
Capital outlay	2,565,357	3,100,353	-	5,665,710
<b>Total expenditures</b>	<u>12,755,582</u>	<u>3,100,353</u>	<u>1,179,528</u>	<u>17,035,463</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>4,979,941</u>	<u>(1,685,504)</u>	<u>3,105</u>	<u>3,297,542</u>
<b>Other financing sources (uses)</b>				
Proceeds of capital leases	430,963	-	-	430,963
Transfers in	-	3,510,750	119,565	3,630,315
Transfers (out)	(2,055,315)	(1,000,000)	(575,000)	(3,630,315)
<b>Total other financing sources (uses)</b>	<u>(1,624,352)</u>	<u>2,510,750</u>	<u>(455,435)</u>	<u>430,963</u>
<b>Net changes in fund balances</b>	3,355,589	825,246	(452,330)	3,728,505
<b>Fund balances, beginning of year</b>	<u>16,948,958</u>	<u>3,076,865</u>	<u>986,294</u>	<u>21,012,117</u>
<b>Fund balances, end of year</b>	<u>\$ 20,304,547</u>	<u>\$ 3,902,111</u>	<u>\$ 533,964</u>	<u>\$ 24,740,622</u>

See accompanying notes to the financial statements

**CONVERSE COUNTY, WYOMING**

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

Year Ended June 30, 2012

Net change in fund balances - total governmental funds		\$ 3,728,505
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. These changes are detailed as follows:

Fixed assets acquisitions expended in the governmental funds	\$ 5,665,710		
Loss on disposal of assets	(254,703)		
Depreciation expense for the year	<u>(1,884,687)</u>		3,526,320

The issuance of long-term debt (e.g., lease purchase obligations) provides current financial resources to governmental funds, while the repayment of principal consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on changes in net assets. This is the net effect of these differences in the treatment of long term-debt, including compensated absences incurred but not reported claims, and property tax debt related to change in valuation:

Prior year property tax debt related to change in valuation	73,572		
Current year property tax debt related to change in valuation	(80,990)		
Prior year retainage payable	47,996		
Current year retainage payable	(2,750)		
Capital leases	(430,963)		
Prior year liability for compensated absences	163,772		
Current year liability for compensated absences	<u>(177,383)</u>		(406,746)

An internal service fund is used by management to charge the cost of medical insurance to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities	187,411
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.

Property taxes prior year	(143,489)		
Property taxes current year	<u>162,949</u>		<u>19,460</u>

Change in net assets of governmental activities	<u><u>\$ 7,054,950</u></u>
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See accompanying notes to the financial statements

**CONVERSE COUNTY, WYOMING**

**STATEMENT OF NET ASSETS - PROPRIETARY FUND**

June 30, 2012

	<b>Governmental Activity Internal Service Fund</b>
	<u>                    </u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 536,143
Investments	597,442
Accounts receivable	115,731
Prepaid expense	24,756
Total assets	<u>1,274,072</u>
 <b>LIABILITIES</b>	
Claims payable	<u>260,000</u>
Total current liabilities	<u>260,000</u>
 <b>NET ASSETS</b>	
Unrestricted	1,014,072
Total net assets	<u><u>\$ 1,014,072</u></u>

See accompanying notes to the financial statements

CONVERSE COUNTY, WYOMING

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
Year Ended June 30, 2012

	Governmental Activity Internal Service Fund
Operating revenues	
Charges for services	\$ 1,300,199
Miscellaneous income	118,941
	<u>1,419,140</u>
Operating expenses	
Medical costs	976,850
Stop loss insurance	261,318
Total operating expenses	<u>1,238,168</u>
Operating income	<u>180,972</u>
Nonoperating revenue	
Interest income	6,439
Total nonoperating revenue	<u>6,439</u>
Change in net assets	187,411
Net assets, beginning of year	<u>826,661</u>
Net assets, end of year	<u><u>\$ 1,014,072</u></u>

See accompanying notes to the financial statements

**CONVERSE COUNTY, WYOMING**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**

Year Ended June 30, 2012

	Business-type Activity Enterprise Fund Internal Service Fund
Cash Flows from Operating Activities	
Receipts from other funds	\$ 1,301,565
Payments to third party administrator	(1,073,168)
	228,397
Cash Flows from Investing Activities	
Interest received	6,439
Purchase of investments	(4,622)
	1,817
Net cash provided by investing activities	1,817
Net increase in cash and cash equivalents	230,214
Cash and cash equivalents, beginning of year	305,929
Cash and cash equivalents, end of year	\$ 536,143
Reconciliation of operating income to net cash used in operating activities	
Income from operations	\$ 180,972
Adjustments to reconcile operating income to cash used in operating activities	
Increase (decrease) in cash resulting from changes in operating assets and liabilities	
Accounts receivable	(115,731)
Prepaid expense	(1,844)
Claims payable	165,000
	180,972
Net cash provided by operating activities	\$ 228,397

See accompanying notes to the financial statements

CONVERSE COUNTY, WYOMING

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
June 30, 2012

	<u>General Agency Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,449,068
Taxes receivable	332,141
Due from other governments	106,992
	<hr/>
Total assets	1,888,201
	<hr/>
<b>LIABILITIES</b>	
Due to component units	252,063
Due to primary government	39,325
Due to other governments	1,264,671
Deferred revenue	332,142
	<hr/>
Total liabilities	1,888,201
	<hr/>
<b>NET ASSETS</b>	
Total net assets	<u><u>\$ -</u></u>

See accompanying notes to the financial statements

**CONVERSE COUNTY, WYOMING**

COMBINING STATEMENT OF NET ASSETS  
DISCRETELY PRESENTED COMPONENT UNITS  
June 30, 2012

	County Airport Board	County Hospital Board	Weed & Pest Control District
<b>ASSETS</b>			
Cash and cash equivalents	\$ 232,066	\$ 15,147,847	\$ 1,862,828
Investments	384,239	6,508,382	-
Current portion of assets limited as to use	30,000	868,209	-
Accounts receivable, net	-	5,626,143	62,010
Property taxes receivable	160,468	21,428	24,103
Due from primary government	-	-	13,799
Due from other governments	130,127	-	-
Other current assets	2,001	307,013	-
Inventory	-	901,953	301,650
Investment in limited liability companies	-	417,050	-
Investment in real estate	-	686,718	-
Beneficial interest in assets held by others	-	-	-
Deferred financing costs, net of amortization	-	58,279	-
Capital assets not being depreciated	4,079,971	887,211	12,000
Capital assets being depreciated, net of accumulated depreciation	4,793,546	22,322,520	201,110
<b>Total assets</b>	<b>9,812,418</b>	<b>53,752,753</b>	<b>2,477,500</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	296,922	2,292,425	157,110
Refundable advances	-	511,514	-
Due to third-party payors	-	95,000	-
Noncurrent liabilities			
Due within one year	-	1,241,081	-
Due in more than one year	-	7,995,221	-
<b>Total current liabilities</b>	<b>296,922</b>	<b>12,135,241</b>	<b>157,110</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	8,740,734	15,095,080	213,110
Restricted by grantors/donors	30,000	-	235,780
Permanently restricted, non spendable	-	-	-
Unrestricted	744,762	26,522,432	1,871,500
<b>Total net assets</b>	<b>\$ 9,515,496</b>	<b>\$ 41,617,512</b>	<b>\$ 2,320,390</b>

See accompanying notes to the financial statements

County Public Library	County Tourism Board	Total
\$ 525,356	\$ 45,552	\$ 17,813,649
261,719	-	7,154,340
-	-	898,209
7,220	-	5,695,373
20,519	-	226,518
19,122	219,142	252,063
-	-	130,127
-	-	309,014
-	-	1,203,603
-	-	417,050
-	-	686,718
171,686	-	171,686
-	-	58,279
100,600	-	5,079,782
488,428	-	27,805,604
<u>1,594,650</u>	<u>264,694</u>	<u>67,902,015</u>
17,693	6,004	2,770,154
-	-	511,514
-	-	95,000
7,671	-	1,248,752
40,350	-	8,035,571
<u>65,714</u>	<u>6,004</u>	<u>12,660,991</u>
589,028	-	24,637,952
-	-	265,780
242,527	-	242,527
697,381	258,690	30,094,765
<u>\$ 1,528,936</u>	<u>\$ 258,690</u>	<u>\$ 55,241,024</u>

**CONVERSE COUNTY, WYOMING**

COMBINING STATEMENT OF ACTIVITIES  
DISCRETELY PRESENTED COMPONENT UNITS  
Year Ended June 30, 2012

Component Units	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
County Airport Board	\$ 772,125	\$ 78,823	\$ -	\$ 1,356,630
County Hospital Board	38,053,950	38,852,661	701,448	-
Weed and Pest Control District	1,270,641	564,504	30,000	-
County Public Library Board	849,598	17,891	11,895	-
County Tourism Board	206,067	-	-	-
	<u>\$ 41,152,381</u>	<u>\$ 39,513,879</u>	<u>\$ 743,343</u>	<u>\$ 1,356,630</u>

General Revenues

Property taxes  
Lodging taxes  
Intergovernmental revenue  
Miscellaneous  
Unrestricted investment earnings  
Total general revenues

Change in net assets

Net assets, beginning of year

Prior period adjustment

Net asset, beginning of year, as restated

Net assets, end of year

See accompanying notes to the financial statements

Net (Expense) Revenue and Changes in Net Assets

County Airport Board	County Hospital Board	Weed and Pest Control District	County Public Library	County Tourism Board	Totals
\$ 663,328	\$ -	\$ -	\$ -	\$ -	\$ 663,328
-	1,500,159	-	-	-	1,500,159
-	-	(676,137)	-	-	(676,137)
-	-	-	(819,812)	-	(819,812)
-	-	-	-	(206,067)	(206,067)
<u>663,328</u>	<u>1,500,159</u>	<u>(676,137)</u>	<u>(819,812)</u>	<u>(206,067)</u>	<u>461,471</u>
115,940	1,376,796	922,735	780,167	-	3,195,638
-	-	-	-	272,210	272,210
-	-	-	31,794	-	31,794
5,202	53,145	3,810	19,195	-	81,352
6,574	244,547	12,693	6,033	890	270,737
<u>127,716</u>	<u>1,674,488</u>	<u>939,238</u>	<u>837,189</u>	<u>273,100</u>	<u>3,851,731</u>
<u>791,044</u>	<u>3,174,647</u>	<u>263,101</u>	<u>17,377</u>	<u>67,033</u>	<u>4,313,202</u>
8,724,452	38,442,865	2,057,289	1,389,730	191,657	50,805,993
-	-	-	121,829	-	121,829
<u>8,724,452</u>	<u>38,442,865</u>	<u>2,057,289</u>	<u>1,511,559</u>	<u>191,657</u>	<u>50,927,822</u>
<u>\$ 9,515,496</u>	<u>\$ 41,617,512</u>	<u>\$ 2,320,390</u>	<u>\$ 1,528,936</u>	<u>\$ 258,690</u>	<u>\$ 55,241,024</u>

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## CONVERSE COUNTY, WYOMING

### NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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#### **Note 1. Nature of Operations and Significant Accounting Policies**

Converse County, Wyoming provides a broad range of services to its citizens, including general government, public safety, transportation, roads and bridges, health, cultural, recreational, conservation and social services.

#### ***Financial Reporting Entity***

The County (primary government) is a municipal corporation governed by five elected commissioners. The County provides the following services as authorized by statute: public safety, road and bridge maintenance and operation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. As required by accounting principles generally accepted in the United States of America, these financial statements present the County and its component units, entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the County's operations, and so data from those units would be combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combining statements for major component units to emphasize it is legally separate from the County. The County has no blended component units. Each discretely presented component unit has a June 30 year end. For tax filing purposes, the Converse County Library Foundation has a December 31 year end; however, for financial reporting purposes the Foundation utilizes a June 30 year end.

#### ***Discretely Presented Component Units***

- The *Tourism Board* serves the County by promoting tourism within the County. It's governed by a board of which some members are appointed by the County. The Tourism Board is fiscally dependent upon the County because the Tourism Board cannot issue bonded debt without approval by the County. Furthermore, the Tourism Board could not reasonably be included in the financial statements of another financial reporting entity. The board does not issue separate audited financial statements.
- The *Weed and Pest Control District* was established for the purpose of implementing and pursuing an effective program for the control of weeds and pests within the County. The District is fiscally dependent upon the County because the Board of Commissioners approves the District's budget and levies taxes on behalf of the District. Separate audited financial statements of the District can be obtained from the District's administrative offices located in Douglas, Wyoming.
- The *County Library Board* maintains and manages the operations of the County Library and library system. The Library Board is fiscally dependent upon the County because the Board of Commissioners approves the Library's budget, levies taxes and must approve any debt issuances. The Library's taxes are levied under the taxing authority of the County and are included as part of the County's total tax levy. The County Library includes the financial data of its component unit, the Converse County Library Foundation. The Board does not issue separate audited financial statements.
- The *County Airport Board* provides and maintains aviation facilities for the County. The Airport Board is fiscally dependent upon the County because the Board of Commissioners approves the Airport's budget, levies taxes and must approve any debt issuances. Separate audited financial statements can be obtained from the Board's administrative offices located in Douglas, Wyoming.
- The *County Hospital Board* provides and maintains a hospital facility for Converse County. The Hospital is fiscally dependent upon the County because the Board of Commissioners approves the Hospital's budget and levies taxes. Separate audited financial statements of the Hospital can be obtained from the Hospital's administrative offices located in Douglas, Wyoming.

## CONVERSE COUNTY, WYOMING

### NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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#### **Note 1. Nature of Operations and Significant Accounting Policies (Continued)**

##### ***Jointly Governed Organization***

The Converse County Fire Suppression Authority was formed by the Converse County Municipal and Joint Powers Board consisting of the County Commissioners, the City of Douglas, Wyoming, the Town of Glenrock, Wyoming, the Town of Rolling Hills, Wyoming, and the Town of Lost Springs, Wyoming. The Converse County Municipal and Joint Powers Board is a separate legal entity created in accordance with the provisions of the Wyoming Joint Powers Act. During the fiscal year ended June 30, 2012, the County allocated \$641,056 to the Converse County Fire Suppression Authority.

##### ***Government-wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

##### ***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period.

For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

## CONVERSE COUNTY, WYOMING

### NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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#### Note 1. Nature of Operations and Significant Accounting Policies (Continued)

##### *Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)*

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

The government reports the following major governmental funds:

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

*County Roads Fund* is a capital project fund and is used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

The government reports the following major proprietary fund:

*Internal Service Fund* accounts for the County's medical insurance which is administered by a third party administrator.

Additionally, the government reports the following fund types:

The *agency funds* are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The County also has the option of following subsequent private-sector guidance for their business-type activities, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's proprietary fund are reimbursements from other funds for medical cost. Operating expenses for the proprietary fund include medical cost and insurance. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

##### *Cash and Cash Equivalents*

The County considers all demand deposits and highly liquid investments with an original maturity date of three months or less when purchased to be cash equivalents. The County's cash activity is accounted in a pooled cash accounts.

## CONVERSE COUNTY, WYOMING

### NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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#### **Note 1. Nature of Operations and Significant Accounting Policies (Continued)**

##### ***Investments***

Wyoming Statutes authorize the types of investments in which Counties may invest. Among these authorized investments are certificates of deposit, obligations of the U.S. Treasury and repurchase agreements involving U.S. Government securities. The County's investments consist of certificates of deposit, U.S. Agencies' obligations, all of which are carried at fair value, and participation in the Wyoming Government Investment Fund (WGIF) and WYO-STAR governmental investment pools. WGIF and WYOSTAR are governmental investment pools which were established after July 1, 1996 according to the Wyoming Statutory Trust Act. Shares of the funds are offered exclusively to Wyoming governmental entities with separate accounts maintained for each entity. These pools invest in obligations of the U.S. Treasury and other investments as authorized by the Wyoming Statutes. The County's investment activity is conducted in a pooled investment accounts. The Library Foundation has investments in mutual funds.

##### ***Receivables and Payables***

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds". All other outstanding balances between funds are reported as "due to/due from" the entities and funds involved. Transfers and interfund transactions between governmental funds are eliminated in the government-wide financial statements.

Any advances between funds, as may be reported in the fund financial statements, are offset by a fund balance reserve account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable financial resources.

Memorial Hospital of Converse County provides an allowance on uncollectible self-pay and miscellaneous commercial insurance accounts. Patients are not required to provide collateral for services rendered. Payment for services is required upon receipt of an invoice, after payment by insurance, if any. Self-pay accounts are analyzed for collectability based on the months past due and payment history. An allowance is estimated for these accounts based on the historical experience of the hospital. Accounts that are determined to be uncollectible are sent to the collection agency and written off at that time. At June 30, 2012, the allowance for uncollectible accounts was approximately \$1,187,068. Recoveries of accounts previously written off as uncollectible are netted against the current year's expense.

Memorial Hospital of Converse County serves patients in an area including, but not limited to Converse County, Wyoming. Although Memorial Hospital of Converse County's patient accounts receivable are diversified, and consist of numerous immaterial balances, the Hospital is dependent on the third party payors (insurance companies and government programs) as well as self-pay patients to satisfy those obligations. The ability of patients to pay their obligations is dependent largely upon the energy and agricultural sectors of the economy. The approximate mix of receivables from patients and third-party payors at June 30, 2012, was 23%, 6%, 4%, 32%, and 35% Medicare, Medicaid, other, insurance, and patients, respectively.

##### ***Notes Receivable***

Notes receivable represent the County's Economic Development loans. These loans are based on written agreements between the County and various loan recipients. As of June 30, 2012, the loans are reported net of an allowance for uncollectible debt in the approximate amount of \$198,000.

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

*Inventory*

All inventories are valued at cost using first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed (purchases method), within the fund level financial statements. The consumption method is used for reporting these inventories at the government-wide level. Inventory of Memorial Hospital of Converse County consists of medical supplies stated at the lower of cost (first-in, first-out method) or market. Market value is determined by comparison with recent purchases.

*Assets Limited as to Use*

Since Memorial Hospital of Converse County operates as an Enterprise fund, certain bond covenants require the hospital to establish and maintain prescribed amounts of resources (consisting of cash and temporary investments) that can be used to service outstanding debt. Memorial Hospital of Converse County also has included in its assets limited as to use, amounts which have been transferred to the bond agent for deposit to the bond reserve fund which will pay future bond payments.

Resources restricted by donors for plant replacement and expansion and capital debt requirements are added to unrestricted net assets to the extent expended within the period. Resources restricted by donors or grantors for specific operating purposes are reported in other revenue to the extent used within the period.

*Capital Assets*

Capital assets, which include property, equipment and infrastructure assets, are recorded at historical cost or at estimated historical cost if the actual historical cost is not available in the government-wide financial statements. Infrastructure assets include roads, bridges, culverts, and signs. The County's capitalization level for buildings, improvements, equipment, vehicles, furniture and fixtures is \$5,000. Depreciation on property and equipment is provided on the straight-line basis over the following useful lives:

	<u>Years</u>
Primary Government	
Buildings and building improvements	15 - 30
Equipment and vehicles	5 - 15
Infrastructure	20 - 30
Component Units	
Land improvements	20
Buildings	10 - 40
Furnishings and computer equipment	3 - 15
Hangars, runways, ramps and taxiways	15 - 30
Equipment and vehicles	5 - 10

Property and equipment donated for the Memorial Hospital of Converse County are valued at their estimated fair value at the date of the gift. Capital assets must possess the following characteristics: 1) be tangible in nature, 2) have a life longer than one year, and 3) value in excess of \$5,000.

Capital asset purchases are accounted for as expenditures of the general fund and road construction fund in the governmental fund financial statements. Other costs for repairs and maintenance are accounted for as expenditures as incurred.

## CONVERSE COUNTY, WYOMING

### NOTES TO FINANCIAL STATEMENTS

June 30, 2012

---

#### **Note 1. Nature of Operations and Significant Accounting Policies (Continued)**

##### ***Fund Balance***

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the County Commission, the highest level of authority, through approval of resolutions. Assigned fund balances is a limitation imposed by a designee of the County board. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed, or assigned to those purposes. Proprietary fund equity is classified the same as in the government-wide statements.

When both restricted and unrestricted fund balances are available for use, it is the County's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

For the government-wide financial statements, net assets are reported as restricted when constraints placed on net assets are either: (1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

##### ***Property Taxes***

Property taxes attach as an enforceable lien on property as of July 1. Property taxes are levied on or about August 1, and are due in two installments. The first becomes due on September 1 and delinquent on November 10; the second becomes due on March 1 and delinquent on May 11. Delinquent taxes have been recognized as revenue to the extent they have been collected within 60 days after the fiscal year end, with the net balance considered unavailable and, therefore, deferred. The County bills and collects its own property taxes and also taxed for all municipalities and political subdivisions within the County. Collection and remittance of these taxes for other taxing districts are accounted for in the respective agency funds of the County.

The County is permitted by Wyoming Statutes to levy taxes up to 12 mills of assessed valuation for all purposes exclusive of state revenue, except for the payment of public debt and interest thereon. The combined tax rate to finance general governmental services other than the payment of principal and interest on long-term debt for the year ended June 30, 2012, was 12 mills, which means that the County has levied to the maximum amount available.

##### ***Major Taxpayers***

The County's ten largest taxpayers account for approximately 68% of the County's total assessed property valuation. Five of the ten taxpayers are involved in mineral extraction industries, three are power producers, and two are railroad companies. The County received approximately 31% of its total revenues from these taxpayers.

##### ***Motor Vehicle Fees***

Motor Vehicle fees collected on a value of vehicle as they are registered and are distributed monthly in the same manner as property taxes. The County received 2% of its total revenues from motor vehicles fees.

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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**Note 1. Nature of Operations and Significant Accounting Policies (Continued)**

***Compensated Absences***

All regular, full-time and half-time employees who work at least twenty hours accrue monthly paid vacation. Employees accumulate vacation leave hours monthly based on number of years of service with the County. Full-time employees are entitled to 12 vacation days for 0 to 5 years of service, 15 vacation days for 6 to 10 years of service, and 20 ¼ days for 11 and over years of service, and all half-time employees are entitled to half of the days attributed to the full-time employees. As of January 1 of each year, the maximum annual vacation leave accrual allowed will be 20 days. If the maximum is exceeded, the excess amount of annual vacation leave time will be forfeited by the employee without compensation. The days credited to an employee for annual vacation leave time shall be working days. This provision may be waived upon the submission of a written request by the employee's department head to the Commission. A liability for these amounts is reported in these amounts in the governmental funds only if they have matured, for example, as a result of employee resignation and retirement.

Regular employees accrue one day per month of sick leave and half-time employees accrued one-half day per month; however, none of the accumulated sick leave will be paid upon termination of employment.

Memorial Hospital of Converse County operates a two part consolidated leave program to compensate employees for a limited amount of earned but unused vacation, holiday, and sick leave. Paid Time Off (PTO) benefits accrue time that may be used for holiday, vacation, or personal purposes. Extended Illness Benefit (EIB) accrues time to be used for personal illness. Accrued PTO and EIB are recorded as expenditures in the period they are earned.

***Charity Care***

The Memorial Hospital of Converse County accepts all patients, regardless of their ability to pay. Records are maintained for patients who meet certain criteria under the Memorial Hospital of Converse County's charity care policy in order to identify and monitor the level of charity care provided. Qualification for charity care is based on the patient's income level and outstanding liabilities for medical care. Since the Memorial Hospital of Converse County does not pursue collection of qualifying charity care amounts, these amount are excluded from patient service revenue.

***Investment in Limited Liability Companies***

Memorial Hospital of Converse County has 40% controlling interest and net profit interest in Big County Rehabilitation, LLC. Memorial Hospital of Converse County is a member of Powder River Imaging, LLC, which was formed as a joint venture for the purpose of providing imaging services to members of the community. Memorial Hospital of Converse County owns 22% of Powder River Imaging, LLC. These investments are accounted for using the equity method. Accordingly, the carrying value is equal to the capital contribution Memorial Hospital of Converse County has made adjusted for profits and losses, which are allocated to the members as provided in the operating agreements. Memorial Hospital of Converse County considers revenue generated from these LLC's to be operating revenue.

## CONVERSE COUNTY, WYOMING

### NOTES TO FINANCIAL STATEMENTS

June 30, 2012

---

#### **Note 1. Nature of Operations and Significant Accounting Policies (Continued)**

##### ***Investment in Real Estate***

During the year, Memorial Hospital of Converse County purchased several homes in the Douglas area in order to provide temporary housing for incoming doctors. These investments are accounted for using the cost method; as Memorial Hospital of Converse County's intention is to use them for a short time, then sell them.

##### ***Deferred Financing Costs***

Costs related to the Memorial Hospital of Converse County's bond financing are capitalized and amortized over the term of the related debt using the straight-line method.

##### ***Net Patient Service Revenue***

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Memorial Hospital of Converse County has agreements with third-party payors that provide for payments to the Memorial Hospital of Converse County at amounts different from its established rates. A summary of the payment arrangements with Medicare is as follows:

- Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient non-acute services, certain medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. Memorial Hospital of Converse County is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by Memorial Hospital of Converse County and audits thereof by the Medicare fiscal intermediary. Effective May 1, 2002, Memorial Hospital of Converse County received the designation as a Critical Access Hospital.
- Memorial Hospital of Converse County classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with Memorial Hospital of Converse County. Memorial Hospital of Converse County's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2011.
- Inpatient services rendered to Medical program beneficiaries are reimbursed under a reimbursement methodology similar to inpatient Medicare. Outpatient Medicaid services are reimbursed under the lower of usual or customary charge fee structure. There is generally no retroactive settlement at year end. For the fiscal year ended June 30, 2012, Memorial Hospital of Converse County's gross patient service revenue was \$45,705,687 which was adjusted for contractual discounts of \$7,255,242 and charity care of \$265,104 resulting in net patient service revenue of \$38,185,341.

##### ***Accounting Estimates***

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual amounts could differ from estimates.

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**Note 1. Nature of Operations and Significant Accounting Policies (Continued)**

***Short-term Financing***

The County did not issue any tax anticipation notes or use any other type of short-term financing for the year ended June 30, 2012.

***Budget***

The County Commissioners annually adopt a budget and approve the related appropriations for the funds in accordance with provisions of the Wyoming Statutes. Budgets are legally adopted for the Primary Government, Weed and Pest Control District, Converse County Fair and Converse County Public Library. Annual appropriated budgets are prepared on a basis of estimated cash receipts and cash disbursements and accounts payable. Unexpended and unencumbered budgeted amounts and budget appropriations lapse at the end of the fiscal year. Encumbrances are reappropriated in the ensuing year.

The County Commissioners exercise legal spending control at the department level. Any over-expenditures or transfers of appropriations must be approved by them, as are all departmental budget amendments. Management control is exercised at budgetary line item levels. The County Commissioners and the governing Boards of the Component Units may also amend the budget after it is approved, using the same procedures necessary to approve the original budget. The budgetary data presented in the financial statements reflects the approved budget. The County Commissioners amended the budget for the fiscal year ended June 30, 2012 to increase expenditures in the following funds and departments:

General Fund	
Coroner	\$ 5,426
Information technology	1,251
County jail	8,709
Road and bridge	97,910
Emergency management	23,676
	<hr/>
	\$ 136,972
	<hr/>
Non major funds	
Inmate Welfare	\$ 1,321
HAHR	823
	<hr/>
	\$ 2,144
	<hr/>

**Note 2. Deposits and Investments**

***Custodial Credit Risk - Deposits***

In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. State statutes require that the County's deposits in excess of the Federal depository insurance must be collateralized.

***Primary Government***

Deposits: As of June 30, 2012, the County's bank balances were collateralized with securities held by the pledging institution's trust department or agent, in joint custody of the bank and the County.

**CONVERSE COUNTY, WYOMING**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2012

**Note 2. Deposits and Investments (Continued)**

***Component Units***

As June 30, 2012, the bank balances of all County's component units were collateralized with securities held by the pledging institution's trust department or agent, in joint custody of the bank and the County's component units.

***Investments***

As of June 30, 2012, the primary government of the County had the following investments:

Investment Type	Fair Value	Interest Rate	Less Than 1	1 - 5	Rating
State Treasurer's					
Investment Pool (WYO-STAR)	\$ 404,929	0.51%	\$ 404,929	\$ -	Not rated
WGIF	2,748,190	N/A	2,748,190	-	Amm
Certificates of Deposit	6,346,653	0.50% - 2.15%	-	6,346,653	N/A
U.S. Government Securities	2,392,625	0.49% - 1.25%	-	2,392,625	N/A
Total	<u>\$ 11,892,397</u>		<u>\$ 3,153,119</u>	<u>\$ 8,739,278</u>	

These investments are reported under the following captions on the statement of net assets:

As of June 30, 2012, the component units of the County had the following investments:

Investment Type	Fair Value	Interest Rate	Less Than 1	1 - 5	Rating
Certificates of Deposit	\$ 7,154,340	0.90% - 4.6%	\$ 7,004,305	\$ 180,035	N/A

***Interest Rate Risk***

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County's investments are held in external pooled investment accounts with a focus on liquidity. As a means of limiting its exposure to fair value losses arising from interest rates the County attempts to match its investment maturities with its expected cash flow needs. With this investment focus, investments are expected to reach maturity with limited gains and losses.

***Credit Risk***

Generally, credit risk is the risk that an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. State law does not allow governments to invest in corporate bonds, stocks or mutual funds and limits investments in commercial paper to short term maturities (not greater than 270 days) and to the top ratings issued by nationally recognized statistical rating organizations (Moody's and Standard and Poor's). Obligations of the U.S. Government and obligations specifically guaranteed by the U.S. Government are backed by the full faith and credit of the U.S. Government. The U.S. Government agency securities and securities held in the external investment pool are rated AAA/Aaa by Standard and Poor's and Moody's. Under investment agreements with WYOSTAR, the County has invested monies at a fixed contract rate of interest. Because the security is essentially a written contract, there is no rating available for such investments.

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**Note 2. Deposits and Investments (Continued)**

*Investments (Continued)*

*Concentration of Credit Risk*

The County does not have a formal policy that allows for or limits an investment in any one issuer to a specified percentage of the County's total investments. At June 30, 2012, the County had 53% of its investments in Certificates of Deposit and 20% in U.S. Government Securities. The component units had 100% of their investments in Certificates of Deposit.

*Custodial Credit Risk – Investments*

For an investment, this is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The County does not have a formal policy for custodial credit risk. The County's investments in WYOSTAR are not subject to custodial credit risk since they are held by the Treasurer of the State of Wyoming. The only other significant exposure is for securities held by securities brokers or other banks. Management believes the stability and reputation of these securities brokers and banks serve to limit its custodial credit risk.

**Note 3. Interfund Balances**

Interfund and intra-entity receivables and payables at June 30, 2012 are as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 141,815	\$ 3,650
Non major funds		
Parks and Recreation	-	135
Health Department	-	125
Homeland Security Grant	-	7,880
Other Grants	-	100,475
Best Beginnings	10,773	998
Fiduciary Fund	-	39,325
	<u>\$ 152,588</u>	<u>\$ 152,588</u>

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**Note 3. Interfund Balances (Continued)**

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occurred, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 2,055,315
County Road Fund	3,510,750	1,000,000
Non major funds		
Homeland Security Grant	32,071	-
Other Grants	87,494	-
Impact Assistance	-	575,000
	<u>\$ 3,630,315</u>	<u>\$ 3,630,315</u>

Transfers were made to (1) be used to move revenues from the funds that statute or budget requires expending them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary restrictions.

**Note 4. Beneficial Interest**

Converse County Library Foundation transferred investments to the Wyoming Community Foundation specifying itself as the beneficiary. The Wyoming Community Foundation ("WCF") is a Wyoming not-for-profit organization. WCF established the Converse County Library Endowment fund to account for these permanently restricted contributions. WCF is required to make distributions of interest and dividend income to the Converse County Library Foundation and other contributions that might be made in the future for the benefit of the Converse County Library Foundation annually. The Converse County Library Foundation received distributions of \$2,161 during the year ended June 30, 2012. In accordance with the professional accounting standards, the Foundation recorded its beneficial interest in the WCF fund and recorded as permanently restricted those contributions received by the WCF for the benefit of the Foundation. Converse County Library Foundation's beneficial interest in assets held at WCF was \$171,686 as of June 30, 2012.

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**CONVERSE COUNTY, WYOMING**

NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

**Note 5. Capital Assets**

**Primary Government**

Capital asset activity for the governmental activities for the year ended June 30, 2012, was as follows:

	Beginning Balance	Prior Period Adjustment	Beginning Balance As Restated	Transfers and Additions	Transfers and Deletions	Ending Balance
Capital assets, not being depreciated						
Land	\$ 2,000,325	\$ -	\$ 2,000,325	\$ -	\$ 27,577	\$ 1,972,748
Construction in progress	1,017,207	(342,660)	674,547	3,776,004	4,179,434	271,117
Total capital assets not being depreciated	<u>3,017,532</u>	<u>(342,660)</u>	<u>2,674,872</u>	<u>3,776,004</u>	<u>4,207,011</u>	<u>2,243,865</u>
Capital assets being depreciated						
Infrastructure	35,531,581	102,515	35,634,096	4,179,434	-	39,813,530
Buildings and building improvements	5,027,532	-	5,027,532	836,088	9,570	5,854,050
Machinery, equipment, and office fixtures	10,722,886	(2,378,285)	8,344,601	1,053,618	489,695	8,908,524
Total capital assets being depreciated	<u>51,281,999</u>	<u>(2,275,770)</u>	<u>49,006,229</u>	<u>6,069,140</u>	<u>499,265</u>	<u>54,576,104</u>
Less accumulated depreciation for						
Infrastructure	22,672,545	8,936,894	31,609,439	989,715	-	32,599,154
Buildings and building improvements	3,455,750	28,325	3,484,075	80,304	2,732	3,561,647
Machinery, equipment, and office fixtures	5,925,860	(334,323)	5,591,537	814,668	269,407	6,136,798
Total accumulated depreciation	<u>32,054,155</u>	<u>8,630,896</u>	<u>40,685,051</u>	<u>1,884,687</u>	<u>272,139</u>	<u>42,297,599</u>
Total capital assets, being depreciated, net	<u>19,227,844</u>	<u>(10,906,666)</u>	<u>8,321,178</u>	<u>4,184,453</u>	<u>227,126</u>	<u>12,278,505</u>
Governmental activities, capital assets, net	<u>\$ 22,245,376</u>	<u>\$(11,249,326)</u>	<u>\$ 10,996,050</u>	<u>\$ 7,960,457</u>	<u>\$4,434,137</u>	<u>\$ 14,522,370</u>

**CONVERSE COUNTY, WYOMING**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2012

**Note 5. Capital Assets (Continued)**

***Primary Government (Continued)***

Depreciation expense was charged to the functions/programs of the primary government as follows:

Governmental activities	
General government	\$ 110,250
Public safety	461,413
Public works	1,303,545
Health and welfare	9,479
	<u>1,884,687</u>
Total depreciation expense - governmental activities	\$ 1,884,687
	<u>\$ 1,884,687</u>

***Component Units***

Capital asset activity for each component unit for the year ended June 30, 2012, was as follows:

Capital asset activity for the Converse County Airport for the year ended June 30, 2012:

	Beginning Balance	Transfers and Additions	Transfers and Deletions	Ending Balance
Capital assets, not being depreciated				
Land	\$ 2,741,061	\$ -	\$ -	\$ 2,741,061
Construction in progress	67,092	1,271,818		1,338,910
Total capital assets not being depreciated	<u>2,808,153</u>	<u>1,271,818</u>	<u>-</u>	<u>4,079,971</u>
Capital assets being depreciated				
Improvements other than buildings	11,448,842	-	-	11,448,842
Buildings, building improvements and runways	516,386	-	-	516,386
Equipment and vehicles	<u>173,972</u>	<u>-</u>	<u>-</u>	<u>173,972</u>
Total capital assets being depreciated	<u>12,139,200</u>	<u>-</u>	<u>-</u>	<u>12,139,200</u>
Less accumulated depreciation	<u>6,868,199</u>	<u>477,455</u>	<u>-</u>	<u>7,345,654</u>
Total capital assets, being depreciated, net	<u>5,271,001</u>	<u>(477,455)</u>	<u>-</u>	<u>4,793,546</u>
Capital assets, net	<u>\$ 8,079,154</u>	<u>\$ 794,363</u>	<u>\$ -</u>	<u>\$ 8,873,517</u>

**CONVERSE COUNTY, WYOMING**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2012

**Note 5. Capital Assets (Continued)**

**Component Units (Continued)**

Capital asset activity for the Converse County Weed and Pest Control District for the year, ended June 30, 2012, was as follows:

	Beginning Balance	Transfers and Additions	Transfers and Deletions	Ending Balance
Capital assets, not being depreciated				
Land	\$ 12,000	\$ -	\$ -	\$ 12,000
Total capital assets not being depreciated	12,000	-	-	12,000
Capital assets being depreciated				
Buildings and improvements	181,257	765	-	182,022
Machinery, equipment and office fixtures	244,281	47,580	29,168	262,693
Total capital assets, being depreciated, net	425,538	48,345	29,168	444,715
Less accumulated depreciation	236,431	27,263	20,089	243,605
Total capital assets, being depreciated, net	189,107	21,082	9,079	201,110
Capital assets, net	<u>\$ 201,107</u>	<u>\$ 21,082</u>	<u>\$ 9,079</u>	<u>\$ 213,110</u>

Capital asset activity for the Converse County Public Library for the year ended June 30, 2012, was as follows:

	Beginning Balance	Transfers and Additions	Transfers and Deletions	Ending Balance
Capital assets, not being depreciated				
Land	\$ 100,600	\$ -	\$ -	\$ 100,600
Total capital assets not being depreciated	100,600	-	-	100,600
Capital assets being depreciated				
Buildings and building improvements	621,794	35,754	2,246	621,794
Machinery, equipment and office fixtures	162,449	-	-	195,957
Collection	-	241,223	-	241,223
Total capital assets being depreciated	784,243	276,977	2,246	1,058,974
Less accumulated depreciation	427,338	145,455	-	570,546
Total capital assets being depreciated, net	356,905	131,522	2,246	488,428
Capital assets, net	<u>\$ 457,505</u>	<u>\$ 131,522</u>	<u>\$ 2,246</u>	<u>\$ 589,028</u>

**CONVERSE COUNTY, WYOMING**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2012

**Note 5. Capital Assets (Continued)**

*Component Units (Continued)*

Capital asset activity for the Converse County Hospital for the year ended June 30, 2012, was as follows:

	Beginning Balance	Transfers and Additions	Transfers and Deletions	Ending Balance
Capital assets, not being depreciated				
Land and land improvements	\$ 812,773	\$ -	\$ -	\$ 812,773
Construction in progress	1,312,097	1,231,037	2,468,696	74,438
Total capital assets not being depreciated	<u>2,124,870</u>	<u>1,231,037</u>	<u>2,468,696</u>	<u>887,211</u>
Capital assets being depreciated				
Land improvements	12,438	65,031	-	77,469
Building	22,221,742	2,468,696	4,500	24,685,938
Equipment	16,223,592	2,238,097	-	18,461,689
Total capital assets being depreciated, net	<u>38,457,772</u>	<u>4,706,793</u>	<u>4,500</u>	<u>43,225,096</u>
Less accumulated depreciation	<u>18,133,900</u>	<u>2,768,676</u>	<u>-</u>	<u>20,902,576</u>
Total capital assets, being depreciated, net	<u>20,323,872</u>	<u>1,938,117</u>	<u>4,500</u>	<u>22,322,520</u>
Capital assets, net	<u>\$ 22,448,742</u>	<u>\$ 3,169,154</u>	<u>\$ 2,473,196</u>	<u>\$ 23,209,731</u>

**Note 6. County Debt**

The Wyoming Constitution (Article 16§3) limits the amount of indebtedness for any County to not more than two percent of the last general assessment. This limit was \$17,026,210 at June 30, 2012. The County had no outstanding debt subject to this limitation.

**CONVERSE COUNTY, WYOMING**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2012

**Note 6. County Debt (Continued)**

The following is a summary of changes in long-term debt of the County for the year ended June 30, 2012:

	<u>Balance June 30, 2011</u>	<u>New Debt Incurred</u>	<u>Debt Retired</u>	<u>Balance June 30, 2012</u>	<u>Due Within One Year</u>
<b>Primary Government</b>					
<b>Governmental activities</b>					
Property tax repayment	\$ 73,572	\$ 23,819	\$ 16,401	\$ 80,990	\$ 32,708
Retainage	47,996	-	45,246	2,750	2,750
Capital leases	-	430,963	-	430,963	66,267
Incurred but not reported claims payable	95,000	165,000	-	260,000	260,000
Compensated absences	163,772	13,611	-	177,383	15,820
	<u>\$ 380,340</u>	<u>\$ 633,393</u>	<u>\$ 61,647</u>	<u>\$ 952,086</u>	<u>\$ 377,545</u>
<b>Component Units</b>					
Revenue bonds	\$ 7,830,000	\$ -	\$ 410,000	\$ 7,420,000	\$ 425,000
Less deferred amounts on refunding	(820,886)	-	(56,814)	(764,072)	-
Less bond discount	(30,494)	-	-	(30,494)	-
Net bonds payable	<u>6,978,620</u>	<u>-</u>	<u>353,186</u>	<u>6,625,434</u>	<u>425,000</u>
Short-term notes	12,413	-	-	12,413	12,413
Capital leases	2,196,145	24,769	652,114	1,568,800	678,391
Compensated absences	921,528	288,197	132,049	1,077,676	132,948
	<u>\$ 10,108,706</u>	<u>\$ 312,966</u>	<u>\$ 1,137,349</u>	<u>\$ 9,284,323</u>	<u>\$ 1,248,752</u>

Property tax repayment, retainage, compensated absences, and incurred but not reported claims are liabilities of the primary government are generally liquidated by the general fund.

***Primary Government***

***Property tax repayment***

A Notice of Valuation Change (NOVC) is issued by the Department of Revenue in response to amended returns by a taxpayer or an audit conducted by the Wyoming Department of Audit. When an NOVC is received by Converse County, the County is obligated to refund taxes to the taxpayer. The County Commissioners can elect to repay the taxpayer in equal installments over the subsequent five years.

When each refund is paid, an amount is withheld from all taxing entities representing their portion of the refund, based on the portion they received when the tax was originally paid. Generally, the County's portion is 12% of the total tax payment.

**CONVERSE COUNTY, WYOMING**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2012

**Note 6. County Debt (Continued)**

***Property tax repayment (Continued)***

As of June 30, 2012, the County was required to pay back \$657,468 in property taxes over the next six years due to Notice of Valuation Changes. The impact on the County General Fund is approximately 12% of that total, or \$80,990.

Year ending June 30.

2013	\$ 32,708
2014	16,720
2015	15,662
2016	9,957
2017	5,943
	\$ 80,990
	\$ 80,990

***Capital leases***

\$225,640 motor grader lease/purchase obligation dated August 2011 due in six annual installments of 41,929 with an interest rate of 3.2% serviced by the General fund and collateralized by the grader. \$ 225,640

\$205,323 motor grader lease/purchase obligation dated September 2011 due in six annual installments of \$38,129 with an interest rate of 3.2% serviced by the General fund and collateralized by the grader. 205,323

\$ 430,963

Future minimum lease payment under capital leases together with the present value of net minimum lease payments as of June 30, 2012 are as follows:

Year Ending June 30,	
2013	\$ 80,057
2014	80,057
2015	80,057
2016	80,058
2017	80,058
2018-2022	80,060
Total minimum lease payments	480,347
Less: amount representing interest	49,384
Present value of minimum lease payments	\$ 430,963

**CONVERSE COUNTY, WYOMING**

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**Note 6. County Debt (Continued)**

*Component Units*

*Long-Term Debt Memorial Hospital of Converse County*

On November 1, 2000 Memorial Hospital of Converse County issued \$6,810,000 in Revenue Bonds, Series 2000 with an average interest of 7.35%. The purpose of the bond issuance was to construct an addition to the hospital facility. On October 27, 2008, bonds with a par value of \$4,900,000 were refunded with proceeds from the Memorial Hospital of Converse County's Series Revenue Bonds. The remaining bonds were due at maturity or through mandatory sinking fund redemption requirements in annual installments of \$130,000 to \$145,000 through June 30, 2012. The interest rate on the remaining bonds was 6.50%. The revenue bonds were collateralized by revenue of Memorial Hospital of Converse County established by the trust indenture.

On October 27, 2005, Memorial Hospital of Converse County issued \$6,135,000 in revenue bonds to advance refund \$4,990,000 in outstanding bonds. The bond proceeds were used to partially refund Memorial Hospital of Converse County's outstanding Revenue Bonds, Series 2000. The remaining bonds are due at maturity or through mandatory sinking fund redemption requirements in annual installments of \$80,000 to \$495,000 through June 30, 2026. Interest rates range from 5.10% to 5.50%. The revenue bonds are collateralized by revenue of Memorial Hospital of Converse County established by the trust indenture.

On June 5, 2008, Memorial Hospital of Converse County issued \$2,320,000 in Subordinate Lien Hospital Revenue Bond, Series 2008. The bond was purchased by USDA Rural Development. The bond proceeds are to be used for remodeling and improvements of the current facility. The bonds are due at maturity or through mandatory sinking fund redemption requirements in annual installments of \$70,000 to \$175,000 through June 30, 2028. The interest on the bonds is 4.75%. The revenue bonds are collateralized by revenue of Memorial Hospital of Converse County established by the trust indenture.

The debt service requirements on Memorial Hospital of Converse County long-term debt as of June 30, 2012, are summarized as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 425,000	\$ 378,455	\$ 803,455
2014	450,000	356,568	806,568
2015	475,000	333,422	808,422
2016	495,000	309,148	804,148
2017	415,000	285,800	700,800
2018 - 2022	2,410,000	1,011,588	3,421,588
2023 - 2027	2,575,000	359,888	2,934,888
2028	175,000	8,313	183,313
	<u>\$ 7,420,000</u>	<u>\$ 3,043,182</u>	<u>\$ 10,463,182</u>

Advance Refunding – In 2005, Memorial Hospital of Converse County refunded \$4,990,000 of Memorial Hospital of Converse County Revenue Bonds, Series 2000. The refunded bonds, which are outstanding as of June 30, 2010, are not included in the Memorial Hospital of Converse County's outstanding debt since the Memorial Hospital of Converse County has in-substance satisfied its obligation through advance funding. Although the advanced refunding resulted in recognition of an accounting loss of \$1.1 million, Memorial Hospital of Converse County will recognize a net present value savings of \$400,055. The loss is being amortized over the period of the original bond issue using the effective interest method.

**CONVERSE COUNTY, WYOMING**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2012

**Note 6. County Debt (Continued)**

*Component Units (Continued)*

*Long-Term Debt Memorial Hospital of Converse County (Continued)*

Periodically, Memorial Hospital of Converse County transfers patient receivables to a financial institution on a short-term note.

Memorial Hospital of Converse County leases certain equipment under capital leases, of which some provide for the purchase of leased equipment for nominal amounts at the end of the lease term. The average interest rate on the leases is 4.56%. The cost of equipment under capital leases included in the Memorial Hospital of Converse County's capital assets is \$3,477,282 with \$2,246,055 in accumulated depreciation.

The following is a schedule by years of minimum future lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2012:

Year ending June 30,

2013	\$ 731,579
2014	731,579
2015	167,703
Total minimum lease payments	1,630,861
Less: amount representing interest	83,317
Present value of minimum lease payments	\$ 1,547,544

*Capital leases of the County Public Library*

\$12,175 copier lease/purchase obligation dated July 2011, due in monthly installments of \$270 through July 2016, at an imputed rate of 11.94%, serviced by the County library and collateralized by the equipment. \$ 10,448

\$12,594 copier lease/purchase obligation dated July 2011, due in monthly installments of \$280 through July 2016, at an imputed rate of 11.94%, serviced by the County library and collateralized by the equipment. 10,808

\$ 21,256

Future minimum lease payments under capital leases together with the present value of net minimum lease payments as of June 30, 2012 are as follows:

	Year Ending June 30,	
	2013	\$ 6,602
	2014	6,602
	2015	6,602
	2016	6,602
	2017	551
Total minimum lease payments		26,959
Less: amount representing interest		5,703
Present value of minimum lease payments		\$ 21,256

## CONVERSE COUNTY, WYOMING

### NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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#### **Note 7. Operating Leases**

Memorial Hospital of Converse County has various monthly leases where they are not required to make minimum future rental payments. Total rental expense for the fiscal year ended June 30, 2012, was \$859,202.

#### **Note 8. Defined Benefit and Contribution Pension Plans**

##### ***Defined Benefit Plan***

Beginning July 1, 2011, all employees of the General County were eligible to participate in the Wyoming Retirement System. The Converse County Weed and Pest Control District's full-time employees also participate in the Wyoming Retirement System. The Wyoming Retirement System is a cost-sharing multiple employer public employee retirement system. The Plan provides retirement benefits at age 60 with early retirement options available. The Plan also provides disability and death benefits. Benefits are established by State statute. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Wyoming Retirement System, 5<sup>th</sup> Floor West, 6101 Yellowstone Road, Cheyenne, Wyoming 82002 or by calling (307) 777-7691.

For the Wyoming Retirement System, plan members (except law enforcement) are required to contribute 7.01% of their annual covered salary and the County is required to contribute 7.11% of the annual covered payroll. The County currently pays the entire contribution. For the year ended June 30, 2012, the County's employer contribution was approximately \$382,000, which equaled the required contributions. This was the first year of County participation.

The County's Law Enforcement officers participate in the system, which statutorily requires 17.2% of the covered law enforcement employee's salary to be contributed to the System all of which is paid by the County. The County's contributions to the System for the County's Sheriff's office for the years ended June 30, 2012, 2011 and 2010 were approximately \$290,000 \$271,000, and \$138,500, respectively, equal to the required contributions for each year.

The Weed and Pest Control District paid 100% of the required contribution which was approximately \$21,600, \$16,800, and \$16,000 for the years ended June 30, 2012, 2011 and 2010 respectively.

##### ***Retirement Plan***

Memorial Hospital of Converse County established a profit sharing plan for its employees with an effective date of January 1, 2009. The Memorial Hospital of Converse County (Plan) is administered by the Board of Trustees who has executed a trust agreement with a financial institution to hold, manage, invest, and distribute contributions in accordance with the provisions of the Plan. The Plan is available to eligible employees who have completed one year of service and attain age 21. A year of service is any plan year in which an employee completes 1,872 hours of service. Contributions to the Plan on behalf of the participants are an amount determined by management of Memorial Hospital of Converse County from time to time. Participant will vest in contributions made by Memorial Hospital of Converse County according to a vesting schedule. Participants will vest fully and will have a non-forfeitable interest in the balance of the participant's account in all contributions that are not uniform as a percentage of compensation for the different classes of employees specified in the Plan. All years of service beginning January 1, 2009 shall count toward years of vesting. In addition each participant shall receive one year of service for each two years of service completed before January 1, 2009, up to a maximum of 6 years of service credited toward vesting. Also, a participant shall be 100% vested upon death, disability or upon a reduction in force as determined by Memorial Hospital of Converse County. The Plan does not issue a separate stand-alone financial report. Memorial Hospital of Converse County accrued \$280,000 to be contributed to the Plan no later than 15<sup>th</sup> day of the calendar month following the end of Memorial Hospital of Converse County's fiscal year. The accrual has been included in the accrued expenses on the statement of net assets.

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**Note 9. Deferred Compensation Plans**

As required by the Governmental Accounting Standards Board Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plan*, the County does not include assets in deferred compensation plans in the County's financial statements. The County's 457 plan document, in compliance with the Internal Revenue Code, requires all assets of the two deferred compensation plans offered to its employees to be held in trust for the exclusive benefit of the participants and their beneficiaries. The plans, available to all full-time employees, permit employees to defer a portion of their salary until future years. The plans are fully funded by the County. The deferred compensation and accumulated earnings thereon is not available to employees until termination, retirement, death, or unforeseeable emergency. The County no longer offers the deferred compensation plan. Employees are eligible to participate in the Wyoming Retirement System.

Memorial Hospital of Converse County offers its employees a deferred compensation plan that is structured in accordance with the provisions of Internal Revenue Code Section 457. The employee contribution cannot exceed \$16,000 per participant, and \$22,000 for age 50 or older.

**Note 10. County Fund Balance**

The County's general fund assigned fund balance consists of the following amounts:

Rural fire reserve	\$	8,000
Building/maintenance reserve		7,016,300
Equipment reserve		1,957,214
Salary reserve		1,002,528
Loans reserve		83,812
		<hr/>
	\$	10,067,854
		<hr/>

**Note 11. Commitments and Contingencies**

In the normal course of business, various lawsuits or claims are brought against the County. It is not possible to determine the ultimate disposition of these matters at this time; however, the County Attorney and the County Commissioners are of the opinion that these matters would not have a material adverse effect on the results of operations, financial condition, or cash flows of the County.

From time to time, Memorial Hospital of Converse County has been a defendant in lawsuits wherein the plaintiffs claim malpractice. Memorial Hospital of Converse County's management, with the advice from counsel, believes all claims are covered by its existing malpractice coverage policy which has a \$25,000 deductible. Memorial Hospital of Converse County feels that all pending cases will be settled within the amount of the Memorial Hospital of Converse County's insurance coverage. Legal counsel of Memorial Hospital of Converse County predicts that any liability to Memorial Hospital of Converse County not covered by the insurance is extremely unlikely and no liability has been established, as the potential loss is uncertain.

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**Note 12. Risk Management Programs**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. As a result of these and other risks, the County participates in the Local Government Liability Pool (LGLP) which is a public entity risk pool. LGLP provides liability coverage for claims subject to the Wyoming Governmental Claims Act (W.S. 1-39-101) up to \$250,000 per claimant but not more than \$500,000 per occurrence and \$1,500,000 per occurrence for federal and out-of-state claims. The coverage limit is \$1,000,000 per occurrence for all members combined of the LGLP risk pool including various additional sub-limits. Claims have not exceeded coverage amounts in any of the last three years. Premiums paid to LGLP by the County totaled approximately \$48,000.

The County's component units the Converse County Weed and Pest Control District and the County Airport Board also participate in LGLP.

In addition, the County purchases commercial insurance to cover its automobile liability. Premiums paid for the automobile liability by the County totaled approximately \$50,000.

The County also participates in two other state sponsored, risk management programs under the Workers' Compensation Act and Unemployment Compensation Act.

Wyoming Statute §27-14-101 created the Wyoming Workers' Compensation Act which is administered as an enterprise fund by the State of Wyoming. All employers within the State of Wyoming are participants of this plan with only a few exceptions. This Act provides for the payment of benefits to employees for job-related injuries and diseases through the Workers' Compensation Fund. This Act provides general protection from suits filed by employees against the County. The County makes monthly payments to the Department of Employment, State of Wyoming. This amount is based on salaries and is a split rate between hazardous and non-hazardous positions. Amount paid by the County to the State for Workers' Compensation during fiscal year 2012 was approximately \$74,300.

Wyoming Statute §27-3-101 created the Wyoming Unemployment Compensation Act. This Act requires the County to pay the cost of actual claims incurred. Changes in the balances of claims liabilities during fiscal years 2012 and 2011 were as follows for the County's participation in the Unemployment Compensation Act Program.

	2012	2011
Unpaid claims, beginning of year	\$ -	\$ -
Claims incurred	24,217	12,829
Claims paid	(24,217)	(12,829)
Unpaid claims, end of year	\$ -	\$ -

The County also provides its employees' health care benefits for primary government and component unit employees. Under this program, the County is insured under a stop-loss policy for individual claims exceeding \$40,000 per year. The aggregate stop-loss limit is \$960,000. Premiums paid for stop-loss insurance were approximately \$252,000. Estimated medical claims are calculated by the plan administrator based on past historical experience and current economic events. Claims are usually paid within one year of submission.

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**Note 12. Risk Management Programs (Continued)**

Changes in the County's health care risk management liability during the years ended June 30, 2012 and 2011 are as follows:

	2012	2011
Health care risk management liability, beginning of year	\$ 95,000	\$ 214,000
Claims incurred	911,767	702,088
Claims paid	(746,767)	(821,088)
Health care risk management liability, end of year	<u>\$ 260,000</u>	<u>\$ 95,000</u>

Insurance settlements during the last three fiscal years have not exceeded the County's insurance coverage.

There has been no significant change in insurance coverage or the County's risk management programs during the year ended June 30, 2012.

Memorial Hospital of Converse County is insured by a claim made policy for the purpose of providing professional and patient care liability insurance. Claims may be asserted against Memorial Hospital of Converse County arising from services provided to patients. Memorial Hospital of Converse County is unable to determine the ultimate cost of the resolution of such potential claims and accordingly has not accrued any amounts which would occur should the insurance policy not cover the claim, or should a claim exceed the policy limits. The insurance company will notify Memorial Hospital of Converse County in the event that this would happen and at this time, no such notification has been made. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. Memorial Hospital of Converse County is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries; and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. In addition, Memorial Hospital of Converse County is a County hospital and accordingly, Wyoming Statutes place a cap on the award of damages in lawsuits filed against Wyoming municipal entities.

**Note 13. Related Party Transactions**

Memorial Hospital of Converse County is a 40% owner in Big Country Rehabilitation LLC. Big Country Rehabilitation leases space from Memorial Hospital of Converse County for approximately \$43,000 per year. The lease runs from March 1, 2011 through March 1, 2016 and is renewed automatically for one year increments until it is cancelled.

During the year ended June 30, 2012, Memorial Hospital of Converse County paid Big Country Rehabilitation LLC approximately \$321,989 for professional services rendered. Included in accounts payable is \$29 for services performed in June 2012. Big Country Rehabilitation LLC paid the Hospital \$54,427 in management fees.

Memorial Hospital of Converse County is a 22% owner in Powder River Imaging, LLC. Powder River Imaging LLC leases space from Memorial Hospital of Converse County on a monthly basis for approximately \$1,200, and for the year ended June 30, 2012 paid Memorial Hospital of Converse County \$14,000.

During the year ended June 30, 2012, Memorial Hospital of Converse County paid Powder River Imaging, LLC \$28,594 for professional services rendered. Powder River paid Memorial Hospital of Converse County \$128,360 in management fees.

## CONVERSE COUNTY, WYOMING

### NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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#### **Note 14. Prior Period Adjustment and Restatement**

During the fiscal year ended June 30, 2012, the County became aware that it had several errors in its capital asset records. One of largest corrections was revising the lives used to depreciate the roads to more realistic figures. The County recorded a prior period adjustment to correct the beginning net assets. The adjustment decreased the County's net assets by \$11,249,326.

During the fiscal year ended June 30, 2012, the Converse County Library became aware that its collection was not included in its capital asset records in prior years. The Library recorded a prior period adjustment to correct the beginning net assets. The adjustment increased the Library's net assets by \$121,829.

#### **Note 15. Deficit Fund Balances**

The County's Homeland Security Grants and Other Grant funds had deficit fund balances at June 30, 2012. As of June 30, 2012, the County did not transfer grant matching funds to these funds to resolve the negative balances.

#### **Note 16. Subsequent Events**

Subsequent to June 30, 2012, the voters in the County approved a specific purpose tax. The tax will fund future construction at the Douglas and Glenrock locations of the Converse County Library and at the Eastern Wyoming College campus in Douglas. Also subsequent to year end the Coal Shadow Bridge was destroyed by fire. This bridge has an original cost of approx. \$876,000 and was fully depreciated as of the end of fiscal year 2012. The County estimates that it may cost up to \$1.5 million to replace that bridge. Construction has not begun as of date of this report. Also subsequent to year end the County is negotiating a settlement with a local energy company which will reduce future property tax revenues as the County credits a current valuation reduction to future property taxes due. The settlement will reduce revenues by approximately \$820,000 over the next five years. The County's portion of the revenues is 12% with the remainder affecting other taxing entities in the County.

Subsequent to year end the Hospital acquired an additional real estate investment property at a cost of \$393,000. This property will lease to an incoming physician with the option to purchase. The Hospital Board of Trustees also approved the construction of a medical office building with an estimated cost of \$5.8 million which will be paid for through the use of cash reserves and financings with certificates of deposits serving as collateral.

#### **Note 17. Accounting Standards Issued, But Not Implemented**

As of June 30, 2012, the Governmental Accounting Standards Board has issued the following standards which the County may implement in its next fiscal year.

Governmental Accounting Standard No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, was issued to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this statement, an SCA is an arrangement between a transferor (a government) and an operator (a governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a facility) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. This standard applies to financial statements for periods beginning after December 15, 2011. Management has not finished assessing the effect of implementing this standard.

Governmental Accounting Standard No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, was issued to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have

## CONVERSE COUNTY, WYOMING

### NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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#### **Note 17. Accounting Standards Issued, But Not Implemented**

arisen since the issuance of those Statements. This Statement modified certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. This Statement also clarifies the reporting of equity interests in legally separate organizations. This standard applies to financial statements for periods beginning after June 15, 2012. Management has not finished assessing the effect of implementing this standard.

Governmental Accounting Standard No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, was issued to improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. This effort brings the authoritative accounting and financial reporting literature together in one place, with that guidance modified as necessary to appropriately recognize the governmental environment and the needs of governmental financial statement users. It will eliminate the need for financial statement preparers and auditors to determine which FASB and AICPA pronouncement provisions apply to state and local governments, thereby resulting in a more consistent application of applicable guidance in financial statements of state and local governments. This standard applies to financial statements for periods beginning after December 15, 2011. Management has not finished assessing the effect of implementing this standard.

Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, was issued to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. This standard applies to financial statements for periods beginning after December 15, 2011. Management has not finished assessing the effect of implementing this standard.

Governmental Accounting Standard No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions -- an amendment of GASB Statement No. 53*, was issued to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. This standard applies to financial statements for periods beginning after December 15, 2012. Management has not finished assessing the effect of implementing this standard.

Governmental Accounting Standard No. 65, *Items Previously Reported as Assets and Liabilities*, was issued to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This standard applies to financial statements for periods beginning after June 15, 2011. Management has not finished assessing the effect of implementing this standard.

Governmental Accounting Standard No. 66, *Technical Corrections 2012 an amendment of GASB Statements No. 10 and No. 62*, was issued to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This standard applies to financial statements for periods beginning after December 15, 2012. Management has not finished assessing the effect of implementing this standard.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**CONVERSE COUNTY, WYOMING**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS) - GENERAL FUND  
Year Ended June 30, 2012

	Budget Amounts		Actual	Variance
	Original	Final		with Final Budget
<b>Revenues</b>				
Tax - property	\$ 8,133,799	\$ 8,133,799	\$ 8,489,802	\$ 356,003
Tax - other	3,877,000	3,877,000	7,734,298	3,857,298
Intergovernmental	396,000	396,000	673,970	277,970
Charges for services	243,400	243,400	512,858	269,458
Investment income	120,000	120,000	279,390	159,390
Economic Development	319,463	319,463	7,084	(312,379)
Miscellaneous	15,000	15,000	30,694	15,694
<b>Total revenues</b>	<b>13,104,662</b>	<b>13,104,662</b>	<b>17,728,096</b>	<b>4,623,434</b>
<b>Expenditures</b>				
<b>Current</b>				
County Commissioners	237,767	237,767	231,781	5,986
County Clerk	752,054	752,054	583,415	168,639
County Treasurer	373,541	373,541	371,322	2,219
County Assessor	391,366	391,366	367,555	23,811
County Sheriff	1,857,471	1,857,471	1,844,779	12,692
County Attorney	888,825	888,825	855,488	33,337
Courthouse	435,099	435,099	387,034	48,065
Surveyor	25,050	25,050	6,781	18,269
Coroner	56,030	61,456	61,456	-
Conservation of natural resources	118,304	118,304	109,051	9,253
Clerk of District Court	438,560	438,560	390,616	47,944
IT	115,185	116,436	116,436	-
County jail	1,501,796	1,510,505	1,510,505	-
Road and bridge	2,290,050	2,387,960	2,387,960	-
Elections	129,947	129,947	93,046	36,901
Emergency management	158,506	182,182	182,182	-
Special projects	52,307	52,307	43,092	9,215
<b>Total County departments</b>	<b>9,821,858</b>	<b>9,958,830</b>	<b>9,542,499</b>	<b>416,331</b>

(Continued)

See accompanying note to required supplementary information

**CONVERSE COUNTY, WYOMING**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS) - GENERAL FUND (CONTINUED)  
Year Ended June 30, 2012

	Budget Amounts		Actual	Variance
	Original	Final		with Final Budget
General accounts	\$ 469,033	\$ 469,033	\$ 343,482	\$ 125,551
Depreciation reserve	506,000	506,000	464,418	41,582
Community aid	386,000	386,000	368,303	17,697
Cash reserve	3,492,179	3,492,179	-	3,492,179
Fire suppression	774,693	774,693	641,056	133,637
Building and maintenance reserve	1,114,400	1,114,400	566,644	547,756
Equipment reserves	500,000	500,000	409,315	90,685
Salary reserves	500,000	500,000	-	500,000
Total expenditures	<u>17,564,163</u>	<u>17,701,135</u>	<u>12,335,717</u>	<u>5,365,418</u>
Excess (deficiency) of revenues over expenditures	<u>(4,459,501)</u>	<u>(4,596,473)</u>	<u>5,392,379</u>	<u>9,988,852</u>
Other financing uses				
Transfers out	<u>(2,093,250)</u>	<u>(2,093,250)</u>	<u>(2,055,315)</u>	<u>37,935</u>
Total other financing uses				
Transfers out	<u>(2,093,250)</u>	<u>(2,093,250)</u>	<u>(2,055,315)</u>	<u>37,935</u>
Net change in fund balance	<u>(6,552,751)</u>	<u>(6,689,723)</u>	<u>3,337,064</u>	<u>\$ 10,026,787</u>
Fund balance, beginning of year	<u>15,992,040</u>	<u>15,992,040</u>	<u>15,992,040</u>	
Fund balance, end of year	<u>\$ 9,439,289</u>	<u>\$ 9,302,317</u>	<u>\$ 19,329,104</u>	

See accompanying note to required supplementary information

**CONVERSE COUNTY, WYOMING**

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2012

**Note 1. Basis of Budgeting**

The County's budgets and related appropriations are prepared on a basis of cash receipts and cash disbursements whereas the County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The budgetary presentation differences relate to the variance in classification of certain revenues and expenses. The adjustments necessary to convert GAAP basis revenues and expenditures of the general fund are as follows:

	GAAP Basis	Adjustments to Budgetary Basis	Presentation Differences	Non-GAAP Budgetary Basis
<b>Revenues</b>				
Taxes	\$ 15,423,743	\$ -	\$ (15,423,743)	\$ -
Tax - property	-	1,229	8,488,573	8,489,802
Tax - other	-	(702,217)	8,436,515	7,734,298
Licenses and permits	485,363	18,166	(503,529)	-
Intergovernmental	1,584,771	150,789	(1,061,590)	673,970
Charges for services	7,627	-	505,231	512,858
Investment income	155,326	(24,777)	148,841	279,390
Economic Development	-	-	7,084	7,084
Miscellaneous revenues	78,693	235,062	(283,061)	30,694
	<u>\$ 17,735,523</u>	<u>\$ (321,748)</u>	<u>\$ 314,321</u>	<u>\$ 17,728,096</u>
<b>Expenditures</b>				
General government	\$ 4,955,182	\$ (17,755)	\$ (4,937,427)	\$ -
Public safety	3,339,325	16,953	(3,356,278)	-
Public works	1,740,378	9,942	(1,750,320)	-
Health, welfare and recreation	-	-	-	-
Conservation of natural resources	105,340	(3,712)	(101,628)	-
Economic development	50,000	-	(50,000)	-
Capital outlay	2,565,357	(56,525)	(2,508,832)	-
County Commissioners	-	-	231,781	231,781
County Clerk	-	-	583,415	583,415
County Treasurer	-	-	371,322	371,322
County Assessor	-	-	367,555	367,555
County Sheriff	-	-	1,844,779	1,844,779
County Attorney	-	-	855,488	855,488
Courthouse	-	-	387,034	387,034
Surveyor	-	-	6,781	6,781
Coroner	-	-	61,456	61,456
Conservation of natural resources	-	-	109,051	109,051
Clerk of District Court	-	-	390,616	390,616
IT	-	-	116,436	116,436
County jail	-	-	1,510,505	1,510,505
Road and bridge	-	-	2,387,960	2,387,960
Elections	-	-	93,046	93,046
Emergency management	-	-	182,182	182,182
Special projects	-	-	43,092	43,092
General accounts	-	-	343,482	343,482
Depreciation reserve	-	-	464,418	464,418
Community aid	-	-	368,303	368,303
Fire suppression	-	-	641,056	641,056
Building and Maintenance Reserve	-	-	566,644	566,644
Equipment reserves	-	-	409,315	409,315
	<u>\$ 12,755,582</u>	<u>\$ (51,097)</u>	<u>\$ (368,768)</u>	<u>\$ 12,335,717</u>

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**OTHER SUPPLEMENTARY INFORMATION**

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**CONVERSE COUNTY, WYOMING**

**COMBINING BALANCE SHEET  
COUNTY ROADS FUNDS**

June 30, 2012

	<u>County Roads Fund</u>	<u>County Roads Other Fund</u>	<u>County Road 37 Fund</u>	<u>Totals</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,163,445	\$ 1,054,725	\$ 25,780	\$ 2,243,950
Investments	1,032,794	518,627	-	1,551,421
Due from other governments	22,143	-	92,097	114,240
<b>Total assets</b>	<b>\$ 2,218,382</b>	<b>\$ 1,573,352</b>	<b>\$ 117,877</b>	<b>\$ 3,909,611</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable and accrued liabilities	\$ -	\$ 7,500	\$ -	\$ 7,500
<b>Total liabilities</b>	<b>-</b>	<b>7,500</b>	<b>-</b>	<b>7,500</b>
Fund Balances				
Restricted				
County road construction	2,218,382	-	-	2,218,382
Committed				
Road construction	-	1,565,852	117,877	1,683,729
<b>Total fund balances</b>	<b>2,218,382</b>	<b>1,565,852</b>	<b>117,877</b>	<b>3,902,111</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,218,382</b>	<b>\$ 1,573,352</b>	<b>\$ 117,877</b>	<b>\$ 3,909,611</b>

**CONVERSE COUNTY, WYOMING**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - COUNTY ROADS FUNDS  
Year Ended June 30, 2012**

	County Roads Fund	County Roads Other Fund	County Road 37 Fund	Totals
<b>Revenues</b>				
Intergovernmental revenues	\$ 308,965	\$ 988,423	\$ -	\$ 1,297,388
Investment income	14,040	8,267	3,057	25,364
Miscellaneous revenues	-	-	92,097	92,097
<b>Total revenues</b>	<u>323,005</u>	<u>996,690</u>	<u>95,154</u>	<u>1,414,849</u>
<b>Expenditures</b>				
Capital outlay	-	3,100,353	-	3,100,353
<b>Total expenditures</b>	<u>-</u>	<u>3,100,353</u>	<u>-</u>	<u>3,100,353</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>323,005</u>	<u>(2,103,663)</u>	<u>95,154</u>	<u>(1,685,504)</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	3,510,750	-	3,510,750
Transfers (out)	-	-	(1,000,000)	(1,000,000)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>3,510,750</u>	<u>(1,000,000)</u>	<u>2,510,750</u>
<b>Net changes in fund balances</b>	323,005	1,407,087	(904,846)	825,246
<b>Fund balances, beginning of year</b>	<u>1,895,377</u>	<u>158,765</u>	<u>1,022,723</u>	<u>3,076,865</u>
<b>Fund balances, end of year</b>	<u><u>\$ 2,218,382</u></u>	<u><u>\$ 1,565,852</u></u>	<u><u>\$ 117,877</u></u>	<u><u>\$ 3,902,111</u></u>

**CONVERSE COUNTY, WYOMING**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)  
COUNTY ROADS FUND  
Year Ended June 30, 2012

	Budget Amounts		Actual	Variance
	Original	Final		with Final Budget
<b>Revenues</b>				
Intergovernmental	\$ 300,000	\$ 300,000	\$ 292,945	\$ (7,055)
Investment income	9,000	9,000	26,921	17,921
	<u>309,000</u>	<u>309,000</u>	<u>319,866</u>	<u>10,866</u>
<b>Expenditures</b>				
Capital outlay	2,185,099	2,185,099	-	2,185,099
Total expenditures	<u>2,185,099</u>	<u>2,185,099</u>	<u>-</u>	<u>2,185,099</u>
Excess (deficiency) of revenues over expenditures	(1,876,099)	(1,876,099)	319,866	<u>\$ 2,195,965</u>
Fund balance, beginning of year	<u>1,876,373</u>	<u>1,876,373</u>	<u>1,876,373</u>	
Fund balance, end of year	<u>\$ 274</u>	<u>\$ 274</u>	<u>\$ 2,196,239</u>	

**CONVERSE COUNTY, WYOMING**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)  
COUNTY ROADS OTHER FUND  
Year Ended June 30, 2012

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 1,702,500	\$ 1,702,500	\$ 1,015,706	\$ (686,794)
Investment income	-	-	8,267	8,267
	<u>1,702,500</u>	<u>1,702,500</u>	<u>1,023,973</u>	<u>(678,527)</u>
Expenditures				
Capital outlay	5,357,669	5,357,669	3,108,291	2,249,378
Total expenditures	<u>5,357,669</u>	<u>5,357,669</u>	<u>3,108,291</u>	<u>2,249,378</u>
Deficiency of revenues over expenditures	(3,655,169)	(3,655,169)	(2,084,318)	1,570,851
Other financing sources				
Transfers in	3,510,750	3,510,750	3,510,750	-
Total other financing sources	<u>3,510,750</u>	<u>3,510,750</u>	<u>3,510,750</u>	<u>-</u>
Net change in fund balance	(144,419)	(144,419)	1,426,432	<u>\$ 1,570,851</u>
Fund balance, beginning of year	<u>146,920</u>	<u>146,920</u>	<u>146,920</u>	
Fund balance, end of year	<u>\$ 2,501</u>	<u>\$ 2,501</u>	<u>\$ 1,573,352</u>	

**CONVERSE COUNTY, WYOMING**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
 BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)  
 COUNTY ROAD 37 FUND  
 Year Ended June 30, 2012

	Budget Amounts		Actual	Variance
	Original	Final		with Final Budget
<b>Revenues</b>				
Investment income	\$ -	\$ -	\$ 9,525	\$ 9,525
	-	-	9,525	9,525
<b>Expenditures</b>				
Capital outlay	14,000	14,000	-	14,000
Total expenditures	14,000	14,000	-	14,000
Excess (deficiency) of revenues over expenditures	(14,000)	(14,000)	9,525	23,525
<b>Other financing uses</b>				
Transfers out	(1,000,000)	(1,000,000)	(1,000,000)	-
Total other financing uses	(1,000,000)	(1,000,000)	(1,000,000)	-
Net change in fund balance	(1,014,000)	(1,014,000)	(990,475)	\$ 23,525
Fund balance, beginning of year	1,016,255	1,016,255	1,016,255	
Fund balance, end of year	\$ 2,255	\$ 2,255	\$ 25,780	

**CONVERSE COUNTY, WYOMING**  
**COMBINING BALANCE SHEET**  
**NON MAJOR GOVERNMENTAL SPECIAL REVENUE FUNDS**  
June 30, 2012

	Rural Fire Protection	Parks and Recreation	Health Department	Enhanced 911	Homeland Security Grants
<b>ASSETS</b>					
Cash and cash equivalents	\$ 9,150	\$ 27,670	\$ 40,377	\$ 334,177	\$ -
Taxes receivable	1,502	3,383	4,255	-	-
Accounts receivable	-	-	-	16,160	-
Due from other governments	-	-	-	-	95,867
Due from other funds	-	-	-	-	-
Total assets	<u>\$ 10,652</u>	<u>\$ 31,053</u>	<u>\$ 44,632</u>	<u>\$ 350,337</u>	<u>\$ 95,867</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accounts payable and accrued liabilities	\$ -	\$ 149	\$ 17,147	\$ -	\$ -
Due to other funds	-	135	125	-	7,880
Deferred revenue	1,502	2,937	3,779	-	-
Refundable advances	-	-	-	-	-
Total liabilities	<u>1,502</u>	<u>3,221</u>	<u>21,051</u>	<u>-</u>	<u>7,880</u>
Fund Balances					
Restricted					
Rural fire protection	9,150	-	-	-	-
Parks and recreation	-	27,832	-	-	-
Health department	-	-	23,581	-	-
Enhanced 911	-	-	-	350,337	-
Grants	-	-	-	-	87,987
Committed					
HAHR	-	-	-	-	-
Impact assistance	-	-	-	-	-
Assigned					
Inmate welfare	-	-	-	-	-
Offender monitoring	-	-	-	-	-
Unassigned					
Total fund balances	<u>9,150</u>	<u>27,832</u>	<u>23,581</u>	<u>350,337</u>	<u>87,987</u>
Total liabilities and fund balances	<u>\$ 10,652</u>	<u>\$ 31,053</u>	<u>\$ 44,632</u>	<u>\$ 350,337</u>	<u>\$ 95,867</u>

<u>Immunization Grant</u>	<u>Other Grants</u>	<u>Inmate Welfare</u>	<u>Offender Monitoring</u>	<u>HAHR</u>	<u>Best Beginnings</u>	<u>Impact Assistance</u>	<u>Total Special Revenue Funds</u>
\$ 11,024	\$ -	\$ 56,695	\$ 8,725	\$ 24,525	\$ -	\$ 51,152	\$ 563,495
-	-	-	-	-	-	-	9,140
-	-	-	-	-	-	-	16,160
-	8,708	-	-	-	-	-	104,575
-	-	-	-	-	10,773	-	10,773
<u>\$ 11,024</u>	<u>\$ 8,708</u>	<u>\$ 56,695</u>	<u>\$ 8,725</u>	<u>\$ 24,525</u>	<u>\$ 10,773</u>	<u>\$ 51,152</u>	<u>\$ 704,143</u>
\$ -	\$ 10,936	\$ 175	\$ 1,230	\$ -	\$ -	\$ -	\$ 29,637
-	100,475	-	-	-	998	-	109,613
-	-	-	-	-	-	-	8,218
-	-	-	-	22,711	-	-	22,711
<u>-</u>	<u>111,411</u>	<u>175</u>	<u>1,230</u>	<u>22,711</u>	<u>998</u>	<u>-</u>	<u>170,179</u>
-	-	-	-	-	-	-	9,150
-	-	-	-	-	-	-	27,832
-	-	-	-	-	-	-	23,581
-	-	-	-	-	-	-	350,337
11,024	-	-	-	-	9,775	-	108,786
-	-	-	-	1,814	-	-	1,814
-	-	-	-	-	-	51,152	51,152
-	-	56,520	-	-	-	-	56,520
-	-	-	7,495	-	-	-	7,495
-	(102,703)	-	-	-	-	-	(102,703)
<u>11,024</u>	<u>(102,703)</u>	<u>56,520</u>	<u>7,495</u>	<u>1,814</u>	<u>9,775</u>	<u>51,152</u>	<u>533,964</u>
<u>\$ 11,024</u>	<u>\$ 8,708</u>	<u>\$ 56,695</u>	<u>\$ 8,725</u>	<u>\$ 24,525</u>	<u>\$ 10,773</u>	<u>\$ 51,152</u>	<u>\$ 704,143</u>

**CONVERSE COUNTY, WYOMING**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL SPECIAL REVENUE FUNDS  
Year Ended June 30, 2012

	Rural Fire Protection	Parks and Recreation	Health Department	Enhanced 911	Homeland Security Grants
<b>Revenues</b>					
Taxes	\$ 527	\$ 136,142	\$ 176,682	\$ 143,348	\$ -
Intergovernmental revenues	-	-	24,092	-	243,065
Charges for services	-	-	60,090	-	-
Investment income	30	367	671	1,429	-
Miscellaneous revenues	-	1,840	-	-	9,113
<b>Total revenues</b>	<b>557</b>	<b>138,349</b>	<b>261,535</b>	<b>144,777</b>	<b>252,178</b>
<b>Expenditures</b>					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	81,811	187,148
Health, welfare and recreation	-	-	287,397	-	-
Conservation of natural resources	-	119,801	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>119,801</b>	<b>287,397</b>	<b>81,811</b>	<b>187,148</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>557</b>	<b>18,548</b>	<b>(25,862)</b>	<b>62,966</b>	<b>65,030</b>
<b>Other financing sources (uses)</b>					
Transfers in	-	-	-	-	32,071
Transfers (out)	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32,071</b>
<b>Net changes in fund balances</b>	<b>557</b>	<b>18,548</b>	<b>(25,862)</b>	<b>62,966</b>	<b>97,101</b>
<b>Fund balances, beginning of year</b>	<b>8,593</b>	<b>9,284</b>	<b>49,443</b>	<b>287,371</b>	<b>(9,114)</b>
<b>Fund balances, end of year</b>	<b>\$ 9,150</b>	<b>\$ 27,832</b>	<b>\$ 23,581</b>	<b>\$ 350,337</b>	<b>\$ 87,987</b>

Immunization Grant	Other Grant	Inmate Welfare	Offender Monitoring	HAHR	Best Beginnings	Impact Assistance	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 456,699
-	207,315	15,554	-	77,490	53,451	-	620,967
-	-	-	-	-	-	-	60,090
-	-	236	-	-	(48)	867	3,552
-	-	27,132	3,240	-	-	-	41,325
-	207,315	42,922	3,240	77,490	53,403	867	1,182,633
-	212,783	-	-	77,490	-	-	290,273
-	103,542	32,182	10,520	-	-	-	415,203
-	13,837	-	-	-	53,017	-	354,251
-	-	-	-	-	-	-	119,801
-	330,162	32,182	10,520	77,490	53,017	-	1,179,528
-	(122,847)	10,740	(7,280)	-	386	867	3,105
-	87,494	-	-	-	-	-	119,565
-	-	-	-	-	-	(575,000)	(575,000)
-	87,494	-	-	-	-	(575,000)	(455,435)
-	(35,353)	10,740	(7,280)	-	386	(574,133)	(452,330)
11,024	(67,350)	45,780	14,775	1,814	9,389	625,285	986,294
\$ 11,024	\$ (102,703)	\$ 56,520	\$ 7,495	\$ 1,814	\$ 9,775	\$ 51,152	\$ 533,964

**CONVERSE COUNTY, WYOMING**

COMBINING STATEMENT OF NET ASSETS  
 CONVERSE COUNTY PUBLIC LIBRARY AND CONVERSE COUNTY LIBRARY FOUNDATION  
 June 30, 2012

	Converse County Public Library	Converse County Public Library Foundation	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 490,105	\$ 35,251	\$ 525,356
Investments	81,684	180,035	261,719
Receivables	153	7,067	7,220
Property tax receivable	20,519	-	20,519
Due from other governments	19,122	-	19,122
Beneficial interest in assets held by others	-	171,686	171,686
Capital assets, net of accumulated depreciation	587,327	1,701	589,028
	<hr/>	<hr/>	<hr/>
Total assets	1,198,910	395,740	1,594,650
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	17,693	-	17,693
Noncurrent liabilities			
Due within one year	7,671	-	7,671
Due in more than one year	40,350	-	40,350
	<hr/>	<hr/>	<hr/>
Total current liabilities	65,714	-	65,714
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	587,327	1,701	589,028
Permanently restricted by donors	-	242,527	242,527
Unrestricted	545,869	151,512	697,381
	<hr/>	<hr/>	<hr/>
Total net assets	<u>\$ 1,133,196</u>	<u>\$ 395,740</u>	<u>\$ 1,528,936</u>

**CONVERSE COUNTY, WYOMING**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS  
 CONVERSE COUNTY PUBLIC LIBRARY AND CONVERSE COUNTY LIBRARY FOUNDATION  
 Year Ended June 30, 2012

	Converse County Public Library	Converse County Public Library Foundation	Total
<b>Revenues</b>			
Intergovernmental revenues	\$ -	\$ 31,794	\$ 31,794
Taxes	780,167	-	780,167
Charges for services	17,891	-	17,891
Investment income	3,322	2,711	6,033
Miscellaneous	185	19,010	19,195
Public support	-	11,895	11,895
<b>Total revenues</b>	<b>801,565</b>	<b>65,410</b>	<b>866,975</b>
<b>Expenditures</b>			
<b>Current</b>			
Health, welfare and recreation	560,132	9,950	570,082
Interest on long-term debt	2,539	-	2,539
Capital outlay	276,977	-	276,977
<b>Total expenditures</b>	<b>839,648</b>	<b>9,950</b>	<b>849,598</b>
Excess (deficiency) of revenues over (under) expenditures	<b>(38,083)</b>	<b>55,460</b>	<b>17,377</b>
Net assets, beginning of year	1,049,450	340,280	1,389,730
Prior period adjustment	121,829	-	121,829
Net assets, beginning of year as restated	1,171,279	340,280	1,511,559
Net assets, end of year	<b>\$ 1,133,196</b>	<b>\$ 395,740</b>	<b>\$ 1,528,936</b>

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**SINGLE AUDIT, INTERNAL CONTROL, AND COMPLIANCE INFORMATION**

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**CONVERSE COUNTY, WYOMING**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2012**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grantor's Project Number	Expenditures
<u>U.S. Department of Agriculture</u>			
Passed through Wyoming Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	-	\$ 11,829
Passed through Wyoming State Forestry Division Cooperative Forestry Assistance	10.664	-	67,331
Rural Development, Forestry, and Communities	10.672		34,453
Direct Funding			
Schools and Roads Cluster			
Schools and Roads - Grants to Counties	10.666	-	<u>315,556</u>
Total U.S. Department of Agriculture			<u>429,169</u>
<u>U.S. Department of Commerce</u>			
Passed through Wyoming Office of Homeland Security Public Safety Interoperable Communications Grant Program	11.555	07-NTI-CON-PS-PCS7	<u>91,301</u>
Total U.S. Department of Commerce			<u>91,301</u>
<u>U.S. Department of Transportation</u>			
Passed through Wyoming Department of Transportation			
Highway Safety Cluster			
State and Community Highway Safety	20.600	-	<u>4,925</u>
Total Highway Safety Cluster			<u>4,925</u>
Alcohol Open Container Requirements	20.607	-	<u>7,000</u>
Total U.S. Department of Transportation			<u>11,925</u>
<u>U.S. Department of Energy</u>			
Passed through Wyoming Business Council			
State Energy Program Recovery	81.041 ARRA	-	32,581
Energy Efficiency and Conservation Block Grant Program (EECBG) Recovery	81.128 ARRA	-	<u>43,852</u>
Total U.S. Department of Energy			<u>76,433</u>

(Continued)

See notes to the schedule of expenditures of federal awards

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Grantor's Project Number	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>			
Passed through Wyoming Department of Health Centers for Disease Control and Prevention, Public Health Emergency Preparedness	93.069	-	\$ 88,564
TANF Cluster Temporary Assistance for Needy Families	93.558	-	13,383
HIV Prevention Activities Health Department Based	93.940	-	720
Preventive Health Services Sexually Transmitted Diseases Control Grants	93.977		120
Total U.S. Department of Health and Human Services			<u>102,787</u>
<u>Office of Homeland Security</u>			
Passed through Wyoming Office of Homeland Security Emergency Management Performance Grants	97.042	11-GPD-CON-EM-GCF11	29,042
Homeland Security Grant Program	97.067	09-GPD-CON-SC-HSG9	14,981
Homeland Security Grant Program	97.067	10-GPD-CON-LS-HLE10	9,478
Homeland Security Grant Program	97.067	09-GPD-CON-CC-HCC9	3,433
Homeland Security Grant Program	97.067	10-GPD-CON-SC-HSG10	88,744
Total Homeland Security Grant Program			<u>116,636</u>
Total Office of Homeland Security			<u>145,678</u>
Total expenditures of federal awards			<u>\$ 857,293</u>

See notes to the schedule of expenditures of federal awards

CONVERSE COUNTY, WYOMING

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
June 30, 2012

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**Note 1. Basis of Accounting**

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

**Note 2. Payment in Lieu of Taxes – CFDA 15.226**

To compensate local taxing units for the loss of taxes from Federally-owned and acquired lands, the Office of the Secretary, Department of the Interior makes direct payments to local governments that lost real property taxes because the jurisdiction contains eligible acres of PILT entitlement land under public law 97-258, as amended, 31 U.S.C. 6901-6907. Payments are unrestricted as to use by local governments and the program is excluded from coverage under OMB Circular No. A-87. Consequently, the program has been excluded from the Schedule of Expenditures of Federal Awards and the determination of major programs as there is no expenditure or other requirements for the entitlement program. During the fiscal year ended June 30, 2012, the County recognized \$765,404 of PILT entitlement as income.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners  
Converse County, Wyoming

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each discretely presented component unit, each major fund, and the aggregate remaining fund information of Converse County, Wyoming (County) as of and for the year ended June 30, 2012 which collectively comprise Converse County's basic financial statements, and have issued our report thereon dated February 28, 2013. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements for the Memorial Hospital of Converse County, Converse County Weed and Pest Control District, and the Converse County Airport Board as described in our report on Converse County, Wyoming's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

***Internal Control over Financial Reporting***

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, the other auditors identified certain deficiencies in internal control over financial reporting that they consider to be material weaknesses, and we and the other auditors identified certain deficiencies that we and the other auditors consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. Other auditors identified deficiencies in internal control over financial reporting, as described in the accompanying Schedule of Findings

and Questioned Costs as IC 2012-03 and IC 2012-04 that they consider to be material weaknesses, as defined above.

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. We and the other auditors identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as IC 2012-01 and IC 2012-02 that we and the other auditors consider to be significant deficiencies in internal control over financial reporting.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the County'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*.

We noted certain matters that we reported to management of the County in a separate letter dated February 28, 2013.

The County's responses to the finding as identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses, and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Commissioners, management, the Federal awarding agencies, pass-through entities and the Wyoming Department of Audit and is not intended to be and should not be used by anyone other than those specified parties.



Porter, Muirhead, Cornia & Howard  
Certified Public Accountants

February 28, 2013



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

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Converse County, Wyoming

***Compliance***

We have audited the compliance of Converse County, Wyoming with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Converse County, Wyoming's major Federal programs for the year ended June 30, 2012. Converse County, Wyoming's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of Converse County, Wyoming's management.

Converse County, Wyoming's basic financial statements include the operations of the Memorial Hospital of Converse County, the Converse County Weed and Pest Control District, and the Converse County Airport Board as discretely presented component units. Our audit described below, did not include the operations of the Memorial Hospital of Converse County, Converse County Weed and Pest Control District, and Converse County Airport Board because the component units engaged other auditors to perform its audit. The report of those auditors did not reference any federal awards being expended by the Memorial Hospital of Converse County, Converse County Weed and Pest Control District, and Converse County Airport Board. Our responsibility is to express an opinion on Converse County, Wyoming's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Converse County, Wyoming's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Converse County, Wyoming's compliance with those requirements.

As described in item SA-2012-01 in the accompanying schedule of findings and question costs, Converse County, Wyoming did not comply with requirements regarding preparation of the schedule of expenditures of federal awards that are applicable to all of its federal programs. Compliance with such requirements is necessary, in our opinion, for Converse County to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, Converse County, Wyoming complied, in all material respects, with the 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, 2012.

### *Internal Control over Compliance*

The management of Converse County, Wyoming is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered Converse County, Wyoming's internal control over compliance with requirements that could have a direct and material effect on a major Federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

*A deficiency in internal control over compliance* 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, 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 a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item SA 2012-01. 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.

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the Board of Commissioners, management, Federal awarding agencies, pass-through entities and the Wyoming Department of Audit and is not intended to be and should not be used by anyone other than those specified parties.



Porter, Muirhead, Cornia & Howard

Certified Public Accountants

February 28, 2013

**CONVERSE COUNTY, WYOMING**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
June 30, 2012

**PART I SUMMARY OF INDEPENDENT AUDITOR'S RESULTS**

***Financial Statements***

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

***Federal Awards***

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	Yes
Type of auditor's report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	Yes

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program Cluster</u>	<u>Expenditures</u>
10.666	Schools and Roads - Grants to Counties	\$ 315,556

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

(Continued)

CONVERSE COUNTY, WYOMING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

June 30, 2012

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PART II – FINANCIAL STATEMENT FINDINGS

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**COUNTY**

IC 2012-01

***Criteria***

The Auditing Standards Board (ASB) issued guidance to auditors related to an entity's internal controls over external financial reporting (i.e. financial statements presented in conformity with generally accepted accounting principles (GAAP) and issued to outside third parties). Many small organizations rely on their auditor to generate these annual financial statements including the related footnotes. Statement on Auditing Standards (SAS) No. 115 emphasizes that the auditor cannot be part of the entity's system of internal control over external financial reporting. Consequently, the entity must have personnel who are capable of preparing external financial statements in conformity with GAAP even though the auditor may draft the statements on behalf of the entity.

***Condition***

The County has controls in place and operating over the preparation of budget-basis financial reports, including in-depth review by management and the Board and a high level of awareness of all transactions being reported. However, budgetary basis financial reporting (non-GAAP) differs significantly from GAAP financial reporting. In our judgment, the County's accounting personnel and those charged with governance, in the course of their assigned duties, lack the skills to prepare the external financial statements and related footnotes in accordance with GAAP and to detect and correct a material misstatement, if present.

***Effect***

Potential misstatements could exist within the County's financial statements without being detected.

***Recommendation***

In our judgment, management and those charged with governance need to understand the importance of this communication as it relates to external GAAP basis financial statements. The County should evaluate the cost/benefit of having an employee with the expertise to prepare financial statements.

***Response***

While the County understands the issued guidelines under SAS No. 115, the County does not see a significant value from the technical compliance with this statement or a cost benefit to the County.

CONVERSE COUNTY, WYOMING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

June 30, 2012

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PART II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

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**WEED AND PEST DISTRICT**

**IC 2012-02**

**(As reported by other auditors)**

***Criteria***

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

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

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

***Condition***

Due to the small size of the District, the possibility of adequate separation of duties over certain transaction cycles is limited.

***Recommendation***

While we recognize that it is impractical for the District to achieve complete separation of duties over all transaction cycles, it is important that the Board is aware that errors and irregularities may not be detected and corrected by employees in the normal course of performing their assigned functions.

***Response***

The District feels that it has separated duties to the extent possible. Additional separation would not be cost effective. The Board will have a heightened awareness of the risks associated with the lack of separation of duties.

CONVERSE COUNTY, WYOMING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

June 30, 2012

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**PART II – FINANCIAL STATEMENT FINDINGS (CONTINUED)**

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**COUNTY AIRPORT BOARD**

**IC 2012-03**

**(As reported by other auditors)**

***Criteria***

Many small organizations rely on one or two individuals to perform the accounting functions. One or two employees in the accounting department do not provide adequate segregation of duties.

***Condition***

In our judgment, the Board's accounting staff is not large enough to permit adequate segregation of duties as reported above. This lack of segregation of duties does not allow management to detect and correct a material misstatement if present. Due to the size of the Board's staff it is anticipated that this will be an ongoing finding.

***Context***

One of two employees in the Board's accounting department does not provide adequate segregation of duties.

***Effect***

This lack of segregation of duties does not allow management to detect and correct a material misstatement if present.

***Cause***

In our judgment, the Board's accounting staff is not large enough to permit adequate segregation of duties as reported above. Due to the size of the Board's staff it is anticipated that this will be an ongoing finding.

***Recommendation***

In our judgment, management and those charged with governance need to understand the importance of this communication. However, due to the lack of resources available to management to correct this weakness of segregation of duties, we recommend management mitigate this weakness with possible compensating controls such as close supervision and monitoring by management and by the governing board.

***Response***

Although the accounting staff is too small to provide for adequate segregation of duties, there are effective compensating controls in place. Physical control of documents and control of check signature authority are two examples of measures used to compensate for the segregation issue. Vouchers all require management approval, as well as invoices processed for payment. On a monthly basis, expenditures are reviewed by the Board and airport manager, and bank statements are reconciled and reviewed. These controls provide adequate and effective safeguards to compensate for the lack of segregation of responsibilities in the accounting department.

CONVERSE COUNTY, WYOMING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

June 30, 2012

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PART II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

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**COUNTY AIRPORT BOARD (CONTINUED)**

IC 2012-04

(As reported by other auditors)

***Criteria***

The Auditing Standards Board (ASB) has issued guidance to auditors related to an entity's internal controls over financial reporting. Many small organizations rely on their auditor to generate the annual financial statements including footnotes. This guidance emphasizes that the auditor cannot be part of your system of internal control over financial reporting.

***Context***

As part of the annual audit, the Board requests that the auditor prepare the financial statements including footnotes.

(As reported by other auditors)

***Effect***

A possibility exists that a material misstatement may be missed due to management not preparing the financial statements.

***Cause***

In our judgment, the Board's accounting personnel and those charged with governance, in the course of their assigned duties, lack the capable skills to prepare the financial statements and related footnotes in accordance with generally accepted accounting principles (GAAP).

***Recommendation***

In our judgment, management and those charged with governance need to understand the importance of this communication. However, due to the lack of resources available to management to correct this material weakness in financial reporting, we recommend management mitigate this weakness by having a heightened awareness of all transactions being reported.

***Response***

We believe Board members and management have the appropriate skills and knowledge to understand the financial statements. The Board and management review and approve the financial statements along with the journal entries proposed by the auditor as well as question various journal entries and financial information, including the notes to the financial statements.

CONVERSE COUNTY, WYOMING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
June 30, 2012

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PART III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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COUNTY

*Significant Deficiency in Internal Control*

SA 2012-01

U.S. Department of Agriculture

Direct Funding

CFDA No. 10.666 Schools and Roads – Grants to Counties

Passed Through the Wyoming Department of Health

CFDA No. 10.577 Special Supplemental Nutrition for Women, Infants and Children

Passed Through the Wyoming State Forestry Division

CFDA No. 10.664 Cooperative Forestry Assistance

CFDA No. 10.672 Rural Development, Forestry, and Communities

U.S. Department of Commerce

Passed Through the Wyoming Office of Homeland Security

CFDA No. 11.555 Public Safety Interoperable Communications Grant Program

U.S. Department of Transportation

Passed through the Wyoming Department of Transportation

CFDA No. 20.600 State and Community Highway Safety

CFDA No. 20.607 Alcohol Open Container Requirements

U.S. Department of Energy

Passed through Wyoming Business Council

CFDA No. 81.041 – ARRA State Energy Program

CFDA No. 81.128 – ARRA Energy Efficiency and Conservation Block Grant Program

U.S. Department of Health and Human Services

Passed through Wyoming Department of Health

CFDA No. 93.069 Public Health Emergency Preparedness

CFDA No. 93.558 Temporary Assistance for Needy Families

CFDA No. 93.940 HIV Prevention Activities Health Department Based

CFDA No. 93.977 Preventive Health Services Sexually Transmitted Diseases Control Grants

CONVERSE COUNTY, WYOMING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

June 30, 2012

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**PART III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

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*Significant Deficiency in Internal Control (continued)*

**SA 2012-01 (continued)**

Office of Homeland Security

Passed through Wyoming Office of Homeland Security

CFDA No. 97.042 Emergency Management Performance Grants

CFDA No. 97.067 Homeland Security Grant Program

**Criteria:**

OMB Circular A-133 Subpart C .300 states that the auditee (the County) shall identify in its accounts all Federal awards received and expended and the Federal programs under which they were received. Federal program and award information shall include, as applicable, the Catalog of Federal Domestic Assistance (CFDA) title and number, award number and year, name of Federal agency, and name of the pass-through entity. This information is then used to prepare the Schedule of Federal Awards (SEFA) each year.

**Condition:**

The County did not provide a complete listing of federal grants received and expended during the year. Various departments administer the grants applicable to them and the information is not adequately tracked by the departments and then not adequately combined into a SEFA for the County. The County provided general ledger information which was incomplete and not reconciled to each grant. The provision of the general ledger detail is not sufficient to meet the requirements of a SEFA. The preparation of an accurate Schedule of Federal Awards is one of the County's core responsibilities as a recipient of federal funds. This responsibility can be carried out efficiently if all grant information is centralized for easy summarization at the end of the year.

**Effect:**

Federal expenditures for all grants may not be properly identified in a timely manner. Grant monies are applied for, received and disbursed, with no one individual having knowledge of and access to all the information pertaining to each and every grant. The Treasurer receives grant revenues without adequate information from the departments on how to code the receipts. In some situations, the grant funds have not been properly identified by the pass-through entity, further increasing the difficulty of ensuring that all Federal funds are identified. Therefore, expenditures of Federal funds have been reported incorrectly. The possibility exists that grant funds may be received and expended without full consideration of the basic compliance requirements associated with those grants. This could result in noncompliance and questioned costs, possibly resulting in the need to return funds to the granting agencies. Significant compliance issues could harm the County's ability to continue to receive Federal funding through other grants in future years.

**Questioned Costs:**

None

**Cause:**

No consistent enforced procedures to easily identify, track and record information related to all federal grant contracts entered into by the County personnel.

CONVERSE COUNTY, WYOMING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

June 30, 2012

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PART III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

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*Significant Deficiency in Internal Control (continued)*

**SA 2012-01 (continued)**

**Recommendation:**

The Department Heads must assume a higher level of responsibility to insure that funds have been requested, received, and reported as expenditures for grants under the correct CFDA number. Information should be reconciled by the program manager on a monthly basis to their records of requests for reimbursements and compared to the program expenditures to determine if additional reimbursements should be requested. Grant managers should reconcile their records of receipts, expenditures, and receivables to the general ledger information provided by the Treasurer's Office; differences should be investigated and any necessary adjustments made promptly. This will insure the individual preparing the SEFA is receiving accurate information. Also, after the SEFA is prepared at year end and the information provided to each program manager; that individual must assume full responsibility for review and verification of the revenue and expenditure amounts shown for their grants, as well as any receivable and deferred revenue amounts. For grants reimbursing only a percentage of the expenditures, the program manager must provide the person preparing the SEFA with the applicable Federal or State portion of the expenditures; otherwise, the expenditures shown on the SEFA will not be representative of the Federal expenditures portion. As grant managers have the most information regarding the grant, they must recognize and assume the responsibility for the financial aspects of grant management, in addition to the specific compliance requirements. Clear and accurate communication with the Treasurer's Office will help insure the accuracy of the SEFA. Copies of all grant awards should be submitted to the Treasurer's office as they are signed. When the Treasurer's office receives notice of the grant award, a designated individual should call the appropriate granting agency to determine if federal funds are involved and if so, to obtain the CFDA number. We also recommend that individuals responsible for compliance with all Federal grant requirements receive appropriate training to administer these funds.

**Management Response:**

The County has struggled with grant issues for the last fifteen years.

Previous attempts have been made to provide department heads methods to track grants and information about accounting for grant revenues and expense. In the last several years, there has been significant improvement in this area. Individual departments are taking measures to comply with grant requirements and are aware of their responsibilities regarding the reconciliation of their grants, including the "review and verification of the revenue and expenditure amounts shown for the grants."

Yet, there remains no single individual employed by the County tasked with tracking or compiling grant applications, information, expenditures, revenues and compliance.

Therefore, individual departments will improve their accounting for the grants they manage. Those individual listings will allow for easier preparation of the SEFA.

***Compliance Finding***

See SA 2012-01

**CONVERSE COUNTY, WYOMING**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

**June 30, 2012**

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None

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