

FINANCIAL REPORT
CONVERSE COUNTY, WYOMING
YEAR ENDED JUNE 30, 2009

Converse County, Wyoming
TABLE OF CONTENTS
 Year Ended June 30, 2009

	PAGE
INTRODUCTORY SECTION	
List of County Officials	1-2
INDEPENDENT AUDITOR'S REPORT	3-4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5-12
BASIC FINANCIAL STATEMENTS	
Statement of Net Assets	13
Statement of Activities	14
Balance Sheet - Governmental Funds	15
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	16
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Net Assets - Proprietary Fund	19
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund	20
Statement of Cash Flows - Proprietary Fund	21-22
Statement of Fiduciary Net Assets	23
Combining Statement of Net Assets - Component Units	24
Combining Statement of Activities - Component Units	25
Notes to the Financial Statements	26-40
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	41
Budgetary Comparison Schedule - Grant Fund	42
Notes to Required Supplementary Information	43
OTHER SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	44
Notes to the Schedule of Expenditures of Federal Awards	45
Combining Balance Sheet - Nonmajor Special Revenue Funds	46-48
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	49-51

Converse County, Wyoming
TABLE OF CONTENTS - CONTINUED
Year Ended June 30, 2009

INTERNAL CONTROL AND COMPLIANCE WITH LAWS AND REGULATIONS

Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards 52-53

Independent Auditor's Report on Compliance with Requirements Applicable to
Each Major Program and Internal Control over Compliance in Accordance with
OMB Circular A-133 54-55

Schedule of Findings and Questioned Costs 56-60

Schedule of Prior Audit Findings 61-63

COMMUNICATION OF ADVISORY COMMENTS 64

Converse County, Wyoming
BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2009

LIST OF COUNTY OFFICIALS

County Assessor - Dixie J. Huxtable
P.O. Box 57
Ph. (307) 358-2741, Fax (307) 358-4065
E-mail: DJHUXTABLE@yahoo.com Republican

County Attorney - Quentin Richardson
107 North 5th, Suite 140
Ph. (307) 358-5020, Fax (307) 358-9537
E-mail: cedarn@communicomm.com Republican

County Clerk - Lucile K. Taylor
107 North 5th, Suite 114
Ph. (307) 358-2244, Fax (307) 358-5998
E-mail: ccclerk@communicomm.com Republican

Clerk of the District Court - Jo Winters
P.O. Box 189
Ph. (307) 358-3165 Republican

County Commissioner - Jim Willox
107 North 5th, Suite 114
Ph. (307) 358-2061, Fax (307) 358-5998 Republican

County Commissioner - Ed Werner
107 North 5th, Suite 114
Ph. (307) 358-2061, Fax (307) 358-5998 Republican

County Commissioner - Dave Edwards
107 North 5th, Suite 114
Ph. (307) 358-2061, Fax (307) 358-5998 Republican

County Commissioner - Tony Lehner
107 North 5th, Suite 114
Ph. (307) 358-2061, Fax (307) 358-5998 Republican

County Commissioner - Mike Collins
107 North 5th, Suite 114
Ph. (307) 358-2061, Fax (307) 358-5998 Republican

County Coroner - Roscoe J. Gorman
P.O. Box X
Ph. (307) 358-3843, Fax (307) 358-3947 Republican

County Sheriff - Clint Becker
107 North 5th, Suite 239
Ph. (307) 358-4700, Fax (307) 358-6703
E-mail: convcosher13@yahoo.com Republican

County Treasurer - Joel Schell
107 North 5th, Suite 129
Ph. (307) 358-3120, Fax (307) 358-4065 Republican

Converse County, Wyoming
BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2009

LIST OF COUNTY OFFICIALS (CONTINUED)

Public Health Nurse - Sharon Kilmer
442 Center Street
Ph. (307) 358-2536, Fax (307) 358-3941 Appointed

Road and Bridge Supervisor - Scott McWilliams
PO Box 770
Ph. (307) 358-3602, Fax (307) 358-6843 Appointed



Member of Wyoming Society of Certified Public Accountants
American Institute of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Converse
County Commissioners
Converse County, Wyoming
Douglas, Wyoming 82633

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Converse County, Wyoming as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. My responsibility is to express opinions on these financial statements based on my audit. I did not audit the financial statements of Converse County Weed and Pest Control District, Memorial Hospital of Converse County, or the Converse County Airport Board, which represent 98 percent, 97 percent and 98 percent of the assets, net assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to me, and my opinion, insofar as it relates to the amounts included for Converse County Weed and Pest Control District, Memorial Hospital of Converse County and Converse County Airport Board, is based on the report of the other auditors.

I conducted my 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 I 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. I believe that my audit and the reports of other auditors provide a reasonable basis for my opinions.

In my opinion, based on my audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Converse County, Wyoming, as of June 30, 2009, 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, I have also issued my report dated February 16, 2010 on my consideration of the County's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of 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 my audit.

Tracy Boner, CPA
PO Box 15
315 Walnut Street
Douglas, WY 82633

Phone: 307-358-1818
Fax: 307-358-8449
tracy@cpaadvantage.us

INDEPENDENT AUDITOR'S REPORT - CONTINUED

The accompanying management's discussion and analysis on pages 5 through 12, and budgetary comparison information on pages 41 through 43 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying other supplemental information is presented for the purpose 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 US Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Converse County, Wyoming. The other supplemental 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, in my opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

CPA Advantage, LLC

CPA Advantage, LLC
Douglas, Wyoming
February 16, 2010

**MANAGEMENT'S
DISCUSSION AND
ANALYSIS**

Converse County, Wyoming
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009

As management of Converse County (the County), we present to readers of the County's basic financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with the County's financial statements, notes to the financial statements and various supplementary information. The discussion focuses on the County's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

FINANCIAL HIGHLIGHTS

Government-Wide:

The restricted and unrestricted assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$34,468,579 (net assets). Of this amount, \$16,549,971 may be used to meet the government's ongoing General Fund, Grant Fund and other nonmajor governmental funds obligations to citizens and creditors. The County's total net assets, including all funds, increased by \$3,960,505.

Fund Basis:

As of June 30, 2009, unreserved fund balance for the General Fund was \$15,195,516.

As of June 30, 2009, the County's other governmental funds reported combined ending fund balances of \$1,050,772 of unreserved fund balance.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

The statement of net assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods such as revenues pertaining to uncollected taxes or expenses pertaining to earned but unused vacation and sick leave.

The government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues, such as grant revenue (governmental activities), from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

Converse County, Wyoming
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
June 30, 2009

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED

Government-Wide Financial Statements - Continued

Governmental activities of the County include those related to legislative and legal, general government, public safety, public health, welfare and recreation, public works, conservation and direct assistance to other entities.

The government-wide financial statements include not only the County itself (the primary government), but also other legally separate entities for which the County is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Grant Fund which are considered major funds.

Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements, located in the other supplementary information section of this report.

The County adopts an annual appropriated budget for its funds. A budgetary comparison is provided for each of the County's major governmental funds to demonstrate compliance with this budget. The budgetary comparison statement for the major governmental funds are located in the required supplementary information section of this report.

Proprietary funds are generally used to account for operations that provide services to the general public on a continuing basis or to internal County departments. Proprietary funds provide the same type of information contained in the business-type activities portion of the government-wide financial statements, only in more detail. The County maintains one type of proprietary fund, an internal service fund.

Internal Service funds are accounting mechanisms used to accumulate and allocate costs among the County's various functions. The Converse County uses an internal service fund to account for the operation of the County's Employee Health Insurance function. Because these services predominantly benefit governmental rather than business-type functions, they are incorporated into governmental activities in the government-wide financial statements. The internal service fund is presented in the proprietary fund financial statements.

Converse County, Wyoming
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
 June 30, 2009

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED

Fund Financial Statements - Continued

Fiduciary funds are used to account for resources held for the benefit of parties outside the government and consist of the Agency Fund. Fiduciary funds are not reflected in the accompanying government-wide financial statements because the resources of those funds are not available to support the County's programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary fund financial statements can be found in the basic financial statements section of this report.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The Notes to the Basic Financial Statements provide additional information and narrative disclosures that are essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's budgetary compliance of the general fund. The combining statements referred to earlier in connection with governmental funds are presented immediately following the required supplementary information.

Major funds and component units are reported in the basic financial statements as discussed.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$34,468,579 at the close of the most recent fiscal year.

Converse County, Wyoming
Net Assets
 June 30, 2009 and 2008

	2009	2008
	<u>Governmental Activities</u>	<u>Governmental Activities</u>
Assets		
Current and other assets	\$ 18,411,578	\$ 15,410,316
Capital assets	<u>17,919,308</u>	<u>17,040,195</u>
Total assets	<u>36,330,886</u>	<u>32,450,511</u>
Liabilities		
Current liabilities	1,712,737	1,810,583
Long-term liabilities	<u>149,570</u>	<u>131,854</u>
Total liabilities	<u>1,862,307</u>	<u>1,942,437</u>
Net assets		
Invested in capital assets, net of related debt	17,919,308	17,040,195
Unrestricted	<u>16,549,271</u>	<u>13,467,879</u>
Total net assets	<u>\$ 34,468,579</u>	<u>\$ 30,508,074</u>

Converse County, Wyoming
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
 June 30, 2009

GOVERNMENT-WIDE FINANCIAL ANALYSIS - CONTINUED

Analysis of Net Assets - continued

A portion of the County's net assets (52%) reflects its net investment of \$17,919,308 in capital assets (for example, land, buildings, vehicles, and equipment), net of related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net assets in all County funds of \$16,549,271 may be used to meet the government's ongoing obligations to citizens and creditors. Specific expenditure designations apply to the special revenue funds.

At June 30, 2009, the County is able to report positive balances in all three categories of net assets, for the government as a whole.

Analysis of Changes in Net Assets

The County's net assets increased \$3,960,505 during the current fiscal year.

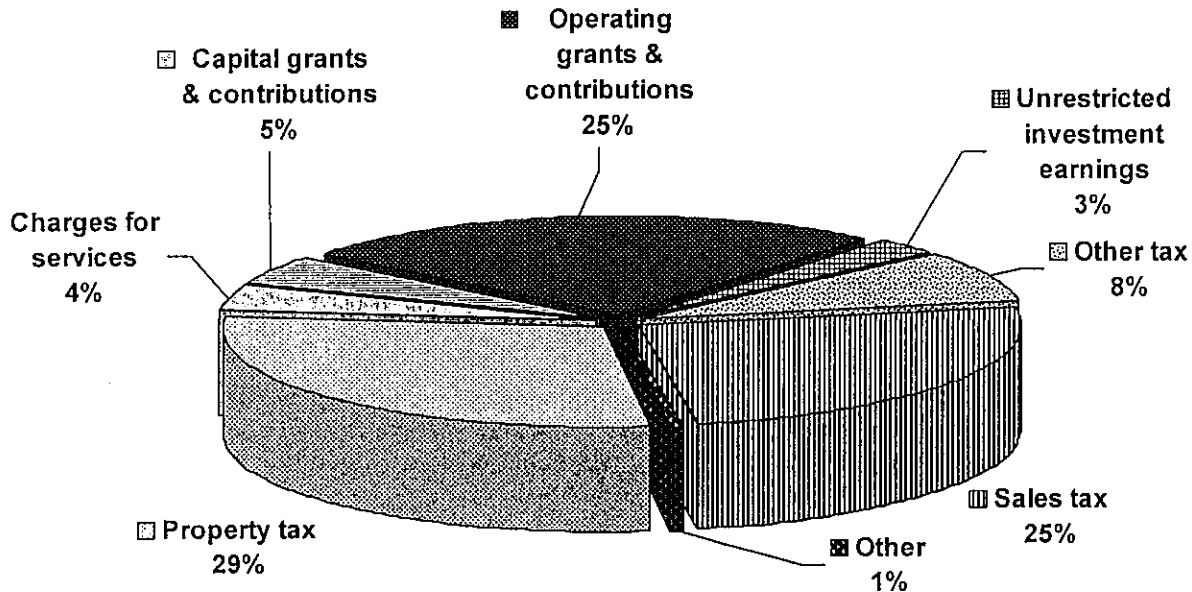
Converse County, Wyoming
Changes in Net Assets
 June 30, 2009 and 2008

	2009 Governmental Activities	2008 Governmental Activities
Revenues		
Charges for services	\$ 690,327	\$ 664,138
Operating grants and contributions	4,312,024	1,713,266
Capital grants and contributions	802,058	305,706
Taxes		
Property	4,925,873	4,472,363
Sales	4,270,626	3,369,854
Other	1,432,563	1,468,651
Unrestricted interest earnings	437,140	484,739
Other	<u>102,643</u>	<u>61,023</u>
Total revenues	<u>16,973,254</u>	<u>12,539,740</u>
Expenses		
General government	3,381,262	2,955,467
Public safety	6,122,264	4,193,234
Public works	2,560,737	2,316,419
Health, welfare and recreation	844,576	829,160
Conservation	<u>103,910</u>	<u>97,589</u>
Total expenses	<u>13,012,749</u>	<u>10,391,869</u>
Change in net assets	3,960,505	2,147,871
Net assets - July 1	<u>30,508,074</u>	<u>28,360,203</u>
Net assets - June 30	<u>\$ 34,468,579</u>	<u>\$ 30,508,074</u>

Converse County, Wyoming
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
June 30, 2009

GOVERNMENT-WIDE FINANCIAL ANALYSIS - CONTINUED

Revenues by Source - Governmental Activities



Sales taxes, property taxes, and other taxes are general revenues used to support overall government functions; therefore, these are not shown as program revenues. Sales taxes make up 25%, other taxes, consisting primarily of severance taxes and gas and fuel tax are at 8%, property taxes are 29%, unrestricted interest income at 3%, charges for services 4%, operating grants and contributions are 25%, capital grants and contributions are 5%. Key factors of this change in governmental activities include the following based on the government-wide statement of activities:

- Property taxes and other taxes increased by approximately \$417,000 or 7%.
- Sales tax revenues increased by approximately \$901,000 or 27%, due to a stable local economy.
- Charges for services increased approximately \$26,000 or 4%.
- Grants and contributions increased approximately \$3,095,000 due to receipt of a Mineral Royalty Grant of \$1,884,000, increase in PILT monies of \$608,000, increase in Impact Assistance funds of \$533,000, and other increases in operating grants of \$70,000.
- Governmental activities expenses increased due to higher wages, contribution of funds for purchase of a fire truck of \$1,884,000 and some capital expenses..

Governmental funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2009, the County's governmental funds reported a combined ending fund balance of \$16,246,288, an increase of \$3,081,106. The increase is due to increased tax revenues and grant revenues.

The General Fund is the County's main operating fund. At June 30, 2009, fund balance of the General Fund was \$15,195,516, an increase of \$2,566,903 in comparison with the prior year. The increase in fund balance was mainly due to higher tax revenues and grant revenues.

Converse County, Wyoming
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
June 30, 2009

GOVERNMENT-WIDE FINANCIAL ANALYSIS - CONTINUED

Governmental funds - continued

The reserved fund balance classification indicates that it is committed for other purposes including \$350,000 reserved for the depreciation reserve.

Internal Service Funds

The internal service fund, which is used to finance and account for goods and services provided internally among County departments, had unrestricted net assets of \$396,099. County management believes the cash and investment position of the fund is sufficient to cover the current costs related to employee health insurance and current operating costs.

Fiduciary Funds

The County maintains agency funds for taxes and other revenues collected for other governmental entities.

BUDGETARY HIGHLIGHTS

The County adopts an annual budget for all funds. The County Commissioners adopt budget adjustments during the year for supplemental appropriations which are generally contingent upon new or additional revenue sources or the spending of reserves.

General Fund

The General Fund reflects a net positive ending fund balance variance of \$6,949,265, which consists of a positive revenue variance of \$2,197,599 and a positive expenditure variance of \$4,751,666.

General Fund actual revenues were above budgeted revenue due to an increase in anticipated sales and use tax.

Grant Fund

The Grant Fund reflects a net positive ending fund balance variance of \$81,117, which is a result of a positive revenue variance due to higher than anticipated intergovernmental revenues.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental activities for the current fiscal year amounts to \$17,919,308 (net of accumulated depreciation).

This investment in capital assets includes land, construction in progress, buildings and related systems, infrastructure, improvements, machinery and equipment, and park facilities.

Additional information on the County's capital assets can be found in Note F to the basic financial statements.

Long-Term Debt

At the end the current fiscal year, the County had long-term obligations outstanding of \$149,570 which represents accrued compensated absences. Additional information about Converse County's debt can be found in Note E to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's assessed valuation went from \$583,725,972 in FY 09 to \$694,931,035 in FY 10 – a net increase of \$111,205,063.

Converse County, Wyoming
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
June 30, 2009

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES- CONTINUED

The Commission asked all County departments to keep their budget requests in line with FY 09 and to hold the line on authorized positions. With few exceptions, County departments were able to do so. Elected officials/department heads were allowed to offer up to a 3% merit increase for their employees. The other major cost to the County was the additional premium for the employees' health insurance benefit.

County departments and outside agencies were cautioned, during the budget work sessions, that next year will likely see a significant decrease in valuation; therefore, the County will probably not be able to fund programs at the same level as this year.

This is the first year the County has received significant Impact Assistance Funds, which came from PacifiCorp's Wind Farm north of Glenrock. Duke Energy's Campbell Hill Wind Project is just now beginning construction. With the exception of the Dry Forks Impact Funds, all other Impact Funds are currently being earmarked for County road projects.

Several road and bridge projects were addressed with the FY 10 budget. Funding for these projects will come from a variety of sources:

- 55 Ranch Road (CR 23): \$1,550,000 project. Impact Asst funds, \$500,000; County Rd Funds Savings Acct, \$650,000; and County General Fund, \$400,000.
- Jenne Trail (CR 34) Reconstruction (balance of two projects): \$393,593 project. CMAQ grant, \$275,340; County Rd Funds Savings Account, \$118,253 (includes \$15,000 in cost overruns to complete project).
- Tank Farm Road (CR 27) Bridge (final): \$14,200 project. County Rd Funds Saving Acct, \$14,200.
- Walker Creek Road (CR 43): \$600,000 project. County General Fund, \$520,000; County Rd Funds Savings Acct, \$80,000.

Note: The County has around 640 miles of county roads, with most being unpaved. The Commission is addressing many road, bridge, and culvert projects that are required to maintain the road system. Listed above are the most costly projects this year and are listed because of grant applications. For the most part, the County Road & Bridge Department addresses other road projects through their operating budget. The \$2,542,793 in identified projects and over \$1.9 million in the R&B operating budget reflects the County's commitment to maintain and repair its roads.

The County has purchased a building for the County Health Department. This purchase will give them much needed space for their operation. The current Health Department Office located at 442 E Center Street is slated to be the home of the Joint Dispatch Center once it is reality. The City of Douglas, Town of Glenrock, and Converse County are all on board for the Joint Dispatch Center to consolidate services, thereby running more efficiently and cost effectively. MHCC - Glenrock Ambulance Service was the recipient of a new building funded by the County and placed on the premises of the Glenrock Hospital District. The County is leasing the ground from the Hospital District.

The three fire departments received most of their requested funding in an effort to provide for the safety and security of the county residents. The County provided \$188,500 for equipment replacement funds to the Douglas and Glenrock Fire Departments.

The County was able to put \$3,095,233 in an Operating Reserve, \$2,500,000 in the Building/Maintenance Reserve; \$400,000 in the Equipment Reserve, and \$500,000 in a Personnel Salary Reserve - all intended for future needs. The County funded "Aid to Others" at a \$618,600 level, up a bit from the previous FY.

Overall, the County is in good financial condition going into the current fiscal year.

Converse County, Wyoming
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
June 30, 2009

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Converse County's finances for all those with an interest in the government's finances. Questions concerning any of the information should be addressed to the County Clerk, 107 North 5th Street, Douglas, WY 82633.

**BASIC FINANCIAL
STATEMENTS**

Converse County, Wyoming
STATEMENT OF NET ASSETS
June 30, 2009

	<u>Primary Governmental Activities</u>	<u>Component Units</u>
ASSETS		
Current Assets:		
Pooled cash and cash equivalents	\$ 8,247,664	\$ 11,132,860
Nonpooled cash and cash equivalents	151,492	—
Investments	8,888,341	6,238,715
Taxes receivable	96,345	37,204
Accounts receivable, net	138,049	5,570,400
Other receivables	—	134,313
Estimated third party payer settlements	—	1,200,000
Inventories	—	1,221,703
Due from other funds	9,115	—
Due from other governments	810,761	241,034
Other current assets	—	259,870
Total Current Assets	18,341,767	26,036,099
Restricted assets	—	924,928
Noncurrent Assets:		
Notes receivable	69,811	—
Other noncurrent assets	—	543,393
Capital assets:		
Land and construction in progress	2,117,287	4,430,307
Infrastructure	32,577,231	—
Other capital assets	12,569,875	45,602,874
Less: Accumulated depreciation	<u>(29,345,085)</u>	<u>(20,368,544)</u>
Total Noncurrent Assets	17,989,119	30,208,030
TOTAL ASSETS	36,330,886	57,169,057
LIABILITIES		
Current liabilities:		
Outstanding warrants	1,128,483	—
Accounts payable	295,854	1,269,281
Accrued liabilities	113,843	1,926,358
Deposits held in trust	148,925	—
Deferred revenues	25,632	—
Current maturities of long-term debt	—	873,660
Total Current Liabilities	1,712,737	4,069,299
Noncurrent Liabilities:		
Compensated absences	149,570	757,157
Long-term debt, net of current maturities	—	7,704,670
Total Noncurrent Liabilities	149,570	8,461,827
TOTAL LIABILITIES	1,862,307	12,531,126
NET ASSETS		
Invested in capital assets, net of related debt	17,919,308	21,165,718
Restricted for:		
Bond reserves	—	924,928
Unrestricted	<u>16,549,271</u>	<u>22,547,285</u>
TOTAL NET ASSETS	\$ 34,468,579	\$ 44,637,931

The accompanying notes are an integral part of these statements.

Converse County, Wyoming
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue & Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Component Units
Governmental Activities:						
General government	\$ 3,381,262	\$ 347,527	\$ 1,467,429	\$ 638,339	\$ (927,967)	\$ —
Public safety	6,122,264	289,334	2,352,738	163,719	(3,316,473)	—
Public works	2,560,737	31,895	283,971	—	(2,244,871)	—
Health, welfare and recreation	844,576	20,741	207,886	—	(615,949)	—
Conservation	103,910	830	—	—	(103,080)	—
Total Primary Government	<u>\$13,012,749</u>	<u>\$ 690,327</u>	<u>\$ 4,312,024</u>	<u>\$ 802,058</u>	<u>(7,208,340)</u>	<u>—</u>
Component Units	<u>\$37,308,504</u>	<u>\$39,284,820</u>	<u>\$ 100,930</u>	<u>\$ 849,845</u>	<u>—</u>	<u>2,927,091</u>
General Revenues:						
Taxes:						
Sales taxes					4,270,626	—
Property taxes					4,670,683	—
Property taxes, levied for special purpose					255,190	2,843,150
Gas and special fuel tax					481,973	—
Severance tax					279,072	—
Other taxes					671,518	205,523
Interest and investment earnings					437,140	387,027
Gain (loss) on asset disposal					586	50,152
Miscellaneous					102,057	45,652
Subtotal, General Revenues					<u>11,168,845</u>	<u>3,531,504</u>
Changes in net assets					3,960,505	6,458,595
Net assets, beginning of year					<u>30,508,074</u>	<u>38,179,336</u>
Net assets, end of year					<u>\$34,468,579</u>	<u>\$44,637,931</u>

The accompanying notes are an integral part of these statements.

Converse County, Wyoming
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2009

	Major Governmental Funds		Nonmajor Govern- mental Funds	Total Primary Government
	General Fund	Grant Fund		
ASSETS				
Assets:				
Pooled cash and cash equivalents	\$ 7,142,605	\$ —	\$ 1,177,588	\$ 8,320,193
Nonpooled cash and cash equivalents	151,492	—	—	151,492
Investments	8,310,797	—	—	8,310,797
Receivables:				
General accounts receivable	—	11,718	75,246	86,964
Property taxes	90,068	—	6,277	96,345
Due from other funds	242,094	5,341	9,115	256,550
Due from other governments	810,761	—	—	810,761
Notes receivable	—	—	69,811	69,811
Total Assets	<u>\$16,747,817</u>	<u>\$ 17,059</u>	<u>\$ 1,338,037</u>	<u>\$18,102,913</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ —	\$ 37,902	\$ 209,533	\$ 247,435
Outstanding warrants	1,128,483	—	—	1,128,483
Accounts payable	99,887	3,294	32,673	135,854
Accrued expenses	111,587	2,256	—	113,843
Deposits held in trust	148,925	—	—	148,925
Deferred revenue	63,419	—	18,666	82,085
Total liabilities	<u>1,552,301</u>	<u>43,452</u>	<u>260,872</u>	<u>1,856,625</u>
Fund Balances:				
Reserved for non-current notes receivable	—	—	69,811	69,811
Unreserved, designated for emergency expenditures	1,334,947	—	8,000	1,342,947
Reserved for building maintenance	3,280,897	—	—	3,280,897
Reserved for other purposes	350,000	—	—	350,000
Unreserved, undesignated	10,229,672	—	—	10,229,672
Undesignated, reported in: Special revenue funds	—	(26,393)	999,354	972,961
Total fund balances	<u>15,195,516</u>	<u>(26,393)</u>	<u>1,077,165</u>	<u>16,246,288</u>
Total Liabilities and Fund Balances	<u>\$16,747,817</u>	<u>\$ 17,059</u>	<u>\$ 1,338,037</u>	<u>\$18,102,913</u>

The accompanying notes are an integral part of these statements.

Converse County, Wyoming
**STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS**
 For the Year Ended June 30, 2009

	Major Governmental Funds		Nonmajor Govern- mental Funds	Total Primary Government
	General Fund	Grant Fund		
REVENUES				
Taxes	\$ 11,710,443	\$ —	\$ 277,378	\$11,987,821
Licenses and permits	7,230	—	—	7,230
Intergovernmental	541,325	2,194,193	985,532	3,721,050
Charges for services	505,583	—	152,442	658,025
Interest	407,514	—	—	407,514
Miscellaneous	26,716	—	121,732	148,448
Total revenues	<u>13,198,811</u>	<u>2,194,193</u>	<u>1,537,084</u>	<u>16,930,088</u>
EXPENDITURES				
Current:				
General government	3,272,064	—	—	3,272,064
Public safety	3,722,495	1,903,029	187,145	5,812,669
Public works	2,190,239	—	180,871	2,371,110
Health, welfare and recreation	260,050	112,974	464,464	837,488
Conservation	102,292	—	—	102,292
Capital outlay	1,084,768	171,625	196,966	1,453,359
Total expenditures	<u>10,631,908</u>	<u>2,187,628</u>	<u>1,029,446</u>	<u>13,848,982</u>
NET CHANGE IN FUND BALANCE	2,566,903	6,565	507,638	3,081,106
Fund balances - beginning	<u>12,628,613</u>	<u>(32,958)</u>	<u>569,527</u>	<u>13,165,182</u>
Fund balances - ending	<u>\$ 15,195,516</u>	<u>\$ (26,393)</u>	<u>\$ 1,077,165</u>	<u>\$ 16,246,288</u>

The accompanying notes are an integral part of these statements.

Converse County, Wyoming
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES**
June 30, 2009

Total Governmental Fund Balances	\$ 16,246,288
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in government activities are not financial resources and therefore are not reported in the funds.	17,919,309
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are not recorded in the funds.	56,453
One internal service fund is used by management to charge the cost of insurance to individual funds. Assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	396,099
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Compensated absences	<u>(149,570)</u>
Net Assets of Governmental Activities	<u>\$ 34,468,579</u>

The accompanying notes are an integral part of these statements.

Converse County, Wyoming
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**
For the Year Ended June 30, 2009

Net change in fund balances – total governmental funds	\$ 3,081,106
<p>Amounts reported for <i>governmental activities</i> in the statement of activities are different because:</p>	
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 as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	880,231
Loss on disposal of capital assets	(1,118)
Internal Service fund change in net assets.	(13,753)
Additional accrued for compensated absences.	(17,716)
Some property tax will not be collected for several months after the County's fiscal year end, they are not considered "available" revenues in the governmental funds.	<u>31,755</u>
Change in net assets of government activities	<u>\$ 3,960,505</u>

The accompanying notes are an integral part of these statements.

Converse County, Wyoming
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2009

	<u>Primary Government Internal Service Fund</u>
ASSETS	
Current assets:	
Pooled cash and cash equivalents	\$ —
Investments	577,544
Accounts receivable	<u>51,084</u>
Total current assets	<u>628,628</u>
LIABILITIES	
Current Liabilities:	
Due to other funds	72,529
Accounts payable	<u>160,000</u>
Total current liabilities	<u>232,529</u>
NET ASSETS	<u>\$ 396,099</u>

The accompanying notes are an integral part of these statements.

Converse County, Wyoming
**STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET ASSETS – PROPRIETARY FUND**
 For the Year Ended June 30, 2009

	<u>Primary Government Internal Service Fund</u>
Operating Revenues:	
Charges for services	<u>\$ 1,190,542</u>
Total operating revenues	<u>1,190,542</u>
Operating Expenses:	
Costs of services	<u>1,216,822</u>
Total operating expenses	<u>1,216,822</u>
OPERATING LOSS	<u>(26,280)</u>
Nonoperating revenues:	
Interest revenue	<u>12,527</u>
Total nonoperating revenues	<u>12,527</u>
CHANGE IN NET ASSETS	<u>(13,753)</u>
Net Assets - beginning	<u>409,852</u>
Net Assets - ending	<u>\$ 396,099</u>

The accompanying notes are an integral part of these statements.

Converse County, Wyoming
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2009

	<u>Primary Government Internal Service Fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 1,190,542
Cash paid to suppliers and employees	<u>(1,216,822)</u>
Net cash used in operating activities	<u>(26,280)</u>
Cash flows from noncapital financing activities:	
Transfer from other funds	<u>26,280</u>
Cash flows from investing activities:	
Investment income	12,527
Purchase of investments	<u>(12,527)</u>
Net cash provided by investing activities	<u>—</u>
NET INCREASE IN CASH	<u>—</u>
Cash and cash equivalents - beginning	<u>—</u>
Cash and cash equivalents - ending	<u><u>\$ —</u></u>

The accompanying notes are an integral part of these statements.

Converse County, Wyoming
STATEMENT OF CASH FLOWS - CONTINUED
PROPRIETARY FUND
For the Year Ended June 30, 2009

	<u>Primary Government Internal Service Fund</u>
Cash flows from operating activities:	
Reconciliation of Net Income to Net Cash Provided (Used) by Operating Activities	
Operating loss	\$ (26,280)
Adjustments to reconcile net income to net cash provided (used) by operating activities:	
Increase in accounts receivable	—
Increase in accounts payable	—
Total adjustments	<u>—</u>
Net cash used in operating activities	<u>\$ (26,280)</u>

The accompanying notes are an integral part of these statements.

Converse County, Wyoming
STATEMENT OF FIDUCIARY
NET ASSETS
June 30, 2009

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 1,009,348
Taxes receivable	<u>586,391</u>
Total Assets	<u>\$ 1,595,739</u>
LIABILITIES	
Due to other funds	\$ 9,115
Due to others	1,158,714
Deferred revenues	<u>427,910</u>
Total Liabilities	<u>\$ 1,595,739</u>

The accompanying notes are an integral part of these statements.

Converse County, Wyoming
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
June 30, 2009

	County Airport Board	County Hospital	Weed & Pest Control District	County Library Board	Tourism Board	Total
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 169,875	\$ 9,974,118	\$ 495,364	\$ 489,340	\$ 4,163	\$11,132,860
Investments	334,294	5,792,552	—	111,869	—	6,238,715
Taxes receivable	1,941	13,546	3,470	18,247	—	37,204
Accounts receivable, net	—	5,485,591	84,109	700	—	5,570,400
Other receivables	900	131,396	—	2,017	—	134,313
Estimated third party payer settlement	—	1,200,000	—	—	—	1,200,000
Inventories	—	1,025,958	195,745	—	—	1,221,703
Due from other governments	28,155	—	—	—	212,879	241,034
Other current assets	—	259,870	—	—	—	259,870
Total current assets	<u>535,165</u>	<u>23,883,031</u>	<u>778,688</u>	<u>622,173</u>	<u>217,042</u>	<u>26,036,099</u>
Restricted assets:						
Cash and cash equivalents	—	294,928	—	—	—	294,928
Investment	30,000	600,000	—	—	—	630,000
Total restricted assets	<u>30,000</u>	<u>894,928</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>924,928</u>
Noncurrent assets:						
Physician's receivable	—	66,589	—	—	—	66,589
Investment in Limited Liability Co.	—	397,393	—	—	—	397,393
Deferred financing cost, net	—	79,411	—	—	—	79,411
Capital assets:						
Land and construction in progress	2,741,061	1,576,646	12,000	100,600	—	4,430,307
Other capital assets, net of depreciation	6,283,354	18,407,333	158,461	385,182	—	25,234,330
Total noncurrent assets	<u>9,024,415</u>	<u>20,527,372</u>	<u>170,461</u>	<u>485,782</u>	<u>—</u>	<u>30,208,030</u>
TOTAL ASSETS	<u>9,589,580</u>	<u>45,305,331</u>	<u>949,149</u>	<u>1,107,955</u>	<u>217,042</u>	<u>57,169,057</u>
LIABILITIES						
Current Liabilities:						
Accounts payable	34,399	1,071,666	145,180	18,036	—	1,269,281
Accrued expenses and benefits	5,093	1,889,471	31,794	—	—	1,926,358
Current maturities of long term debt	—	873,660	—	—	—	873,660
Total current liabilities	<u>39,492</u>	<u>3,834,797</u>	<u>176,974</u>	<u>18,036</u>	<u>—</u>	<u>4,069,299</u>
Noncurrent Liabilities:						
Accrued compensated absences	—	687,095	48,539	21,523	—	757,157
Long-term debt, net of current maturities	—	7,704,670	—	—	—	7,704,670
Total noncurrent liabilities	<u>—</u>	<u>8,391,765</u>	<u>48,539</u>	<u>21,523</u>	<u>—</u>	<u>8,461,827</u>
TOTAL LIABILITIES	<u>39,492</u>	<u>12,226,562</u>	<u>225,513</u>	<u>39,559</u>	<u>—</u>	<u>12,531,126</u>
NET ASSETS						
Invested in capital assets, net of related debt	9,024,415	11,485,060	170,461	485,782	—	21,165,718
Restricted	30,000	894,928	—	—	—	924,928
Unrestricted	495,673	20,698,781	553,175	582,614	217,042	22,547,285
TOTAL NET ASSETS	<u>\$ 9,550,088</u>	<u>\$33,078,769</u>	<u>\$ 723,636</u>	<u>\$ 1,068,396</u>	<u>\$ 217,042</u>	<u>\$44,637,931</u>

The accompanying notes are an integral part of these statements.

Converse County, Wyoming
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the Year Ended June 30, 2009

	County Airport Board	County Hospital	Weed & Pest Control District	County Library Board	Tourism Board	Total
EXPENSES	<u>\$ 579,441</u>	<u>\$34,838,974</u>	<u>\$ 979,521</u>	<u>\$ 721,604</u>	<u>\$ 188,964</u>	<u>\$37,308,504</u>
PROGRAM REVENUES						
Charges for services	62,725	38,761,253	440,703	20,139	—	39,284,820
Operating grants and contributions	1,625	93,757	—	5,548	—	100,930
Capital grants and contributions	849,845	—	—	—	—	849,845
TOTAL PROGRAM REVENUES	<u>914,195</u>	<u>38,855,010</u>	<u>440,703</u>	<u>25,687</u>	<u>—</u>	<u>40,235,595</u>
Net (expenses) revenues	<u>334,754</u>	<u>4,016,036</u>	<u>(538,818)</u>	<u>(695,917)</u>	<u>(188,964)</u>	<u>2,927,091</u>
GENERAL REVENUES						
Taxes:						
Property	103,082	1,377,020	600,722	762,326	—	2,843,150
Other	9,125	—	—	—	196,398	205,523
Investment and interest income	12,096	355,937	8,146	8,026	2,822	387,027
Gain (loss) on asset disposal	—	51,013	—	(861)	—	50,152
Miscellaneous	—	26,848	17,964	840	—	45,652
TOTAL GENERAL REVENUES	<u>124,303</u>	<u>1,810,818</u>	<u>626,832</u>	<u>770,331</u>	<u>199,220</u>	<u>3,531,504</u>
Change in net assets	459,057	5,826,854	88,014	74,414	10,256	6,458,595
Net assets, beginning	<u>9,091,031</u>	<u>27,251,915</u>	<u>635,622</u>	<u>993,982</u>	<u>206,786</u>	<u>38,179,336</u>
Net assets, ending	<u>\$ 9,550,088</u>	<u>\$33,078,769</u>	<u>\$ 723,636</u>	<u>\$ 1,068,396</u>	<u>\$ 217,042</u>	<u>\$44,637,931</u>

The accompanying notes are an integral part of these statements.

**NOTES TO FINANCIAL
STATEMENTS**

Converse County, Wyoming
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

**NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF
SIGNIFICANT ACCOUNTING POLICIES**

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 generally accepted accounting principles, 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 data from those units is combined with data of the primary government. Discretely presented component units, on the other hand, are reported in separate columns in the combined financial statements to emphasize they are legally separate from the County. Each discretely presented component unit has a June 30 year end. The County has no blended component units.

Discretely Presented Component Units

The financial data of the following component units are reported in a separate column to emphasize that they are legally separate from the County. Various members of the governing boards of all these component units are appointed by the Board of County Commissioners.

1. 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.
2. 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.
3. 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.
4. 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.
5. The *County Hospital* 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.

Jointly Governed Organization

The Fire Suppression Authority was formed by the Converse County Municipal and County 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 Joint Powers Boards is a separate legal entity created in accordance with the provisions of the Wyoming Joint Powers Act. During the fiscal year ended June 30, 2009 the county allocated \$593,250 to the Fire Suppression Authority.

Converse County, Wyoming
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2009

**NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF
SIGNIFICANT ACCOUNTING POLICIES- CONTINUED**

Basis of Presentation

GASB Statement No. 34 establishes a financial reporting model for state and local governments that includes the addition of management's discussion and analysis, government-wide financial statements, required supplementary information and the elimination of the effects of internal service activities and the use of account groups to the fund financial statements and notes.

The GASB determined that fund accounting has and will continue to be essential in helping governments to achieve *fiscal accountability* and should, therefore, be retained. The GASB also determined that government-wide financial statements are needed to allow users of financial reports to assess a government's *operational accountability*. The GASB model integrates fund-based financial reporting and government-wide financial reporting as complementary components of a single comprehensive financial reporting model.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund 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 are 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.

The fund financial statements provide information about the County's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The County reports the following major governmental funds:

- The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Grant Fund accounts for federal state, and local grants and other resources whose use is restricted for a particular purpose.

In addition, the County reports the following fund types:

- The Internal Service Fund is used to account for the financing of the self-funded health plan provided by the County on a cost reimbursement basis.
- The Agency Fund accounts for fiduciary assets held by the County in a custodial capacity as an agent on behalf of others. The County's agency funds are used to account for taxes and other revenues collected for other governments.

Converse County, Wyoming
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2009

**NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF
SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Measurement Focus, Basis of Accounting

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

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. 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 at the levy date. 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. Under the modified accrual basis of accounting, revenues are generally recognized when they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded as the liabilities are incurred, if measurable.

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 government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to May 15, the County Clerk submits to the Board of County Commissioners a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- A public hearing is conducted on the third Monday in July to obtain public comments.
- The budget is adopted on the third Tuesday of July.
- After publication of notice, the Board of County Commissioners may by Resolution transfer any unexpended appropriation balance or part thereof from one fund, department or account to another. All appropriations, excluding appropriations for capital projects, lapse at the close of the budget year to the extent they are not expended. The level of expenditure control for budget purposes is the department level. Under the Wyoming Department of Audit interpretation of the budgetary statutes each individual Special Revenue Fund is considered a department.
- Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.

Converse County, Wyoming
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2009

**NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF
SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

- Once the budget is approved, it can be amended only by approval of a majority of the members of Board of County Commissioners. Amendments are presented to the Board at a budget transfer hearing. Each amendments must have Board approval.
- During the year ended June 30, 2009, the budget for the General Fund was amended through a Budget Transfer Hearing.
- The combined statement of revenues, expenditures, and changes in fund balances-budget and actual for the General Fund present comparisons of legally adopted budgets with actual data on a budgetary basis. Since the budgets are presented on a cash basis and the financial statements are presented in conformity with GAAP (generally accepted accounting principles), a note is presented showing the reconciliation.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed as an extension of formal budgetary integration in the General Fund and Special Revenue Funds. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. The County had no material outstanding encumbrances at year end.

Investments

Investments are carried at fair value and consist primarily of money market accounts, certificates of deposit, funds invested in the Wyoming State Investment Pool (WYOSTAR), the Wyoming Government Investment Fund, and U.S. Government securities.

Restricted Assets

The investments of the component unit, County Airport Board have been set aside for financial proof of assurance in accordance with DEQ requirements and regulations. Cash and investments of the component unit, County Hospital have been restricted due to transfer to a bond agent for deposit to the bond reserve fund to pay future bond payments, as part of certain bond covenants to service outstanding debt and also proceeds from a capital lease at year end for which the equipment had not been acquired.

Inventories

Inventories of the proprietary fund type component units are valued at the lower of cost or market on a first in, first out basis.

Inventories of the governmental fund type component units are valued at the lower of cost or market on a first in, first out basis.

Notes Receivable

Loans receivable represent the right to receive repayment for certain loans made by the County. These loans are based upon written agreements between the County and the various loan recipients. Reported loans receivable is equally offset by a fund balance reserve in the governmental fund types that indicates that it does not constitute available expendable resources.

Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. The balances from these transactions are classified as "due from other funds" or "due to other funds" on the balance sheet. These amounts are eliminated in the governmental and business-type activities columns of the Statement of Net Assets.

Converse County, Wyoming
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2009

**NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF
SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Due From Other Governments

Due from other governments includes amounts due from grantors for grants for specific programs. Program and capital grants for capital assets are recorded as receivables and revenues when all eligibility requirements are met. Revenues received in advance of project costs being incurred or for which eligibility requirements have not been met are deferred. In the governmental funds, revenue recognition depends on the timing of cash collections (availability).

Accumulated Unpaid Vacation, Sick Pay and Other Employee Benefit Amounts

All regular, full-time employees are entitled to vacation leave as earned with the County. Payment in lieu of annual leave is to be made if an employee terminates employment or dies and has annual leave to his credit. The liability for these vested vacations has been accrued in the government-wide and component unit financial statements.

Cash Flows

For purposes of the statement of cash flows, the Internal Service Fund considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be a cash equivalent.

Accounting Estimates

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

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. The County maintains a capitalization threshold of \$5,000 for buildings, site improvements, and equipment and vehicles. Infrastructure, as required by GASB #34, is included in this year's report. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land and construction in progress are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Building and improvements	15-30 years
Equipment and vehicles	5-15 years
Infrastructure	20-30 years

Fund Balance

The County reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Designations of fund balance represent tentative management plans that are subject to change. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for equipment replacement and building maintenance.

Converse County, Wyoming
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2009

**NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF
SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Net Assets

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

NOTE B- CASH AND INVESTMENTS

State statutes authorize the County to invest in securities issued or guaranteed by the U.S. Treasury or agencies of the United States government, bank certificates of deposit, shares or savings certificates of savings and loan associations, Tennessee Valley Authority bonds and notes and export-import bank notes and guaranteed participations.

The County's cash and investments consist primarily of bank deposits, certificates of deposit, Federal Home Loan Bank bonds and funds invested in the Wyoming State Investment Pool (WYOSTAR). The County invests in the Wyoming Government Investment Fund (WGIF), a pooled investment. WGIF has been determined to be allowable under Wyoming Statutes by the State Department of Audit even though actual title to the collateral is not in the County's name due to the brief duration of transactions.

Credit risk: Generally, credit risk is the risk that an issuer of 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. Under an investment agreement with WGIF, the County has invested monies at a fixed contract rate of interest. The Wyoming Government Investment Fund is currently rated AAAM from Standard and Poor's Rating Service.

Custodial credit risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the County will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits held in County bank accounts are insured by Federal depository insurance or are collateralized with securities held by the custodian bank under safekeeping or federal reserve receipts in the name of the County and the financial institution in accordance with Wyoming State Statutes and County policy. As of June 30, 2009, the County had balances in banks of \$13,129,989 which were fully collateralized or insured.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investment in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of a government investment pool.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the County's investment in a single issuer. At June 30, 2009 the County has invested \$395,947 in WYOSTAR, \$348,101 in the Wyoming Government Investment Fund, \$3,970,452 in fixed income securities and \$4,136,071 in time deposits.

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Converse County, Wyoming
NOTES TO FINANCIAL STATEMENTS - CONTINUED
 June 30, 2009

NOTE B - CASH AND INVESTMENTS - CONTINUED

A reconciliation of cash and investments as shown in the basic financial statements follows:

	<u>Primary Government</u>	<u>Component Units</u>
Carrying Amounts:		
Cash on hand	\$ 2,080	\$ 325
Carrying amount of deposits	13,580,265	18,296,178
US governmental securities	3,970,452	—
WYOSTAR	395,947	—
Wyoming Government Investment Fund	<u>348,101</u>	<u>—</u>
	<u>\$18,296,845</u>	<u>\$18,296,503</u>
Governmental and Business-Type activities:		
Cash and equity in pooled cash	\$ 8,247,664	\$11,132,860
Investments	8,888,341	6,238,715
Non pooled cash	151,492	—
Restricted assets	<u>—</u>	<u>924,928</u>
Total governmental and business-type activities	<u>17,287,497</u>	<u>18,296,503</u>
Fiduciary cash and equity in pooled cash	<u>1,009,348</u>	<u>—</u>
Total cash and investments	<u>\$18,296,845</u>	<u>\$18,296,503</u>

NOTE C - PROPERTY TAX

Property taxes attach as an enforceable lien on property as of May 11. Taxes are levied on or about August 1 and payable in two installments on September 1 and March 1. The County bills and collects its own property taxes and also taxes for all municipalities and political subdivisions within the County.

Collections and remittances of these taxes for other taxing districts are accounted for in the respective agency funds of the County. County property tax revenues are recognized when levied to the extent that they result in current receivables, which means when collected within the current period or expected to be collected within 60 days of the fiscal year end to be used to pay liabilities of the current period.

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Converse County, Wyoming
NOTES TO FINANCIAL STATEMENTS - CONTINUED
 June 30, 2009

NOTE D - LONG-TERM DEBT

The following is a summary of debt transactions of the primary government for the year ended June 30, 2009:

	Indebtedness <u>July 1, 2008</u>	New Debt <u>Incurred</u>	Debt <u>Retired</u>	Indebtedness <u>June 30, 2009</u>	Amount Due <u>Within One Yr</u>
Compensated Absences	\$ 131,854	\$ 17,716	\$ —	\$ 149,570	\$ —

The following is a summary of debt transactions of the County Hospital (a Component Unit) for the year ended June 30, 2009:

	Indebtedness <u>July 1, 2008</u>	New Debt <u>Incurred</u>	Debt <u>Retired</u>	Indebtedness <u>June 30, 2009</u>	Amount Due <u>Within One Yr</u>
Revenue bonds	\$ 8,720,000	\$ —	\$ (280,000)	\$ 8,440,000	\$ 295,000
Less deferred amounts on refunding	(1,015,996)	—	62,981	(953,015)	—
Less bond discounts	(30,924)	—	430	(30,494)	—
Short-Term Notes	12,504	—	(12,504)	—	—
Lease/purchase obligations	1,679,924	—	(558,085)	1,121,839	578,660
Compensated Absences	873,098	252,390	(225,461)	900,027	212,932
Total	<u>\$ 10,238,606</u>	<u>\$ 252,390</u>	<u>\$(1,012,639)</u>	<u>\$ 9,478,357</u>	<u>\$ 1,086,952</u>

The County Hospital leases certain equipment under capital leases, some of which 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 4.08%. The following is an analysis of equipment leased under capital leases:

Equipment	\$ 2,918,830
Less: accumulated depreciation	<u>(1,713,078)</u>
Carrying value	<u>\$ 1,205,752</u>

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, 2009:

Year Ending <u>June 30</u>	
2010	\$ 619,500
2011	389,600
2012	60,768
2013	60,768
2014	<u>60,768</u>
	1,191,404
Less amount representing interest	<u>(69,565)</u>
Present value of long-term obligations under capital leases and notes payable	<u>\$ 1,121,839</u>

On October 27, 2005, the Converse County Hospital Board issued \$6,135,000 in revenue bonds to advance refund \$4,990,000 in outstanding bonds. The bonds were used to partially refund the Hospital's outstanding Revenue Bonds, Series 2000. The bonds bear interest at 5.10% to 5.50%. 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. The revenue bonds are collateralized by revenue of the Hospital established by the trust indenture. The refunded bonds, which are outstanding as June 30, 2009, are not included in the Hospital's outstanding debt since the Hospital has in-substance satisfied its obligation through advance refunding. Although the advance refunding resulted in recognition of an accounting loss of \$1.1 million, the Hospital 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 - CONTINUED
 June 30, 2009

NOTE D - LONG TERM DEBT-CONTINUED

On November 1, 2000, the Hospital issued \$6,810,000 in Revenue Bonds, Series 2000 with an average interest rate of 7.35%. The bond proceeds were used to construct an addition to the current hospital. On October 27, 2008, bonds with a par value of \$4,990,000 were refunded with proceeds from the Hospital's Series 2005 Revenue Bonds. The remaining bonds are due at maturity or through mandatory sinking fund redemption requirements in annual installments of \$130,000 to \$145,000 through June 30, 2011. The bonds bear interest at 6.50%. The revenue bonds are collateralized by revenue of the Hospital established by trust indenture.

On June 5, 2008, the Hospital issued a \$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 to 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 rate on the bond is 4.75%. The revenue bonds are collateralized by revenue of the Hospital established by the trust indenture. Revenue bond debt service requirements to maturity for the years ending June 30 are as follows:

Year Ending June 30	Principal	Interest
2010	\$ 295,000	\$ 435,670
2011	315,000	418,545
2012	410,000	399,450
2013	425,000	378,455
2014	450,000	356,568
2015-2019	2,280,000	1,431,420
2020-2024	2,655,000	744,025
2025-2028	1,610,000	132,713
	\$ 8,440,000	\$ 4,296,846

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Converse County, Wyoming
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2009

NOTE E - CAPITAL ASSETS

A summary of the changes in capital assets as follows:

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>
Primary Government:				
Capital assets, not being depreciated:				
Land	\$ 2,000,325	\$ —	\$ —	\$ 2,000,325
Construction in Progress	<u>21,625</u>	<u>116,962</u>	<u>21,625</u>	<u>116,962</u>
Total capital assets, not being depreciated	<u>2,021,950</u>	<u>116,962</u>	<u>21,625</u>	<u>2,117,287</u>
Capital assets, being depreciated:				
Infrastructure	31,497,521	1,079,710	—	32,577,231
Buildings and structures	4,074,123	227,006	—	4,301,129
Machinery, equipment, and office fixtures	<u>7,621,708</u>	<u>965,915</u>	<u>318,877</u>	<u>8,268,746</u>
Total capital assets, being depreciated	<u>43,193,352</u>	<u>2,272,631</u>	<u>318,877</u>	<u>45,147,106</u>
Less accumulated depreciation:				
Infrastructure	20,127,181	783,422	—	20,910,603
Buildings and structures	3,518,110	35,028	—	3,553,138
Machinery, equipment, and office fixtures	<u>4,529,816</u>	<u>610,761</u>	<u>259,233</u>	<u>4,881,344</u>
Total accumulated depreciation	<u>28,175,107</u>	<u>1,429,211</u>	<u>259,233</u>	<u>29,345,085</u>
Total capital assets being depreciated, net	<u>15,018,245</u>	<u>843,420</u>	<u>59,644</u>	<u>15,802,021</u>
Primary Government, capital assets, net	<u>\$ 17,040,195</u>	<u>\$ 960,382</u>	<u>\$ 81,269</u>	<u>\$ 17,919,308</u>

Depreciation expense was charged to governmental functions for primary government as follows:

General government	\$ 94,124
Health, welfare and recreation	6,217
Public safety	287,456
Public works	<u>1,041,414</u>
Total	<u>\$ 1,429,211</u>

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Converse County, Wyoming
NOTES TO FINANCIAL STATEMENTS - CONTINUED
 June 30, 2009

NOTE E - CAPITAL ASSETS - CONTINUED

Component Units:

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>
Weed and Pest Control:				
Capital assets, not being depreciated:				
Land	\$ 12,000	\$ —	\$ —	\$ 12,000
Total capital assets, not being depreciated	<u>12,000</u>	<u>—</u>	<u>—</u>	<u>12,000</u>
Capital assets, being depreciated:				
Building	149,850	27,803	—	177,653
Machinery, equipment and office fixtures	202,582	17,997	10,100	210,479
Less accumulated depreciation	<u>(216,558)</u>	<u>(22,708)</u>	<u>(9,595)</u>	<u>(229,671)</u>
Total capital assets, being depreciated, net	<u>135,874</u>	<u>23,092</u>	<u>505</u>	<u>158,461</u>
Total capital assets, net	<u>\$ 147,874</u>	<u>\$ 23,092</u>	<u>\$ 505</u>	<u>\$ 170,461</u>
County Library Board:				
Capital assets, not being depreciated:				
Land	\$ 100,600	\$ —	\$ —	\$ 100,600
Total capital assets, not being depreciated	<u>100,600</u>	<u>—</u>	<u>—</u>	<u>100,600</u>
Capital assets, being depreciated:				
Building	450,388	169,929	—	620,317
Machinery, equipment and office fixtures	182,120	15,341	41,481	155,980
Less accumulated depreciation	<u>(402,938)</u>	<u>(28,797)</u>	<u>(40,620)</u>	<u>(391,115)</u>
Total capital assets, being depreciated, net	<u>229,570</u>	<u>156,473</u>	<u>861</u>	<u>385,182</u>
Total capital assets, net	<u>\$ 330,170</u>	<u>\$ 156,473</u>	<u>\$ 861</u>	<u>\$ 485,782</u>

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Converse County, Wyoming
NOTES TO FINANCIAL STATEMENTS - CONTINUED
 June 30, 2009

NOTE E - CAPITAL ASSETS - CONTINUED

Component Units - Continued:

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>
County Airport Board:				
Capital assets, not being depreciated:				
Land	\$ 2,741,061	\$ —	\$ —	\$ 2,741,061
Construction in progress	<u>1,523,901</u>	<u>845,168</u>	<u>2,369,096</u>	<u>—</u>
Total capital assets, not being depreciated	<u>4,264,962</u>	<u>845,168</u>	<u>2,369,069</u>	<u>2,741,061</u>
Capital assets, being depreciated:				
Improvements other than buildings	9,079,773	2,369,069	—	11,448,842
Equipment and vehicles	169,115	—	—	169,115
Buildings and structures	516,386	—	—	516,386
Less accumulated depreciation	<u>(5,450,966)</u>	<u>(400,023)</u>	<u>—</u>	<u>(5,850,989)</u>
Total capital assets, being depreciated, net	<u>4,314,308</u>	<u>1,969,046</u>	<u>—</u>	<u>6,283,354</u>
Total capital assets, net	<u>\$ 8,579,270</u>	<u>\$ 2,814,214</u>	<u>\$ 2,369,069</u>	<u>\$ 9,024,415</u>
County Hospital:				
Capital assets, not being depreciated:				
Construction in progress	\$ 1,644,023	\$ 1,694,782	2,400,135	\$ 938,670
Land	<u>637,976</u>	<u>—</u>	<u>—</u>	<u>637,976</u>
Total capital assets, not being depreciated	<u>2,281,999</u>	<u>1,694,782</u>	<u>2,400,135</u>	<u>1,576,646</u>
Capital assets, being depreciated:				
Land improvements	187,235	—	—	187,235
Building	16,767,340	2,542,130	—	19,309,470
Equipment	11,106,674	1,787,362	86,639	12,807,397
Less accumulated depreciation	<u>(12,079,489)</u>	<u>(1,903,919)</u>	<u>(86,369)</u>	<u>(13,896,769)</u>
Total capital assets, being depreciated, net	<u>15,981,760</u>	<u>2,425,573</u>	<u>—</u>	<u>18,407,333</u>
Total capital assets, net	<u>\$18,263,759</u>	<u>\$ 4,120,355</u>	<u>\$ 2,400,135</u>	<u>\$19,983,979</u>

NOTE F - NOTES RECEIVABLE

The County special revenue fund's notes receivable at June 30, 2009 is comprised of the following:

Economic development loans	\$ 248,855
Less allowance for uncollectible	<u>(179,044)</u>
Notes receivable, net	<u>\$ 69,811</u>

Converse County, Wyoming
NOTES TO FINANCIAL STATEMENTS - CONTINUED
 June 30, 2009

NOTE G - ESTIMATED MALPRACTICE COSTS - COUNTY HOSPITAL

The Hospital is insured by a claims made policy for the purpose of providing professional and patient care liability insurance. Claims may be asserted against the Hospital arising from services provided to patients. The Hospital 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 a claim, or should a claim exceed the policy limits. The insurance company will notify the Hospital, 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.

NOTE H- RISK MANAGEMENT

Primary Government

The County currently participates in a self funded health insurance program for employees, funded by employees and the County. As a part of the self-funded insurance program the County purchased an aggregate excess loss insurance policy. The policy was purchased to insure the County's self-funded program from unlimited exposure for payment of participating employees' medical and dental expenses. The policy provides a net claim limit per covered participant of \$40,000. A liability exists at June 30, 2009, for incurred but not reported claims (IBNR). The County's third party administrator estimates these claims to be \$160,000 which is included in claims payable at year end. Changes in the Fund's claims liability amount, including IBNR from fiscal year 2008 were:

<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Total Contributions</u>	<u>Balance At Fiscal Year-End</u>
\$ 160,000	\$ 1,216,822	\$ 1,216,822	\$ 160,000

The 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.

Component Unit - County Hospital

The Hospital 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. The Hospital also contributes to the Wyoming Workers' Compensation Fund. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years. In addition, the Hospital is a County Hospital and accordingly, Wyoming Statutes place a cap on the award of damages in lawsuits filed against Wyoming municipal entities.

NOTE I - PARTICIPATION IN PUBLIC ENTITY RISK POOL

The component units - Weed and Pest Control District and County Airport Board are members of the Wyoming Local Government Liability Program (LGLP). The LGLP was created to formulate, develop and administer a program of modified self-funding for the LGLP's membership, obtain lower costs for liability coverage and develop a comprehensive loss control program. The District and Airport Board pay an annual premium to the LGLP for its liability coverage. The District's agreement with the LGLP provides that the LGLP will be self-sustaining through member premiums and will provide individual loss coverage for member districts for claims of \$250,000 per person/\$500,000 per occurrence. The respective boards carry commercial insurance for other risks of loss.

Converse County, Wyoming
NOTES TO FINANCIAL STATEMENTS - CONTINUED
 June 30, 2009

NOTE J - PENSION PLAN

Primary Government

Plan Description. The Converse County Sheriff's office and the component unit Weed and Pest Control District participate in the Wyoming Retirement System, (System), a cost-sharing multiple-employer public employee retirement system, (PERS), that acts as a common investment and administrative agent for the State of Wyoming and various political subdivisions of the State. The System provides retirement, death and disability benefits. These benefit provisions and all other requirements are established by state statutes, and are explained in the System's handbook. The Wyoming Retirement 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, 6101 Yellowstone Road, Suite 500, Cheyenne, Wyoming 82002 or by calling (307) 777-7691.

Funding Policy. Covered County Sheriff's office employees are required to contribute 8.6% of their salary to the plan. The County is required to contribute at least 8.6% of participants total salary. In December, 2008 the County began contributing the total contribution of 17.2% of eligible payroll. The County's contributions to the System for the years ended June 30, 2009, 2008, and 2007 were \$146,023, \$119,512, and \$100,838, respectively.

Weed and Pest Control District employees are required to contribute 5.57% of their annual covered salary and the district is required to contribute 5.68% of the annual covered payroll. Legislation enacted in 1979 allows the employer to pay any or all of the employee's contribution in addition to the matching contribution. The District currently pays 100% of the required employees contribution. Contribution rates are established by Title 9, Chapter 3 of the Wyoming Statutes. The District's contributions to the System for the years ended June 30, 2009, 2008, and 2007 were \$15,492, \$14,312, and \$12,666, respectively.

NOTE K - DEFERRED COMPENSATION PLAN

Primary Government

The County offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, available to all County employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The County follows the policy of contributing up to 8.6% of an employee's compensation. For the year ended June 30, 2009 the County's matching share of contributions totaled \$192,772.

Component Unit - County Hospital

The Hospital offers its employees a deferred compensation plan that is structured in accordance with Internal Revenue Code Section 457. The Hospital follows the policy of matching up to 3 percent of employee compensation provided the total deferred compensation amount cannot exceed \$15,500 per participant, \$20,500 for age 50 and older. The Hospital's contribution for matching was \$474,132 for the year ending June 30, 2009.

NOTE L - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of due to/from other funds as of June 30, 2009 are as follows:

	<u>Due From</u>	<u>Due To</u>
Major Fund:		
General Fund	\$ 242,094	\$ —
Grant Fund	5,341	37,902
Nonmajor Funds:		
Parks and Recreation	—	1,224
Best Beginning	—	5,341
Homeland Security Fund	9,115	117,843
Douglas Raceway	—	66,255
Offender monitoring	—	18,870
Fiduciary Fund:		
Agency Fund	—	9,115
	<u>\$ 256,550</u>	<u>\$ 256,550</u>

Converse County, Wyoming
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2009

NOTE M - CONTINGENCY

Component Unit - County Hospital

From time to time, the Hospital has been named as a defendant in lawsuits wherein the plaintiff claims malpractice. Management, with advice from counsel, believes all claims are covered by its existing malpractice coverage policy which has a \$25,000 deductible.

The Hospital feels that all pending cases will be settled within the amount of the Hospital's insurance coverage. Legal counsel of the Hospital predicts that any liability to the Hospital not covered by the insurance policies is extremely unlikely and no liability has been established, as the potential loss is uncertain.

During the year ended June 30, 2009, the Hospital was contacted by the Wyoming Fair Employment Program of a charge of discrimination. A former employee discharged in January for misconduct filed a charge of religious discrimination. However, all available evidence indicates that the employee was discharged for cause and that management was not even aware of the religious affiliation at the time of termination. Legal counsel for the Hospital provided a position statement on August 15, 2008. At this point the matter is still under investigation. It is too early to determine the outcome.

Component Unit - County Airport Board

The board received approximately 60% of its support from Converse County. A significant reduction in the level of this support, if this were to occur, may have a negative effect on the Board's operations.

NOTE N - RELATED PARTY TRANSACTIONS

Component Unit - County Airport Board

The Airport's manager is the owner of a company which leases hangar and office space from the Board. Total rent received for the year ended June 30, 2009 was \$5,100.

NOTE O - INDIVIDUAL FUND DISCLOSURES

The Douglas Raceway Special Revenue Fund, Homeland Security Special Revenue Fund, and the Offender Monitoring Special Revenue Fund had deficit fund balances of \$66,255, \$39,380, and \$18,870, respectively, at June 30, 2009.

The Grant fund had excess of expenditures over appropriations for the year ended June 30, 2009 for public safety in the amount of \$4,550 and capital outlay of \$71,625. Funds sufficient to provide for the excess expenditures were made available from other functions within the fund

NOTE P - OPERATING LEASES

Component Unit-County Hospital

The Hospital has various monthly rentals. The Hospital is not required to make minimum future rental payments. Total rental expense for the period ended June 30, 2009 was \$827,651.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

Converse County, Wyoming
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual – Budgetary Basis</u>	<u>Variance with Final Budget favorable/ (unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 8,569,225	\$ 8,569,225	\$11,547,318	\$ 2,978,093
Licenses and permits	3,500	3,500	7,230	3,730
Intergovernmental revenues	1,615,000	1,615,000	479,513	(1,135,487)
Charges for services	306,500	306,500	505,583	199,083
Interest	280,000	280,000	407,514	127,514
Miscellaneous	<u>2,050</u>	<u>2,050</u>	<u>26,716</u>	<u>24,666</u>
TOTAL REVENUES	<u>10,776,275</u>	<u>10,776,275</u>	<u>12,973,874</u>	<u>2,197,599</u>
EXPENDITURES				
Current:				
General government	3,645,113	3,649,205	3,258,451	390,754
Public safety	4,155,650	4,190,082	3,754,895	435,187
Public works	5,539,912	5,539,912	2,211,988	3,327,924
Health, welfare and recreation	262,600	262,600	260,050	2,550
Conservation	113,213	113,213	102,210	11,003
Capital outlay	<u>1,668,603</u>	<u>1,668,603</u>	<u>1,084,355</u>	<u>584,248</u>
TOTAL EXPENDITURES	<u>15,385,091</u>	<u>15,423,615</u>	<u>10,671,949</u>	<u>4,751,666</u>
NET CHANGE IN FUND BALANCES	(4,608,816)	(4,647,340)	2,301,925	6,949,265
FUND BALANCES, beginning	<u>12,628,613</u>	<u>12,628,613</u>	<u>12,628,613</u>	—
FUND BALANCES, ending	<u>\$ 8,019,797</u>	<u>\$ 7,981,273</u>	<u>\$14,930,538</u>	<u>\$ 6,949,265</u>

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

Converse County, Wyoming
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GRANT FUND
For the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		Actual – Budgetary Basis	Variance with Final Budget favorable/ (unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ —	\$ —	\$ —	\$ —
Intergovernmental revenues	229,400	2,131,329	2,131,296	81,967
Interest	<u>850</u>	<u>850</u>	<u>—</u>	<u>(850)</u>
TOTAL REVENUES	<u>230,250</u>	<u>2,132,179</u>	<u>2,213,296</u>	<u>81,117</u>
EXPENDITURES				
Current:				
Public safety	21,550	1,923,479	1,928,029	(4,550)
Health, welfare and recreation	189,600	189,600	113,425	76,175
Capital outlay	<u>100,000</u>	<u>100,000</u>	<u>171,625</u>	<u>(71,625)</u>
TOTAL EXPENDITURES	<u>311,150</u>	<u>2,213,079</u>	<u>2,213,079</u>	<u>—</u>
NET CHANGE IN FUND BALANCES	(80,900)	(80,900)	217	81,117
FUND BALANCES, beginning	<u>(32,958)</u>	<u>(32,958)</u>	<u>(32,958)</u>	<u>—</u>
FUND BALANCES, ending	<u>\$ (113,858)</u>	<u>\$ (113,858)</u>	<u>\$ (32,741)</u>	<u>\$ 81,117</u>

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

Converse County, Wyoming
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2009

Note 1 - Explanation of differences between budgetary inflows and GAAP revenues and expenditures

	<u>General Fund</u>	<u>Grant Fund</u>
REVENUES		
Actual amount (budgetary basis) from the budgetary comparison schedule	\$ 12,973,874	\$ 2,213,296
Differences - budget to GAAP:		
Adjustments to accrue property tax, receivables, interest and other revenues	<u>224,937</u>	<u>(19,103)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 13,198,811</u>	<u>\$ 2,194,193</u>
EXPENDITURES		
Actual amount (budgetary basis) from the budgetary comparison schedule	\$ 10,671,949	\$ 2,213,079
Differences - budget to GAAP:		
Accrual for accounts payable	<u>(40,041)</u>	<u>(25,451)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 10,631,908</u>	<u>\$ 2,187,628</u>

**OTHER
SUPPLEMENTARY
INFORMATION**

Converse County, Wyoming
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2009

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<i>U.S. Department of Homeland Security:</i>			
Passed through Wyoming Department of Homeland Security:			
LETPP	97.067	07ODPCONLSHLE7	\$ 16,891
EMPG	97.042	09ODPCONEMGCF9	20,859
EMPG	97.042	08ODPCONEMGCF8	9,941
SHSG	97.067	08ODPCONSCHSG8	65,359
SHSG	97.067	07ODPCONSCHSG7	76,651
Citizen Corp	97.067	08ODPCONCCHCC8	209
LETPP	97.067	06ODPCONLCHLE6	7,806
LETPP	97.067	07ODPCONLCHLE7	8,028
			205,744
 <i>U.S. Department of Transportation:</i>			
Passed through Wyoming Department of Transportation:			
Highway Safety Program	20.600	N/A	19,599
Highway Safety Program-DUI	20.601	N/A	7,370
			26,969
 <i>National Telecommunications and Information Administration:</i>			
Wyolink	11.555	07NTICONPSPO57	163,719
			163,719
 <i>U.S. Department of Health and Human Services:</i>			
Passed through Wyoming Department of Family Services:			
Public Health Emergency			
Preparedness	93.069	N/A	73,696
TANF	93.558	N/A	58,525
MCH Title V Block Grant	93.994	N/A	72,817
			205,038
 <i>U.S. Department of Agriculture:</i>			
WIC	10.557	N/A	13,392
Bankhead Jones	10.666	N/A	283,971
Converse County Firewise	10.664	N/A	51,800
			349,163
 Total Expenditures of Federal Awards			\$ 950,633

The accompanying notes are an integral part of this schedule.

Converse County, Wyoming
**NOTES TO THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**
For the Year Ended June 30, 2009

NOTE 1 - BASIS OF PRESENTATION

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.

Converse County, Wyoming
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2009

	<u>Rural Fire Protection</u>	<u>Parks and Recreation</u>	<u>Health Department</u>	<u>Economic Development</u>	<u>Enhanced 911</u>
ASSETS					
Pooled cash and cash equivalents	\$ 35,831	\$ 7,482	\$ 87,545	\$ 238,165	\$ 134,031
Property tax receivable	1,857	1,695	2,725	—	—
Accounts receivable, net	—	—	—	—	—
Due from other funds	—	—	—	—	—
Notes receivable	—	—	—	69,811	—
TOTAL ASSETS	<u>\$ 37,688</u>	<u>\$ 9,177</u>	<u>\$ 90,270</u>	<u>\$ 307,976</u>	<u>\$ 134,031</u>
 LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other funds	\$ —	\$ 1,224	\$ —	\$ —	\$ —
Accounts payable	—	131	20	—	—
Deferred revenue	1,623	1,279	1,959	—	—
Total liabilities	<u>1,623</u>	<u>2,634</u>	<u>1,979</u>	<u>—</u>	<u>—</u>
 Fund Balances:					
Reserved for non-current notes receivable	—	—	—	69,811	—
Unreserved, designated for emergency expenditures	8,000	—	—	—	—
Unreserved, undesignated	28,065	6,543	88,291	238,165	134,031
Total fund balances	<u>36,065</u>	<u>6,543</u>	<u>88,291</u>	<u>307,976</u>	<u>134,031</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 37,688</u>	 <u>\$ 9,177</u>	 <u>\$ 90,270</u>	 <u>\$ 307,976</u>	 <u>\$ 134,031</u>

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

Converse County, Wyoming
COMBINING BALANCE SHEET - CONTINUED
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2009

	<u>Douglas Raceway</u>	<u>Homeland Security</u>	<u>Inmate Welfare</u>	<u>Offender Monitoring</u>
ASSETS				
Pooled cash and cash equivalents	\$ —	\$ —	\$ 44,957	\$ —
Property tax receivable	—	—	—	—
Accounts receivable, net	—	75,246	—	—
Due from other funds	—	9,115	—	—
Notes receivable	—	—	—	—
TOTAL ASSETS	<u>\$ —</u>	<u>\$ 84,361</u>	<u>\$ 44,957</u>	<u>\$ —</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ 66,255	\$ 117,843	\$ —	\$ 18,870
Accounts payable	—	5,898	—	—
Deferred revenue	—	—	—	—
Total liabilities	<u>66,255</u>	<u>123,741</u>	<u>—</u>	<u>18,870</u>
 Fund Balances:				
Reserved for non-current notes receivable	—	—	—	—
Unreserved, designated for emergency expenditures	—	—	—	—
Unreserved, undesignated	<u>(66,255)</u>	<u>(39,380)</u>	<u>44,957</u>	<u>(18,870)</u>
Total fund balances	<u>(66,255)</u>	<u>(39,380)</u>	<u>44,957</u>	<u>(18,870)</u>
 TOTAL LIABILITIES AND FUND BALANCES	<u>\$ —</u>	<u>\$ 84,361</u>	<u>\$ 44,957</u>	<u>\$ —</u>

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

Converse County, Wyoming
COMBINING BALANCE SHEET - CONTINUED
NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2009

	<u>HAHR</u>	<u>Best Beginning</u>	<u>Impact Assistance</u>	<u>Total Nonmajor Special Revenue Funds</u>
ASSETS				
Pooled cash and cash equivalents	\$ 10,956	\$ 22,931	\$ 595,690	\$ 1,177,588
Property tax receivable	—	—	—	6,277
Accounts receivable, net	—	—	—	75,246
Due from other funds	—	—	—	9,115
Notes receivable	—	—	—	69,811
TOTAL ASSETS	<u>\$ 10,956</u>	<u>\$ 22,931</u>	<u>\$ 595,690</u>	<u>\$ 1,338,037</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ —	\$ 5,341	\$ —	\$ 209,533
Accounts payable	—	—	26,624	32,673
Deferred revenue	9,142	4,663	—	18,666
Total liabilities	<u>9,142</u>	<u>10,004</u>	<u>26,624</u>	<u>260,872</u>
 Fund Balances:				
Reserved for non-current notes receivable	—	—	—	69,811
Unreserved, designated for emergency expenditures	—	—	—	8,000
Unreserved, undesignated	1,814	12,927	569,066	999,354
Total fund balances	<u>1,814</u>	<u>12,927</u>	<u>569,066</u>	<u>1,077,165</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 10,956</u>	 <u>\$ 22,931</u>	 <u>\$ 595,690</u>	 <u>\$ 1,338,037</u>

Converse County, Wyoming
**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS**
For the Year Ended June 30, 2009

	<u>Rural Fire Protection</u>	<u>Parks and Recreation</u>	<u>Health Department</u>	<u>Economic Development</u>	<u>Enhanced 911</u>
REVENUES					
Taxes	\$ 241	\$ 92,147	\$ 184,990	\$ —	\$ —
Intergovernmental	—	—	14,322	—	—
Charges for services	—	—	20,741	—	131,701
Miscellaneous	<u>452</u>	<u>2,822</u>	<u>59,142</u>	<u>6,964</u>	<u>2,060</u>
Total revenues	<u>693</u>	<u>94,969</u>	<u>279,195</u>	<u>6,964</u>	<u>133,761</u>
 EXPENDITURES					
Current:					
Public safety	—	—	—	—	92,612
Public works	—	—	—	—	—
Health, welfare and recreation	—	111,045	229,743	29,629	—
Capital outlay	—	<u>9,189</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures	<u>—</u>	<u>120,234</u>	<u>229,743</u>	<u>29,629</u>	<u>92,612</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	693	(25,265)	49,452	(22,665)	41,149
 Fund balances - beginning	<u>35,372</u>	<u>31,808</u>	<u>38,839</u>	<u>330,641</u>	<u>92,882</u>
 Fund balances - ending	<u>\$ 36,065</u>	<u>\$ 6,543</u>	<u>\$ 88,291</u>	<u>\$ 307,976</u>	<u>\$ 134,031</u>

Converse County, Wyoming
**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS**
For the Year Ended June 30, 2009

	Homeland Security	Inmate Welfare	Offender Monitoring	HAHR
REVENUES				
Taxes	\$ —	\$ —	\$ —	\$ —
Intergovernmental	174,354	—	—	85,700
Charges for services	—	—	—	—
Miscellaneous	—	25,123	720	—
Total revenues	174,354	25,123	720	85,700
 EXPENDITURES				
Current:				
Public safety	2,846	—	19,590	72,097
Public works	—	—	—	—
Health, welfare and recreation	—	21,230	—	—
Capital outlay	172,098	2,885	—	12,794
Total expenditures	174,944	24,115	19,590	84,891
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(590)	1,008	(18,870)	809
 Fund balances - beginning	(38,790)	43,949	—	1,005
 Fund balances - ending	\$ (39,380)	\$ 44,957	\$ (18,870)	\$ 1,814

Converse County, Wyoming
**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS**
For the Year Ended June 30, 2009

	<u>Best Beginning</u>	<u>Douglas Raceway</u>	<u>Impact Assistance</u>	<u>Total Nonmajor Special Revenue Funds</u>
REVENUES				
Taxes	\$ —	\$ —	\$ —	\$ 277,378
Intergovernmental	72,817	—	638,339	985,532
Charges for services	—	—	—	152,442
Miscellaneous	<u>396</u>	<u>18,216</u>	<u>5,837</u>	<u>121,732</u>
Total revenues	<u>73,213</u>	<u>18,216</u>	<u>644,176</u>	<u>1,537,084</u>
 EXPENDITURES				
Current:				
Public safety	—	—	—	187,145
Public works	—	—	180,871	180,871
Health, welfare and recreation	72,817	—	—	464,464
Capital outlay	<u>—</u>	<u>—</u>	<u>—</u>	<u>196,966</u>
Total expenditures	<u>72,817</u>	<u>—</u>	<u>180,871</u>	<u>1,029,446</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	396	18,216	463,305	507,638
 Fund balances - beginning	<u>12,531</u>	<u>(84,471)</u>	<u>105,761</u>	<u>569,527</u>
 Fund balances - ending	<u>\$ 12,927</u>	<u>\$ (66,255)</u>	<u>\$ 569,066</u>	<u>\$ 1,077,165</u>

**INTERNAL CONTROL AND
COMPLIANCE WITH LAWS
AND REGULATIONS**



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

To the Board of County Commissioners
Converse County, Wyoming

I have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Converse County, Wyoming as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated February 16, 2010. Other auditors were engaged to audit the financial statements of the Weed and Pest Control District, County Hospital and the County Airport Board, component units of the County. I conducted my 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.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Converse County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing my 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, I do not express an opinion on the effectiveness of the County's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. I consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2009-1 to be a significant deficiency. The auditors of the County Airport Board, County Library Board, Memorial Hospital of Converse County and the County Weed and Pest Control District noted certain matters involving the internal control over financial reporting and its operation that they consider to be significant deficiencies, and they are identified as items 2009-2 to 2009-8.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that none of the significant deficiencies described in the attached schedule of findings and questioned costs is a material weakness.

Tracy Boner, CPA
PO Box 15
315 Walnut Street
Douglas, WY 82633

Phone: 307-358-1818
Fax: 307-358-8449
tracy@cpaadvantage.us

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Converse County's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, I noted certain matters that I have reported to management of Converse County in a separate letter dated February 16, 2010.

Converse County's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit the County's response and, accordingly, I express no opinion on it.

This report is intended solely for the information of the Board of County Commissioners, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

CPA Advantage, LLC

CPA Advantage, LLC
Douglas, Wyoming
February 16, 2010



**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of County Commissioners
Converse County, Wyoming

Compliance - I 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 are applicable to each of its major federal programs for the year ended June 30, 2009. The County'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 the County's management. My responsibility is to express an opinion on the County's compliance based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the County's compliance with those requirements.

In my opinion, Converse County, Wyoming complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

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 my audit, I considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in an entity's 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

Tracy Boner, CPA
PO Box 15
315 Walnut Street
Douglas, WY 82633
Phone: 307-358-1818
Fax: 307-358-8449
tracy@cpaadvantage.us

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 - CONTINUED**

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses as defined above. The auditors of the County Airport Board noted certain deficiencies in internal control over compliance that they consider to be material weaknesses, and they are identified as items FA 2009-1 and FA 2009-2.

This report is intended solely for the information and use of the County Commissioners, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

CPA Advantage, LLC

CPA Advantage, LLC
Douglas, Wyoming
February 16, 2010

Converse County, Wyoming
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2009

SECTION I — SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes No

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number(s)</u>
Bankhead Jones	10.666

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? Yes No

Converse County, Wyoming
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
For the Year Ended June 30, 2009

SECTION II — FINANCIAL STATEMENT FINDINGS

2009-1 Converse County-Preparation of Financial Statements

Criteria: An integral part of the internal control system is the ability to prepare financial statements including the necessary footnote disclosures.

Condition: The County does not have an individual with the expertise to prepare the financial statements in accordance with generally accepted accounting principles.

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

Recommendation: The County should evaluate the cost/benefit of having an employee with the expertise to prepare financial statements.

Management response: Historically, the County has relied on the auditor to assist in preparing the financial statements.

2009-2 County Airport Board-Segregation of Duties in Accounting Department

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

Condition: In our judgement, 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.

Recommendation: In our judgement, 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.

Auditee's 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.

2009-3 County Airport Board-Auditor Generates the Annual Financial Statements Including Footnotes

Criteria: The Auditing Standards Board (ASB) 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. SAS No. 112 emphasizes that the auditor can not be part of your system of internal control over financial reporting.

Condition: In our judgement, the Board's accounting personnel and those charged with governance, in the of their assigned duties, lack the capable skills to prepare the financial statements and related footnotes in accordance with generally accepted accounting principles (GAAP) and to detect and correct a material misstatement, if present.

Converse County, Wyoming
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
For the Year Ended June 30, 2009

Recommendation: In our judgement, 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 significant deficiency in financial reporting, we recommend management mitigate this weakness by having a heightened awareness of all transactions being reported.

Auditee's 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. 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.

2009-4 County Airport Board-Payables and Receivables Are Not Adjusted at Year End

Criteria: The Auditing Standard Board (ASB) recently issued guidance to auditors related to an entity's internal controls over financial reporting. SAS No. 112 states that material adjustments performed by the auditor can not be part of your system of internal control.

Condition: The Board's accounting personnel, in the course of their assigned duties, are not recording, and adjusting payables and receivables at year end. This does not allow management to detect and correct a material misstatement if present.

Recommendation: It should be noted that accounting personnel are capable and knowledgeable to record and adjust payable and receivables. We recommend that the Board capture all the information at a certain period in time so accurate cash basis information is available to properly file reports. After data is captured we recommend that prior year payables be reversed and current year payables be recorded.

Auditee Response: We concur with recommendation of the auditor and will take appropriate action to record and adjust payables and receivables at year end.

2009-5 County Weed and Pest Control District-Separation of Duties:

The small size of the District's office staff limits the possibility of adequate separation of duties in the accounting area. The basic premise of separation of duties is that no one employee should have access to both the physical assets and the related accounting records or to all phases of a transaction. The District has implemented compensating controls to the extent possible by use of the governing board. While we recognize that it may be impractical for the District to achieve adequate separation of duties within the accounting department, it is important that the Board be aware of this condition.

Client Response: The Board is aware of this condition. The District feels that it would be impractical to implement an accounting system with adequate separation of duties as the cost of such a system would greatly exceed the benefit that would be derived. The District has, however, implemented separation of duties to the extent practical. (This is an ongoing condition.)

2009-6 County Library Board - Separation of Duties:

The small size of the Library's office staff limits the possibility of adequate separation of duties in the accounting area. The basic premise of separation of duties is that no one employee should have access to both the physical assets and the related accounting records or to all phases of a transaction. The Library has implemented compensating controls to the extent possible by use of the governing board. While we recognize that it may be impractical for the Library to achieve adequate separation of duties within the accounting department, it is important that the Board be aware of this condition.

Converse County, Wyoming
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
For the Year Ended June 30, 2009

Client Response: The Board is aware of this condition. The Library feels that it would be impractical to implement an accounting system with adequate separation of duties as the cost of such a system would greatly exceed the benefit that would be derived. The Library has, however, implemented separation of duties to the extent practical.

2009-7 County Library Board - Preparation of Financial Statements

Criteria: An integral part of the internal control system is the ability to prepare financial statements including the necessary footnote disclosures.

Condition: The Library does not have an individual with the expertise to prepare the financial statements in accordance with generally accepted accounting principles.

Effect: Potential misstatements could exist within the Library's financial statements without being detected.

Recommendation: The Library should evaluate the cost/benefit of having an employee with the expertise to prepare financial statements.

Management response: Historically, the Library has relied on the auditor to assist in preparing the financial statements.

2009-8 Converse County Hospital-Posting of Journal Entries

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

Internal control consist of five interrelated components:

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

Condition: The established form used by the Hospital was misread and caused a journal entry to be posted backwards.

Effect: The effect of the misposted journal entry was an understatement of assets and an overstatement of expenses in the financial statements of approximately \$269,000.

Recommendation: The Board should implement procedures to ensure that the balances per the trial balances agree to the supporting schedules utilized by the Hospital, and we recommend the adjustments be reviewed prior to posting to ensure they are being posted correctly. The end result should be reviewed for accuracy.

Client Response: Management has implemented a review process which involves providing a spreadsheet of journal entries to be done; the effect of which will be discussed at the weekly Finance Department meeting.

Section III - Federal Award Findings and Questioned Costs

FA 2009-1 County Airport Board-Segregation of Duties in Accounting Department

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

Converse County, Wyoming
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
For the Year Ended June 30, 2009

Condition: In our judgement, 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.

Recommendation: In our judgement, 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.

Auditee's 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.

FA 2009-2 County Airport Board-Payables and Receivables Are Not Adjusted at Year End

Criteria: The Auditing Standard Board (ASB) recently issued guidance to auditors related to an entity's internal controls over financial reporting. SAS No. 112 states that material adjustments performed by the auditor can not be part of your system of internal control.

Condition: The Board's accounting personnel, in the course of their assigned duties, are not recording , and adjusting payables and receivables at year end. This does not allow management to detect and correct a material misstatement if present.

Recommendation: It should be noted that accounting personnel are capable and knowledgeable to record and adjust payable and receivables. We recommend that the Board capture all the information at a certain period in time so accurate cash basis information is available to properly file reports. After data is captured we recommend that prior year payables be reversed and current year payables be recorded.

Auditee Response: We concur with recommendation of the auditor and will take appropriate action to record and adjust payables and receivables at year end.

Converse County, Wyoming
SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2009

2008-1 Converse County-Preparation of Financial Statements

Criteria: An integral part of the internal control system is the ability to prepare financial statements including the necessary footnote disclosures.

Condition: The County does not have an individual with the expertise to prepare the financial statements in accordance with generally accepted accounting principles.

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

Recommendation: The County should evaluate the cost/benefit of having an employee with the expertise to prepare financial statements.

Management response: Historically, the County has relied on the auditor to assist in preparing the financial statements.

Status: Condition still exists. See 2009-1.

2008-2 County Airport Board Segregation of Duties

Criteria: No one employee should have access to both the physical assets and the related accounting records or to all phases of a transaction.

Condition: One person has the primary responsibility for performing most of the accounting and financial duties.

Effect: All of the aspects of internal accounting control which rely upon an adequate segregation of duties are missing.

Cause: Only a single staff person is available to perform the accounting and financial duties.

Recommendation: We recommend that the Board review accounting and financial records on a regular basis.

Management Response: While it is impractical for the association to achieve segregation of duties, the Board is aware of this condition.

Status: Condition still exists. See 2009-2.

2008-3 County Airport Board-Auditor Generates the Annual Financial Statements Including Footnotes

Criteria: The Auditing Standards Board (ASB) recently 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. SAS No. 112 emphasizes that the auditor can not be part of your system of internal control over financial reporting.

Condition: In our judgement, 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) and to detect and correct a material misstatement, if present.

Converse County, Wyoming
SCHEDULE OF PRIOR AUDIT FINDINGS-CONTINUED
June 30, 2009

Recommendation: In our judgement, 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 significant deficiency in financial reporting, we recommend management mitigate this weakness by having a heightened awareness of all transactions being reported.

Auditee's 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. 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..

Status: Condition still exists. See 2009-3.

2008-4 County Airport Board-Payable and Receivable Are Not Adjusted at Year End

Criteria: The Auditing Standard Board (ASB) recently issued guidance to auditors related to an entity's internal controls over financial reporting. SAS No. 112 states that material adjustments performed by the auditor can not be part of your system of internal control.

Condition: The Board's accounting personnel, in the course of their assigned duties, are not recording, and adjusting payables and receivables at year end. This does not allow management to detect and correct a material misstatement if present.

Recommendation: It should be noted that accounting personnel are capable and knowledgeable to record and adjust payable and receivables. Also property taxes receivable at year end is obtained from information provided by the County Treasurer, which is available well after the year end closing of the books is done. We recommend that the Board capture all the information at a certain period in time so accurate cash basis information is available to properly file reports. After data is captured we recommend that prior year payables be reversed and current year payables be recorded,. Also, due to the fact that property tax information is not available until after the year end closing is performed, we recommend that information be obtained from the Treasurer and journal entries proposed to the audit firm.

Auditee's Response: We concur with recommendation of the auditor and will take appropriate action to record and adjust payable and receivables at year end. Also year end property tax information will be obtained from the county Treasurer and entries will be proposed to the audit firm.

Status: Condition still exists. See 2009-4.

2008-5 County Weed and Pest Control District Separation of Duties

Criteria: No one employee should have access to both the physical assets and the related accounting records or to all phases of a transaction.

Condition: One person has the primary responsibility for performing most of the accounting and financial duties.

Effect: All of the aspects of internal accounting control which rely upon an adequate segregation of duties are missing.

Cause: Only a single staff person is available to perform the accounting and financial duties.

Converse County, Wyoming
SCHEDULE OF PRIOR AUDIT FINDINGS-CONTINUED
June 30, 2009

Recommendation: We recommend that the Board review accounting and financial records on a regular basis.

Management Response: While it is impractical for the association to achieve segregation of duties, the Board is aware of this condition.

Status: Condition still exists. See 2009-5.