



Converse County



Financial and Compliance Report
Year Ended June 30, 2013



CONVERSE COUNTY, WYOMING

FINANCIAL AND COMPLIANCE REPORT

JUNE 30, 2013

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Converse County, Wyoming

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each discretely presented component unit, each major fund, and the aggregate remaining fund information of Converse County, Wyoming, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Converse County, Wyoming's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Memorial Hospital of Converse County, Converse County Weed and Pest Control District, and the Converse County Airport Board, discretely presented component units, which represent 97 percent, 97 percent and 98 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units of Converse County. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the discretely presented component units, is based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each discretely presented component unit, each major fund, and the aggregate remaining fund information of Converse County, Wyoming, as of June 30, 2013, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The budgetary comparison information has been subjected to the auditing procedures applied during the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Supplementary Information and Schedule of Expenditures of Federal Awards

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Converse County's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of Converse County.

Board of County Commissioners
Converse County, Wyoming

The other supplementary information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 05, 2014, on our consideration of Converse County, Wyoming's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering Converse County's internal control over financial reporting.



Porter, Muirhead, Cornia & Howard

Certified Public Accountants

Casper, Wyoming
February 05, 2014

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CONVERSE COUNTY, WYOMING

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

(Unaudited)

This section of Converse County, Wyoming's annual financial report presents our discussion and analysis of financial performance during the fiscal year ended June 30, 2013. The selected financial data presented was derived from the financial statements of the County, which were audited by Porter, Muirhead, Cornia and Howard, Certified Public Accountants. The Independent Auditor's Report, financial statements and accompanying notes and supplementary information should be read in conjunction with the following discussion.

Financial Highlights

Converse County's total assets exceeded liabilities as of June 30, 2013 by \$54,021,236 (Net Position). Of this amount \$33,667,299 (unrestricted Net Position) may be used to meet ongoing obligations, \$17,241,458 is invested in capital assets, net of related debt.

As of June 30, 2013, the County's governmental funds reported combined fund balances of \$36,020,998. Unassigned fund balance of the combined fund balance was \$12,710,784.

The fund balance for the general fund was \$25,443,145 as of June 30, 2013, with an unassigned fund balance of \$12,860,447.

Overview of the Financial Statements

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

Government - wide Financial Statements

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

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

CONVERSE COUNTY, WYOMING

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

(Unaudited)

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

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

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

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

The County's government - wide financial statements are presented on pages 17 through 19.

Fund Financial Statements

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

Governmental fund financial statements consist of a balance sheet and statement of revenues, expenditures, and change in fund balances. The statements are prepared on an accounting basis that is significantly different from that used to prepare the governmental financial statements. All of the County programs are included in the governmental funds, which focus on how cash and other financial assets that can readily be converted to cash flow in and out in a short period of time. For example, amounts reported on the balance sheet include items such as cash and receivables collectable within a short period of time, but do not include capital assets such as land and buildings. Fund liabilities include amounts that are to be paid in a short period after the end of the fiscal year. The difference between a fund's total assets and total liabilities is labeled as the fund balance. The fund balance generally indicates the amount that can be used to finance next year's activities. The operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid in cash, respectively, during the current period or very shortly after the end of the year.

CONVERSE COUNTY, WYOMING

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

(Unaudited)

Consequently, the governmental funds statements provide a short - term view that helps determine if there are more or fewer financial resources to finance the County's programs. Because this information does not encompass the long - term focus of the government - wide statements, we provide an analysis at the bottom of the balance sheet reconciling the total fund balances to the amount of net position reported in the statement of net position. Also, there is an analysis at the bottom of the statement of revenues, expenditures, and changes in fund balances that reconciles to the change in net position presented in the government - wide statement of activities.

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

The County governmental fund financial statements are presented on pages 20 through 23.

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

The basic proprietary fund financial statements can be found on pages 24-26 of this report.

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

The fiduciary funds statement is presented on page 27.

Notes to the basic financial statements provide additional information that is essential to a full understanding of data provided in the government - wide and fund statements. The notes are presented on pages 32 through 57.

Required Supplementary Information is presented concerning the County's General Fund budget. The County adopts an annual budget for its general fund. A budgetary comparison schedule has been provided to demonstrate compliance with this budget. Required supplementary information is presented on pages 59 through 63.

In addition to the required elements, we have included combining statements that provide details about our non - major governmental funds and fiduciary funds presented as single columns in the basic financial statements. Additionally, we have included fund financial statements and information about budgetary compliance for the discretely presented component units which do not issue separate financial statements. This information is presented as other supplementary information immediately following the required supplementary information. Other supplementary information is presented on pages 65 through 77 and governmental audit and compliance information is presented on pages 79 through 90.

Government – wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the County's financial position. The County's assets exceeded liabilities by \$54,021,236. A large portion of the County's net position (32%) reflects its investment in capital assets. The vast majority of these capital assets are the County's roads and bridges. These assets are not available for future spending. The County had \$440,189 in outstanding debt related to its capital assets. The unrestricted net position of \$33,667,299 (62%) may be used to meet the County's ongoing obligations.

CONVERSE COUNTY, WYOMING

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

(Unaudited)

The County's net position for the governmental activities as of June 30, 2013 were as follows:

	<u>2013</u>	<u>Variance</u>	<u>2012</u>
ASSETS			
Current assets	\$ 38,646,583	\$ 11,930,273	\$ 26,716,310
Capital assets, net of accumulated depreciation	17,681,647	3,159,277	14,522,370
Total assets	<u>56,328,230</u>	<u>15,089,550</u>	<u>41,238,680</u>
LIABILITIES			
Current liabilities	1,658,818	(742,606)	916,212
Due in more than one year	648,176	(73,635)	574,541
Total liabilities	<u>2,306,994</u>	<u>(816,241)</u>	<u>1,490,753</u>
NET ASSETS			
Invested in capital assets, net of	17,241,458	3,152,801	14,088,657
Restricted	3,112,479	374,411	2,738,068
Unrestricted	33,667,299	10,746,097	22,921,202
Total net assets	<u>\$ 54,021,236</u>	<u>\$ 14,273,309</u>	<u>\$ 39,747,927</u>

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CONVERSE COUNTY, WYOMING

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

(Unaudited)

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

Revenues	2013	Percentage	2012	Percentage	Variance
General					
Taxes					
Property	\$ 9,563,351	34.2%	\$ 8,123,597	40.2%	\$ 1,439,754
Sales	8,480,725	30.3%	3,960,976	19.6%	4,519,749
Other	5,852,640	20.9%	4,539,733	22.4%	1,312,907
Payments in lieu of taxes	652,116	2.3%	626,772	3.1%	25,344
Unrestricted interest earnings	104,430	0.4%	189,828	0.9%	(85,398)
Miscellaneous revenue (other)	1,614,633	5.8%	251,705	1.2%	1,362,928
Program Revenues					
Charges for services	616,369	2.2%	579,395	2.9%	36,974
Operating grants and contributions	897,989	3.2%	976,529	4.8%	(78,540)
Capital grants contributions	200,000	0.7%	988,423	4.9%	(788,423)
Total revenues	<u>27,982,253</u>	<u>100.0%</u>	<u>20,236,958</u>	<u>100.0%</u>	<u>7,745,295</u>
Expenses					
General government	6,588,584	48.0%	5,315,353	40.3%	1,273,231
Public safety	3,823,808	27.9%	4,004,719	30.4%	(180,911)
Public works	2,673,897	19.5%	3,293,828	25.0%	(619,931)
Health, welfare, and recreation	364,906	2.7%	349,492	2.6%	15,414
Conservation of natural resources	241,908	1.8%	218,616	1.7%	23,292
Capital outlay	-	0.0%	-	0.0%	-
Interest on long-term debt	15,841	0.1%	-	0.0%	15,841
Total expenses	<u>13,708,944</u>	<u>100.0%</u>	<u>13,182,008</u>	<u>100.0%</u>	<u>526,936</u>
Excess of revenue over expenses	<u>14,273,309</u>		<u>7,054,950</u>		<u>\$ 7,218,359</u>
Net position, beginning of year	<u>39,747,927</u>		<u>32,692,977</u>		
Net position, end of year	<u>\$ 54,021,236</u>		<u>\$ 39,747,927</u>		

CONVERSE COUNTY, WYOMING

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

(Unaudited)

Financial Analysis of the County's Funds

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

At June 30, 2013, the County's governmental funds reported combined fund balances of \$36,020,998.

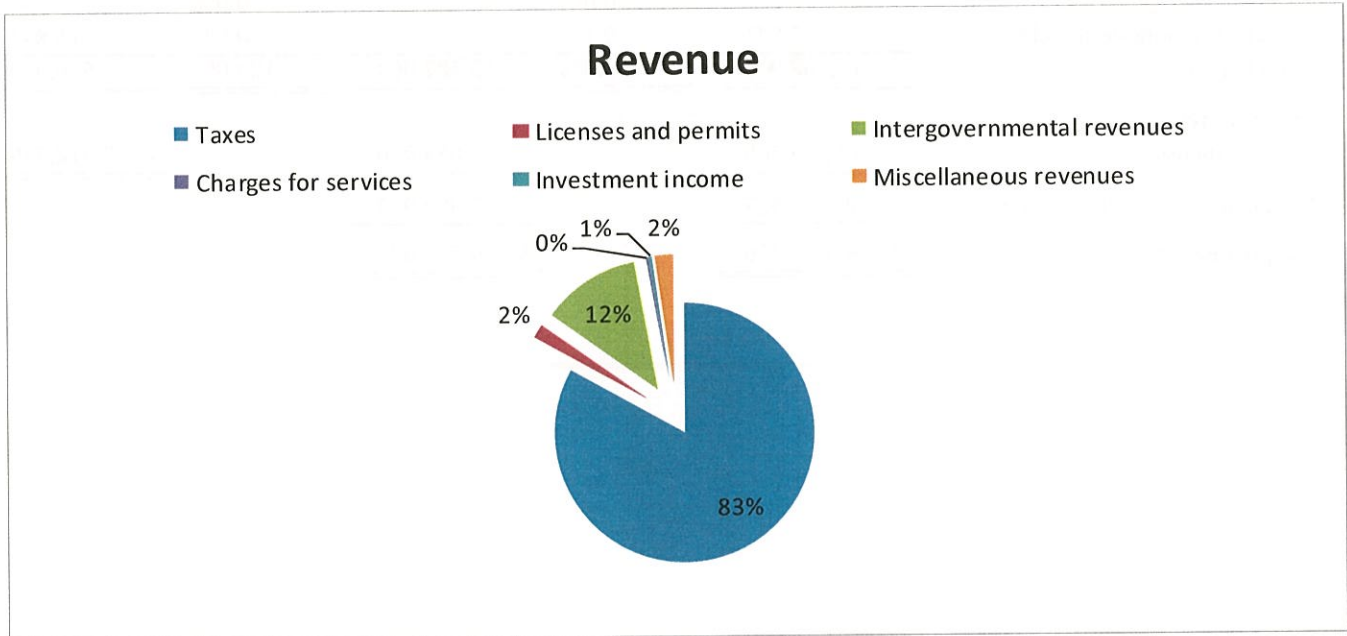
The General Fund is the main operating fund of the County. As of June 30, 2013, the total fund balance was \$25,443,145, while the unassigned General Fund balance was \$12,860,447.

The County Road Fund is used to account for the construction and maintenance of the County roads other than those financed by the general fund. As of June 30, 2013, the County Road Fund shows a fund balance of \$7,627,740.

The Special Purpose Tax Fund is used to account for the proceeds and disbursements for the special tax levied for the construction of future projects of the Converse County Library and the Eastern Wyoming College campus.

Revenues for governmental funds were approximately \$28 million for the fiscal year ended June 30, 2013. The following schedule presents revenues by source.

Revenues	2013	Percentage	2012	Percentage
Taxes	\$23,254,922	83.1%	\$15,880,442	78.2%
Licenses and permits	483,878	1.7%	485,363	2.4%
Intergovernmental revenues	3,436,424	12.3%	3,503,126	17.2%
Charges for services	80,377	0.3%	67,717	0.3%
Investment income	103,052	0.4%	184,242	0.9%
Miscellaneous revenues	624,735	2.2%	212,115	1.0%
Total revenues	\$27,983,388	100.0%	\$20,333,005	100.0%



CONVERSE COUNTY, WYOMING

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

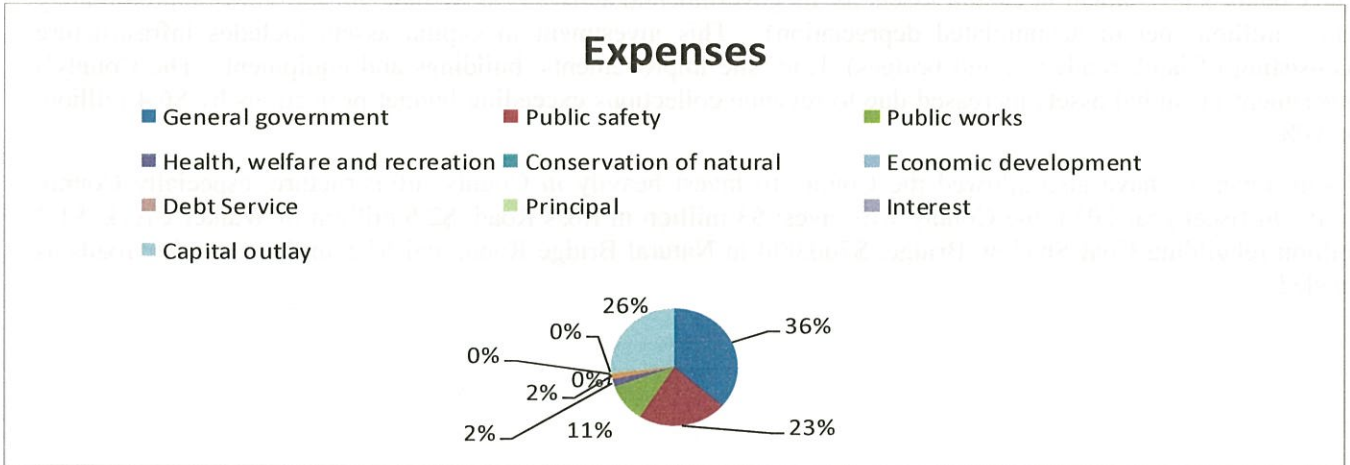
(Unaudited)

Financial Analysis of the County's Funds (Continued)

Expenditures for governmental funds were approximately \$17 million for fiscal year 2013.

The following schedule presents expenditures by activities.

Expenditures	2013	Percentage	2012	Percentage	Variance
Current					
General government	\$ 6,082,560	36.4%	\$ 5,245,455	30.8%	\$ 837,105
Public safety	3,785,234	22.7%	3,754,528	22.0%	30,706
Public works	1,746,625	10.5%	1,740,378	10.2%	6,247
Health, welfare and recreation	360,940	2.2%	354,251	2.1%	6,689
Conservation of natural resources	244,976	1.5%	225,141	1.3%	19,835
Economic development	-	0.0%	50,000	0.3%	(50,000)
Debt Service					
Principal	64,216	0.4%	-	0.0%	64,216
Interest	15,841	0.1%	-	0.0%	15,841
Capital outlay	4,402,620	26.4%	5,665,710	33.3%	(1,263,090)
Total expenditures	\$ 16,703,012	100.0%	\$ 17,035,463	100.0%	\$ (332,451)



County General Fund revenue increased for the seventh year in a row, rising \$4.8 million and 27% from fiscal year 2012 to fiscal year 2013. This increase follows a 29% revenue increase from 2011 to 2012.

Resource extraction activities continue to drive the county's economy. According to the Wyoming Oil and Gas Commission, they issued 794 drill permits for Converse County in 2013, compared to 506 in 2012. The increase in activity is driving both property taxes and sales tax. The taxable valuation of oil and gas rose 51% for tax year 2013, topping \$288 million. In fiscal year 2013, the mining industry accounted for 43% of all sales tax collections, which rose from \$5.63 million in fiscal year 2012 to \$8.72 million in fiscal year 2013.

CONVERSE COUNTY, WYOMING

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

(Unaudited)

Better than expected revenue collections have enabled the county to build reserves in several funds. At the end of fiscal year 2013, the County had \$18.49 million in reserves, earmarked for the following purposes:

Reserves	Total
Operating Reserve	\$3,770,000
Building Reserve	\$9,741,770
Equipment Reserve	\$2,967,338
Salary Reserve	<u>\$2,006,846</u>
Total Reserves:	<u>\$18,485,954</u>

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

Capital Assets and Debt Administration

The County's investment in capital assets for its governmental activities as of June 30, 2013 was approximately \$17.7 million (net of accumulated depreciation). This investment in capital assets includes infrastructure (consisting of land, roadways and bridges), land, site improvements, buildings and equipment. The County's investment in capital assets increased due to revenue collections exceeding budget projections by \$6.4 million, or 41%.

Rising revenues have also allowed the County to invest heavily in County infrastructure, especially County roads. In fiscal year 2014, the County will invest \$3 million in Ross Road, \$2.6 million in Walker Creek, \$1.3 million rebuilding Coal Shadow Bridge, \$700,000 in Natural Bridge Road, and \$2.5 million in other roads as needed.

CONVERSE COUNTY, WYOMING

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

(Unaudited)

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

	Beginning Balance	Transfers and Additions	Transfers and Deletions	Ending Balance
Capital assets, not being depreciated				
Land	\$ 1,972,748	\$ -	\$ -	\$ 1,972,748
Construction in progress	271,117	2,417,494	1,914,025	774,586
Total capital assets not being depreciated	<u>2,243,865</u>	<u>2,417,494</u>	<u>1,914,025</u>	<u>2,747,334</u>
Capital assets being depreciated				
Infrastructure	39,813,530	1,981,665	-	41,795,195
Buildings and building improvements	5,854,050	237,953	-	6,092,003
Machinery, equipment, and office fixtures	8,908,524	1,709,377	530,611	10,087,290
Total capital assets being depreciated	<u>54,576,104</u>	<u>3,928,995</u>	<u>530,611</u>	<u>57,974,488</u>
Less accumulated depreciation for				
Infrastructure	32,599,154	402,418	-	33,001,572
Buildings and building improvements	3,561,647	114,058	-	3,675,705
Machinery, equipment, and office fixtures	6,136,798	721,593	495,493	6,362,898
Total accumulated depreciation	<u>42,297,599</u>	<u>1,238,069</u>	<u>495,493</u>	<u>43,040,175</u>
Total capital assets, being depreciated, net	<u>12,278,505</u>	<u>2,690,926</u>	<u>35,118</u>	<u>14,934,313</u>
Governmental activities, capital assets, net	<u>\$ 14,522,370</u>	<u>\$ 5,108,420</u>	<u>\$1,949,143</u>	<u>\$ 17,681,647</u>

Additional information on the Converse County's capital assets can be found in Note 5 on pages 44 to 47 of this report.

CONVERSE COUNTY, WYOMING

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

(Unaudited)

Fiscal year 2013 Budget

In fiscal year 2013, the County budgeted \$15.7 million in revenue and received \$22.2 million, or 141% of the budgeted total.

The majority of the excess revenues were collected in sales and use taxes, where the County budgeted \$4.3 million and received \$8.8 million, as oil and gas activity continued to increase throughout the area.

The County also received its first distribution from the Wind Production Tax, which is based on the valuation of the wind farms in Converse County compared to the valuation of wind farms state-wide. The first distribution of the Wind Production Tax was \$609,496 in fiscal year 2013 and is anticipated to be near \$1 million in fiscal year 2014.

The adopted budget for 2013 authorized \$20,539,717 in spending from the County general fund. As the year closed on June 30, 2013, County departments spent \$19,493,568, or 95% of the total authorized. The unexpended portion of the allocation, \$1.046 million, contributed to the cash carryover for fiscal year 2014.

Spending in the fiscal year 2013 general fund budget was up 30% over fiscal year 2012, from \$14.9 million to \$19.5 million. The majority of the spending increase was in transfers to road construction funds, where \$4.4 million was spent.

Next Year's Budget and Rates

The 2014 fiscal year budget anticipates \$21,046,680 in revenue to the County General Fund, a decrease of 4.7% from fiscal year 2013.

The majority of the decrease is in an expected drop in sales taxes, from \$8.8 million received in fiscal year 2013 to \$7 million budgeted for fiscal year 2014. The County also did not budget any revenue from the Payment In Lieu of Taxes (PILT) program, since Congress had not authorized funding for the program when the County's budget was completed. The County received \$652,116 in PILT revenue in fiscal year 2013.

Property taxes, however, are budgeted to rise, from \$9,212,437 received by the general fund in fiscal year 2013 to an estimated \$10,691,630 in 2014. The Wind Production Tax is also expected to increase, from \$609,496 in fiscal year 2013 to \$1 million in fiscal year 2014.

Economic Factors

The County continues to experience record taxable valuations.

2013 Taxable Value	\$1,168,956,285
2012 Taxable Value	\$1,003,112,636
2011 Taxable Value	\$ 851,310,494

CONVERSE COUNTY, WYOMING

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

(Unaudited)

The valuation increases are being driven by the resource extraction industry. The valuation on coal, oil, gas and uranium all saw significant increases from tax year 2012 to tax year 2013.

<u>Mineral</u>	<u>2012 Value</u>	<u>2013 Value</u>
Coal	\$242,090,307	\$295,433,065
Oil	\$177,486,031	\$269,702,063
Gas	\$13,500,365	\$18,947,735
Uranium	\$2,943,073	\$11,460,911

The County has also been able to maintain a consistent, high rate of tax collection, at around 99%:

<u>Tax Year</u>	<u>Taxes Levied</u>	<u>Taxes Collected</u>	<u>Percent of Levy Collected</u>	<u>Cancellations and Supplements</u>	<u>Outstanding Delinquent Taxes</u>	<u>Delinquent as % of Total Levy</u>
2003	\$20,626,098	\$20,823,928	100.96%	\$210,524	\$12,695	0.06%
2004	\$24,684,439	\$24,862,958	100.72%	\$181,038	\$2,519	0.01%
2005	\$26,177,775	\$26,300,347	100.47%	\$131,595	\$9,023	0.03%
2006	\$27,971,598	\$28,077,432	100.38%	\$111,247	\$5,414	0.02%
2007	\$30,842,505	\$31,804,699	103.12%	\$981,935	\$19,741	0.06%
2008	\$35,446,303	\$35,545,861	100.28%	\$121,570	\$22,012	0.06%
2009	\$42,413,733	\$42,159,413	99.40%	\$3,495	\$257,815	0.61%
2010	\$42,660,071	\$42,587,935	99.83%	\$184,780	\$256,916	0.60%
2011	\$51,067,911	\$50,787,286	99.45%	-\$46,321	\$234,304	0.46%
2012	\$60,249,485	\$59,695,488	99.08%	-\$163,336	\$390,661	0.65%
2013	\$70,127,478	N/A	N/A	N/A	N/A	N/A

n/a – Not available.

Long-term Debt

At the end of the current fiscal year, Converse County had debt of \$743,580 from property tax repayments, construction retainage, capital leases, incurred but not reported claims payable, and compensated absences.

Property tax repayments

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

CONVERSE COUNTY, WYOMING

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

(Unaudited)

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

As of June 30, 2013, the County was required to pay back \$772,452 in property taxes over the next six years due to Notice of Valuation Changes. The impact on the County General Fund is approximately 12% of that total, or \$92,694.

Conclusion

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

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

BASIC FINANCIAL STATEMENTS

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CONVERSE COUNTY, WYOMING
STATEMENT OF NET POSITION
June 30, 2013

	Primary Government		Component Units
	Governmental Activities	Total	Total
ASSETS			
Cash and cash equivalents	\$ 19,122,787	\$ 19,122,787	\$ 15,432,010
Investments	14,470,430	14,470,430	1,088,455
Current portion of assets limited as to use	-	-	6,909,705
Taxes receivable	213,621	213,621	676,878
Accounts receivable	17,022	17,022	7,813,122
Due from other governments	3,978,615	3,978,615	183,222
Due from primary government - fiduciary fund	-	-	21,710
Other current assets	-	-	679,211
Prepaid expense	65,976	65,976	-
Inventory	-	-	1,682,600
Notes receivable	49,865	49,865	-
Cash held in trust for others	728,267	728,267	-
Investment in limited liability companies	-	-	356,092
Investment in real estate	-	-	1,616,446
Beneficial interest in assets held by others	-	-	191,886
Capital assets not being depreciated	2,747,334	2,747,334	8,663,026
Capital assets being depreciated, net of accumulated depreciation	14,934,313	14,934,313	28,712,337
Total assets	56,328,230	56,328,230	74,026,700
DEFERRED OUTFLOWS OF RESOURCES			
Deferred financing costs, net of amortization	-	-	731,585
LIABILITIES			
Accounts payable and accrued liabilities	636,233	636,233	6,023,918
Funds held for others	723,545	723,545	-
Unearned grant revenue	23,636	23,636	-
Noncurrent liabilities			
Due within one year	275,404	275,404	1,370,492
Due in more than one year	648,176	648,176	7,819,055
Total liabilities	2,306,994	2,306,994	15,213,465
DEFERRED INFLOWS OF RESOURCES			
Deferred property taxes	-	-	618,378
NET POSITION			
Invested in capital assets, net of related debt	17,241,458	17,241,458	30,085,124
Restricted by State statutes	2,537,089	2,537,089	-
Restricted by grantors/donors	575,390	575,390	423,651
Permanently restricted, non spendable	-	-	246,070
Unrestricted	33,667,299	33,667,299	28,171,597
Total net position	\$ 54,021,236	\$ 54,021,236	\$ 58,926,442

See accompanying notes to the financial statements

CONVERSE COUNTY, WYOMING

STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 6,588,584	\$ 457,867	\$ 178,316	\$ -
Public safety	3,823,808	79,191	189,846	-
Public works	2,673,897	5,973	378,402	200,000
Health, welfare, and recreation	364,906	73,338	151,425	-
Conservation of natural resources	241,908	-	-	-
Interest on long-term debt	15,841	-	-	-
Total governmental activities	<u>13,708,944</u>	<u>616,369</u>	<u>897,989</u>	<u>200,000</u>
Total primary government	<u>\$ 13,708,944</u>	<u>\$ 616,369</u>	<u>\$ 897,989</u>	<u>\$ 200,000</u>
Component units	<u>\$ 47,505,802</u>	<u>\$45,095,167</u>	<u>\$ 878,950</u>	<u>\$1,569,439</u>

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

Total general revenues

Change in net position

Net position, beginning of year
 Prior period adjustment
 Net position, beginning of year, as restated

Net position, end of year

See accompanying notes to the financial statements

Net (Expense) Revenue and Changes in net position

<u>Primary Government</u>		<u>Component Units Totals</u>
<u>Governmental Activities</u>	<u>Total</u>	
\$ (5,952,401)	\$ (5,952,401)	\$ -
(3,554,771)	(3,554,771)	-
(2,089,522)	(2,089,522)	-
(140,143)	(140,143)	-
(241,908)	(241,908)	-
(15,841)	(15,841)	-
<u>(11,994,586)</u>	<u>(11,994,586)</u>	<u>-</u>
(11,994,586)	(11,994,586)	-
-	-	37,754
9,563,351	9,563,351	3,624,585
8,480,725	8,480,725	-
5,852,640	5,852,640	-
-	-	4,334
652,116	652,116	-
104,430	104,430	233,329
1,614,633	1,614,633	102,385
<u>26,267,895</u>	<u>26,267,895</u>	<u>3,964,633</u>
<u>14,273,309</u>	<u>14,273,309</u>	<u>4,002,387</u>
39,747,927	39,747,927	54,989,379
-	-	(65,324)
<u>39,747,927</u>	<u>39,747,927</u>	<u>54,924,055</u>
<u>\$ 54,021,236</u>	<u>\$ 54,021,236</u>	<u>\$ 58,926,442</u>

CONVERSE COUNTY, WYOMING

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	General Fund	County Roads Fund	Special Purpose Tax Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 11,720,484	\$ 5,908,638	\$ 378,510	\$ 665,459	\$ 18,673,091
Investments	12,117,585	1,754,310	-	-	13,871,895
Taxes receivable	204,973	-	-	8,648	213,621
Accounts receivable	-	-	-	17,022	17,022
Due from other governments	1,796,896	12,872	2,129,890	38,957	3,978,615
Due from other funds	110,990	-	-	88,373	199,363
Restricted cash	728,267	-	-	-	728,267
Note receivable	49,865	-	-	-	49,865
Prepaid expense	43,324	-	-	-	43,324
Total assets	<u>\$ 26,772,384</u>	<u>\$ 7,675,820</u>	<u>\$ 2,508,400</u>	<u>\$ 818,459</u>	<u>\$ 37,775,063</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts payable and accrued liabilities	\$ 438,698	\$ 34,607	\$ 113,991	\$ 45,837	\$ 633,133
Due to other funds	-	13,473	-	185,890	199,363
Cash held in trust for others	723,545	-	-	-	723,545
Refundable advances	-	-	-	23,636	23,636
Total liabilities	<u>1,162,243</u>	<u>48,080</u>	<u>113,991</u>	<u>255,363</u>	<u>1,579,677</u>
Deferred inflows of resources					
Deferred property tax revenue	166,996	-	-	7,392	174,388
Total deferred inflows of resources	<u>166,996</u>	<u>-</u>	<u>-</u>	<u>7,392</u>	<u>174,388</u>
Fund Balances					
Nonspendable	43,324	-	-	-	43,324
Restricted					
Special revenue funds	-	-	-	575,390	575,390
County road construction	-	2,537,089	-	-	2,537,089
Committed					
Economic development	202,608	-	-	-	202,608
Special revenue funds	-	-	-	51,745	51,745
Road construction	-	5,090,651	-	-	5,090,651
Special Purpose Tax	-	-	2,394,409	-	2,394,409
Assigned	12,336,766	-	-	78,232	12,414,998
Unassigned	12,860,447	-	-	(149,663)	12,710,784
Total fund balances	<u>25,443,145</u>	<u>7,627,740</u>	<u>2,394,409</u>	<u>555,704</u>	<u>36,020,998</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 26,772,384</u>	<u>\$ 7,675,820</u>	<u>\$ 2,508,400</u>	<u>\$ 818,459</u>	<u>\$ 37,775,063</u>

See accompanying notes to the financial statements

CONVERSE COUNTY, WYOMING

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

June 30, 2013

Total fund balances - governmental funds	\$ 36,020,998
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund statements. As capital assets used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in the governmental funds. This is the total capital assets reported in the government-wide statements.	17,681,647
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Since the focus of governmental fund statements is on short-term financing, some assets will not be available to pay for current expenditures. Those assets are offset by deferred revenue in the governmental funds and are not included in the governmental fund balances. Deferred property tax revenue	174,388
---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------

An internal service fund is used by management to charge the cost of medical insurance to individual funds. Assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	887,783
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Some liabilities exceed the amount that is due and payable in the current period and therefore are not fully reported in the governmental funds.	
Property tax debt related to change in valuation	\$ (92,694)
Retainage	(9,226)
Capital leases	(430,963)
Compensated absences	(210,697)
	(743,580)

Net position of governmental activities	\$ 54,021,236
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CONVERSE COUNTY, WYOMING

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

	General Fund	County Roads Fund	Special Purpose Tax Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 19,922,545	\$ -	\$ 2,826,788	\$ 505,589	\$ 23,254,922
Licenses and permits	483,878	-	-	-	483,878
Intergovernmental revenues	1,590,750	1,413,052	-	432,622	3,436,424
Charges for services	7,039	-	-	73,338	80,377
Investment income	81,279	18,741	-	3,032	103,052
Miscellaneous revenues	621,867	-	-	2,868	624,735
Total revenues	<u>22,707,358</u>	<u>1,431,793</u>	<u>2,826,788</u>	<u>1,017,449</u>	<u>27,983,388</u>
Expenditures					
Current					
General government	5,563,599	-	432,379	86,582	6,082,560
Public safety	3,377,542	-	-	407,692	3,785,234
Public works	1,746,625	-	-	-	1,746,625
Health, welfare and recreation	-	-	-	360,940	360,940
Conservation of natural resources	104,481	-	-	140,495	244,976
Debt Service					
Principal	64,216	-	-	-	64,216
Interest	15,841	-	-	-	15,841
Capital outlay	2,295,456	2,107,164	-	-	4,402,620
Total expenditures	<u>13,167,760</u>	<u>2,107,164</u>	<u>432,379</u>	<u>995,709</u>	<u>16,703,012</u>
Excess (deficiency) of revenues over expenditures	<u>9,539,598</u>	<u>(675,371)</u>	<u>2,394,409</u>	<u>21,740</u>	<u>11,280,376</u>
Other financing sources (uses)					
Transfers in	-	4,401,000	-	-	4,401,000
Transfers (out)	(4,401,000)	-	-	-	(4,401,000)
Total other financing sources (uses)	<u>(4,401,000)</u>	<u>4,401,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	5,138,598	3,725,629	2,394,409	21,740	11,280,376
Fund balances, beginning of year	<u>20,304,547</u>	<u>3,902,111</u>	<u>-</u>	<u>533,964</u>	<u>24,740,622</u>
Fund balances, end of year	<u>\$ 25,443,145</u>	<u>\$ 7,627,740</u>	<u>\$ 2,394,409</u>	<u>\$ 555,704</u>	<u>\$ 36,020,998</u>

See accompanying notes to the financial statements

CONVERSE COUNTY, WYOMING

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

Year Ended June 30, 2013

Net change in fund balances - total governmental funds \$ 11,280,376

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

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

Fixed asset acquisitions expended in the governmental funds	\$ 4,432,464	
Loss on disposal of assets	(35,118)	
Depreciation expense for the year	<u>(1,238,069)</u>	3,159,277

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

Prior year property tax debt related to change in valuation	80,990	
Current year property tax debt related to change in valuation	(92,694)	
Prior year retainage payable	2,750	
Current year retainage payable	(9,226)	
Prior year liability for capital leases	430,963	
Current year liability for capital leases	(430,963)	
Prior year liability for compensated absences	177,383	
Current year liability for compensated absences	<u>(210,697)</u>	(51,494)

An internal service fund is used by management to charge the cost of medical insurance to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities (126,289)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.

Deferred property tax revenue prior year	(162,949)	
Deferred property tax revenue current year	<u>174,388</u>	<u>11,439</u>

Change in net position of governmental activities \$ 14,273,309

See accompanying notes to the financial statements

CONVERSE COUNTY, WYOMING

STATEMENT OF NET POSITION - PROPRIETARY FUND

June 30, 2013

	Governmental Activity Internal Service Fund
ASSETS	
Cash and cash equivalents	\$ 449,696
Investments	598,535
Prepaid expense	22,652
Total assets	<u>1,070,883</u>
LIABILITIES	
Accounts payable	3,100
Claims payable	180,000
Total current liabilities	<u>183,100</u>
NET POSITION	
Unrestricted	887,783
Total net position	<u>\$ 887,783</u>

See accompanying notes to the financial statements

CONVERSE COUNTY, WYOMING

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUND
 Year Ended June 30, 2013

	Governmental Activity Internal Service Fund
Operating revenues	
Charges for services	\$ 1,338,359
Miscellaneous income	213,862
	1,552,221
Operating expenses	
Medical costs	1,419,897
Stop loss insurance	261,318
Total operating expenses	1,681,215
Operating loss	(128,994)
Nonoperating revenue	
Interest income	2,705
Total nonoperating revenue	2,705
Change in net assets	(126,289)
Net position, beginning of year	1,014,072
Net position, end of year	\$ 887,783

See accompanying notes to the financial statements

CONVERSE COUNTY, WYOMING

STATEMENT OF CASH FLOWS - PROPRIETARY FUND
Year Ended June 30, 2013

	Business-type Activity Enterprise Fund Internal Service Fund
Cash Flows from Operating Activities	
Receipts from other funds	\$ 1,670,056
Payments to third party administrator	<u>(1,758,115)</u>
Net cash used in operating activities	<u>(88,059)</u>
Cash Flows from Investing Activities	
Interest received	2,705
Purchase of investments	<u>(1,093)</u>
Net cash provided by investing activities	<u>1,612</u>
Net decrease in cash and cash equivalents	<u>(86,447)</u>
Cash and cash equivalents, beginning of year	<u>536,143</u>
Cash and cash equivalents, end of year	<u><u>\$ 449,696</u></u>
Reconciliation of operating income to net cash used in operating activities	
Loss from operations	\$ (128,994)
Adjustments to reconcile operating loss to cash used in operating activities	
Increase (decrease) in cash resulting from changes in operating assets and liabilities	
Accounts receivable	115,731
Prepaid expense	2,104
Accounts payable	3,100
Claims payable	<u>(80,000)</u>
Net cash used in operating activities	<u><u>\$ (88,059)</u></u>

See accompanying notes to the financial statements

CONVERSE COUNTY, WYOMING

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND

June 30, 2013

	<u>General Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 1,138,798
Taxes receivable	442,334
Due from other governments	<u>93,246</u>
Total assets	<u>1,674,378</u>
LIABILITIES	
Due to component units	286,659
Due to other governments	945,385
Deferred revenue	<u>442,334</u>
Total liabilities	<u>1,674,378</u>
NET POSITION	
Total net position	<u><u>\$ -</u></u>

See accompanying notes to the financial statements

CONVERSE COUNTY, WYOMING

**COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS**

June 30, 2013

	County Airport	County Hospital	Weed & Pest Control District
ASSETS			
Cash and cash equivalents	\$ 214,950	\$ 12,158,096	\$ 2,128,975
Investments	438,606	554,873	-
Current portion of assets limited as to use	30,000	6,879,705	-
Accounts receivable, net	-	7,753,015	46,946
Property taxes receivable	619,289	9,559	25,678
Due from primary government	320	-	7,416
Due from other governments	183,222	-	-
Other current assets	1,190	678,021	-
Inventory	-	995,543	687,057
Investment in limited liability companies	-	356,092	-
Investment in real estate	-	1,616,446	-
Beneficial interest in assets held by others	-	-	-
Capital assets not being depreciated	5,495,768	3,054,658	12,000
Capital assets being depreciated, net of accumulated depreciation	4,335,166	23,624,265	212,522
Total assets	<u>11,318,511</u>	<u>57,680,273</u>	<u>3,120,594</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred financing costs, net of amortization	-	731,585	-
LIABILITIES			
Accounts payable and accrued liabilities	236,684	5,505,191	266,936
Noncurrent liabilities			
Due within one year	-	1,365,655	-
Due in more than one year	-	7,781,450	-
Total current liabilities	<u>236,684</u>	<u>14,652,296</u>	<u>266,936</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Property taxes	<u>618,378</u>	-	-
NET ASSETS			
Invested in capital assets, net of related debt	9,675,258	19,544,360	224,522
Restricted by grantors/donors	30,000	-	393,651
Permanently restricted, non spendable	-	-	-
Unrestricted	<u>758,191</u>	<u>24,215,202</u>	<u>2,235,485</u>
Total net assets	<u>\$ 10,463,449</u>	<u>\$ 43,759,562</u>	<u>\$ 2,853,658</u>

See accompanying notes to the financial statements

County Library	Total
\$ 929,989	\$ 15,432,010
94,976	1,088,455
-	6,909,705
13,161	7,813,122
22,352	676,878
13,974	21,710
-	183,222
-	679,211
-	1,682,600
-	356,092
-	1,616,446
191,886	191,886
100,600	8,663,026
<u>540,384</u>	<u>28,712,337</u>
<u>1,907,322</u>	<u>74,026,700</u>
<u>-</u>	<u>731,585</u>
15,107	6,023,918
4,837	1,370,492
<u>37,605</u>	<u>7,819,055</u>
<u>57,549</u>	<u>15,213,465</u>
<u>-</u>	<u>618,378</u>
640,984	30,085,124
-	423,651
246,070	246,070
<u>962,719</u>	<u>28,171,597</u>
<u>\$ 1,849,773</u>	<u>\$ 58,926,442</u>

CONVERSE COUNTY, WYOMING

COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
Year Ended June 30, 2013

Component Units	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
County Airport	\$ 686,823	\$ 62,794	\$ -	\$ 1,429,439
County Hospital	45,204,606	44,775,888	866,855	140,000
Weed and Pest Control District	801,911	241,388	-	-
County Library	812,462	15,097	12,095	-
	<u>\$ 47,505,802</u>	<u>\$45,095,167</u>	<u>\$ 878,950</u>	<u>\$ 1,569,439</u>
		General Revenues		
		Property taxes		
		Lodging taxes		
		Intergovernmental revenue		
		Miscellaneous		
		Unrestricted investment earnings		
		Total general revenues		
		Change in net position		
		Net position, beginning of year		
		Prior period adjustment		
		Net position, beginning of year as restated		
		Net position, end of year		

See accompanying notes to the financial statements

Net (Expense) Revenue and Changes in Net Assets

County Airport	County Hospital	Weed and Pest Control District	County Library	Totals
\$ 805,410	\$ -	\$ -	\$ -	\$ 805,410
-	578,137	-	-	578,137
-	-	(560,523)	-	(560,523)
-	-	-	(785,270)	(785,270)
<u>805,410</u>	<u>578,137</u>	<u>(560,523)</u>	<u>(785,270)</u>	<u>37,754</u>
132,894	1,355,095	1,065,663	1,070,933	3,624,585
-	-	-	-	-
-	-	-	4,334	4,334
4,842	80,883	12,528	4,132	102,385
4,807	186,213	15,601	26,708	233,329
<u>142,543</u>	<u>1,622,191</u>	<u>1,093,792</u>	<u>1,106,107</u>	<u>3,964,633</u>
<u>947,953</u>	<u>2,200,328</u>	<u>533,269</u>	<u>320,837</u>	<u>4,002,387</u>
9,515,496	41,624,558	2,320,389	1,528,936	54,989,379
-	(65,324)	-	-	(65,324)
<u>9,515,496</u>	<u>41,559,234</u>	<u>2,320,389</u>	<u>1,528,936</u>	<u>54,924,055</u>
<u>\$ 10,463,449</u>	<u>\$ 43,759,562</u>	<u>\$ 2,853,658</u>	<u>\$ 1,849,773</u>	<u>\$ 58,926,442</u>

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CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Nature of Operations and Significant Accounting Policies

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

Financial Reporting Entity

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

Discretely Presented Component Units

- The *Converse County Airport Board* ("County Airport" or "Airport") provides and maintains aviation facilities for the County. The Airport Board is fiscally dependent upon the County because the Board of Commissioners approves the Airport's budget, levies taxes and must approve any debt issuances. Separate audited financial statements can be obtained from the Board's administrative offices located in Douglas, Wyoming.
- The *Memorial Hospital of Converse County* ("County Hospital" or "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.
- The *Converse County Weed and Pest Control District* ("District") was established for the purpose of implementing and pursuing an effective program for the control of weeds and pests within the County. The District is fiscally dependent upon the County because the Board of Commissioners approves the District's budget and levies taxes on behalf of the District. Separate audited financial statements of the District can be obtained from the District's administrative offices located in Douglas, Wyoming.
- The *Converse County Library Board* ("County Library" or "Library") 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.

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

Jointly Governed Organization

The Converse County Fire Suppression Authority was formed by the Converse County Municipal and Joint Powers Board consisting of the County Commissioners, the City of Douglas, Wyoming, the Town of Glenrock, Wyoming, the Town of Rolling Hills, Wyoming, and the Town of Lost Springs, Wyoming. The Converse County Municipal and Joint Powers Board is a separate legal entity created in accordance with the provisions of the Wyoming Joint Powers Act. During the fiscal year ended June 30, 2013, the County allocated \$756,587 to the Converse County Fire Suppression Authority.

Government-wide and Fund Financial Statements

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

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

The government reports the following major governmental funds:

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

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

Special Purpose Tax Fund is a special revenue fund and is used to account for the proceeds and disbursements of the special purpose tax approved for specific projects.

The government reports the following major proprietary fund:

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

Additionally, the government reports the following fund types:

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

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

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

Effective this reporting period is GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB 62). This statement brings the authoritative accounting and financial reporting literature for state and local governments together in a single source, with the FASB and AICPA guidance modified as necessary to appropriately recognize the governmental environment and the needs of governmental financial statement users.

GASB No. 62 will result in a more consistent application of applicable guidance in financial statements of state and local governments. This statement also supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement.

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

Implementation of Governmental Accounting Standards Board (GASB) Statements No. 63 and 65

During the year ended June 30, 2013, the County implemented two new accounting standards. GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* resulting in a change to the County's financial reporting. Those changes are reflected in this financial report.

During the year ended June 30, 2013, the Airport, Hospital, Weed & Pest Control District, and County Library also implemented two new accounting standards. GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* resulting in a change to the financial reporting. Those changes are reflected in this financial report. The change in accounting standards resulted in a prior period adjustment for the Hospital. See Note 16 for more details.

Cash and Cash Equivalents

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

Investments

Wyoming Statutes authorize the types of investments in which Counties may invest. Among these authorized investments are certificates of deposit, obligations of the U.S. Treasury and repurchase agreements involving U.S. Government securities. The County's investments consist of certificates of deposit, U.S. Agencies' obligations, all of which are carried at fair value, and participation in the Wyoming Government Investment Fund (WGIF) and WYO-STAR governmental investment pools. WGIF and WYOSTAR are governmental investment pools which were established after July 1, 1996 according to the Wyoming Statutory Trust Act. Shares of the funds are offered exclusively to Wyoming governmental entities with separate accounts maintained for each entity. These pools invest in obligations of the U.S. Treasury and other investments as authorized by the Wyoming Statutes. The County's investment activity is conducted in pooled investment accounts. The Library Foundation is a non-profit entity and is not subject to the Wyoming Statutes that specify allowable types of investments.

Receivables and Payables

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

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

Memorial Hospital of Converse County provides an allowance on uncollectible self-pay and miscellaneous commercial insurance accounts. Patients are not required to provide collateral for services rendered. Payment for services is required upon receipt of an invoice, after payment by insurance, if any. Self-pay accounts are analyzed for collectability based on the months past due and payment history. An allowance is estimated for these accounts based on the historical experience of the Hospital.

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

Receivables and Payables (Continued)

Accounts that are determined to be uncollectible are sent to the collection agency and written off at that time. At June 30, 2013, the allowance for uncollectible accounts was approximately \$1,887,645. Recoveries of accounts previously written off as uncollectible are netted against the current year's expense.

Memorial Hospital of Converse County serves patients in an area including, but not limited to Converse County, Wyoming. Although Memorial Hospital of Converse County's patient accounts receivable are diversified, and consist of numerous immaterial balances, the Hospital is dependent on the third party payors (insurance companies and government programs) as well as self-pay patients to satisfy those obligations. The ability of patients to pay their obligations is dependent largely upon the energy and agricultural sectors of the economy. The approximate mix of receivables from patients and third-party payors at June 30, 2013, was 23%, 6%, 4%, 32%, and 35% Medicare, Medicaid, other, insurance, and patients, respectively.

Notes Receivable

Notes receivable represent the County's Economic Development loans. These loans are based on written agreements between the County and various loan recipients. As of June 30, 2013, the loans are reported net of an allowance for uncollectible debt in the approximate amount of \$198,000.

Inventory

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

Assets Limited as to Use

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

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

Capital Assets

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

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

Capital Assets (Continued)

Depreciation on property and equipment is provided on the straight-line basis over the following useful lives:

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

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

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

Fund Balance

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

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

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

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

Property Taxes

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

The County is permitted by Wyoming Statutes to levy taxes up to 12 mills of assessed valuation for all purposes exclusive of state revenue, except for the payment of public debt and interest thereon. The combined tax rate to finance general governmental services other than the payment of principal and interest on long-term debt for the year ended June 30, 2013, was 12 mills, which means that the County has levied to the maximum amount available.

Major Taxpayers

The County's ten largest taxpayers account for approximately 67% of the County's total assessed property valuation. Five of the ten taxpayers are involved in mineral extraction industries, three are power producers, and two are railroad companies. The County received approximately 29% of its total revenues from these taxpayers.

Motor Vehicle Fees

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

Compensated Absences

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

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

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

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

Charity Care

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

Investment in Limited Liability Companies

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

Investment in Real Estate

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

Deferred Financing Costs

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

Net Patient Service Revenue

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

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

- Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient non-acute services, certain medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. Memorial Hospital of Converse County is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by Memorial Hospital of Converse County and audits thereof by the Medicare fiscal intermediary. Effective May 1, 2002, Memorial Hospital of Converse County received the designation as a Critical Access Hospital.

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

Net Patient Service Revenue (Continued)

- Memorial Hospital of Converse County classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with Memorial Hospital of Converse County. Memorial Hospital of Converse County's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2012.
- Inpatient services rendered to Medical program beneficiaries are reimbursed under a reimbursement methodology similar to inpatient Medicare. Outpatient Medicaid services are reimbursed under the lower of usual or customary charge fee structure. There is generally no retroactive settlement at year end. For the fiscal year ended June 30, 2013, Memorial Hospital of Converse County's gross patient service revenue was \$53,404,408 which was adjusted for contractual discounts of \$9,245,008 and charity care of \$347,783 resulting in net patient service revenue of \$43,811,617.

Accounting Estimates

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

Short-term Financing

The County did not issue any tax anticipation notes or use any other type of short-term financing for the year ended June 30, 2013.

Budget

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

The County Commissioners exercise legal spending control at the department level. Any over-expenditures or transfers of appropriations must be approved by them, as are all departmental budget amendments. Management control is exercised at budgetary line item levels.

The County Commissioners and the governing Boards of the Component Units may also amend the budget after it is approved, using the same procedures necessary to approve the original budget. The budgetary data presented in the financial statements reflects the approved budget. The County Commissioners amended the budget for the fiscal year ended June 30, 2013 to increase expenditures in the following funds and departments:

General Fund	
County sheriff	\$ 13,882
	<u>\$ 13,882</u>
Non major funds	
Best beginnings	\$ 6,046
	<u>\$ 6,046</u>

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 2. Deposits and Investments

Custodial Credit Risk - Deposits

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

Primary Government

Deposits: As of June 30, 2013, the County's bank balances were collateralized with securities held by the pledging institution's trust department or agent, in joint custody of the bank and the County.

Component Units

As June 30, 2013, the bank balances of all the County's component units were collateralized with securities held by the pledging institution's trust department or agent, in joint custody of the bank and the County's component units.

Investments

As of June 30, 2013, the primary government of the County had the following investments:

Investment Type	Fair Value	Interest Rate	Less		Rating
			Than 1	1 - 5	
State Treasurer's					
Investment Pool (WYO-STAR)	\$ 404,989	0.09%	\$ 404,989	\$ -	Not rated
WGIF	2,749,605	N/A	2,749,605	-	Amm
Certificates of Deposit	8,653,904	0.50% - 2.15%	-	8,653,904	N/A
U.S. Government Securities	2,661,932	0.50% - 1.00%	-	2,661,932	N/A
Total	\$ 14,470,430		\$ 3,154,594	\$ 11,315,836	

As of June 30, 2013, the component units of the County had the following investments:

Investment Type	Fair Value	Interest Rate	Less		Rating
			Than 1	1 - 5	
Certificates of Deposit	\$ 7,718,455	0.85% - 4.6%	\$ 7,626,773	\$ 91,682	N/A

These investments are reported under the caption investments in the statement of net position. The Hospital also has some certificates of deposit, as well as some cash reported under the caption current portion of assets limited as to use.

Interest Rate Risk

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

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 2. Deposits and Investments (Continued)

Credit Risk

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

Concentration of Credit Risk

The County does not have a formal policy that allows for or limits an investment in any one issuer to a specified percentage of the County's total investments. At June 30, 2013, the County had 60% of its investments in Certificates of Deposit, 19% in WGIF and 18% in U.S. Government Securities. The component units had 100% of their investments in Certificates of Deposit.

Custodial Credit Risk – Investments

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

Note 3. Interfund Balances

Interfund and intra-entity receivables and payables at June 30, 2013 are as follows:

	Receivable	Payable
General Fund	\$ 110,990	\$ -
County Roads Fund	-	13,473
Non major funds		
Health Department	-	13,825
Homeland Security Grant	62,611	-
Tanf Grant	1,164	889
HAHR	13,825	-
Other Grants	-	166,434
Best Beginnings	10,773	4,742
	\$ 199,363	\$ 199,363

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 3. Interfund Balances (Continued)

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

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 4,401,000
County Road Fund	4,401,000	-
	<u>\$ 4,401,000</u>	<u>\$ 4,401,000</u>

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

Note 4. Beneficial Interest

Converse County Library Foundation transferred investments to the Wyoming Community Foundation specifying itself as the beneficiary. The Wyoming Community Foundation ("WCF") is a Wyoming not-for-profit organization. WCF established the Converse County Library Endowment fund to account for these permanently restricted contributions. WCF is required to make distributions of interest and dividend income to the Converse County Library Foundation and other contributions that might be made in the future for the benefit of the Converse County Library Foundation annually. The Converse County Library Foundation received distributions of \$3,413 during the year ended June 30, 2013. In accordance with the professional accounting standards, the Foundation recorded its beneficial interest in the WCF fund and recorded as permanently restricted those contributions received by the WCF for the benefit of the Foundation. Converse County Library Foundation's beneficial interest in assets held at WCF was \$191,886 as of June 30, 2013.

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CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 5. Capital Assets

Primary Government

Capital asset activity for the governmental activities for the year ended June 30, 2013, was as follows:

	Beginning Balance	Transfers and Additions	Transfers and Deletions	Ending Balance
Capital assets, not being depreciated				
Land	\$ 1,972,748	\$ -	\$ -	\$ 1,972,748
Construction in progress	271,117	2,417,494	1,914,025	774,586
Total capital assets not being depreciated	<u>2,243,865</u>	<u>2,417,494</u>	<u>1,914,025</u>	<u>2,747,334</u>
Capital assets being depreciated				
Infrastructure	39,813,530	1,981,665	-	41,795,195
Buildings and building improvements	5,854,050	237,953	-	6,092,003
Machinery, equipment, and office fixtures	8,908,524	1,709,377	530,611	10,087,290
Total capital assets being depreciated	<u>54,576,104</u>	<u>3,928,995</u>	<u>530,611</u>	<u>57,974,488</u>
Less accumulated depreciation for				
Infrastructure	32,599,154	402,418	-	33,001,572
Buildings and building improvements	3,561,647	114,058	-	3,675,705
Machinery, equipment, and office fixtures	6,136,798	721,593	495,493	6,362,898
Total accumulated depreciation	<u>42,297,599</u>	<u>1,238,069</u>	<u>495,493</u>	<u>43,040,175</u>
Total capital assets, being depreciated, net	<u>12,278,505</u>	<u>2,690,926</u>	<u>35,118</u>	<u>14,934,313</u>
Governmental activities, capital assets, net	<u>\$ 14,522,370</u>	<u>\$ 5,108,420</u>	<u>\$1,949,143</u>	<u>\$ 17,681,647</u>

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 5. Capital Assets (Continued)

Primary Government (Continued)

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

Governmental activities	
General government	\$ 138,343
Public safety	290,283
Public works	799,458
Health and welfare	9,985
	<u> </u>
Total depreciation expense - governmental activities	<u>\$ 1,238,069</u>

Component Units

Capital asset activity for each component unit for the year ended June 30, 2013, was as follows:

Capital asset activity for the Converse County Airport for the year ended June 30, 2013:

	Beginning Balance	Transfers and Additions	Transfers and Deletions	Ending Balance
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capital assets, not being depreciated				
Land	\$ 2,741,061	\$ -	\$ -	\$ 2,741,061
Construction in progress	1,338,910	1,415,797		2,754,707
Total capital assets not being depreciated	<u>4,079,971</u>	<u>1,415,797</u>	<u>-</u>	<u>5,495,768</u>
Capital assets being depreciated				
Improvements other than buildings	11,448,842	11,804	-	11,460,646
Buildings, building improvements and runways	516,386	-	-	516,386
Equipment and vehicles	173,972	-	-	173,972
Total capital assets being depreciated	<u>12,139,200</u>	<u>11,804</u>	<u>-</u>	<u>12,151,004</u>
Less accumulated depreciation	<u>7,345,654</u>	<u>470,184</u>	<u>-</u>	<u>7,815,838</u>
Total capital assets, being depreciated, net	<u>4,793,546</u>	<u>(458,380)</u>	<u>-</u>	<u>4,335,166</u>
Capital assets, net	<u>\$ 8,873,517</u>	<u>\$ 957,417</u>	<u>\$ -</u>	<u>\$ 9,830,934</u>

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 5. Capital Assets (Continued)

Component Units (Continued)

Capital asset activity for the Hospital for the year ended June 30, 2013, was as follows:

	Beginning Balance	Transfers and Additions	Transfers and Deletions	Ending Balance
Capital assets, not being depreciated				
Land and land improvements	\$ 812,773	\$ 300,183	\$ -	\$ 1,112,956
Construction in progress	74,438	1,867,264	-	1,941,702
Total capital assets not being depreciated	<u>887,211</u>	<u>2,167,447</u>	<u>-</u>	<u>3,054,658</u>
Capital assets being depreciated				
Land improvements	77,469	-	-	77,469
Building	24,685,938	9,537	80,000	24,615,475
Equipment	18,461,689	4,685,130	216,290	22,930,529
Total capital assets being depreciated, net	<u>43,225,096</u>	<u>4,694,667</u>	<u>296,290</u>	<u>47,623,473</u>
Less accumulated depreciation	<u>20,902,576</u>	<u>3,351,746</u>	<u>255,114</u>	<u>23,999,208</u>
Total capital assets, being depreciated, net	<u>22,322,520</u>	<u>1,342,921</u>	<u>41,176</u>	<u>23,624,265</u>
Capital assets, net	<u>\$ 23,209,731</u>	<u>\$ 3,510,368</u>	<u>\$ 41,176</u>	<u>\$ 26,678,923</u>

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CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 5. Capital Assets (Continued)

Component Units (Continued)

Capital asset activity for the Converse County Weed and Pest Control District for the year, ended June 30, 2013, was as follows:

	Beginning Balance	Transfers and Additions	Transfers and Deletions	Ending Balance
Capital assets, not being depreciated				
Land	\$ 12,000	\$ -	\$ -	\$ 12,000
Total capital assets not being depreciated	12,000	-	-	12,000
Capital assets being depreciated				
Buildings and improvements	182,022	-	-	182,022
Machinery, equipment and office fixtures	262,694	55,798	39,261	279,231
Total capital assets, being depreciated, net	444,716	55,798	39,261	461,253
Less accumulated depreciation	243,606	27,852	22,727	248,731
Total capital assets, being depreciated, net	201,110	27,946	16,534	212,522
Capital assets, net	<u>\$ 213,110</u>	<u>\$ 27,946</u>	<u>\$ 16,534</u>	<u>\$ 224,522</u>

Capital asset activity for the Converse County Library for the year ended June 30, 2013, was as follows:

	Beginning Balance	Transfers and Additions	Transfers and Deletions	Ending Balance
Capital assets, not being depreciated				
Land	\$ 100,600	\$ -	\$ -	\$ 100,600
Total capital assets not being depreciated	100,600	-	-	100,600
Capital assets being depreciated				
Buildings and building improvements	621,794	-	-	621,794
Machinery, equipment and office fixtures	195,957	26,834	37,166	185,625
Collection	241,223	97,520	70,880	267,863
Total capital assets being depreciated	1,058,974	124,354	108,046	1,075,282
Less accumulated depreciation	570,546	71,635	107,283	534,898
Total capital assets being depreciated, net	488,428	52,719	763	540,384
Capital assets, net	<u>\$ 589,028</u>	<u>\$ 52,719</u>	<u>\$ 763</u>	<u>\$ 640,984</u>

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 6. County Debt

The Wyoming Constitution (Article 16§3) limits the amount of indebtedness for any County to not more than two percent of the last general assessment. This limit was \$20,062,253 at June 30, 2013. The County had no outstanding debt subject to this limitation.

Primary Government

The following is a summary of changes in long-term debt of the County for the year ended June 30, 2013:

	Balance June 30, 2012	New Debt Incurred	Debt Retired	Balance June 30, 2013	Due Within One Year
Primary Government					
Governmental activities					
Property tax repayment	\$ 80,990	\$ 59,259	\$ 47,555	\$ 92,694	\$ 1,873
Retainage	2,750	9,226	2,750	9,226	9,226
Capital leases	430,963	-	-	430,963	80,057
Incurring but not reported claims payable	260,000	-	80,000	180,000	180,000
Compensated absences	177,383	33,314	-	210,697	4,248
	<u>\$ 952,086</u>	<u>\$ 101,799</u>	<u>\$ 130,305</u>	<u>\$ 923,580</u>	<u>\$ 275,404</u>
Component Units					
Revenue bonds	\$ 7,420,000	\$ -	\$ 425,000	\$ 6,995,000	\$ 450,000
Net bonds payable	7,420,000	-	425,000	6,995,000	450,000
Short-term notes	12,413	-	-	12,413	12,413
Capital leases	1,568,800	-	681,926	886,874	709,578
Compensated absences	1,077,676	349,633	132,049	1,295,260	198,501
	<u>\$ 10,078,889</u>	<u>\$ 349,633</u>	<u>\$ 1,238,975</u>	<u>\$ 9,189,547</u>	<u>\$ 1,370,492</u>

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

Property tax repayment

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

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

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 6. County Debt (Continued)

Property tax repayment (Continued)

As of June 30, 2013, the County was required to pay back \$772,452 in property taxes over the next six years due to Notice of Valuation Changes. The impact on the County General Fund is approximately 12% of that total, or \$92,694.

Year ending June 30,

2014	\$ 1,873
2015	35,286
2016	29,580
2017	24,746
2018	1,209
	<u>\$ 92,694</u>

Capital leases

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

\$205,323 motor grader lease/purchase obligation dated September 2011 due in six annual installments of \$38,129 with an interest rate of 3.2% serviced by the General fund and collateralized by the grader. 205,323
\$ 430,963

Future minimum lease payment under capital leases together with the present value of net minimum lease payments as of June 30, 2013 are as follows:

Year Ending June 30,	
2014	\$ 80,057
2015	80,057
2016	80,057
2017	80,058
2018	80,058
2019	80,060
Total minimum lease payments	<u>480,347</u>
Less: amount representing interest	<u>49,384</u>
Present value of minimum lease payments	<u>\$ 430,963</u>

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 6. County Debt (Continued)

Component Units

Long-Term Debt Memorial Hospital of Converse County

On November 1, 2000 Memorial Hospital of Converse County issued \$6,810,000 in Revenue Bonds, Series 2000 with an average interest of 7.35%. The purpose of the bond issuance was to construct an addition to the hospital facility. On October 27, 2008, bonds with a par value of \$4,900,000 were refunded with proceeds from the Memorial Hospital of Converse County's Series Revenue Bonds. The remaining bonds were due at maturity or through mandatory sinking fund redemption requirements in annual installments of \$130,000 to \$145,000 through June 30, 2013. The interest rate on the remaining bonds was 6.50%. The revenue bonds were collateralized by revenue of Memorial Hospital of Converse County established by the trust indenture.

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

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

The debt service requirements on Memorial Hospital of Converse County long-term debt as of June 30, 2013, are summarized as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 450,000	\$ 356,567	\$ 806,567
2015	475,000	333,422	808,422
2016	495,000	309,148	804,148
2017	415,000	285,800	700,800
2018	435,000	263,350	698,350
2019-2023	2,530,000	887,000	3,417,000
2024-2028	2,195,000	235,375	2,430,375
	<u>\$ 6,995,000</u>	<u>\$ 2,670,662</u>	<u>\$ 9,665,662</u>

Advance Refunding – In 2005, Memorial Hospital of Converse County refunded \$4,990,000 of Memorial Hospital of Converse County Revenue Bonds, Series 2000. The refunded bonds, which are outstanding as of June 30, 2010, are not included in the Memorial Hospital of Converse County's outstanding debt since the Memorial Hospital of Converse County has in-substance satisfied its obligation through advance funding. Although the advanced refunding resulted in recognition of an accounting loss of \$1.1 million, Memorial Hospital of Converse County will recognize a net present value savings of \$400,055. The loss is being amortized over the period of the original bond issue using the effective interest method. Memorial Hospital of Converse County has secured a \$6,000,000 construction loan for the construction of the new medical office building. This loan is secured by various certificates of deposit which the Memorial Hospital of Converse County has included in the assets limited to use on the statement of net position.

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 6. County Debt (Continued)

Component Units (Continued)

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

There were no drawdowns under this loan as of June 30, 2013.

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

Memorial Hospital of Converse County leases certain equipment under capital leases, of which some provide for the purchase of leased equipment for nominal amounts at the end of the lease term. The average interest rate on the leases is 4.56%. The cost of equipment under capital leases included in the Memorial Hospital of Converse County's capital assets is \$3,477,282 with \$2,960,807 in accumulated depreciation.

The following is a schedule by years of minimum future lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2013:

Year ending June 30,

2014	\$ 731,579
2015	167,703
	-
Total minimum lease payments	<u>899,282</u>
Less: amount representing interest	<u>28,086</u>
Present value of minimum lease payments	<u>\$ 871,196</u>

Capital leases of the County Public Library

\$12,175 copier lease/purchase obligation dated July 2011, due in monthly installments of \$270 through July 2016, at an imputed rate of 11.94%, serviced by the County library and collateralized by the equipment. \$ 8,337

\$12,594 copier lease/purchase obligation dated July 2011, due in monthly installments of \$280 through July 2016, at an imputed rate of 11.94%, serviced by the County library and collateralized by the equipment. 8,624

\$ 16,961

Capital leases of the County Public Library

Future minimum lease payments under capital leases together with the present value of net minimum lease payments as of June 30, 2013 are as follows:

	<u>Year Ending June 30,</u>	
	2014	\$ 6,602
	2015	6,602
	2016	6,602
	2017	551
Total minimum lease payments		<u>20,357</u>
Less: amount representing interest		<u>3,396</u>
Present value of minimum lease payments		<u>\$ 16,961</u>

CONVERSE COUNTY, WYOMING
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 6. County Debt (Continued)

Component Units (Continued)

Operating Leases

Memorial Hospital of Converse County has various monthly leases where they are not required to make minimum future rental payments. Total rental expense for the fiscal year ended June 30, 2013, was \$874,151.

Note 7. Defined Benefit and Contribution Pension Plans

Defined Benefit Plan

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

For the Wyoming Retirement System, plan members (except law enforcement) are required to contribute 7.01% of their annual covered salary and the County is required to contribute 7.11% of the annual covered payroll. The County currently pays the entire contribution. The County's employer contribution were approximately \$424,000, and \$382,000 for the years ended June 30, 2013 and 2012 respectively, which equaled the required contributions. Effective September 2013, the employee contribution will increase by 0.50%. In September 2014, the employer contribution will increase by 0.50%. The County will have the option to pay or not pay the additional employee contribution.

The County's Law Enforcement officers participate in the system, which statutorily requires 17.2% of the covered law enforcement employee's salary to be contributed to the System all of which is paid by the County. The County's contributions to the System for the County's Sheriff's office for the years ended June 30, 2013, 2012 and 2011 were approximately \$322,000, \$290,000 and \$271,000, respectively, equal to the required contributions for each year.

The County Library employees will be eligible to participate in the Wyoming Retirement System beginning July 1, 2013.

The Weed and Pest Control District paid 100% of the required contribution which was approximately \$20,500, \$21,600, and \$16,800, for the years ended June 30, 2013, 2012 and 2011 respectively.

Retirement Plan

Memorial Hospital of Converse County established a profit sharing plan for its employees with an effective date of January 1, 2009. The Memorial Hospital of Converse County (Plan) is administered by the Board of Trustees who has executed a trust agreement with a financial institution to hold, manage, invest, and distribute contributions in accordance with the provisions of the Plan. The Plan is available to eligible employees who have completed one year of service and attain age 21. A year of service is any plan year in which an employee completes 1,872 hours of service. Contributions to the Plan on behalf of the participants are an amount determined by management of Memorial Hospital of Converse County from time to time. Participant will vest in contributions made by Memorial Hospital of Converse County according to a vesting schedule. Participants will vest fully and will have a non-forfeitable interest in the balance of the participant's account in all contributions that are not uniform as a percentage of compensation for the different classes of employees specified in the Plan.

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 7. Defined Benefit and Contribution Pension Plans (Continued)

All years of service beginning January 1, 2009 shall count toward years of vesting. In addition each participant shall receive one year of service for each two years of service completed before January 1, 2009, up to a maximum of 6 years of service credited toward vesting. Also, a participant shall be 100% vested upon death, disability or upon a reduction in force as determined by Memorial Hospital of Converse County. The Plan does not issue a separate stand-alone financial report. Memorial Hospital of Converse County accrued \$300,997 to be contributed to the Plan no later than 15th day of the calendar month following the end of Memorial Hospital of Converse County’s fiscal year. The accrual has been included in the accrued expenses on the statement of net position.

Note 8. Deferred Compensation Plans

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

Note 9. County Fund Balance

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

Building/maintenance reserve	\$	8,278,770
Equipment reserve		2,467,338
Salary reserve		1,506,846
Loans reserve		83,812
		83,812
	\$	12,336,766

Note 10. Commitments and Contingencies

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

The County is currently involved in one pending tax litigation matter. In a civil action, an energy company is suing Campbell, Converse and Crook counties over assessed taxes. Converse County has about \$700,000 at issue, an amount that, if collected, would be distributed among the various tax entities in the County. The County’s portion of the revenues is 12% with the remainder affecting other taxing entities in the County.

The County has contracts with architect firms for the projects funded by the special purpose tax revenues. Fees have been incurred for the Douglas and Glenrock locations of the library and for the Douglas campus of Eastern Wyoming College. Those fees are currently included in the construction in progress of the County. The contract totals are \$875,268, \$358,875 and \$627,430 respectively.

From time to time, Memorial Hospital of Converse County has been a defendant in lawsuits wherein the plaintiffs claim malpractice. Memorial Hospital of Converse County’s management, with the advice from counsel, believes all claims are covered by its existing malpractice coverage policy which has a \$50,000 deductible.

The Hospital is currently involved in litigation involving multiple defendants and multiple causes of action filed in U.S District Court as a Civil Action.

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 10. Commitments and Contingencies (Continued)

The claim is improper release of information to law enforcement by the Hospital. The Hospital feels that the claim lacks merit, has tendered a Motion to Dismiss, and will vigorously contest the claim. It is estimated that the outcome will be favorable to the Hospital and physician involved and if unfavorable the amount of any judgment would be relatively small. The potential loss from the litigation lies mainly in the incurrence of the attorney's fees to defend it rather than the possibility of judgment damages. It is estimated that if this matter continues through to trial that attorney's fees could run well in excess of \$100,000.

The Hospital is also currently involved in an action to recover damages for leaving a foreign body in a patient following surgery. To date, a claim has been submitted to the Board of Directors and the case is currently scheduled before the Medical Review Commission prior to the initiation of actual litigation. This is an insured claim and the insurance company has undertaken the defense of this matter. The carrier is vigorously contesting this case and the potential damage to the Hospital would be its insurance deductible of \$50,000.

The Hospital is also currently involved in a case where a patient underwent surgery at the Hospital and following surgery developed postsurgical complications. The patient has filed a complaint with the Wyoming State Board of Medicine indicating that he is not going to file litigation due to subrogation rights of his insurance carrier. A response has been formulated and forwarded to the Board of Medicine. Management anticipates vigorously contesting this matter. At this point in time, no monetary damages have been claimed.

Note 11. Risk Management Programs

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. As a result of these and other risks, the County participates in the Local Government Liability Pool (LGLP) which is a public entity risk pool. LGLP provides liability coverage for claims subject to the Wyoming Governmental Claims Act (W.S. 1-39-101) up to \$250,000 per claimant but not more than \$500,000 per occurrence and \$1,500,000 per occurrence for federal and out-of-state claims. The coverage limit is \$1,000,000 per occurrence for all members combined of the LGLP risk pool including various additional sub-limits. Claims have not exceeded coverage amounts in any of the last three years. Premiums paid to LGLP by the County totaled approximately \$54,000.

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

In addition, the County purchases commercial insurance to cover its property and automobile liability. Premiums paid for this coverage by the County totaled approximately \$47,000.

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

Wyoming Statute §27-14-101 created the Wyoming Workers' Compensation Act which is administered as an enterprise fund by the State of Wyoming. All employers within the State of Wyoming are participants of this plan with only a few exceptions. This Act provides for the payment of benefits to employees for job-related injuries and diseases through the Workers' Compensation Fund. This Act provides general protection from suits filed by employees against the County. The County makes monthly payments to the Department of Employment, State of Wyoming

This amount is based on salaries and is a split rate between hazardous and non-hazardous positions. The amount paid by the County to the State for Workers' Compensation during fiscal year 2013 was approximately \$83,400.

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 11. Risk Management Programs (Continued)

Wyoming Statute §27-3-101 created the Wyoming Unemployment Compensation Act. This Act requires the County to pay the cost of actual claims incurred. Changes in the balances of claims liabilities during fiscal years 2013 and 2012 were as follows for the County's participation in the Unemployment Compensation Act Program.

	2013	2012
Unpaid claims, beginning of year	\$ -	\$ -
Claims incurred	31,955	24,217
Claims paid	(31,955)	(24,217)
Unpaid claims, end of year	\$ -	\$ -

The County also provides its employees' health care benefits for primary government and component unit employees. Under this program, the County is insured under a stop-loss policy for individual claims exceeding \$40,000 per year. The aggregate stop-loss limit is \$960,000. Premiums paid for stop-loss insurance were approximately \$265,000. Estimated medical claims are calculated by the plan administrator based on past historical experience and current economic events. Claims are usually paid within one year of submission.

Changes in the County's health care risk management liability during the years ended June 30, 2013 and 2012 are as follows:

	2013	2012
Health care risk management liability, beginning of year	\$ 260,000	\$ 95,000
Claims incurred	1,266,515	911,767
Claims paid	(1,346,515)	(746,767)
Health care risk management liability, end of year	\$ 180,000	\$ 260,000

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

There has been no significant change in insurance coverage or the County's risk management programs during the year ended June 30, 2013.

Memorial Hospital of Converse County is insured by a claim made policy for the purpose of providing professional and patient care liability insurance. Claims may be asserted against Memorial Hospital of Converse County arising from services provided to patients. Memorial Hospital of Converse County is unable to determine the ultimate cost of the resolution of such potential claims and accordingly has not accrued any amounts which would occur should the insurance policy not cover the claim, or should a claim exceed the policy limits. The insurance company will notify Memorial Hospital of Converse County in the event that this would happen and at this time, no such notification has been made. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Memorial Hospital of Converse County is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries; and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. In addition, Memorial Hospital of Converse County is a County hospital and accordingly, Wyoming Statutes place a cap on the award of damages in lawsuits filed against Wyoming municipal entities.

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 12. Related Party Transactions

The County invests in WGIF where the County Treasurer is a board member. The treasurer does not receive compensation for being a WGIF board member.

The Airport's manager is the owner of a company which leases hangar and office space from the Converse County Airport Board. Total rent received for the year ended June 30, 2013 amounted to approximately \$5,600.

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

During the year ended June 30, 2013, Memorial Hospital of Converse County paid Big Country Rehabilitation LLC approximately \$346,000 for professional services rendered. Included in accounts payable is approximately \$2,400 for services performed in June 2013. Big Country Rehabilitation LLC paid the Hospital \$9,000 in management fees.

Memorial Hospital of Converse County is a 22% owner in Powder River Imaging, LLC. Powder River Imaging LLC leases space from Memorial Hospital of Converse County on a monthly basis for approximately \$1,200, and for the year ended June 30, 2013 paid Memorial Hospital of Converse County \$14,000.

During the year ended June 30, 2013, Memorial Hospital of Converse County paid Powder River Imaging, LLC \$56,225 for professional services rendered. Powder River paid Memorial Hospital of Converse County \$128,360 in management fees.

Note 13. Deficit Fund Balances

The County's Other Grants fund had a deficit fund balance at June 30, 2013. As of June 30, 2013, the County did not transfer funds to these funds to resolve the negative balances. The County will make transfers in the future to resolve this deficit.

Note 14. Joint Powers Board

In November 2012, the voters in the County approved a specific purpose tax. The tax will fund future construction at the Douglas and Glenrock locations of the Converse County Library and at the Eastern Wyoming College campus in Douglas. On June 15, 2013 the County and Eastern Wyoming Community College District formed the Converse County 2013 Specific Purpose Tax Joint Powers Board. The joint powers board had no activity in the fiscal year ended June 30, 2013.

Note 15. Accounting Standards Issued, But Not Implemented

As of June 30, 2013, the Governmental Accounting Standards Board had issued the following standards which (name of entity) will implement in fiscal year 2015.

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, was issued to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 15. Accounting Standards Issued, But Not Implemented (Continued)

This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. Management has not concluded its assessment of the effect of implementing this guidance.

Note 16. Prior Period Adjustment

For fiscal year 2013, the Hospital implemented GASB Statements 63 and 65. Statement No. 65, *Items Previously Reported as Assets and Liabilities* provides financial reporting guidance for deferred outflows and inflows of resource, originally introduced and defined in GASB Concepts Statement No. 4, Elements of Financial Statements, as a consumption of new assets applicable to a future reporting period and an acquisition of net assets applicable to a future reporting period, respectively. Further, Concepts Statement No. 4 also identified net position as the residual of all other elements presented in a statement of financial position. Statement No. 65 reclassified and recognizes certain items that were formerly reported as assets and liabilities as one of four financial statement elements: deferred outflows of resources, outflows of resources, deferred inflows of resources, and inflows of resources. Concepts Statement No. 4 requires that deferred outflows and deferred inflows be recognized only in those instances specially identified in GASB pronouncements. Statement No. 65 provides that guidance. The Hospital has reported the costs associated with bond refunding as deferred outflows on the statement of net position.

Due to the changes in accounting principles described above, beginning net position has been decreased by \$65,324, from \$38,442,865 to \$38,377,541. The difference represents a restatement of bond issue costs that were amortized under prior standards but expensed in the period incurred under the new standards.

Note 17. Budget Violation

The County did not establish a budget for the Special Purpose Tax Fund. However, during the year, the County did make expenditures from this fund. This is a violation of Wyoming State statues which require budgets for all expenditures of a county.

Note 18. Subsequent Events

On January 7, 2014, subsequent to the fiscal year end, the County entered into a contract for the construction of the Eastern Wyoming College campus building in Douglas. The contract total is approximately \$8.5 million. This construction will be paid for using the special purpose tax. As of February 05, 2014, there were no other significant subsequent events.

REQUIRED SUPPLEMENTARY INFORMATION

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CONVERSE COUNTY, WYOMING

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS) - GENERAL FUND
Year Ended June 30, 2013

	Budget Amounts		Actual	Variance
	Original	Final		with Final Budget
Revenues				
Tax - property	\$ 9,693,764	\$ 9,693,764	\$ 9,905,229	\$ 211,465
Tax - other	5,169,791	5,169,791	10,346,748	5,176,957
Intergovernmental	476,886	476,886	613,047	136,161
Charges for services	291,050	291,050	495,794	204,744
Investment income	164,000	164,000	112,836	(51,164)
Economic Development	305,550	305,550	32,486	(273,064)
Miscellaneous	12,000	12,000	691,828	679,828
Total revenues	<u>16,113,041</u>	<u>16,113,041</u>	<u>22,197,968</u>	<u>6,084,927</u>
Expenditures				
Current				
County Commissioners	272,530	272,530	260,700	11,830
County Clerk	684,531	684,531	532,939	151,592
County Treasurer	397,894	397,894	397,455	439
County Assessor	411,916	411,916	401,836	10,080
County Sheriff	2,046,183	2,060,065	2,060,065	-
County Attorney	983,169	983,169	924,237	58,932
Courthouse	447,737	447,737	382,591	65,146
Surveyor	25,050	25,050	1,782	23,268
Coroner	59,530	59,530	53,828	5,702
Conservation of natural resources	106,067	106,067	103,400	2,667
Clerk of District Court	402,988	402,988	368,862	34,126
IT	124,732	124,732	81,084	43,648
County jail	1,580,338	1,580,338	1,401,131	179,207
Road and bridge	2,953,149	2,953,149	2,927,674	25,475
Elections	152,894	152,894	152,278	616
Emergency management	166,280	166,280	153,085	13,195
Special projects	53,992	53,992	45,344	8,648
Total County departments	<u>10,868,980</u>	<u>10,882,862</u>	<u>10,248,291</u>	<u>634,571</u>

(Continued)

See accompanying note to required supplementary information

CONVERSE COUNTY, WYOMING

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS) - GENERAL FUND (CONTINUED)
Year Ended June 30, 2013

	Budget Amounts		Actual	Variance
	Original	Final		with Final Budget
General accounts	\$ 505,333	\$ 505,333	\$ 383,423	\$ 121,910
Depreciation reserve	1,097,297	1,097,297	953,368	143,929
Community aid	394,500	394,500	392,548	1,952
Cash reserve	3,770,000	3,756,118	-	3,756,118
Fire suppression	912,832	912,832	756,587	156,245
Building and maintenance reserve	1,463,000	1,463,000	240,218	1,222,782
Economic development	400,000	400,000	39,133	360,867
Equipment reserves	500,000	500,000	-	500,000
Salary reserves	500,000	500,000	-	500,000
Total expenditures	<u>20,411,942</u>	<u>20,411,942</u>	<u>13,013,568</u>	<u>7,398,374</u>
Excess (deficiency) of revenues over expenditures	<u>(4,298,901)</u>	<u>(4,298,901)</u>	<u>9,184,400</u>	<u>13,483,301</u>
Other financing uses				
Transfers out	<u>(4,401,000)</u>	<u>(4,401,000)</u>	<u>(4,401,000)</u>	<u>-</u>
Total other financing uses				
Transfers out	<u>(4,401,000)</u>	<u>(4,401,000)</u>	<u>(4,401,000)</u>	<u>-</u>
Net change in fund balance	<u>(8,699,901)</u>	<u>(8,699,901)</u>	<u>4,783,400</u>	<u>\$ 13,483,301</u>
Fund balance, beginning of year	<u>24,025,050</u>	<u>24,025,050</u>	<u>24,025,050</u>	
Fund balance, end of year	<u>\$ 15,325,149</u>	<u>\$ 15,325,149</u>	<u>\$ 28,808,450</u>	

See accompanying note to required supplementary information

CONVERSE COUNTY, WYOMING

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
SPECIAL PURPOSE TAX FUND
Year Ended June 30, 2013

	Budget Amounts		Actual	Variance
	Original	Final		with Final Budget
Revenues				
Taxes	\$ -	\$ -	\$ 696,898	\$ 696,898
	-	-	696,898	696,898
Expenditures				
Current				
General government	-	-	318,388	(318,388)
Total expenditures	-	-	318,388	(318,388)
Excess (deficiency) of revenues over expenditures	-	-	378,510	<u>\$ 378,510</u>
Fund balance, beginning of year	-	-	-	
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 378,510</u>	

See accompanying note to required supplementary information

CONVERSE COUNTY, WYOMING

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2013

Note 1. Basis of Budgeting

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

	GAAP Basis	Adjustments to Budgetary Basis	Presentation Differences	Non-GAAP Budgetary Basis
Revenues				
Taxes	\$ 19,922,545	\$ -	\$ (19,922,545)	\$ -
Tax - property	-	(9,828)	9,915,057	9,905,229
Tax - other	-	(641,864)	10,988,612	10,346,748
Licenses and permits	483,878	-	(483,878)	-
Intergovernmental	1,590,750	-	(977,703)	613,047
Charges for services	7,039	5,667	483,088	495,794
Investment income	81,279	(5,982)	37,539	112,836
Economic Development	-	-	32,486	32,486
Miscellaneous revenues	621,867	73,685	(3,724)	691,828
	<u>\$ 22,707,358</u>	<u>\$ (578,322)</u>	<u>\$ 68,932</u>	<u>\$ 22,197,968</u>
Expenditures				
General government	\$ 5,563,599	\$ (184,059)	\$ (5,379,540)	\$ -
Public safety	3,377,542	19,309	(3,396,851)	-
Public works	1,746,625	(27,494)	(1,719,131)	-
Health, welfare and recreation	-	-	-	-
Conservation of natural resources	104,481	(1,081)	(103,400)	-
Economic development	-	7,738	31,395	39,133
Debt service - principal	64,216	-	(64,216)	-
Debt service - interest	15,841	-	(15,841)	-
Capital outlay	2,295,456	-	(2,295,456)	-
County Commissioners	-	-	260,700	260,700
County Clerk	-	-	532,939	532,939
County Treasurer	-	-	397,455	397,455
County Assessor	-	-	401,836	401,836
County Sheriff	-	-	2,060,065	2,060,065
County Attorney	-	-	924,237	924,237
Courthouse	-	-	382,591	382,591
Surveyor	-	-	1,782	1,782
Coroner	-	-	53,828	53,828
Conservation of natural resources	-	-	103,400	103,400
Clerk of District Court	-	-	368,862	368,862
IT	-	-	81,084	81,084
County jail	-	-	1,401,131	1,401,131
Road and bridge	-	-	2,927,674	2,927,674
Elections	-	-	152,278	152,278
Emergency management	-	-	153,085	153,085
Special projects	-	-	45,344	45,344
General accounts	-	-	383,423	383,423
Depreciation reserve	-	-	953,368	953,368
Community aid	-	-	392,548	392,548
Fire suppression	-	-	756,587	756,587
Building and Maintenance Reserve	-	-	240,218	240,218
	<u>\$ 13,167,760</u>	<u>\$ (185,587)</u>	<u>\$ 31,395</u>	<u>\$ 13,013,568</u>

CONVERSE COUNTY, WYOMING

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2013

Note 1. Basis of Budgeting (Continued)

The general fund consists of the County's general fund, as well as the building maintenance reserve fund, the equipment reserve fund, the salary reserve fund, the economic development fund, payroll clearing funds and a treasurer clearing fund.

The adjustments necessary to convert GAAP basis revenues and expenditures of the special purpose tax fund are as follows:

	GAAP Basis	Adjustments to Budgetary Basis	Presentation Differences	Non-GAAP Budgetary Basis
Revenues				
Taxes	\$ 2,826,788	\$ (2,129,890)	\$ -	\$ 696,898
	\$ 2,826,788	\$ (2,129,890)	\$ -	\$ 696,898
Expenditures				
General government	\$ 432,379	\$ (113,991)	\$ -	\$ 318,388
	\$ 432,379	\$ (113,991)	\$ -	\$ 318,388

Note 2. Special Purpose Tax Fund Budget

The voters in the County approved the additional tax in November 2012. The County did not establish a budget for this fund.

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OTHER SUPPLEMENTARY INFORMATION

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CONVERSE COUNTY, WYOMING

COMBINING BALANCE SHEET
COUNTY ROADS FUNDS

June 30, 2013

	County Roads Fund	County Roads Other Fund	County Road 37 Fund	Totals
ASSETS				
Cash and cash equivalents	\$ 1,503,568	\$ 4,287,193	\$ 117,877	\$ 5,908,638
Investments	1,034,122	720,188	-	1,754,310
Due from other governments	12,872	-	-	12,872
Total assets	\$ 2,550,562	\$ 5,007,381	\$ 117,877	\$ 7,675,820
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable and accrued liabilities	\$ -	\$ 34,607	\$ -	\$ 34,607
Due to other funds	13,473	-	-	13,473
Total liabilities	13,473	34,607	-	48,080
Fund Balances				
Restricted				
County road construction	2,537,089	-	-	2,537,089
Committed				
Road construction	-	4,972,774	117,877	5,090,651
Total fund balances	2,537,089	4,972,774	117,877	7,627,740
Total liabilities and fund balances	\$ 2,550,562	\$ 5,007,381	\$ 117,877	\$ 7,675,820

CONVERSE COUNTY, WYOMING

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - COUNTY ROADS FUNDS**

Year Ended June 30, 2013

	County Roads Fund	County Roads Other Fund	County Road 37 Fund	Totals
Revenues				
Intergovernmental revenues	\$ 313,052	\$ 1,100,000	\$ -	\$ 1,413,052
Investment income	5,655	13,086	-	18,741
Miscellaneous revenues	-	-	-	-
Total revenues	<u>318,707</u>	<u>1,113,086</u>	<u>-</u>	<u>1,431,793</u>
Expenditures				
Capital outlay	-	2,107,164	-	2,107,164
Total expenditures	<u>-</u>	<u>2,107,164</u>	<u>-</u>	<u>2,107,164</u>
Excess (deficiency) of revenues over expenditures	<u>318,707</u>	<u>(994,078)</u>	<u>-</u>	<u>(675,371)</u>
Other financing sources (uses)				
Transfers in	-	4,401,000	-	4,401,000
Transfers (out)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>4,401,000</u>	<u>-</u>	<u>4,401,000</u>
Net changes in fund balances	318,707	3,406,922	-	3,725,629
Fund balances, beginning of year	<u>2,218,382</u>	<u>1,565,852</u>	<u>117,877</u>	<u>3,902,111</u>
Fund balances, end of year	<u>\$ 2,537,089</u>	<u>\$ 4,972,774</u>	<u>\$ 117,877</u>	<u>\$ 7,627,740</u>

CONVERSE COUNTY, WYOMING

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
COUNTY ROADS FUND
Year Ended June 30, 2013

	Budget Amounts		Actual	Variance
	Original	Final		with Final Budget
Revenues				
Intergovernmental	\$ 280,000	\$ 280,000	\$ 322,323	\$ 42,323
Investment income	18,000	18,000	11,019	(6,981)
	<u>298,000</u>	<u>298,000</u>	<u>333,342</u>	<u>35,342</u>
Expenditures				
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	298,000	298,000	333,342	<u>\$ 35,342</u>
Fund balance, beginning of year	<u>2,201,896</u>	<u>2,201,896</u>	<u>2,201,896</u>	
Fund balance, end of year	<u>\$ 2,499,896</u>	<u>\$ 2,499,896</u>	<u>\$ 2,535,238</u>	

CONVERSE COUNTY, WYOMING

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
COUNTY ROADS OTHER FUND
Year Ended June 30, 2013

	Budget Amounts		Actual	Variance
	Original	Final		with Final Budget
Revenues				
Intergovernmental	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ -
Investment income	5,500	5,500	13,086	7,586
	<u>1,105,500</u>	<u>1,105,500</u>	<u>1,113,086</u>	<u>7,586</u>
Expenditures				
Capital outlay	4,401,000	4,401,000	2,080,057	2,320,943
Total expenditures	<u>4,401,000</u>	<u>4,401,000</u>	<u>2,080,057</u>	<u>2,320,943</u>
Deficiency of revenues over expenditures	(3,295,500)	(3,295,500)	(966,971)	2,328,529
Other financing sources				
Transfers in	4,401,000	4,401,000	4,401,000	-
Total other financing sources	<u>4,401,000</u>	<u>4,401,000</u>	<u>4,401,000</u>	<u>-</u>
Net change in fund balance	1,105,500	1,105,500	3,434,029	<u>\$ 2,328,529</u>
Fund balance, beginning of year	<u>1,570,441</u>	<u>1,570,441</u>	<u>1,570,441</u>	
Fund balance, end of year	<u>\$ 2,675,941</u>	<u>\$ 2,675,941</u>	<u>\$ 5,004,470</u>	

CONVERSE COUNTY, WYOMING

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
COUNTY ROAD 37 FUND
Year Ended June 30, 2013

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental				
Investment income	\$ 9,000	\$ 9,000	\$ -	\$ (9,000)
	<u>9,000</u>	<u>9,000</u>	<u>-</u>	<u>(9,000)</u>
Expenditures				
Capital outlay	-	-	92,097	(92,097)
Total expenditures	<u>-</u>	<u>-</u>	<u>92,097</u>	<u>(92,097)</u>
Excess (deficiency) of revenues over expenditures	9,000	9,000	(92,097)	(101,097)
Net change in fund balance	9,000	9,000	(92,097)	<u>\$ (101,097)</u>
Fund balance, beginning of year	<u>209,974</u>	<u>209,974</u>	<u>209,974</u>	
Fund balance, end of year	<u>\$ 218,974</u>	<u>\$ 218,974</u>	<u>\$ 117,877</u>	

CONVERSE COUNTY, WYOMING
COMBINING BALANCE SHEET
NON MAJOR GOVERNMENTAL SPECIAL REVENUE FUNDS
June 30, 2013

	Rural Fire Protection	Parks and Recreation	Health Dept	Enhanced 911
ASSETS				
Cash and cash equivalents	\$ 9,973	\$ 25,000	\$ 69,530	\$ 410,144
Taxes receivable	708	3,264	4,676	-
Accounts receivable	-	-	-	17,022
Due from other governments	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>\$ 10,681</u>	<u>\$ 28,264</u>	<u>\$ 74,206</u>	<u>\$ 427,166</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable and accrued liabilities	\$ -	\$ 51	\$ 16,521	\$ 28,740
Due to other funds	-	-	13,825	-
Refundable advances	-	-	-	-
Total liabilities	<u>-</u>	<u>51</u>	<u>30,346</u>	<u>28,740</u>
Deferred inflows of resources				
Deferred property tax revenue	705	2,797	3,890	-
Total deferred inflows of resources	<u>705</u>	<u>2,797</u>	<u>3,890</u>	<u>-</u>
Fund Balances				
Restricted				
Rural fire protection	9,976	-	-	-
Parks and recreation	-	25,416	-	-
Health department	-	-	39,970	-
Enhanced 911	-	-	-	398,426
Grants	-	-	-	-
Committed				
HAHR	-	-	-	-
Impact assistance	-	-	-	-
Assigned				
Inmate welfare	-	-	-	-
Offender monitoring	-	-	-	-
Unassigned				
Total fund balances	<u>9,976</u>	<u>25,416</u>	<u>39,970</u>	<u>398,426</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,681</u>	<u>\$ 28,264</u>	<u>\$ 74,206</u>	<u>\$ 427,166</u>

Homeland Security Grants	TANF Grant	Immunization Grant	Other Grants	Inmate Welfare	Offender Monitoring
\$ -	\$ -	\$ 11,024	\$ -	\$ 70,938	\$ 7,294
-	-	-	-	-	-
-	-	-	-	-	-
22,186	-	-	16,771	-	-
62,611	1,164	-	-	-	-
<u>\$ 84,797</u>	<u>\$ 1,164</u>	<u>\$ 11,024</u>	<u>\$ 16,771</u>	<u>\$ 70,938</u>	<u>\$ 7,294</u>
\$ 525	\$ -	\$ -	\$ -	\$ -	\$ -
-	889	-	166,434	-	-
-	-	-	-	-	-
<u>525</u>	<u>889</u>	<u>-</u>	<u>166,434</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
84,272	275	11,024	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	70,938	-
-	-	-	-	-	7,294
-	-	-	(149,663)	-	-
<u>84,272</u>	<u>275</u>	<u>11,024</u>	<u>(149,663)</u>	<u>70,938</u>	<u>7,294</u>
<u>\$ 84,797</u>	<u>\$ 1,164</u>	<u>\$ 11,024</u>	<u>\$ 16,771</u>	<u>\$ 70,938</u>	<u>\$ 7,294</u>

(continued)

CONVERSE COUNTY, WYOMING
COMBINING BALANCE SHEET
NON MAJOR GOVERNMENTAL SPECIAL REVENUE FUNDS (CONTINUED)
June 30, 2013

	HAHR	Best Beginnings	Impact Assistance	Total Special Revenue Funds
ASSETS				
Cash and cash equivalents	\$ 10,233	\$ -	\$ 51,323	\$ 665,459
Taxes receivable	-	-	-	8,648
Accounts receivable	-	-	-	17,022
Due from other governments	-	-	-	38,957
Due from other funds	13,825	10,773	-	88,373
Total assets	<u>\$ 24,058</u>	<u>\$ 10,773</u>	<u>\$ 51,323</u>	<u>\$ 818,459</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 45,837
Due to other funds	-	4,742	-	185,890
Refundable advances	23,636	-	-	23,636
Total liabilities	<u>23,636</u>	<u>4,742</u>	<u>-</u>	<u>255,363</u>
Deferred inflows of resources				
Deferred property tax revenue	-	-	-	7,392
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,392</u>
Fund Balances				
Restricted				
Rural fire protection	-	-	-	9,976
Parks and recreation	-	-	-	25,416
Health department	-	-	-	39,970
Enhanced 911	-	-	-	398,426
Grants	-	6,031	-	101,602
Committed				
HAHR	422	-	-	422
Impact assistance	-	-	51,323	51,323
Assigned				
Inmate welfare	-	-	-	70,938
Offender monitoring	-	-	-	7,294
Unassigned				
	-	-	-	(149,663)
Total fund balances	<u>422</u>	<u>6,031</u>	<u>51,323</u>	<u>555,704</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 24,058</u>	<u>\$ 10,773</u>	<u>\$ 51,323</u>	<u>\$ 818,459</u>

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CONVERSE COUNTY, WYOMING

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF NONMAJOR GOVERNMENTAL SPECIAL REVENUE FUNDS
Year Ended June 30, 2013**

	Rural Fire Protection	Parks and Recreation	Health Department	Enhanced 911
Revenues				
Taxes	\$ 792	\$ 135,369	\$ 226,989	\$ 142,439
Intergovernmental revenues	-	-	15,919	-
Charges for services	-	-	73,338	-
Investment income	34	642	756	1,235
Miscellaneous revenues	-	2,068	-	-
Total revenues	<u>826</u>	<u>138,079</u>	<u>317,002</u>	<u>143,674</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	95,585
Health, welfare and recreation	-	-	300,613	-
Conservation of natural resources	-	140,495	-	-
Total expenditures	<u>-</u>	<u>140,495</u>	<u>300,613</u>	<u>95,585</u>
 Excess (deficiency) of revenues over expenditures	 826	 (2,416)	 16,389	 48,089
 Fund balances, beginning of year	 <u>9,150</u>	 <u>27,832</u>	 <u>23,581</u>	 <u>350,337</u>
 Fund balances, end of year	 <u>\$ 9,976</u>	 <u>\$ 25,416</u>	 <u>\$ 39,970</u>	 <u>\$ 398,426</u>

<u>Homeland Security Grants</u>	<u>TANF Grant</u>	<u>Immunization Grant</u>	<u>Other Grant</u>	<u>Inmate Welfare</u>	<u>Offender Monitoring</u>
\$ -		\$ -	\$ -	\$ -	\$ -
95,659	2,760	-	155,045	39,725	480
-		-	-	-	-
-		-	-	194	-
-		-	-	-	800
<u>95,659</u>	<u>2,760</u>	<u>-</u>	<u>155,045</u>	<u>39,919</u>	<u>1,280</u>
-		-	5,420	-	-
99,374		-	185,751	25,501	1,481
-	2,485	-	10,834	-	-
-		-	-	-	-
<u>99,374</u>	<u>2,485</u>	<u>-</u>	<u>202,005</u>	<u>25,501</u>	<u>1,481</u>
(3,715)	275	-	(46,960)	14,418	(201)
<u>87,987</u>	<u>-</u>	<u>11,024</u>	<u>(102,703)</u>	<u>56,520</u>	<u>7,495</u>
<u>\$ 84,272</u>	<u>\$ 275</u>	<u>\$ 11,024</u>	<u>\$ (149,663)</u>	<u>\$ 70,938</u>	<u>\$ 7,294</u>

(continued)

CONVERSE COUNTY, WYOMING

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES OF NONMAJOR GOVERNMENTAL SPECIAL REVENUE FUNDS (CONTINUED)
 Year Ended June 30, 2013

	HAHR	Best Beginnings	Impact Assistance	Nonmajor Special Revenue Funds
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ 505,589
Intergovernmental revenues	79,770	43,264	-	432,622
Charges for services	-	-	-	73,338
Investment income	-	-	171	3,032
Miscellaneous revenues	-	-	-	2,868
Total revenues	<u>79,770</u>	<u>43,264</u>	<u>171</u>	<u>1,017,449</u>
Expenditures				
Current				
General government	81,162	-	-	86,582
Public safety	-	-	-	407,692
Health, welfare and recreation	-	47,008	-	360,940
Conservation of natural resources	-	-	-	140,495
Total expenditures	<u>81,162</u>	<u>47,008</u>	<u>-</u>	<u>995,709</u>
 Excess (deficiency) of revenues over expenditures	 (1,392)	 (3,744)	 171	 21,740
 Fund balances, beginning of year	 <u>1,814</u>	 <u>9,775</u>	 <u>51,152</u>	 <u>533,964</u>
 Fund balances, end of year	 <u>\$ 422</u>	 <u>\$ 6,031</u>	 <u>\$ 51,323</u>	 <u>\$ 555,704</u>

CONVERSE COUNTY, WYOMING

COMBINING STATEMENT OF NET POSITION
 CONVERSE COUNTY PUBLIC LIBRARY AND CONVERSE COUNTY LIBRARY FOUNDATION
 June 30, 2013

	Converse County Public Library	Converse County Public Library Foundation	Total
ASSETS			
Cash and cash equivalents	\$ 718,554	\$ 211,435	\$ 929,989
Investments	82,446	12,530	94,976
Receivables	139	13,022	13,161
Property tax receivable	22,352	-	22,352
Due from other governments	13,974	-	13,974
Beneficial interest in assets held by others	-	191,886	191,886
Capital assets, net of accumulated depreciation	639,780	1,204	640,984
Total assets	1,477,245	430,077	1,907,322
LIABILITIES			
Accounts payable and accrued liabilities	15,045	62	15,107
Noncurrent liabilities			
Due within one year	4,837	-	4,837
Due in more than one year	37,605	-	37,605
Total current liabilities	57,487	62	57,549
NET POSITION			
Invested in capital assets, net of related debt	639,780	1,204	640,984
Permanently restricted by donors	-	246,070	246,070
Unrestricted	779,978	182,741	962,719
Total net position	\$ 1,419,758	\$ 430,015	\$ 1,849,773

CONVERSE COUNTY, WYOMING

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
 CONVERSE COUNTY PUBLIC LIBRARY AND CONVERSE COUNTY LIBRARY FOUNDATION
 Year Ended June 30, 2013

	Converse County Public Library	Converse County Public Library Foundation	Total
Revenues			
Intergovernmental revenues	\$ -	\$ 4,334	\$ 4,334
Taxes	1,070,933	-	1,070,933
Charges for services	15,097	-	15,097
Investment income	2,297	24,411	26,708
Miscellaneous	135	3,997	4,132
Public support	-	12,095	12,095
Total revenues	1,088,462	44,837	1,133,299
Expenditures			
Current			
Health, welfare and recreation	675,239	10,562	685,801
Interest on long-term debt	2,307	-	2,307
Capital outlay	124,354	-	124,354
Total expenditures	801,900	10,562	812,462
Excess (deficiency) of revenues over (under) expenditures	286,562	34,275	320,837
Net position, beginning of year	1,133,196	395,740	1,528,936
Net position, end of year	\$ 1,419,758	\$ 430,015	\$ 1,849,773

SINGLE AUDIT, INTERNAL CONTROL, AND COMPLIANCE INFORMATION

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CONVERSE COUNTY, WYOMING

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grantor's Project Number	Expenditures
<u>U.S. Department of Agriculture</u>			
Passed through Wyoming Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	-	\$ 16,043
Passed through Wyoming State Forestry Division Cooperative Forestry Assistance	10.664	-	73,000
Rural Development, Forestry, and Communities	10.672	-	53,370
Schools and Roads Cluster			
Passed through the Wyoming State Treasurer's Office Schools and Roads - Grants to States	10.665	-	13,008
Direct Funding Schools and Roads - Grants to Counties	10.666	-	378,402
Total Schools and Roads Cluster			<u>391,410</u>
Total U.S. Department of Agriculture			<u>533,823</u>
<u>U.S. Department of Transportation</u>			
Passed through Wyoming Department of Transportation Highway Planning and Construction Cluster Highway Planning and Construction	20.205	-	200,000
Highway Safety Cluster State and Community Highway Safety	20.600	-	13,554
Alcohol Open Container Requirements	20.607	-	595
Total U.S. Department of Transportation			<u>214,149</u>

(Continued)

See notes to the schedule of expenditures of federal awards

CONVERSE COUNTY, WYOMING

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Grantor's Project Number	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>			
Passed through Wyoming Department of Health Public Health Emergency Preparedness	93.069	-	\$ 91,162
TANF Cluster			
Passed through Wyoming Department of Health Temporary Assistance for Needy Families	93.558	-	2,485
Passed through the Wyoming Department of Family Services Temporary Assistance for Needy Families	93.558	-	10,834
Total TANF Cluster			<u>13,319</u>
Passed through Wyoming Department of Health HIV Prevention Activities Health Department Based	93.940	-	2,507
Passed through Wyoming Department of Health Preventive Health Services Sexually Transmitted Diseases Control Grants	93.977	-	315
Total U.S. Department of Health and Human Services			<u>107,303</u>
<u>Office of Homeland Security</u>			
Passed through Wyoming Office of Homeland Security Emergency Management Performance Grants	97.042	12-GPD-CON-EM-GCF12	30,000
Homeland Security Grant Program	97.067	10-GPD-CON-SC-HSG10	15,730
Homeland Security Grant Program	97.067	11-GPD-CON-SC-HSG11	64,385
Homeland Security Grant Program	97.067	10-GPD-CON-CC-HCC10	2,945
Homeland Security Grant Program	97.067	10-GPB-CON-LC-HLE10	6,433
Homeland Security Grant Program	97.067	11-GPD-CON-LC-HLE11	6,167
Total Homeland Security Grant Program			<u>95,660</u>
Total Office of Homeland Security			<u>125,660</u>
Total expenditures of federal awards			<u>\$ 980,935</u>

See notes to the schedule of expenditures of federal awards

CONVERSE COUNTY, WYOMING

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2013

Note 1. Basis of Accounting

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

Note 2. Payment in Lieu of Taxes – CFDA 15.226

To compensate local taxing units for the loss of taxes from Federally-owned and acquired lands, the Office of the Secretary, Department of the Interior makes direct payments to local governments that lost real property taxes because the jurisdiction contains eligible acres of PILT entitlement land under public law 97-258, as amended, 31 U.S.C. 6901-6907. Payments are unrestricted as to use by local governments and the program is excluded from coverage under OMB Circular No. A-87. Consequently, the program has been excluded from the Schedule of Expenditures of Federal Awards and the determination of major programs as there is no expenditure or other requirements for the entitlement program. During the fiscal year ended June 30, 2013, the County recognized \$652,166 of PILT entitlement as income.

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners

Converse County, Wyoming

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each discretely presented component unit, each major fund, and the aggregate remaining fund information of Converse County, Wyoming (County) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Converse County's basic financial statements, and have issued our report thereon dated February 05, 2014. Our report includes a reference to other auditors who audited the financial statements for the Memorial Hospital of Converse County, Converse County Weed and Pest Control District, and the Converse County Airport Board as described in our report on Converse County, Wyoming's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as 2013-01 that we considered to be a significant deficiency.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the County in a separate letter dated February 05, 2014.

County's Response to Findings

The County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Porter, Muirhead, Cornia & Howard
Certified Public Accountants

Casper, Wyoming
February 05, 2014



REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Converse County, Wyoming

Report on Compliance for Each Major Federal Program

We have audited Converse County, Wyoming's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Converse County, Wyoming's major Federal programs for the year ended June 30, 2013. Converse County, Wyoming's major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Converse County, Wyoming's compliance with those requirements.

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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



Porter, Muirhead, Cornia & Howard

Certified Public Accountants

Casper, Wyoming
February 05, 2014

CONVERSE COUNTY, WYOMING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2013

PART I SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:
 Material weakness (es) identified? No

Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? No

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

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program Cluster</u>	<u>Expenditures</u>
	<i>Schools and Roads Cluster</i>	
10.665	Schools and Roads - Grants to States	\$ 13,008
10.666	Schools and Roads - Grants to Counties	378,402

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

Auditee qualified as low-risk auditee? Yes

(Continued)

CONVERSE COUNTY, WYOMING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

June 30, 2013

PART II – FINANCIAL STATEMENT FINDINGS

2013-01

Criteria

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

Condition

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

Effect

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

Recommendation

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

Response

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

CONVERSE COUNTY, WYOMING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

June 30, 2013

PART III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters reported.

CONVERSE COUNTY, WYOMING

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

June 30, 2013

SA 2012-01

U.S. Department of Agriculture

Direct Funding

CFDA No. 10.666 Schools and Roads – Grants to Counties

Passed Through the Wyoming Department of Health

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

Passed Through the Wyoming State Forestry Division

CFDA No. 10.664 Cooperative Forestry Assistance

CFDA No. 10.672 Rural Development, Forestry, and Communities

U.S. Department of Commerce

Passed Through the Wyoming Office of Homeland Security

CFDA No. 11.555 Public Safety Interoperable Communications Grant Program

U.S. Department of Transportation

Passed through the Wyoming Department of Transportation

CFDA No. 20.600 State and Community Highway Safety

CFDA No. 20.607 Alcohol Open Container Requirements

U.S. Department of Energy

Passed through Wyoming Business Council

CFDA No. 81.041 – ARRA State Energy Program

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

U.S. Department of Health and Human Services

Passed through Wyoming Department of Health

CFDA No. 93.069 Public Health Emergency Preparedness

CFDA No. 93.558 Temporary Assistance for Needy Families

CFDA No. 93.940 HIV Prevention Activities Health Department Based

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

Office of Homeland Security

Passed through Wyoming Office of Homeland Security

CFDA No. 97.042 Emergency Management Performance Grants

CFDA No. 97.067 Homeland Security Grant Program

Criteria:

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

Condition:

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

CONVERSE COUNTY, WYOMING

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

June 30, 2013

Current Status:

Department heads have instituted procedures to better track grants and overall the County was able to document federal grant awards received and expended during the fiscal year. Finding is considered resolved.

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