

CONVERSE COUNTY, WYOMING

FINANCIAL REPORT

JUNE 30, 2016

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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 major fund, and the aggregate remaining fund information of Converse County, Wyoming, as of and for the year ended June 30, 2016, 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

Converse County's 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, the 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, Wyoming. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely 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 above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Converse County, Wyoming, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension schedules, 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 statements in an appropriate operational, economic, or historical context.

We and other auditors have applied certain limited procedures to management's discussion and analysis and pension schedules 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. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Converse County, Wyoming'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 other supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2017, 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, Wyoming's internal control over financial reporting.



Porter, Muirhead, Cornia & Howard
Certified Public Accountants

January 23, 2017
Casper, Wyoming

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CONVERSE COUNTY, WYOMING

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

(Unaudited)

This section of Converse County, Wyoming's ("the County") annual financial report presents our discussion and analysis of financial performance during the fiscal year ended June 30, 2016. 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

The County's total assets exceeded liabilities as of June 30, 2016 by \$125,305,076 (Net Position). Of this amount \$42,969,664 (Unrestricted Net Position) may be used to meet ongoing obligations, and \$69,032,978 is invested in capital assets, net of related debt.

As of June 30, 2016, the County's governmental funds reported combined fund balances of \$58,229,666. Unassigned fund balance of the combined fund balance was \$5,885,486.

The fund balance for the general fund was \$24,144,284 as of June 30, 2016, with an unassigned fund balance of \$5,869,216.

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, 2016

(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: the Converse County Weed and Pest Control District, the Converse County Airport Board, the Converse County 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, the Converse County Airport Board, and the Memorial Hospital of Converse County may be obtained from these entity's administrative offices.

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, 2016

(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 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.

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.

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.

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 also includes schedules of changes in net pension liability, ratios and pension contributions.

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.

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 \$125,305,076. A large portion of the County's net position (55%) 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 \$809,370 in outstanding debt related to its capital assets. The unrestricted net position of \$42,969,664 (34%) may be used to meet the County's ongoing obligations.

CONVERSE COUNTY, WYOMING

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

(Unaudited)

The County's net position for the governmental activities as of June 30, 2016, was as follows:

	2016	Variance	2015
ASSETS			
Current assets	\$ 80,370,986	\$ (12,758,767)	\$ 93,129,753
Capital assets, net of accumulated depreciation	69,842,348	24,682,432	45,159,916
Total assets	<u>150,213,334</u>	<u>11,923,665</u>	<u>138,289,669</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>2,459,927</u>	<u>1,607,127</u>	<u>852,800</u>
LIABILITIES			
Current liabilities	2,882,213	230,598	3,112,811
Due in more than one year	414,674	81,284	495,958
Pension liability	5,710,878	(2,019,417)	3,691,461
Total liabilities	<u>9,007,765</u>	<u>(1,707,535)</u>	<u>7,300,230</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	18,262,768	3,740,603	22,003,371
Pension items	97,652	(97,652)	-
	<u>18,360,420</u>	<u>3,642,951</u>	<u>22,003,371</u>
NET POSITION			
Net investment in capital assets	69,032,978	25,111,072	43,921,906
Restricted	13,302,434	(4,988,609)	18,291,043
Unrestricted	42,969,664	(4,656,255)	47,625,919
Total net position	<u>\$ 125,305,076</u>	<u>\$ 15,466,208</u>	<u>\$ 109,838,868</u>

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CONVERSE COUNTY, WYOMING

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

(Unaudited)

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

	2016	Percentage	2015	Percentage	Variance
Revenues					
General					
Taxes					
Property	\$ 22,016,001	56.8%	\$ 14,578,814	29.2%	\$ 7,437,187
Sales	9,661,435	24.9%	23,599,201	47.3%	(13,937,766)
Other	2,350,313	6.1%	7,641,220	15.3%	(5,290,907)
Other grants and contributions	522,930	1.3%	426,493	0.9%	96,437
Payments in lieu of taxes	751,779	1.9%	623,408	1.2%	128,371
Unrestricted interest earnings	213,870	0.6%	208,484	0.4%	5,386
Miscellaneous	54,003	0.1%	28,189	0.1%	25,814
Program Revenues					
Charges for services	739,546	1.9%	961,394	1.9%	(221,848)
Operating grants and contributions	955,202	2.5%	1,090,591	2.2%	(135,389)
Capital grants contributions	1,480,060	3.8%	730,220	1.5%	749,840
Total revenues	<u>38,745,139</u>	<u>99.9%</u>	<u>49,888,014</u>	<u>100.0%</u>	<u>(11,142,875)</u>
Expenses					
General government	9,758,057	41.9%	7,690,663	46.6%	2,067,394
Public safety	5,922,878	25.4%	4,689,116	28.4%	1,233,762
Public works	6,712,936	28.9%	3,492,348	21.2%	3,220,588
Health, welfare, and recreation	743,606	3.2%	321,139	1.9%	422,467
Conservation of natural resources	131,977	0.6%	303,931	1.8%	(171,954)
Interest on long-term debt	9,477	0.0%	11,666	0.1%	(2,189)
Total expenses	<u>23,278,931</u>	<u>100.0%</u>	<u>16,508,863</u>	<u>100.0%</u>	<u>6,770,068</u>
Changes in net position	<u>15,466,208</u>		<u>33,379,151</u>		<u>\$ (17,912,943)</u>
Net position, beginning of year	109,838,868		78,949,733		
Prior period adjustment	<u>-</u>		<u>(2,490,016)</u>		
Net position, end of year	<u>\$ 125,305,076</u>		<u>\$ 109,838,868</u>		

CONVERSE COUNTY, WYOMING

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016
(Unaudited)

Financial Analysis of the County's Funds

The County's activities are contained in the General, County Roads, Special Purpose Tax, and Capital Projects 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, 2016, the County's governmental funds reported combined fund balances of \$58,229,666.

The General Fund is the main operating fund of the County. As of June 30, 2016, the total fund balance was \$24,144,284, while the unassigned General Fund balance was \$5,869,216.

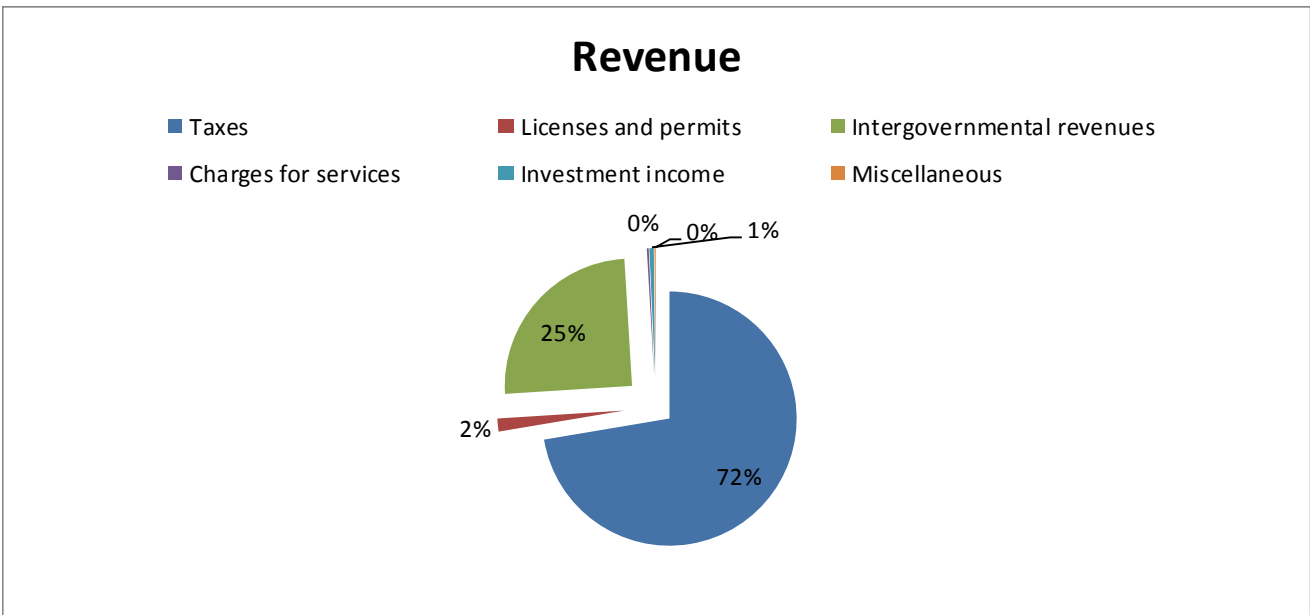
The County Road Fund is used to account for the construction and maintenance of the County roads other than those financed by the General Fund. As of June 30, 2016, the County Road Fund shows a fund balance of \$8,182,806.

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.

The Capital Projects Fund is used to account for major construction projects at the County.

Revenues for governmental funds were approximately \$38.7 million for the fiscal year ended June 30, 2016. The following schedule presents revenues by source.

Revenues	2016	Percentage	2015	Percentage	Variance
Taxes	\$ 28,017,190	72.4%	\$ 45,899,940	91.9%	\$ (17,882,750)
Licenses and permits	640,623	1.7%	862,808	1.7%	(222,185)
Intergovernmental revenues	9,692,182	25.0%	2,866,136	5.7%	6,826,046
Charges for services	91,617	0.2%	88,635	0.2%	2,982
Investment income	209,658	0.5%	203,597	0.4%	6,061
Miscellaneous	63,942	0.2%	43,195	0.1%	20,747
Total revenues	\$ 38,715,212	100.0%	\$ 49,964,311	100.0%	\$ (11,249,099)



CONVERSE COUNTY, WYOMING

MANAGEMENT'S DISCUSSION AND ANALYSIS

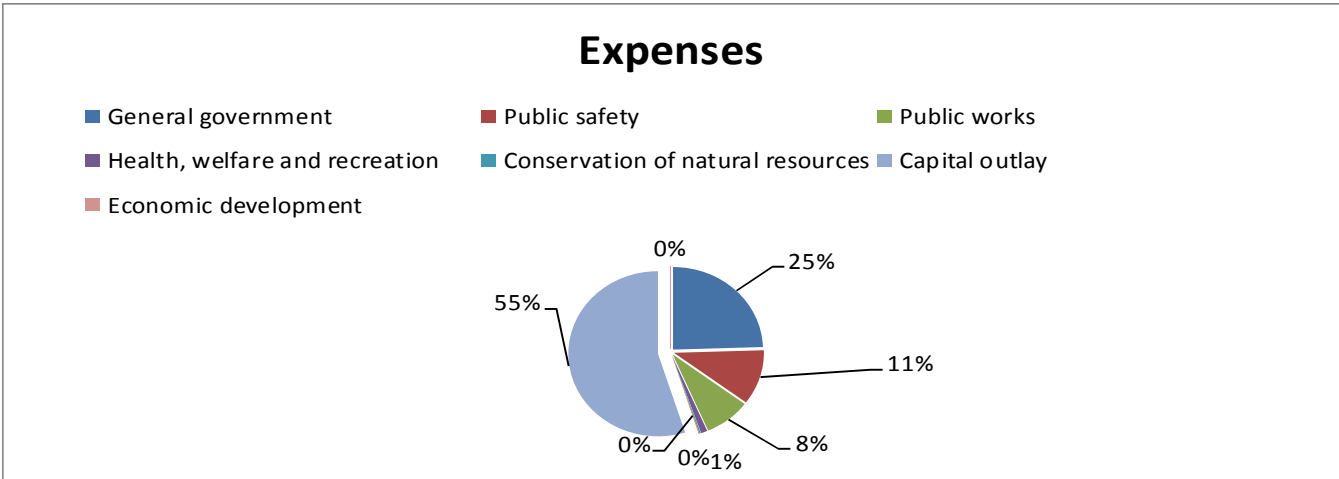
June 30, 2016
(Unaudited)

Financial Analysis of the County's Funds (Continued)

Expenditures for governmental funds were approximately \$47,488,435 million for fiscal year 2016.

The following schedule presents expenditures by activities.

Expenditures	2016	Percentage	2015	Percentage	Variance
Current					
General government	\$ 11,629,835	24.5%	\$ 8,966,800	24.8%	\$ 2,663,035
Public safety	5,100,039	10.7%	4,681,635	12.9%	418,404
Public works	3,961,515	8.3%	3,860,427	10.7%	101,088
Health, welfare and recreation	542,714	1.1%	314,131	0.9%	228,583
Conservation of natural resources	121,643	0.3%	289,324	0.8%	(167,681)
Economic development	4,347	0.0%	-	0.0%	4,347
Debt Service					
Principal	70,580	0.1%	68,392	0.2%	2,188
Interest	9,477	0.0%	11,666	0.0%	(2,189)
Capital outlay	26,048,285	54.9%	17,965,930	49.7%	8,082,355
Total expenditures	\$ 47,488,435	100.0%	\$ 36,158,305	100.0%	\$ 11,330,130



General Fund revenue for Fiscal Year 2016 rose slightly from Fiscal Year 2015, from \$32.57 million to \$33.89 million, on the strength of a record assessed valuation of just over \$1.8 billion. The valuation increase was enough to offset sharply declining sales tax revenues. County-wide, sales tax revenue fell from \$96.6 million in FY 2015 to \$40.5 million in FY 2016, a 58% drop. The resulting impact to the General Fund was a revenue decrease from \$12.1 million to \$5.7 million

The Mining industry sector was substantially impacted by the drop in oil prices. In Fiscal Year 2015, the sector accounted for \$46 million in revenue and averaged \$3.8 million per month. Through Fiscal Year 2016, the Mining sector paid \$12.7 million in sales tax, averaging just over \$1 million monthly.

CONVERSE COUNTY, WYOMING

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016
(Unaudited)

The job loss that came with the downturn in energy prices caused a decline in population and eroded consumer confidence. The Retail Trade sector saw its first decrease in six years, with county-wide sales tax collections from retail establishments dropping 43%, from \$14.1 million in FY 2015 to \$6.1 million in FY 2016.

With the uncertainty of future revenues, reserve accounts remained a priority. The commissioners appropriated an additional \$11.95 million in FY 2016 to the Building Reserve Account in anticipation towards breaking ground on a new justice center facility in FY 2017. At year end, reserve accounts totaled \$33.4 million, a 45% increase from the \$23 million at the end of FY 2015. Reserves were earmarked as follows:

Reserves	Total
Operating Reserve	\$ 3,527,049
Building Reserve	\$25,065,118
Equipment Reserve	\$ 3,314,072
Salary Reserve	<u>\$ 1,515,130</u>
Total Reserves:	<u>\$33,421,369</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, 2016 was approximately \$69 million (net of accumulated depreciation). This investment in capital assets includes infrastructure (consisting of land, roadways and bridges), land, site improvements, buildings and equipment.

Several road projects were addressed in the Fiscal Year 2016 budget, including \$9.3 million for Walker Creek Road, \$4.7 million for Irvine Road, \$3.2 million for Ross Road, \$1.4 million for Brownfield Road, \$1.25 million for Anderson Dairy Road, \$855,000 for Jenne Trail and almost \$4 million allocated for other roads as necessary.

Funding for the road projects came from a variety of sources, including fuel taxes and direct distributions from the State of Wyoming.

The Fiscal Year 2016 budget also included funding for new equipment purchases, including three new patrol vehicles and a jail transport vehicle for the Sheriff’s Office, and the lease of two blades, the purchase of two pickups, one scraper, compactor, four v-plows, gravel retrievers and a crusher for the Road & Bridge Department. The budget for equipment expenditures was \$1,299,795.

CONVERSE COUNTY, WYOMING

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

(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	\$ 1,670,959	\$ 60,358	\$ -	\$ 1,731,317
Construction in progress	23,760,979	27,793,824	26,475,531	25,079,272
Total capital assets, not being depreciated	<u>25,431,938</u>	<u>27,854,182</u>	<u>26,475,531</u>	<u>26,810,589</u>
Capital assets being depreciated				
Infrastructure	48,894,354	19,799,912	3,500	68,690,766
Buildings and building improvements	6,627,048	7,162,870	192,366	13,597,552
Machinery, equipment, and office fixtures	10,549,855	2,176,226	411,230	12,314,851
Total capital assets being depreciated	<u>66,071,257</u>	<u>29,139,008</u>	<u>607,096</u>	<u>94,603,169</u>
Less accumulated depreciation for				
Infrastructure	36,673,146	4,052,741	-	40,725,887
Buildings and building improvements	3,918,851	528,188	25,666	4,421,373
Machinery, equipment, and office fixtures	5,751,282	1,051,364	378,496	6,424,150
Total accumulated depreciation	<u>46,343,279</u>	<u>5,632,293</u>	<u>404,162</u>	<u>51,571,410</u>
Total capital assets, being depreciated, net	<u>19,727,978</u>	<u>23,506,715</u>	<u>202,934</u>	<u>43,031,759</u>
Governmental activities, capital assets, net	<u>\$ 45,159,916</u>	<u>\$ 51,360,897</u>	<u>\$ 26,678,465</u>	<u>\$ 69,842,348</u>

Additional information on the Converse County's capital assets can be found in Note 5.

Long-term Debt

At the end of the current fiscal year, Converse County had debt of \$7,037,325 from property tax repayments, construction retainage, capital leases, incurred but not reported claims payable, compensated absences, and net pension liability. In the fiscal year ended 2015, the County implemented GASB 68 and 71 and recorded its proportional share of the State of Wyoming Retirement System plan's unfunded pension liability, the statewide cost-sharing multiple-employer public retirement plan. This resulted in recording a net pension liability of \$3,691,461 and \$5,710,878 as of June 30, 2015 and 2016, respectively.

CONVERSE COUNTY, WYOMING

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016
(Unaudited)

Fiscal year 2016 Budget

In fiscal year 2016, the county budgeted \$35,113,683 in General Fund revenues and received \$33,893,300, a shortfall of \$1,220,383. The deficit was due to the sharp decline in sales tax revenues, where the county budgeted \$8.5 million for fiscal year 2016 and received \$6 million.

Much of the budget deficit was made up in lower than budgeted department expenditures. The county budgeted \$39.7 million in expenditures from county departments and actual expenses totaled \$38.4 million, a difference of \$1.3 million.

The largest difference was in the Road & Bridge department, which had \$4.6 million in budgeted expenses and actually spent \$3.9 million during the fiscal year. The Courthouse maintenance budget also came in significantly under their allocation, spending \$824,544 of a \$1.3 million budget.

Property taxes continue to account for the majority of General Fund revenue, accounting for \$21.9 million of the \$33.9 collected, or 64% of the total.

Although the County's valuation peaked at \$1.83 billion for 2016, lower prices for oil and gas and lower demand for coal caused the assessed valuation to fall 17% in 2017, to \$1.52 billion. The continued decline of valuation in the energy sector will have larger ramifications for future budgets.

Next Year's Budget and Rates

The expected drop in valuation of taxable property, especially for taxes on oil, gas and coal production, make the revenue picture in fiscal year 2017 uncertain. Property taxes will still bring in over \$18 million for the fiscal year 2017 General Fund but are expected to decline sharply in 2018.

Sales tax revenues remain depressed by the lack of energy sector activity and are already projected to only reach \$4.4 million in fiscal year 2017, well short of the \$5.3 budgeted for the General Fund. Although there are signs that oil and gas development in the county will increase this summer, nothing is certain, and it may take a year before collections in other sectors, like Retail and Wholesale Trade, recover.

Economic Factors

The County continues to experience record taxable valuations.

2016 Taxable Value	\$1,521,897,271
2015 Taxable Value	\$1,833,614,182
2014 Taxable Value	\$1,407,977,674
2013 Taxable Value	\$1,168,956,285
2012 Taxable Value	\$1,003,112,636
2011 Taxable Value	\$ 851,310,494

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 2015 to tax year 2016.

<u>Mineral</u>	<u>2015 Value</u>	<u>2016 Value</u>
Coal	\$249,943,735	\$231,733,939
Oil	\$940,033,811	\$640,956,316
Gas	\$139,330,599	\$ 89,110,848
Uranium	\$ 32,097,958	\$ 23,657,637

CONVERSE COUNTY, WYOMING

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

(Unaudited)

As noted above, the 2016 value represents sales from calendar year 2015, which just began to capture the reduction in demand and prices. Values are expected to drop more drastically in 2017.

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

Tax Year	Taxes Levied	Taxes Collected	Percent of Levy Collected	Cancellations and Supplements	Outstanding Delinquent Taxes	Delinquent as % of Total Levy
2003	\$20,626,098	\$20,832,963	101.00%	\$210,524	\$3,660	0.02%
2004	\$24,684,439	\$24,862,974	100.72%	\$181,038	\$2,503	0.01%
2005	\$26,177,775	\$26,307,232	100.49%	\$131,595	\$2,138	0.01%
2006	\$27,971,598	\$28,080,514	100.39%	\$111,247	\$2,331	0.01%
2007	\$30,842,505	\$31,804,727	103.12%	\$981,935	\$19,712	0.06%
2008	\$35,446,303	\$35,552,612	100.30%	\$121,570	\$15,260	0.04%
2009	\$42,413,733	\$42,411,683	100.00%	\$3,495	\$5,546	0.01%
2010	\$42,660,071	\$42,814,772	100.36%	\$184,780	\$30,078	0.07%
2011	\$51,067,911	\$51,001,611	99.87%	-\$46,321	\$19,979	0.04%
2012	\$60,249,485	\$60,038,671	99.65%	-\$163,336	\$47,479	0.08%
2013	\$70,127,478	\$69,898,382	99.67%	-\$193,725	\$35,371	0.05%
2014	\$83,608,518	\$83,079,000	99.37%	-\$372,634	\$156,885	0.19%
2015	\$108,450,658	\$107,729,226	99.33%	-\$362,961	\$358,471	0.33%
2016	\$90,085,961	n/a	n/a	n/a	n/a	n/a

n/a – Not available.

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.

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, 2016, the County was required to pay back \$163,391 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 \$19,603.

CONVERSE COUNTY, WYOMING

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

(Unaudited)

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, 2016

	Primary Government		Component
	Governmental	Total	Units
	Activities		Total
ASSETS			
Cash and cash equivalents	\$ 37,734,919	\$ 37,734,919	\$ 9,176,469
Investments	22,239,386	22,239,386	906,768
Property taxes receivable	18,363,158	18,363,158	871,664
Accounts receivable, net	16,910	16,910	8,546,645
Due from other governments	1,626,157	1,626,157	68,089
Due from primary government - fiduciary fund	-	-	6,555
Other current assets	-	-	622,279
Prepaid items	30,794	30,794	-
Inventory	-	-	1,361,204
Assets limited as to use	-	-	7,501,300
Restricted cash and cash equivalents	341,785	341,785	118,452
Restricted investments	-	-	172,943
Notes receivable	17,877	17,877	-
Investment in limited liability companies	-	-	337,428
Beneficial interest in assets held by others	-	-	222,480
Capital assets not being depreciated	26,810,589	26,810,589	5,326,558
Capital assets being depreciated, net of accumulated depreciation	43,031,759	43,031,759	38,031,438
Total assets	<u>150,213,334</u>	<u>150,213,334</u>	<u>73,270,272</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred financing costs, net of amortization	-	-	372,201
Pension items	2,459,927	2,459,927	266,784
Total deferred outflows of resources	<u>2,459,927</u>	<u>2,459,927</u>	<u>638,985</u>
LIABILITIES			
Accounts payable and accrued liabilities	1,621,891	1,621,891	4,021,197
Cash held in trust for others	341,785	341,785	-
Refundable advances	6,764	6,764	-
Noncurrent liabilities			
Due within one year	911,773	911,773	1,243,825
Due in more than one year	414,674	414,674	8,689,447
Net pension liability	5,710,878	5,710,878	787,365
Total liabilities	<u>9,007,765</u>	<u>9,007,765</u>	<u>14,741,834</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	18,262,768	18,262,768	852,262
Pension items	97,652	97,652	52,872
Total deferred inflows of resources	<u>18,360,420</u>	<u>18,360,420</u>	<u>905,134</u>
NET POSITION			
Net investment in capital assets	69,032,978	69,032,978	34,946,036
Restricted by			
State statutes (W.S. 24-2-110)	2,702,439	2,702,439	-
Grantors and others	786,084	786,084	30,000
Voters	9,813,911	9,813,911	404,557
Expendable	-	-	31,573
Nonexpendable	-	-	581,646
Unrestricted	42,969,664	42,969,664	22,268,477
Total net position	<u>\$ 125,305,076</u>	<u>\$ 125,305,076</u>	<u>\$ 58,262,289</u>

See accompanying notes to the financial statements

CONVERSE COUNTY, WYOMING

STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 9,758,057	\$ 618,873	\$ 243,176	\$ 6,790
Public safety	5,922,878	32,490	218,793	1,269,314
Public works	6,712,936	-	331,668	203,956
Health, welfare, and recreation	743,606	88,183	161,565	-
Conservation of natural resources	131,977	-	-	-
Interest on long-term debt	9,477	-	-	-
Total governmental activities	<u>23,278,931</u>	<u>739,546</u>	<u>955,202</u>	<u>1,480,060</u>
Total primary government	<u>\$ 23,278,931</u>	<u>\$ 739,546</u>	<u>\$ 955,202</u>	<u>\$ 1,480,060</u>
Component units	<u>\$ 64,870,063</u>	<u>\$ 58,198,349</u>	<u>\$ 2,900,568</u>	<u>\$ 1,558,167</u>

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

Total general revenues

Change in net position

Net position, beginning of year, as previously reported
 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

Primary Government		Component Units Totals
Governmental Activities	Total	
\$ (8,889,218)	\$ (8,889,218)	\$ -
(4,402,281)	(4,402,281)	-
(6,177,312)	(6,177,312)	-
(493,858)	(493,858)	-
(131,977)	(131,977)	-
(9,477)	(9,477)	-
<u>(20,104,123)</u>	<u>(20,104,123)</u>	<u>-</u>
(20,104,123)	(20,104,123)	-
-	-	(2,212,979)
22,016,001	22,016,001	926,893
9,661,435	9,661,435	-
2,350,313	2,350,313	-
522,930	522,930	-
-	-	225,753
751,779	751,779	-
213,870	213,870	262,864
54,003	54,003	70,939
<u>35,570,331</u>	<u>35,570,331</u>	<u>1,486,449</u>
15,466,208	15,466,208	(726,530)
109,838,868	109,838,868	58,499,212
-	-	489,607
<u>109,838,868</u>	<u>109,838,868</u>	<u>58,988,819</u>
<u>\$ 125,305,076</u>	<u>\$ 125,305,076</u>	<u>\$ 58,262,289</u>

CONVERSE COUNTY, WYOMING

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016**

	General Fund	County Roads Fund	Special Purpose Tax Fund	Capital Projects Fund	Nonmajor Special Revenue Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$11,115,142	\$6,835,341	\$ 2,316,909	\$15,703,421	\$ 1,001,971	\$ 36,972,784
Investments	12,415,435	1,794,065	7,420,843	-	-	21,630,343
Property taxes receivable	18,361,758	-	-	-	1,400	18,363,158
Accounts receivable	-	-	-	-	16,910	16,910
Due from other governments	1,432,674	16,674	60,543	68,854	47,412	1,626,157
Due from other funds	46,797	-	47,425	-	1,164	95,386
Restricted cash	341,785	-	-	-	-	341,785
Note receivable	17,877	-	-	-	-	17,877
Total assets	\$43,731,468	\$8,646,080	\$ 9,845,720	\$15,772,275	\$ 1,068,857	\$ 79,064,400
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities						
Accounts payable and accrued liabilities	\$ 376,136	\$ 449,801	\$ 31,809	\$ 672,392	\$ 39,363	\$ 1,569,501
Due to other governments	-	-	-	-	-	-
Due to other funds	49,345	13,473	-	-	32,568	95,386
Cash held in trust for others	341,785	-	-	-	-	341,785
Refundable advances	-	-	-	-	6,764	6,764
Total liabilities	767,266	463,274	31,809	672,392	78,695	2,013,436
Deferred inflows of resources						
Deferred property tax revenue	18,299,918	-	-	-	1,380	18,301,298
Deferred wind tax revenue	520,000	-	-	-	-	520,000
Total deferred inflows of resources	18,819,918	-	-	-	1,380	18,821,298
Fund Balances						
Nonspendable	15,191	-	-	-	-	15,191
Restricted						
Special revenue funds	-	-	-	-	786,084	786,084
County road construction	-	2,702,439	-	-	-	2,702,439
Special purpose tax	-	-	9,813,911	-	-	9,813,911
Committed						
Economic development	234,745	-	-	-	-	234,745
Special revenue funds	-	-	-	-	100,701	100,701
Justice Center	-	-	-	15,099,883	-	15,099,883
County road construction	-	5,480,367	-	-	-	5,480,367
Assigned	18,025,132	-	-	-	85,727	18,110,859
Unassigned	5,869,216	-	-	-	16,270	5,885,486
Total fund balances	24,144,284	8,182,806	9,813,911	15,099,883	988,782	58,229,666
Total liabilities, deferred inflows of resources and fund balances	\$43,731,468	\$8,646,080	\$ 9,845,720	\$15,772,275	\$ 1,068,857	\$ 79,064,400

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, 2016

Total fund balances - governmental funds		\$ 58,229,666
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.		
		69,842,348
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 and wind tax revenue		558,530
An internal service fund is used by management to charge the cost of medical insurance to individual funds. Assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		
		1,119,582
Deferred outflows and inflows are not available to pay for current period expenditures and therefore the underlying resources are not reported in the governmental funds.		
Pension plan items - deferred outflows of resources	\$ 2,459,927	
Pension plan items - deferred inflows of resources	(97,652)	2,362,275
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	(19,607)	
Retainage	(583,785)	
Capital leases	(225,585)	
Compensated absences	(267,470)	
Net pension liability	(5,710,878)	(6,807,325)
Net position of governmental activities		<u>\$ 125,305,076</u>

See accompanying notes to the financial statements

CONVERSE COUNTY, WYOMING

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS
Year Ended June 30, 2016**

	General Fund	County Roads Fund	Special Purpose Tax Fund	Capital Projects Fund	Nonmajor Special Revenue Funds	Total Governmental Funds
Revenues						
Taxes	\$25,120,997	-	\$2,892,091	\$ -	\$ 4,102	\$ 28,017,190
Licenses and permits	640,623	-	-	-	-	640,623
Intergovernmental revenues	7,963,220	663,075	-	444,168	621,719	9,692,182
Charges for services	91,617	-	-	-	-	91,617
Investment income	160,848	31,866	15,290	-	1,654	209,658
Miscellaneous revenues	63,200	-	-	-	742	63,942
Total revenues	34,040,505	694,941	2,907,381	444,168	628,217	38,715,212
Expenditures						
Current						
General government	11,487,921	-	-	-	141,914	11,629,835
Public safety	4,836,270	-	-	-	263,769	5,100,039
Public works	3,948,735	-	-	-	12,780	3,961,515
Health, welfare and recreation	467,750	-	-	-	74,964	542,714
Conservation of natural resources	122,529	-	-	-	(886)	121,643
Economic development	4,347	-	-	-	-	4,347
Debt Service						
Principal	70,580	-	-	-	-	70,580
Interest	9,477	-	-	-	-	9,477
Capital outlay	1,036,385	13,449,238	8,534,227	3,028,435	-	26,048,285
Total expenditures	21,983,994	13,449,238	8,534,227	3,028,435	492,541	47,488,435
Excess (deficiency) of revenues over expenditures	12,056,511	(12,754,297)	(5,626,846)	(2,584,267)	135,676	(8,773,223)
Other financing sources (uses)						
Proceeds from sale of assets	250	-	-	-	-	250
Transfers in	-	-	90,000	17,684,150	-	17,774,150
Transfers out	(17,774,150)	-	-	-	-	(17,774,150)
Total other financing sources (uses)	(17,773,900)	-	90,000	17,684,150	-	250
Net changes in fund balances	(5,717,389)	(12,754,297)	(5,536,846)	15,099,883	135,676	(8,772,973)
Fund balances, beginning of year	29,861,673	20,937,103	15,350,757	-	853,106	67,002,639
Fund balances, end of year	<u>\$24,144,284</u>	<u>\$ 8,182,806</u>	<u>\$ 9,813,911</u>	<u>\$15,099,883</u>	<u>\$ 988,782</u>	<u>\$ 58,229,666</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, 2016

Net change in fund balances - total governmental funds		\$ (8,772,973)
Amounts reported for governmental activities in the statement of activities are different because:		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. These changes are detailed as follows:</p>		
Capital asset acquisitions expended in the governmental funds	\$ 30,517,659	
Loss on disposal of assets	(202,934)	
Depreciation expense for the year	<u>(5,632,293)</u>	24,682,432
<p>Pension expenses reported in the statement of activities do not require the use of current financial resources, and therefore are not reported</p>		
Deferred outflows - pension plan items - prior year	(852,800)	
Deferred outflows - pension plan items - current year	2,459,927	
Deferred inflows - pension plan items - current year	<u>(97,652)</u>	1,509,475
<p>The issuance of long-term debt 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:</p>		
Prior year property tax debt related to change in valuation	53,977	
Current year property tax debt related to change in valuation	(19,607)	
Prior year retainage payable	941,845	
Current year retainage payable	(583,785)	
Prior year liability for capital leases	296,165	
Current year liability for capital leases	(225,585)	
Prior year liability for compensated absences	260,952	
Current year liability for compensated absences	(267,470)	
Net pension liability - prior year	3,691,461	
Net pension liability - current year	<u>(5,710,878)</u>	(1,562,925)
<p>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</p>		
		(380,895)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.</p>		
Wind production tax prior year	(540,000)	
Wind production tax current year	520,000	
Deferred property tax revenue prior year	(27,436)	
Deferred property tax revenue current year	<u>38,530</u>	<u>(8,906)</u>
Change in net position of governmental activities		<u><u>\$ 15,466,208</u></u>

See accompanying notes to the financial statements

CONVERSE COUNTY, WYOMING

STATEMENT OF NET POSITION - PROPRIETARY FUND

June 30, 2016

	Governmental Activity Internal Service Fund
ASSETS	
Cash and cash equivalents	\$ 762,135
Investments	609,043
Prepaid expense	30,794
Total assets	<u>1,401,972</u>
LIABILITIES	
Accounts payable	52,390
Claims payable	230,000
Total liabilities	<u>282,390</u>
NET POSITION	
Unrestricted	1,119,582
Total net position	<u>\$ 1,119,582</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, 2016

	Governmental Activity Internal Service Fund
Operating revenues	
Charges for premiums	\$ 1,746,992
Total operating revenues	<u>1,746,992</u>
Operating expenses	
Medical costs	1,867,643
Stop loss insurance	264,459
Total operating expenses	<u>2,132,102</u>
Operating loss	<u>(385,110)</u>
Nonoperating revenue	
Interest income	4,215
Total nonoperating revenue	<u>4,215</u>
Change in net position	(380,895)
Net position, beginning of year	<u>1,500,477</u>
Net position, end of year	<u><u>\$ 1,119,582</u></u>

See accompanying notes to the financial statements

CONVERSE COUNTY, WYOMING

STATEMENT OF CASH FLOWS - PROPRIETARY FUND
Year Ended June 30, 2016

	Governmental Activity Internal Service Fund
Cash flows from operating activities	
Receipts from other funds	\$ 1,746,992
Receipts from reinsurance	1,630,666
Payments to third party administrator for medical costs	(3,249,867)
Net cash provided by operating activities	127,791
Cash flows from investing activities	
Interest received	4,215
Purchase of investments	(2,417)
Net cash provided by investing activities	1,798
Net increase in cash and cash equivalents	129,589
Cash and cash equivalents, beginning of year	632,546
Cash and cash equivalents, end of year	\$ 762,135
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	\$ (385,110)
Adjustments to reconcile operating loss to cash provided by operating activities	
Increase (decrease) in cash and cash equivalents resulting from	
Reinsurance receivable	427,290
Prepaid expense	(6,779)
Accounts payable	52,390
Claims payable	40,000
Net cash provided by operating activities	\$ 127,791

See accompanying notes to the financial statements

CONVERSE COUNTY, WYOMING

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
June 30, 2016**

	<u>General Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 1,169,936
Property taxes receivable	443,886
Due from other governments	<u>35,767</u>
Total assets	<u><u>\$ 1,649,589</u></u>
LIABILITIES	
Due to component units	\$ 6,555
Due to other governments	1,199,148
Deferred revenue	<u>443,886</u>
Total liabilities	<u><u>\$ 1,649,589</u></u>

See accompanying notes to the financial statements

CONVERSE COUNTY, WYOMING

COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS

June 30, 2016

	County Airport	County Hospital	Weed & Pest Control District
ASSETS			
Cash and cash equivalents	\$ 219,187	\$ 5,434,250	\$ 2,629,939
Investments	644,065	174,952	-
Property taxes receivable	-	-	868,680
Accounts receivable, net	-	8,244,935	172,105
Due from other governments	68,089	-	-
Due from primary government	-	-	-
Other current assets	565	621,714	-
Inventory	-	942,832	418,372
Assets limited as to use	-	7,501,300	-
Restricted cash and cash equivalents	-	-	-
Restricted investments	30,000	-	-
Other assets	-	337,428	-
Beneficial interest in assets held by others	-	-	-
Capital assets not being depreciated	2,741,061	2,456,399	12,000
Capital assets being depreciated, net of accumulated depreciation	7,761,386	29,488,455	360,390
Total assets	<u>11,464,353</u>	<u>55,202,265</u>	<u>4,461,486</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred financing costs, net of amortization	-	372,201	-
Pension items	29,623	-	62,696
Total deferred outflows of resources	<u>29,623</u>	<u>372,201</u>	<u>62,696</u>
LIABILITIES			
Accounts payable and accrued liabilities	12,156	3,742,253	264,050
Noncurrent liabilities			
Due within one year	-	1,243,280	-
Due in more than one year	-	8,629,611	31,933
Net pension liability	36,047	-	202,592
Total liabilities	<u>48,203</u>	<u>13,615,144</u>	<u>498,575</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	-	-	852,262
Pension items	763	-	6,087
Total deferred inflows of resources	<u>763</u>	<u>-</u>	<u>858,349</u>
NET POSITION			
Net investment in capital assets	10,502,447	23,532,894	372,390
Restricted by grantors, nonexpendable	-	-	-
Restricted by others, expendable	30,000	-	404,557
Unrestricted	912,563	18,426,428	2,390,311
Total net position	<u>\$ 11,445,010</u>	<u>\$ 41,959,322</u>	<u>\$ 3,167,258</u>

See accompanying notes to the financial statements

County Library	Total
\$ 893,093	\$ 9,176,469
87,751	906,768
2,984	871,664
129,605	8,546,645
-	68,089
6,555	6,555
-	622,279
-	1,361,204
-	7,501,300
118,452	118,452
142,943	172,943
-	337,428
222,480	222,480
117,098	5,326,558
<u>421,207</u>	<u>38,031,438</u>
<u>2,142,168</u>	<u>73,270,272</u>
-	372,201
<u>174,465</u>	<u>266,784</u>
<u>174,465</u>	<u>638,985</u>
2,738	4,021,197
545	1,243,825
27,903	8,689,447
<u>548,726</u>	<u>787,365</u>
<u>579,912</u>	<u>14,741,834</u>
-	852,262
<u>46,022</u>	<u>52,872</u>
<u>46,022</u>	<u>905,134</u>
538,305	34,946,036
581,646	581,646
31,573	466,130
<u>539,175</u>	<u>22,268,477</u>
<u>\$ 1,690,699</u>	<u>\$ 58,262,289</u>

CONVERSE COUNTY, WYOMING

**COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS**

Year Ended June 30, 2016

	Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Component Units			
County Airport	\$ 678,234	\$ 58,487	\$ 153,579
County Hospital	61,789,464	57,610,411	1,842,457
Weed and Pest Control District	1,487,419	519,536	-
County Library	914,946	9,915	904,532
	\$ 64,870,063	\$ 58,198,349	\$ 2,900,568
		\$ 1,555,210	-
		-	2,957
		-	-

General Revenues

Property taxes

Contributions to an endowment

Unrestricted investment income (loss)

Miscellaneous

Total general revenues

Change in net position

Net position, beginning of year,
as originally reported

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

County Airport	County Hospital	Weed and Pest Control District	County Library	Totals
\$ 1,089,042	\$ -	\$ -	\$ -	\$ 1,089,042
-	(2,336,596)	-	-	(2,336,596)
-	-	(967,883)	-	(967,883)
-	-	-	2,458	2,458
<u>1,089,042</u>	<u>(2,336,596)</u>	<u>(967,883)</u>	<u>2,458</u>	<u>(2,212,979)</u>
5,458	26,044	880,829	14,562	926,893
-	-	-	225,753	225,753
6,181	239,953	25,521	(8,791)	262,864
5,118	58,631	6,496	694	70,939
<u>16,757</u>	<u>324,628</u>	<u>912,846</u>	<u>232,218</u>	<u>1,486,449</u>
<u>1,105,799</u>	<u>(2,011,968)</u>	<u>(55,037)</u>	<u>234,676</u>	<u>(726,530)</u>
10,339,211	43,481,683	3,222,295	1,456,023	58,499,212
-	489,607	-	-	489,607
<u>10,339,211</u>	<u>43,971,290</u>	<u>3,222,295</u>	<u>1,456,023</u>	<u>58,988,819</u>
<u>\$ 11,445,010</u>	<u>\$ 41,959,322</u>	<u>\$ 3,167,258</u>	<u>\$ 1,690,699</u>	<u>\$ 58,262,289</u>

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CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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. The Board of Commissioners approves the Airport’s budget and must approve any debt issuances. Additionally, the Airport receives funding from the County’s general fund. 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. The Board of Commissioners approves the Hospital’s budget, and the Hospital receives funding from the County’s general fund. 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. 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* (“County Library” or “Library”) maintains and manages the operations of the County Library and library system. The Library is fiscally dependent upon the County. The Board of Commissioners approves the Library’s budget and must approve any debt issuances. Additionally, the Library receives funding from the County’s general fund. The County Library includes the financial data of its component unit, the Converse County Library Foundation. The Library does not issue separate audited financial statements.

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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, 2016, the County allocated \$1,385,517 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.

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. The County 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 projects fund and is used to account for the acquisition and construction of county roads 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.

Capital Projects Fund is used to account for major construction projects at the County. The construction is financed from transfers from the General Fund.

The County 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 County reports the following fund types:

The *Agency Fund* is custodial in nature (assets equal liabilities) and does 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 costs. Operating expenses for the proprietary fund include medical costs and insurance. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position/Fund Balance

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 for in pooled cash accounts.

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position/Fund Balance (Continued)

Investments

Wyoming Statutes authorize the types of investments in which Counties may invest. Among these authorized investments are certificates of deposit, obligations of the U.S. Treasury and repurchase agreements involving U.S. Government securities. The County's investments consist of certificates of deposit, U.S. Agencies' obligations, all of which are carried at fair value, and participation in the Wyoming Government Investment Fund (WGIF) and WYOSTAR 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. Accounts that are determined to be uncollectible are sent to the collection agency and written off at that time. At June 30, 2016, the allowance for uncollectible accounts was approximately \$1,485,672. 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, 2016, was 23%, 9%, 6%, 32%, and 30% Medicare, Medicaid, other, insurance, and patients, respectively.

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position/Fund Balance (Continued)

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, 2016, the loans are reported net of an allowance for uncollectible debt in the approximate amount of \$198,000.

Assets Limited as to Use

Certain debt covenants require the Memorial Hospital of Converse County 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's assets limited as to use include certificates of deposit and cash which are pledged as collateral on the note payable.

Other Assets

Other assets include Memorial Hospital of Converse County's investment in the limited liability company in the amount of \$213,976 and an investment in insurance exchange in the amount of \$123,452. Memorial Hospital of Converse County has a 40% controlling interest and net profit interest in Big County Rehabilitation, LLC. This investment is 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 this LLC to be operating revenue.

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.

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position/Fund Balance (Continued)

Capital Assets

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

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

Primary Government	Years
Buildings and building improvements	15 - 30
Machinery, equipment and office fixtures	5 - 15
Infrastructure	20 - 30
Component Units	
Improvements other than buildings	20
Buildings, building improvements and runways	10 - 40
Machinery, equipment and office fixtures	3 - 15

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.

Deferred Inflows and Outflows of Resources

In addition to assets, the financial statements may report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a decrease of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the financial statements may include a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an increase of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The County reports deferred outflows and deferred inflows as follows:

Unavailable Revenues – Unavailable revenue is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and wind tax. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In the government-wide statement of net position, only property tax revenue is reported as deferred inflows of resources in the years the taxes are levied.

Pension Plan Items – In the government-wide and proprietary funds statements of net position, a deferred outflow or deferred inflow of resources is reported for the unrecognized items not yet charged to pension expense related to the net pension liability. This includes the unamortized portion of the net difference between projected and actual earnings on pension plan investments and other differences between expected and actual experience. Deferred outflows for the net difference between projected and actual investment earnings are recognized over a period of five years, while the deferred outflows or deferred inflows for the differences between expected and actual experience for economic/demographic assumptions are recognized over the remaining service life for all active and inactive members.

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position/Fund Balance (Continued)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wyoming Retirement System (“WRS”) plans and additions to/deductions from WRS’s fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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. The County’s property tax revenues are recognized when levied to the extent that they result in current receivables, which means when collected within the current period or expected to be collected within 60 days of the fiscal year end to be used to pay liabilities of the current period. Property taxes which are not current receivables are offset by deferred revenues on the fund financials, but reported on the government-wide financial statements as revenues and receivables, with no amount being deferred when levied. Property taxes receivable are recognized as of the lien date; however, revenue is not recognized until the levy date. 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, 2016, 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 56% of the County’s total assessed property valuation. Eight of the ten taxpayers are involved in mineral extraction industry; one is a power producer and one is a railroad company. The County received approximately 32% of its total revenues from these taxpayers.

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, 2016.

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position/Fund Balance (Continued)

Compensated Absences

All regular, full-time and half-time employees who work at least twenty hours accrue monthly paid vacation. Employees accumulate vacation leave hours monthly based on number of years of service with the County. Full-time employees are entitled to 12 vacation days for 0 to 5 years of service, 15 vacation days for 6 to 10 years of service, and 20 ¼ days for 11 and over years of service, and all half-time employees are entitled to half of the days attributed to the full-time employees. As of January 1 of each year, the maximum annual vacation leave accrual allowed will be 20 days. If the maximum is exceeded, the excess amount of annual vacation leave time will be forfeited by the employee without compensation. The days credited to an employee for annual vacation leave time shall be working days. 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. Accrued PTO is recorded as expenditures in the period they are earned.

Fund Equity

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 or legal restrictions. 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 express the intent of the County, as designated by the County Commission, to utilize the funds for specific purpose. 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, 2016

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

Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position/Fund Balance (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.

Net Patient Service Revenue

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

Memorial Hospital of Converse County has agreements with third-party payors that provide for payments to the Memorial Hospital of Converse County at amounts different from its established rates.

A summary of the payment arrangements with Medicare is as follows:

- Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient non-acute services, certain medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. Memorial Hospital of Converse County is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by Memorial Hospital of Converse County and audits thereof by the Medicare fiscal intermediary. Effective May 1, 2002, Memorial Hospital of Converse County received the designation as a Critical Access Hospital.
- Memorial Hospital of Converse County classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with Memorial Hospital of Converse County. Memorial Hospital of Converse County's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2013.
- 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. During the fiscal year ending June 30, 2016, the hospital determined the reimbursement structure they had used in 2014 was incorrect and had inadvertently received more in reimbursements from Medicare than the Hospital had incurred. As such, the Hospital owed Medicare approximately \$3,400,000, all of which was paid less \$211,186 which shows as a liability on the statement of net position and was paid on July 1, 2016.

For the fiscal year ended June 30, 2016, Memorial Hospital of Converse County's gross patient service revenue was \$86,108,590 which was adjusted for contractual discounts of \$28,628,065 and charity care of \$1,068,839 resulting in net patient service revenue of \$56,411,686.

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position/Fund Balance (Continued)

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. The estimate of pension liabilities is specifically significant to the City. It is reasonably possible that these estimates will change within one year of the date of the financial statements due to one or more future events. The effect of the change could be material to the financial statements and could result in a loss.

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 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.

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

As of June 30, 2016, the County's bank balances were fully collateralized with securities held by the pledging institution's trust department or agent, in joint custody of the bank and the County.

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 2. Deposits and Investments (Continued)

Component Units

As of June 30, 2016, the bank balances of all the County's component units were fully 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, 2016, the primary government of the County had the following investments:

Investment Type	Fair Value	Interest Rate	Less Than 1	1 - 5	6 - 10	Rating
State Treasurer's Investment Pools						
WYO-STAR	\$ 408,760	0.41%	\$ 408,760	\$ -	\$ -	Not rated
WGIF	10,177,525	0.38%	10,177,525	-	-	AAAm
Money Market	206,057		206,057			
Certificates of Deposit	9,517,350	0.19% - 1.64%	8,158,667	1,358,683	-	N/A
U.S. Government agency obligations						
FNMA Notes	500,060	1.49%	-	500,060	-	AA+
FHLMC Note	1,429,634	.75% - 1.12%	-	1,429,634	-	AA+
Total	<u>\$ 22,239,386</u>		<u>\$ 18,951,009</u>	<u>\$ 3,288,377</u>	<u>\$ -</u>	

As of June 30, 2016, the component units of the County had the following investments:

Investment Type	Fair Value	Interest Rate	Less Than 1	1 - 5	6 - 10	Rating
Certificates of Deposit	<u>\$ 8,579,711</u>	.70% - 1.85%	<u>\$ 904,759</u>	<u>\$ -</u>	<u>\$ 7,674,952</u>	N/A

These investments are reported under the caption investments, restricted investments, and assets limited as to use in the statement of net position. The Memorial Hospital of Converse County has certificates of deposit, as well as \$1,300 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, 2016

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. Amounts held at WGIF are invested in Liquid Asset Series and are rated AAAM by Standard and Poor's. Under the investment agreement with WYOSTAR, the County's interest is based on the ratio of the cash balance as a percentage of the total cash balance of the pool. Both the WGIF Liquid Asset Series and WYOSTAR pool are considered money market funds.

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, 2016, the County had 43% of its investments in Certificates of Deposit of which 78% are held at one bank, 46% in WGIF, and 9% in 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 WGIF and securities held by securities brokers or other banks. Management believes the stability and reputation of WGIF and these securities brokers and banks serve to limit its custodial credit risk.

Fair Value of Investments

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 2. Deposits and Investments (Continued)

Following is a description of the valuation methodologies used for investments measured at fair value. There have been no changes in the methodologies used at June 30, 2016:

U.S. government agency: Valued using quoted prices for identical or similar assets in active markets.

Primary government investments

	Investments at Fair Value as of June 30, 2016			
	Level 1	Level 2	Level 3	Total
U.S. government agency obligations	\$ -	\$ 1,929,694	\$ -	\$ 1,929,694
Total investments at fair value	\$ -	\$ 1,929,693	\$ -	\$ 1,929,694

Other investments reported in the following classifications

Certificates of deposit	9,517,350
Money market funds	10,792,342
Total primary government investments	\$ 22,239,386

Note 3. Interfund Balances

Interfund and intra-entity receivables and payables at June 30, 2016 are as follows:

	Receivable	Payable
General Fund	\$ 46,797	\$ 49,345
County Roads Fund	-	13,473
Special Purpose Tax Fund	47,425	-
Non Major Funds		
Homeland Security Grants	-	17,145
TANF Grant	1,164	1,210
Other Grants	-	1,164
Best Beginnings	-	12,960
WIC Grant	-	89
	\$ 95,386	\$ 95,386

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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. Operating transfers during the year were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 17,774,150
Special Purpose Tax Fund	90,000	-
Capital Projects Fund	17,684,150	-
	<u>\$ 17,774,150</u>	<u>\$ 17,774,150</u>

Transfers were made to (1) 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 \$7,389 during the year ended June 30, 2016. 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 \$222,480 as of June 30, 2016.

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 5. Capital Assets

Primary Government

Capital asset activity for the governmental activities for the year ended June 30, 2016, was as follows:

	Beginning Balance	Transfers and Additions	Transfers and Deletions	Ending Balance
Capital assets, not being depreciated				
Land	\$ 1,670,959	\$ 60,358	\$ -	\$ 1,731,317
Construction in progress	23,760,979	27,793,824	26,475,531	25,079,272
Total capital assets, not being depreciated	<u>25,431,938</u>	<u>27,854,182</u>	<u>26,475,531</u>	<u>26,810,589</u>
Capital assets being depreciated				
Infrastructure	48,894,354	19,799,912	3,500	68,690,766
Buildings and building improvements	6,627,048	7,162,870	192,366	13,597,552
Machinery, equipment, and office fixtures	10,549,855	2,176,226	411,230	12,314,851
Total capital assets being depreciated	<u>66,071,257</u>	<u>29,139,008</u>	<u>607,096</u>	<u>94,603,169</u>
Less accumulated depreciation for				
Infrastructure	36,673,146	4,052,741	-	40,725,887
Buildings and building improvements	3,918,851	528,188	25,666	4,421,373
Machinery, equipment, and office fixtures	5,751,282	1,051,364	378,496	6,424,150
Total accumulated depreciation	<u>46,343,279</u>	<u>5,632,293</u>	<u>404,162</u>	<u>51,571,410</u>
Total capital assets, being depreciated, net	<u>19,727,978</u>	<u>23,506,715</u>	<u>202,934</u>	<u>43,031,759</u>
Governmental activities, capital assets, net	<u>\$ 45,159,916</u>	<u>\$ 51,360,897</u>	<u>\$ 26,678,465</u>	<u>\$ 69,842,348</u>

Approximately \$405,000 of equipment has been acquired under capital leases. The related amortization expense on these assets in the amount of \$40,500 is included in the depreciation expense. Depreciation expense was charged to the functions/programs of the primary government as follows:

Governmental activities	
General government	\$ 169,587
Public safety	449,232
Public works	4,847,495
Health and welfare	162,761
Conservation of natural resources	3,218
	<u>5,632,293</u>
Total depreciation expense - governmental activities	<u>\$ 5,632,293</u>

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 5. Capital Assets (Continued)

Component Units

Capital asset activity for the Converse County Airport for the year ended June 30, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Transfers and Additions</u>	<u>Transfers and Deletions</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land	\$ 2,741,061	\$ -	\$ -	\$ 2,741,061
Construction in progress	317,611	1,853,367	2,170,978	-
Total capital assets not being depreciated	<u>3,058,672</u>	<u>1,853,367</u>	<u>2,170,978</u>	<u>2,741,061</u>
Capital assets being depreciated				
Improvements other than buildings	14,213,337	2,162,998	26,538	16,349,797
Buildings, building improvements and runways	533,832	7,980	-	541,812
Machinery, equipment and office fixtures	131,753	-	-	131,753
Total capital assets being depreciated	<u>14,878,922</u>	<u>2,170,978</u>	<u>26,538</u>	<u>17,023,362</u>
Less accumulated depreciation	<u>8,787,068</u>	<u>501,446</u>	<u>26,538</u>	<u>9,261,976</u>
Total capital assets, being depreciated, net	<u>6,091,854</u>	<u>1,669,532</u>	<u>-</u>	<u>7,761,386</u>
Capital assets, net	<u>\$ 9,150,526</u>	<u>\$ 3,522,899</u>	<u>\$ 2,170,978</u>	<u>\$ 10,502,447</u>

Capital asset activity for the Memorial Hospital of Converse County for the year ended June 30, 2016, was as follows:

	<u>Restated Beginning Balance</u>	<u>Transfers and Additions</u>	<u>Transfers and Deletions</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land and land improvements	\$ 1,112,956	\$ 291,000	\$ -	\$ 1,403,956
Construction in progress	694,757	1,466,629	1,108,943	1,052,443
Total capital assets, not being depreciated	<u>1,807,713</u>	<u>1,757,629</u>	<u>1,108,943</u>	<u>2,456,399</u>
Capital assets being depreciated				
Improvements other than buildings	77,469	-	-	77,469
Building (*)	32,356,062	2,877,453	-	35,233,515
Equipment	28,128,386	2,333,196	90,394	30,371,188
Total capital assets being depreciated, net	<u>60,561,917</u>	<u>5,210,649</u>	<u>90,394</u>	<u>65,682,172</u>
Less accumulated depreciation	<u>31,897,591</u>	<u>4,379,111</u>	<u>82,985</u>	<u>36,193,717</u>
Total capital assets, being depreciated, net	<u>28,664,326</u>	<u>831,538</u>	<u>7,409</u>	<u>29,488,455</u>
Capital assets, net	<u>\$ 30,472,039</u>	<u>\$ 2,589,167</u>	<u>\$ 1,116,352</u>	<u>\$ 31,944,854</u>

(*) Current year building additions include reclassification of the investment in real estate of \$1,999,521.

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Transfers and Additions</u>	<u>Transfers and Deletions</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land	\$ 12,000	\$ -	\$ -	\$ 12,000
Total capital assets, not being depreciated	<u>12,000</u>	<u>-</u>	<u>-</u>	<u>12,000</u>
Capital assets being depreciated				
Buildings and improvements	320,798	4,075	-	324,873
Machinery, equipment and office fixtures	<u>297,321</u>	<u>86,863</u>	<u>22,901</u>	<u>361,283</u>
Total capital assets, being depreciated, net	<u>618,119</u>	<u>90,938</u>	<u>22,901</u>	<u>686,156</u>
Less accumulated depreciation	<u>305,678</u>	<u>42,989</u>	<u>22,901</u>	<u>325,766</u>
Total capital assets, being depreciated, net	<u>312,441</u>	<u>47,949</u>	<u>-</u>	<u>360,390</u>
Capital assets, net	<u><u>\$ 324,441</u></u>	<u><u>\$ 47,949</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 372,390</u></u>

Capital asset activity for the Converse County Library for the year ended June 30, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Transfers and Additions</u>	<u>Transfers and Deletions</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land	\$ 100,600	\$ -	\$ -	\$ 100,600
Construction in progress	-	16,498	-	16,498
Total capital assets, not being depreciated	<u>100,600</u>	<u>16,498</u>	<u>-</u>	<u>117,098</u>
Capital assets being depreciated				
Buildings and building improvements	386,817	-	-	386,817
Machinery, equipment and office fixtures	207,931	4,510	-	212,441
Collection	329,822	102,114	-	431,936
Total capital assets being depreciated	<u>924,570</u>	<u>106,624</u>	<u>-</u>	<u>1,031,194</u>
Less accumulated depreciation	<u>525,236</u>	<u>84,751</u>	<u>-</u>	<u>609,987</u>
Total capital assets being depreciated, net	<u>399,334</u>	<u>21,873</u>	<u>-</u>	<u>421,207</u>
Capital assets, net	<u><u>\$ 499,934</u></u>	<u><u>\$ 38,371</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 538,305</u></u>

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 6. Long-term Debt

County

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 \$30,437,945 at June 30, 2016. 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, 2016:

	<u>Balance</u> <u>June 30, 2015</u>	<u>New Debt</u> <u>Incurred</u>	<u>Debt</u> <u>Retired</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due Within</u> <u>One Year</u>
Primary Government					
Governmental activities					
Property tax repayment	\$ 53,977	\$ -	\$ 34,370	\$ 19,607	\$ 12,152
Retainage	941,845	583,785	941,845	583,785	583,785
Capital leases	296,165	-	70,580	225,585	72,839
Incurred but not reported claims payable	190,000	230,000	190,000	230,000	230,000
Compensated absences	260,952	6,518	-	267,470	12,997
	<u>1,742,939</u>	<u>820,303</u>	<u>1,236,795</u>	<u>1,326,447</u>	<u>911,773</u>
Net pension liability	3,691,461	2,019,417	-	5,710,878	-
	<u>\$ 5,434,400</u>	<u>\$ 2,839,720</u>	<u>\$ 1,236,795</u>	<u>\$ 7,037,325</u>	<u>\$ 911,773</u>
Component Units					
Short-term notes	\$ 12,413	\$ -	\$ 12,413	\$ -	\$ -
Notes payable	8,500,000	-	882,526	7,617,474	782,307
Capital leases	1,063,227	-	268,196	795,031	272,015
Compensated absences	1,582,756	221,533	283,522	1,520,767	189,503
	<u>11,158,396</u>	<u>221,533</u>	<u>1,446,657</u>	<u>9,933,272</u>	<u>1,243,825</u>
Net pension liability	627,108	160,210	-	787,318	-
	<u>\$ 11,785,504</u>	<u>\$ 381,743</u>	<u>\$ 1,446,657</u>	<u>\$ 10,720,590</u>	<u>\$ 1,243,825</u>

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

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.

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 6. Long-term Debt (Continued)

Property Tax Repayment (Continued)

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, 2016, the County was required to pay back \$163,391 in property taxes over the next six years due to NOVC. The impact on the County General Fund is approximately 12% of that total, or \$19,607.

Year Ending June 30,	
2017	\$ 12,152
2018	6,449
2019	860
2020	146
	\$ 19,607

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.	\$ 118,147
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\$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.	107,438
	\$ 225,585

Future minimum lease payments under capital leases together with the present value of net minimum lease payments as of June 30, 2016 are as follows:

Year Ending June 30,	
2017	\$ 80,057
2018	80,057
2019	80,060
Total minimum lease payments	240,174
Less: amount representing interest	14,589
Present value of minimum lease payments	\$ 225,585

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 6. Long-term Debt (Continued)

Component Units

Long-Term Debt Memorial Hospital of Converse County

Advance Refunding – In 2015, Memorial Hospital of Converse County refunded \$6,545,000 of Memorial Hospital of Converse County Revenue Bonds. The refunded bonds are not included in the Hospital’s outstanding debt since the Hospital has in-substance satisfied its obligation through advance funding. Although the advanced refunding resulted in recognition of an accounting loss of \$455,014, the Hospital will recognize a net present value savings of \$499,808. The loss is being amortized over the life of the note payable using the effective interest method. The Hospital borrowed \$8,500,000 in order to complete construction of the new medical office building and performed the noted refunding of bonds. The note payable requires annual payments of \$1,000,000 with interest at 2.85% and matures on July 1, 2024. The Hospital has pledged \$7,500,000 in certificates of deposit as collateral on the notes payable.

Note payment requirements to maturity for the years ending June 30, are as follows:

Year ending June 30,	Principal	Interest	Total
2017	\$ 782,307	\$ 217,693	\$ 1,000,000
2018	805,198	194,802	1,000,000
2019	828,146	171,854	1,000,000
2020	851,748	148,252	1,000,000
2021	875,683	124,317	1,000,000
2022-2024	3,474,392	239,119	3,713,511
	<u>\$ 7,617,474</u>	<u>\$ 1,096,037</u>	<u>\$ 8,713,511</u>

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 \$1,351,013 with \$607,602 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, 2016:

Year Ending June 30,	
2017	294,957
2018	294,957
2019	245,799
Total minimum lease payments	835,713
Less: amount representing interest	41,227
Present value of minimum lease payments	<u>\$ 794,486</u>

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 6. Long-term Debt (Continued)

Component Units (Continued)

Capital Leases of the County 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. \$ 267

\$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. 278

\$ 545

Future minimum lease payments under capital leases together with the present value of net minimum lease payments as of June 30, 2016 are as follows:

Year Ending June 30,	
2017	550
Total minimum lease payments	550
Less: amount representing interest	5
Present value of minimum lease payments	\$ 545

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, 2016, was \$1,024,474.

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 Library's, Converse County Airport's, and 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 for each plan. The report may be obtained from Wyoming Retirement System website at <http://retirement.state.wy.us>.

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

Pension Plans

All eligible County employees are covered under the following retirement plans:

Public Employees' Pension Plan

The County participates in the Public Employees' Pension Plan ("PEPP"), a statewide cost-sharing multiple-employer public employee retirement system administered by the State of Wyoming Retirement System Board. Substantially all Board full-time employees are eligible to participate. The PEPP provides retirement, disability and death benefits according to predetermined formulas. Benefits are established by Title 9, Chapter 3 of the Wyoming Statutes.

PEPP members are required to contribute 8.25% of their annual covered salary and the County is required to contribute 8.37 % of the annual covered payroll. Legislation enacted in 1979 allows the employer to pay any or all of the employees' contribution in addition to the matching contribution. The County currently pays 100% of the required contribution. Contribution rates are established by Title 9, Chapter 3 of the Wyoming Statutes. The County's contributions to the PEPP for the years ended June 30, 2016, 2015 and 2014 were \$617,692, \$536,609, and \$492,532, equal to the required contributions for each year.

The County's component units, Weed and Pest, the Airport, and the Library currently pay all of the required employee's contribution. The Weed and Pest contributions to PEPP for the years ended June 30, 2016, 2015, and 2014 were \$25,081, \$25,321, \$22,264, equal to the required contributions for the year. The Library's contributions to PEPP for the years ended June 30, 2016, 2015, and 2014 were \$70,380, \$71,078, \$66,696 equal to the required contributions for the year. The Airport's contributions to PEPP for the year ended June 30, 2016 was \$8,700.

Law Enforcement Pension Plan

The County also participates in the Law Enforcement Pension Plan (LEPP). Law Enforcement Pension Plan members are required to contribute 8.60% of their annual covered salary and the County is required to contribute 8.60% of the annual covered payroll. Legislation enacted in 1979 allows the employer to pay any or all of the employees' contribution in addition to the matching contributions. The county currently pays 100% of the required contribution. Contribution rates are established by Title 9, Chapter 3 of the Wyoming Statutes. The County's contributions to the Law Enforcement Pension Plan for the years ended June 30, 2016, 2015, and 2014 were \$402,167, \$357,763, \$366,746, equal to the required contributions for each year.

Pension Plan Fiduciary Net Position

The Wyoming Retirement System issues a publicly available financial report which includes audited financial statements and required supplementary information for each plan. Detailed information about the pension plans' fiduciary net position is available in separately issued Wyoming Retirement System financial report. The report may be obtained from the Wyoming Retirement System website at <http://retirement.state.wy.us>.

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

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

At June 30, 2016, the County reported a total liability of \$5,710,878 for its proportionate share of the net pension liability. The County's component units: Library, Weed and Pest, and Airport reported: \$548,726, \$202,592, and \$36,047, respectively, for their proportionate share on the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation January 1, 2016. The County's proportion of the net pension liability was based on a projection of the Board's long-term share of contributions to the pension plans relative to the projected contributions of all participating governmental entities, actuarially determined. At the measurement date of December 31, 2015, the County's liability as well as their proportion and change from its proportion measured as of December 31, 2014 were as follows for each plan in which the County participates:

	Pension liability at December 31, 2015	Proportion at December 31, 2015	Increase (decrease) from December 31, 2014
County			
Public Employees' Pension Plan	\$ 4,615,908	0.198163118%	0.011984278%
County - Sheriff			
Law Enforcement Pension Plan	\$ 1,094,969	1.457628033%	0.079736110%
Library			
Public Employees' Pension Plan	\$ 548,726	0.023557055%	-0.002918540%
Weed and Pest			
Public Employees' Pension Plan	\$ 202,592	0.008697388%	-0.000400000%
Airport			
Public Employees' Pension Plan	\$ 36,047	0.001547517%	N/A

For the year ended June 30, 2016, the County and its component units the Library, Weed and Pest, and Airport recognized pension expense of \$1,284,262, \$96,622, \$41,552, and \$7,200, respectively. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows (Inflows) of Resources		Total Outflows	Total (Inflows)
	PEPP	LEPP		
Net difference between projected and actual on pension plan investments	\$ 1,117,367	\$ 663,530	\$ 1,780,897	\$ -
Difference between actual and expected experience rate	(97,652)	19,911	19,911	(97,652)
Change in employer's proportion	141,311	9,495	150,806	-
Amortizing deferred inflows and outflows	1,161,026	692,936	1,951,614	(97,652)
Contributions subsequent to the measurement date	308,589	199,724	508,313	-
Total	\$ 1,469,615	\$ 892,660	\$ 2,459,927	\$ (97,652)

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

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

The County reported \$508,313 as deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date; these deferred outflows will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	Primary government	
	Deferred Outflows (Inflows)	
2017	\$ 527,994	\$ (33,516)
2018	527,994	(33,516)
2019	523,805	(30,620)
2020	371,821	-
	\$ 1,951,614	\$ (97,652)

The County's component units: Library, Weed and Pest, and Airport reported \$36,925, \$12,690, and \$2,145, respectively, as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Deferred Outflows	Deferred (Inflows)
Library		
Net difference between project and actual earnings on pension plan investments	\$ 137,542	\$ -
Difference between actual and expected experience rate	-	(11,609)
Change in employer's proportion	-	(34,413)
Amortizing deferred outflows and deferred inflows	137,542	(46,022)
Contributions subsequent to the measurement date	36,925	-
Total	\$ 174,467	\$ (46,022)

	Deferred Outflows	Deferred (Inflows)
Weed and Pest		
Net difference between projected and actual earnings on pension plan investments	\$ 50,006	\$ -
Difference between actual and expected experience rate	-	(4,287)
Change in employer's proportion	-	(1,800)
Amortizing deferred outflows and deferred inflows	50,006	(6,087)
Contributions subsequent to the measurement date	12,690	-
Total	\$ 62,696	\$ (6,087)

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

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

	Deferred Outflows	Deferred (Inflows)
Airport		
Net difference between projected and actual earnings on pension plan investments	\$ 7,148	\$ -
Difference between actual and expected experience rate	-	(763)
Change in employer's proportion	20,330	-
Amortizing deferred outflows and deferred inflows	27,478	(763)
Contributions subsequent to the measurement date	2,145	-
Total	\$ 29,623	\$ (763)

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

	Component Units					
	Library		Weed and Pest		Airport	
	Deferred Outflows (Inflows)	Deferred Outflows (Inflows)	Deferred Outflows (Inflows)	Deferred Outflows (Inflows)	Deferred Outflows (Inflows)	Deferred Outflows (Inflows)
Year ended June 30,						
2017	\$ 36,780	\$ (15,796)	\$ 13,321	\$ (1,643)	\$ 8,694	\$ (191)
2018	36,780	(15,796)	13,321	(1,643)	8,694	(191)
2019	36,780	(14,430)	13,321	(1,517)	8,114	(191)
2020	27,202	-	10,043	(1,284)	1,976	(190)
	\$ 137,542	\$ (46,022)	\$ 50,006	\$ (6,087)	\$ 27,478	\$ (763)

Actuarial Assumptions

The total pension liability in the December 31, 2015 measurement date was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Assumptions and Methods	
Valuation Date	1/1/2016
Actuarial cost method	Individual Entry Age Normal
Amortization method	Level percent open
Remaining amortization period	10 to 30
Asset valuation method	5-year
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases (includes inflation)	4.25% to 8.00%
Assumed inflation rate	3.25%
Mortality	RP-2000 Combined Mortality Table, fully generational,

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

Actuarial Assumptions (Continued)

The current actuarial assumptions and methods used in the January 1, 2016 valuation were based upon an experience study that covered a five-year period ending December 31, 2011. Differences between assumptions and actual experience since the prior valuation are identified as actuarial gains and losses. These gains and losses impact the unfunded actuarial liability and future funding requirements determined in subsequent valuations.

The long term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation.

For each major asset class that is included in the pension plans' target allocation as of January 1, 2016, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.50%	0.25%
Fixed income	15.00%	0.87%
Equity	59.00%	5.13%
Marketable alternatives	15.50%	4.75%
Private markets	8.00%	5.84%
Total	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions for participating governmental entities will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

Sensitivity of the Board's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the Board's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate.

Pension Plan	1% Decrease (6.75)%	Current Discount Rate (7.75)%	1% Increase (8.75)%
Public Employees' Pension Plan	\$ 6,626,811	\$ 4,615,908	\$ 2,915,867
Law Enforcement Pension Plan	2,221,669	1,094,969	163,933
Component Units			
Library	787,776	548,726	346,630
Weed and Pest	290,851	202,592	127,977
Airport	51,751	36,047	22,771

Payables to the pension plan – At June 30, 2016, the County and its component units did not have any payables to the pension plans.

Retirement Plan – Memorial Hospital of Converse County

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 1,000 hours of service. Contributions to the Plan on behalf of the participants are an amount determined by management of Memorial Hospital of Converse County from time to time. Participant will vest in contributions made by Memorial Hospital of Converse County according to a vesting schedule. Participants will vest fully and will have a non-forfeitable interest in the balance of the participant's account in all contributions that are not uniform as a percentage of compensation for the different classes of employees specified in the Plan.

All years of service beginning January 1, 2009 shall count toward years of vesting. In addition each participant shall receive one year of service for each two years of service completed before January 1, 2009, up to a maximum of 6 years of service credited toward vesting. Also, a participant shall be 100% vested upon death, disability or upon a reduction in force as determined by Memorial Hospital of Converse County. The Plan does not issue a separate stand-alone financial report. Memorial Hospital of Converse County accrued \$102,274 which has been included in the accrued expenses on the statement of net position.

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 \$18,000 per participant, and \$24,000 for age 50 or older.

Weed and Pest Control District also offers its employees a deferred compensation plan under the provisions of Internal Revenue Code Section 457. Employees are eligible to participate upon start of employment. Participants can make pre-tax or after-tax contributions up to limits set by the IRS at their discretion and are always 100% vested in their account. Weed and Pest Control District can match employee contributions at their discretion. No employer matching contributions were made in 2016.

County Fund Balance

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

Building/maintenance reserve	\$ 13,112,118
Equipment reserve	3,314,072
Salary reserve	1,515,130
Loans reserve	83,812
	<u>\$ 18,025,132</u>

Note 9. Prior Period Adjustment

During the year it was discovered that the capital asset software being utilized by the Hospital had over depreciated several assets in the prior year. A prior adjustment in the amount of \$489,607 was needed to bring the accumulated depreciation on the various assets and retained earnings to a correct balance.

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's lawsuits and/or claims are covered by insurance and Wyoming Government Claims Act limits the liability to \$250,000.

The County has contracts with architect, engineers and contractors for the projects funded by the special purpose tax revenues for design and construction of the Douglas and Glenrock library locations, the Douglas campus of Eastern Wyoming Community College, and for the Lower Level public safety site. As of June 30, 2016, the County had approximately \$51,000,000 in contracts related to the projects under construction and \$24,500,000 in remaining contract commitments related to these projects. In addition, as of June 30, 2016, the County had approximately \$20,000,000 in contracts related to the roads under construction and \$4,000,000 in remaining contract commitments related to those projects.

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 \$62,940.

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 \$33,607.

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 2016 was approximately \$148,000.

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 2016 and 2015 were as follows for the County's participation in the Unemployment Compensation Act Program.

	2016	2015
Unpaid claims, beginning of year	\$ -	\$ -
Claims incurred	49,315	26,259
Claims paid	(49,315)	(26,259)
Unpaid claims, end of year	\$ -	\$ -

The County also provides its employees' health care benefits through a self-insured program for primary government and component unit employees excluding Memorial Hospital of Converse County. Under this program, the County is insured under a stop-loss policy for individual claims exceeding \$45,000 per year. The maximum specific reimbursement per person is \$1,960,000 per policy period.

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.

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 11. Risk Management Programs (Continued)

Changes in the County's health care risk management liability during the years ended June 30, 2016 and 2015 are as follows:

	2016	2015
Health care risk management liability, beginning of year	\$ 190,000	\$ 115,000
Claims incurred	1,709,032	841,011
Claims paid	(1,669,032)	(766,011)
Health care risk management liability, end of year	<u>\$ 230,000</u>	<u>\$ 190,000</u>

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

There has been no significant change in insurance coverage or the County's risk management programs during the year ended June 30, 2016.

Memorial Hospital of Converse County provided its employees' health care benefits through a self-insured program administered by Blue Cross Blue Shield. During the fiscal year ended June 30, 2016, the total claims and administrative fees were \$5,200,759 and the estimate of incurred but not reported claims was \$598,191.

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

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

Note 12. Transactions with Related Parties and Component Units

The County entered into a lease agreement with Commissioner Board Chairman, Richard Grant, for royalties from the Dry Creek Gravel Pit on the Grant Ranch. Compensation for the gravel is \$1.60 per yard that leaves the site and up to 100 yards of aggregate per year for ranch use. The total amount paid was approximately \$9,000.

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.

During the fiscal year ended June 30, 2016, the County provided \$153,579, \$1,800,000, and \$890,926 in support to the Converse County Airport, Memorial Hospital of Converse County, and Converse County Library, respectively.

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, 2016 amounted to approximately \$5,600.

CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Note 12. Transactions with Related Parties and Component Units (Continued)

Memorial Hospital of Converse County is a 40% owner in Big County Rehabilitation, LLC. Big Country Rehabilitation leases space from Memorial Hospital of Converse County for approximately \$42,874 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, 2016, Memorial Hospital of Converse County paid Big County Rehabilitation, LLC approximately \$399,492 for professional services rendered. Included in accounts payable is \$688 for services performed in June 2016.

Note 13. Deficit Fund Balances

The County's TANF, HAHR, Best Beginnings, and WIC funds had deficit fund balances at June 30, 2016. As of June 30, 2016, the County did not transfer funds to these funds to resolve the negative balances. The County will make transfers in the future to resolve these deficits.

Note 14. Implementation of Governmental Accounting Standards Board Statements 72 and 82

Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*, defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. The County implemented this standard effective July 1, 2015.

Governmental Accounting Standards Board Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*, is designed to improve consistency in the application of the pension standards clarifying or amending related areas of existing guidance. This standard is effective for reporting periods beginning after June 15, 2016. The County early implemented this standard.

Note 15. Subsequent Events

In September 2016, the County approved a grant agreement with the State of Wyoming, State Loan and Investment Board for Countywide Consensus Project, Irvine and Anderson Roads Reconstruction for \$222,779.

In November 2016, the County approved two contracts with Inberg-Miller Engineers for engineering services on Mormon Canyon and Natural Bridge Roads in the amount of \$290,785.

In January 2017, the County re-conveyed the Glenrock Library properties to the Converse County Library Board after the completion of construction and related warranty period.

In January 2017, the County approved the release of the excess funds from the Special Purpose Tax fund to the Converse County Library and Eastern Wyoming College in the amounts of \$7,180,982 and \$569,430, respectively.

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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, 2016

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Tax - property	\$ 22,543,283	\$ 22,543,283	\$ 22,867,032	\$ 323,749
Tax - other	10,434,100	10,434,100	8,494,723	(1,939,377)
Intergovernmental revenues	941,111	941,111	1,204,043	262,932
Charges for services	556,800	556,800	781,827	225,027
Investment income	83,500	83,500	182,162	98,662
Economic development	9,977	9,977	3,034	(6,943)
Miscellaneous revenues	1,016,000	1,016,000	1,047,387	31,387
Total revenues	<u>35,584,771</u>	<u>35,584,771</u>	<u>34,580,208</u>	<u>(1,004,563)</u>
Expenditures				
Current				
County Commissioners	370,926	370,926	334,203	36,723
County Clerk	586,153	586,153	533,928	52,225
County Treasurer	488,830	488,830	481,239	7,591
County Assessor	538,904	538,904	450,704	88,200
County Sheriff	2,707,559	2,707,559	2,693,086	14,473
County Attorney	1,134,537	1,134,537	1,105,898	28,639
Courthouse	1,323,543	1,323,543	824,544	498,999
Surveyor	113,336	113,336	99,038	14,298
Coroner	66,287	66,287	56,240	10,047
Agricultural agents	149,198	149,198	119,442	29,756
Clerk of District Court	522,351	522,351	493,674	28,677
IT	195,674	195,674	148,889	46,785
County jail	1,957,177	1,957,177	1,894,998	62,179
Road and bridge	4,616,915	4,616,915	3,923,651	693,264
Elections	161,681	161,681	107,707	53,974
Health	374,090	374,090	275,061	99,029
Emergency management	257,016	257,016	256,878	138
Special projects	54,651	54,651	45,230	9,421
Parks and recreation	260,368	260,368	184,670	75,698
Total County departments	<u>15,879,196</u>	<u>15,879,196</u>	<u>14,029,080</u>	<u>1,850,116</u>

(Continued)

See accompanying notes 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, 2016

	Budget Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
General accounts	\$ 4,418,438	\$ 4,418,438	\$ 3,691,012	\$ 727,426
Depreciation reserve	1,789,795	1,789,795	1,573,457	216,338
Community aid	570,000	570,000	565,448	4,552
Fire suppression	1,475,777	1,475,777	1,397,870	77,907
Building and maintenance reserve	11,953,000	11,953,000	1,248,258	10,704,742
Economic development	230,000	230,000	-	230,000
Total expenditures	<u>36,316,206</u>	<u>36,316,206</u>	<u>22,505,125</u>	<u>13,811,081</u>
Excess (deficiency) of revenues over expenditures	<u>(731,435)</u>	<u>(731,435)</u>	<u>12,075,083</u>	<u>12,806,518</u>
Other financing uses				
Transfers in - building and maintenance reserve	11,953,000	11,953,000	-	(11,953,000)
Transfers out	<u>(17,684,150)</u>	<u>(17,684,150)</u>	<u>(17,684,150)</u>	<u>-</u>
Total other financing uses	<u>(5,731,150)</u>	<u>(5,731,150)</u>	<u>(17,684,150)</u>	<u>(11,953,000)</u>
Net change in fund balance	<u>(6,462,585)</u>	<u>(6,462,585)</u>	<u>(5,609,067)</u>	<u>\$ 853,518</u>
Fund balance, beginning of year	<u>29,561,030</u>	<u>29,561,030</u>	<u>29,561,030</u>	
Fund balance, end of year	<u>\$ 23,098,445</u>	<u>\$ 23,098,445</u>	<u>\$ 23,951,963</u>	

See accompanying notes 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, 2016

	Budget Amounts		Actual	Variance with Final Budget (Positive Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 4,250,000	\$ 4,250,000	\$ 4,533,178	\$ 283,178
Investment income	4,000	4,000	\$ 32,193	28,193
	<u>4,254,000</u>	<u>4,254,000</u>	<u>4,565,371</u>	<u>311,371</u>
Expenditures				
Current				
General government	17,266,458	17,266,458	8,789,455	8,477,003
Total expenditures	<u>17,266,458</u>	<u>17,266,458</u>	<u>8,789,455</u>	<u>8,477,003</u>
Deficiency of revenues over expenditures	(13,012,458)	(13,012,458)	(4,224,084)	<u>\$ 8,788,374</u>
Fund balance, beginning of year	<u>14,009,260</u>	<u>14,009,260</u>	<u>14,009,260</u>	
Fund balance, end of year	<u>\$ 996,802</u>	<u>\$ 996,802</u>	<u>\$ 9,785,176</u>	

See accompanying notes to required supplementary information

CONVERSE COUNTY

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last 10 Fiscal Years *

(Unaudited)

	2016	2015	2014
Public Employees Pension Plan - County			
Proportion of the net pension liability	0.198163118%	0.186178840%	*
Proportionate share of the net pension liability	\$ 4,615,908	\$ 3,285,484	*
Covered-employee payroll	3,456,111	3,182,564	*
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	133.56%	103.23%	*
Plan fiduciary net position as a percentage of the total pension liability	73.40%	79.08%	*
Law Enforcement Pension Plan - County			
Proportion of the net pension liability	1.457628033%	1.377891923%	*
Proportionate share of the net pension liability	\$ 1,094,969	\$ 405,977	*
Covered-employee payroll	2,192,269	2,036,398	*
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	49.95%	19.94%	*
Plan fiduciary net position as a percentage of the total pension liability	87.49%	94.76%	*
Public Employees Pension Plan - Component Units			
Library			
Proportion of the net pension liability	0.023557055%	0.026475595%	*
Proportionate share of the net pension liability	\$ 548,726	\$ 467,213	*
Covered-employee payroll	410,852	452,577	*
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	133.56%	103.23%	*
Plan fiduciary net position as a percentage of the total pension liability	73.40%	79.08%	*
Weed and Pest			
Proportion of the net pension liability	0.008697388%	0.009060781%	*
Proportionate share of the net pension liability	\$ 202,592	\$ 159,895	*
Covered-employee payroll	151,689	168,569	*
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	133.56%	94.85%	*
Plan fiduciary net position as a percentage of the total pension liability	73.40%	79.08%	*
Airport			
Proportion of the net pension liability	0.001547517%	N/A	N/A
Proportionate share of the net pension liability	\$ 36,047	N/A	N/A
Covered-employee payroll	26,990	N/A	N/A
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	133.51%	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	73.40%	N/A	N/A

The amounts presented for each fiscal year were determined as of December 31st, which is the measurement date.

* Information for years prior to 2015 is not available; the schedules will be completed as information becomes available. See accompanying notes to required supplementary information

2013	2012	2011	2010	2009	2008	2007
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N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A

CONVERSE COUNTY

SCHEDULE OF PENSION CONTRIBUTIONS

Last 10 Fiscal Years

(Unaudited)

	2016	2015	2014
Public Employees Pension Plan - County			
Contractually required contribution	\$ 617,692	\$ 536,609	*
Contributions in relations to the contractually required contributions	(617,692)	(536,609)	*
Contribution deficiency (excess)	\$ -	\$ -	*
Covered-employee payroll	\$ 3,716,558	\$ 3,381,279	*
Contributions as a percentage of covered-employee payroll	16.62%	15.87%	*
Law Enforcement Pension Plan - County			
Contractually required contribution	\$ 402,167	\$ 357,763	*
Contributions in relations to the contractually required contributions	(402,167)	(357,763)	*
Contribution deficiency (excess)	\$ -	\$ -	*
Covered-employee payroll	\$ 2,338,180	\$ 2,080,017	*
Contributions as a percentage of covered-employee payroll	17.20%	17.20%	*
Public Employees Pension Plan - Component Units			
Library			
Contractually required contribution	\$ 70,380	\$ 71,078	*
Contributions in relations to the contractually required contributions	(70,380)	(71,078)	*
Contribution deficiency (excess)	\$ -	\$ -	*
Covered-employee payroll	\$ 423,466	\$ 447,876	*
Contributions as a percentage of covered-employee payroll	16.62%	15.87%	*
Weed and Pest			
Contractually required contribution	\$ 25,081	\$ 25,321	*
Contributions in relations to the contractually required contributions	(25,081)	(25,321)	*
Contribution deficiency (excess)	\$ -	\$ -	*
Covered-employee payroll	\$ 150,909	\$ 159,553	*
Contributions as a percentage of covered-employee payroll	16.62%	15.87%	*
Airport			
Contractually required contribution	\$ 8,700	N/A	N/A
Contributions in relations to the contractually required contributions	(8,700)	N/A	N/A
Contribution deficiency (excess)	\$ -	N/A	N/A
Covered-employee payroll	\$ 52,347	N/A	N/A
Contributions as a percentage of covered-employee payroll	16.62%	N/A	N/A

The amounts presented for each fiscal year were determined as of December 31st, which is the measurement date.

* Information for years prior to 2015 is not available; the schedules will be completed as information becomes available.

See accompanying notes to required supplementary information

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CONVERSE COUNTY, WYOMING

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016

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	\$ 25,120,997	\$ (120,953)	\$ (25,000,044)	\$ -
Tax - property	-	-	22,867,032	22,867,032
Tax - other	-	-	8,494,723	8,494,723
Licenses and permits	640,623	25,718	(666,341)	-
Intergovernmental	7,963,220	-	(6,759,177)	1,204,043
Charges for services	91,617	-	690,210	781,827
Investment income	160,848	(40,779)	62,093	182,162
Economic Development	-	-	3,034	3,034
Miscellaneous revenues	63,200	7,696	976,491	1,047,387
	<u>\$ 34,040,505</u>	<u>\$ (128,318)</u>	<u>\$ 668,021</u>	<u>\$ 34,580,208</u>
Expenditures				
General government	\$ 11,487,921	\$ 141,858	\$ (11,629,779)	\$ -
Public safety	4,836,270	(23,354)	(4,812,916)	-
Public works	3,948,735	(110,867)	(3,837,868)	-
Health, welfare and recreation	467,750	-	(467,750)	-
Conservation of natural resources	122,529	(6,039)	(116,490)	-
Economic development	4,347	-	(4,347)	-
Debt service - principal	70,580	(66,406)	(4,174)	-
Debt service - interest	9,477	(13,652)	4,175	-
Capital outlay	1,036,385	(1,025)	(1,035,360)	-
County Commissioners	-	-	334,203	334,203
County Clerk	-	-	533,928	533,928
County Treasurer	-	-	481,239	481,239
County Assessor	-	-	450,704	450,704
County Sheriff	-	-	2,693,086	2,693,086
County Attorney	-	-	1,105,898	1,105,898
Courthouse	-	-	824,544	824,544
Surveyor	-	-	99,038	99,038
Coroner	-	-	56,240	56,240
Conservation of natural resources	-	-	119,442	119,442
Clerk of District Court	-	-	493,674	493,674
IT	-	-	148,889	148,889
County jail	-	-	1,894,998	1,894,998
Road and bridge	-	-	3,923,651	3,923,651
Elections	-	-	107,707	107,707
Health	-	-	275,061	275,061
Emergency management	-	-	256,878	256,878
Special projects	-	-	45,230	45,230
General accounts	-	-	3,691,012	3,691,012
Depreciation reserve	-	-	1,573,457	1,573,457
Community aid	-	-	565,448	565,448
Fire suppression	-	-	1,397,870	1,397,870
Building and maintenance reserve	-	-	1,248,258	1,248,258
Parks and recreation	-	-	184,670	184,670
	<u>\$ 21,983,994</u>	<u>\$ (79,485)</u>	<u>\$ 600,616</u>	<u>\$ 22,505,125</u>

CONVERSE COUNTY, WYOMING

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016

Note 1. Basis of Budgeting (Continued)

Budgetary Information

The schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund presents a comparison of the legally adopted budget with actual data. The County prepares its budget on a cash basis, and the revenues and expenditures presented in the aforementioned statement are on the modified accrual basis. Any differences in revenues and expenditures as a result of the difference in accounting basis are considered immaterial. Appropriations lapse at fiscal year-end. All budget amendments are approved by the County Commissioners and are presented within the final budget figures.

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

Wyoming State Statutes require the preparation of the annual budget which provides documentation that all sources and uses of County resources are properly planned, budgeted and approved. The budget, upon adoption, is the legal document which places restrictions and limitations on the purposes and amounts for which County monies may be expended.

The budget is adopted according to the following schedule:

1. On or before May 15, the Budget Officer shall prepare a tentative budget for each fund and file the budget with the governing body.
2. A summary of the tentative budget shall be entered into the minutes and the governing body shall publish the summary at least one week before the public hearing to adopt the budget.
3. The public hearing is held on or before the third Monday in July.
4. On the day of or the day following the public hearing, the County Commissioners, by resolution, make the necessary appropriations and adopt the budget, which subject to future amendment, shall be in effect for the next fiscal year

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	\$ 2,892,091	\$ (176,089)	\$ 1,817,176	\$ 4,533,178
Investment income	15,290	(2,605)	19,508	32,193
	\$ 2,907,381	\$ (178,694)	\$ 1,836,684	\$ 4,565,371
Expenditures				
Capital outlay	\$ 8,534,227	\$ (413,792)	\$ 669,020	\$ 8,789,455
	\$ 8,534,227	\$ (413,792)	\$ 669,020	\$ 8,789,455

CONVERSE COUNTY, WYOMING

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016

Note 2. Capital Project Budget Deficit

Due to the size of the Justice Center Project, the County created a separate capital projects fund during the fiscal year ended June 30, 2016. The County budgeted the expenditures for the Justice Center Project in the general fund as a transfer; however, when the new fund was created the County did not have a budget hearing to establish a budget for the new capital projects fund. This is a violation of Wyoming State Statute §16-4-108.

Note 3. Explanation of Changes to Pension Plan

Changes to assumptions – There have been no changes of assumptions in the Public Employees' Pension Plan since the prior valuation.

Changes in benefits – There have been no changes in benefit provisions in the Public Employees' Pension Plan since the prior valuation.

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OTHER SUPPLEMENTARY INFORMATION

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CONVERSE COUNTY, WYOMING

COMBINING BALANCE SHEET
COUNTY ROADS FUNDS

June 30, 2016

	County Roads Fund	County Roads Other Fund	County Road 37 Fund	Totals
ASSETS				
Cash and cash equivalents	\$ 1,636,260	\$ 5,087,943	\$ 111,138	\$ 6,835,341
Investments	1,062,978	731,087	-	1,794,065
Due from other governments	16,674	-	-	16,674
	<u>2,715,912</u>	<u>5,819,030</u>	<u>111,138</u>	<u>8,646,080</u>
Total assets	<u>\$ 2,715,912</u>	<u>\$ 5,819,030</u>	<u>\$ 111,138</u>	<u>\$ 8,646,080</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable and accrued liabilities	\$ -	\$ 449,801	\$ -	\$ 449,801
Due to other funds	13,473	-	-	13,473
	<u>13,473</u>	<u>449,801</u>	<u>-</u>	<u>463,274</u>
Total liabilities	<u>13,473</u>	<u>449,801</u>	<u>-</u>	<u>463,274</u>
Fund Balances				
Restricted				
County road construction	2,702,439	-	-	2,702,439
Committed				
Road construction	-	5,369,229	111,138	5,480,367
	<u>2,702,439</u>	<u>5,369,229</u>	<u>111,138</u>	<u>8,182,806</u>
Total fund balances	<u>2,702,439</u>	<u>5,369,229</u>	<u>111,138</u>	<u>8,182,806</u>
Total liabilities and fund balances	<u>\$ 2,715,912</u>	<u>\$ 5,819,030</u>	<u>\$ 111,138</u>	<u>\$ 8,646,080</u>

CONVERSE COUNTY, WYOMING

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 COUNTY ROADS FUNDS
 Year Ended June 30, 2016

	County Roads Fund	County Roads Other Fund	County Road 37 Fund	Totals
Revenues				
Tax revenue	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	459,120	203,955	-	663,075
Investment income	7,134	24,732	-	31,866
Total revenues	<u>466,254</u>	<u>228,687</u>	<u>-</u>	<u>694,941</u>
Expenditures				
Capital outlay	-	13,449,238	-	13,449,238
Total expenditures	<u>-</u>	<u>13,449,238</u>	<u>-</u>	<u>13,449,238</u>
Net changes in fund balances	466,254	(13,220,551)	-	(12,754,297)
Fund balances, beginning of year	<u>2,236,185</u>	<u>18,589,780</u>	<u>111,138</u>	<u>20,937,103</u>
Fund balances, end of year	<u>\$ 2,702,439</u>	<u>\$ 5,369,229</u>	<u>\$ 111,138</u>	<u>\$ 8,182,806</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, 2016

	Budget Amounts		Actual	Variance with Final Budget positive (negative)
	Original	Final		
Revenues				
Tax revenue	\$ 446,000	\$ 446,000	\$ 469,368	\$ 23,368
Investment income	9,500	9,500	7,467	(2,033)
	<u>455,500</u>	<u>455,500</u>	<u>476,835</u>	<u>21,335</u>
Expenditures				
Capital outlay	2,500,000	2,500,000	-	2,500,000
Total expenditures	<u>2,500,000</u>	<u>2,500,000</u>	<u>-</u>	<u>2,500,000</u>
Net change in fund balance	(2,044,500)	(2,044,500)	476,835	<u>\$ 2,521,335</u>
Fund balance, beginning of year	<u>2,219,536</u>	<u>2,219,536</u>	<u>2,219,536</u>	
Fund balance, end of year	<u>\$ 175,036</u>	<u>\$ 175,036</u>	<u>\$ 2,696,371</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, 2016

	Budget Amounts		Actual	Variance with Final Budget positive (negative)
	Original	Final		
Revenues				
Intergovernmental revenues	\$ 566,753	\$ 566,753	\$ 218,339	\$ (348,414)
Investment income	33,500	33,500	24,732	(8,768)
	<u>600,253</u>	<u>600,253</u>	<u>243,071</u>	<u>(357,182)</u>
Expenditures				
Capital outlay	24,777,073	24,777,073	13,339,055	11,438,018
Total expenditures	<u>24,777,073</u>	<u>24,777,073</u>	<u>13,339,055</u>	<u>11,438,018</u>
 (Deficiency) of revenues over expenditures	 (24,176,820)	 (24,176,820)	 (13,095,984)	 11,080,836
Other financing sources				
Transfers in	5,731,150	5,731,150	-	(5,731,150)
Total other financing sources	<u>5,731,150</u>	<u>5,731,150</u>	<u>-</u>	<u>(5,731,150)</u>
 Net change in fund balance	 (18,445,670)	 (18,445,670)	 (13,095,984)	 <u>\$ 16,811,986</u>
 Fund balance, beginning of year	 <u>18,914,902</u>	 <u>18,914,902</u>	 <u>18,914,902</u>	
 Fund balance, end of year	 <u>\$ 469,232</u>	 <u>\$ 469,232</u>	 <u>\$ 5,818,918</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, 2016

	Budget Amounts		Actual	Variance with Final Budget positive (negative)
	Original	Final		
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Capital outlay	111,138	111,138	-	111,138
Total expenditures	111,138	111,138	-	111,138
Net change in fund balance	(111,138)	(111,138)	-	<u>\$ 111,138</u>
Fund balance, beginning of year	111,138	111,138	111,138	
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 111,138</u>	

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CONVERSE COUNTY, WYOMING

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL (BUDGETARY BASIS)
 CAPITAL PROJECTS FUND
 Year Ended June 30, 2016

	Budget Amounts		Actual	Variance with Final Budget positive (negative)
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ -	\$ 375,314	\$ 375,314
	-	-	375,314	375,314
Expenditures				
Capital outlay	-	-	2,356,043	(2,356,043)
Total expenditures	-	-	2,356,043	(2,356,043)
Excess (deficiency) of revenues over expenditures	-	-	(1,980,729)	(1,980,729)
Other financing uses				
Transfers in	-	-	17,684,150	17,684,150
Total other financing uses	-	-	17,684,150	17,684,150
Net change in fund balance	-	-	15,703,421	<u>\$ (19,664,879)</u>
Fund balance, beginning of year	-	-	-	
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,703,421</u>	

NOTE: See Note 2 to the Notes to Required Supplementary Information.

CONVERSE COUNTY, WYOMING
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
Year Ended June 30, 2016

	Rural Fire Protection	Parks and Recreation	Health Department	Enhanced 911	K-9
ASSETS					
Cash and cash equivalents	\$ 13,321	\$ 61,557	\$ 54,415	\$ 581,242	\$ 23,190
Property taxes receivable	288	468	644	-	-
Accounts receivable	-	-	-	16,910	-
Due from other governments	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total assets	<u>\$ 13,609</u>	<u>\$ 62,025</u>	<u>\$ 55,059</u>	<u>\$ 598,152</u>	<u>\$ 23,190</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Refundable advances	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources					
tax revenue	288	456	636	-	-
Total deferred inflows of resources	<u>288</u>	<u>456</u>	<u>636</u>	<u>-</u>	<u>-</u>
Fund Balances					
Restricted					
Rural fire protection	13,321	-	-	-	-
Parks and recreation	-	61,569	-	-	-
Health department	-	-	54,423	-	-
Enhanced 911	-	-	-	598,152	-
Grants	-	-	-	-	23,190
Committed					
Impact assistance	-	-	-	-	-
Assigned					
Inmate welfare	-	-	-	-	-
Offender monitoring	-	-	-	-	-
Unassigned					
	-	-	-	-	-
Total fund balances (deficit)	<u>13,321</u>	<u>61,569</u>	<u>54,423</u>	<u>598,152</u>	<u>23,190</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 13,609</u>	<u>\$ 62,025</u>	<u>\$ 55,059</u>	<u>\$ 598,152</u>	<u>\$ 23,190</u>

Homeland Security Grants	TANF Grant	Immunization Grant	Other Grants	Inmate Welfare	Offender Monitoring	Ebola Grant
\$ -	\$ -	\$ 11,024	\$ 63,813	\$ 79,130	\$ 6,814	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
41,596	-	-	5,816	-	-	-
-	1,164	-	-	-	-	-
<u>\$ 41,596</u>	<u>\$ 1,164</u>	<u>\$ 11,024</u>	<u>\$ 69,629</u>	<u>\$ 79,130</u>	<u>\$ 6,814</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 36,380	\$ 217	\$ -	\$ -
17,145	1,210	-	1,164	-	-	-
-	-	-	-	-	-	-
<u>17,145</u>	<u>1,210</u>	<u>-</u>	<u>37,544</u>	<u>217</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
24,451	(46)	11,024	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	78,913	-	-
-	-	-	-	-	6,814	-
-	-	-	32,085	-	-	-
<u>24,451</u>	<u>(46)</u>	<u>11,024</u>	<u>32,085</u>	<u>78,913</u>	<u>6,814</u>	<u>-</u>
<u>\$ 41,596</u>	<u>\$ 1,164</u>	<u>\$ 11,024</u>	<u>\$ 69,629</u>	<u>\$ 79,130</u>	<u>\$ 6,814</u>	<u>\$ -</u>

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CONVERSE COUNTY, WYOMING
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS (CONTINUED)
June 30, 2016

	HAHR	Best Beginnings	WIC Grant	Impact Assistance	Total Special Revenue Funds
ASSETS					
Cash and cash equivalents	\$ 6,764	\$ -	\$ -	\$ 100,701	\$ 1,001,971
Property taxes receivable	-	-	-	-	1,400
Accounts receivable	-	-	-	-	16,910
Due from other governments	-	-	-	-	47,412
Due from other funds	-	-	-	-	1,164
Total assets	<u>\$ 6,764</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,701</u>	<u>\$ 1,068,857</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts payable and accrued liabilities	\$ 66	\$ -	\$ 2,700	\$ -	\$ 39,363
Due to other funds	-	12,960	89	-	32,568
Refundable advances	6,764	-	-	-	6,764
Total liabilities	<u>6,830</u>	<u>12,960</u>	<u>2,789</u>	<u>-</u>	<u>78,695</u>
Deferred inflows of resources					
Deferred property tax revenue	-	-	-	-	1,380
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,380</u>
Fund Balances					
Restricted					
Rural fire protection	-	-	-	-	13,321
Parks and recreation	-	-	-	-	61,569
Health department	-	-	-	-	54,423
Enhanced 911	-	-	-	-	598,152
Grants	-	-	-	-	58,619
Committed					
Impact assistance	-	-	-	100,701	100,701
Assigned					
Inmate welfare	-	-	-	-	78,913
Offender monitoring	-	-	-	-	6,814
Unassigned	(66)	(12,960)	(2,789)	-	16,270
Total fund balances (deficit)	<u>(66)</u>	<u>(12,960)</u>	<u>(2,789)</u>	<u>100,701</u>	<u>988,782</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,764</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,701</u>	<u>\$ 1,068,857</u>

CONVERSE COUNTY, WYOMING

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
Year Ended June 30, 2016

	Rural Fire Protection	Parks and Recreation	Health Department	Enhanced 911	K-9
Revenues					
Taxes	\$ -	\$ 2,316	\$ 1,786	\$ -	\$ -
Intergovernmental revenues	893	259	321	135,412	-
Investment income	12	107	103	1,287	-
Miscellaneous revenues	-	364	378	-	-
Total revenues	<u>905</u>	<u>3,046</u>	<u>2,588</u>	<u>136,699</u>	<u>-</u>
Expenditures					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	64,163	635
Public works	-	-	-	-	-
Health, welfare and recreation	-	-	(1,220)	-	-
Conservation of natural resources	-	(886)	-	-	-
Total expenditures	<u>-</u>	<u>(886)</u>	<u>(1,220)</u>	<u>64,163</u>	<u>635</u>
Net changes in fund balances	<u>905</u>	<u>3,932</u>	<u>3,808</u>	<u>72,536</u>	<u>(635)</u>
Fund balances, beginning of year	<u>12,416</u>	<u>57,637</u>	<u>50,615</u>	<u>525,616</u>	<u>23,825</u>
Fund balances (deficit), end of year	<u>\$ 13,321</u>	<u>\$ 61,569</u>	<u>\$ 54,423</u>	<u>\$ 598,152</u>	<u>\$ 23,190</u>

Homeland Security Grants	TANF Grant	Immunization Grant	Other Grant	Inmate Welfare	Offender Monitoring	Ebola Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
53,894	4,107	-	164,098	3,896	-	680
-	-	-	-	188	-	-
-	-	-	-	-	-	-
<u>53,894</u>	<u>4,107</u>	<u>-</u>	<u>164,098</u>	<u>4,084</u>	<u>-</u>	<u>680</u>
-	-	-	47,704	-	-	-
51,349	-	-	143,787	3,835	-	-
-	-	-	12,780	-	-	-
-	5,215	-	-	-	-	680
-	-	-	-	-	-	-
<u>51,349</u>	<u>5,215</u>	<u>-</u>	<u>204,271</u>	<u>3,835</u>	<u>-</u>	<u>680</u>
2,545	(1,108)	-	(40,173)	249	-	-
21,906	1,062	11,024	72,258	78,664	6,814	-
<u>\$ 24,451</u>	<u>\$ (46)</u>	<u>\$ 11,024</u>	<u>\$ 32,085</u>	<u>\$ 78,913</u>	<u>\$ 6,814</u>	<u>\$ -</u>

(Continued)

CONVERSE COUNTY, WYOMING

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE FUNDS (CONTINUED)
 Year Ended June 30, 2016

	HAHR	Best Beginnings	WIC Grant	Impact Assistance	Nonmajor Special Revenue Funds
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 4,102
Intergovernmental revenues	94,144	51,756	11,558	100,701	621,719
Investment income (loss)	-	(43)	-	-	1,654
Miscellaneous revenues	-	-	-	-	742
Total revenues	<u>94,144</u>	<u>51,713</u>	<u>11,558</u>	<u>100,701</u>	<u>628,217</u>
Expenditures					
Current					
General government	94,210	-	-	-	141,914
Public safety	-	-	-	-	263,769
Public works	-	-	-	-	12,780
Health, welfare and recreation	-	58,802	11,487	-	74,964
Conservation of natural resources	-	-	-	-	(886)
Total expenditures	<u>94,210</u>	<u>58,802</u>	<u>11,487</u>	<u>-</u>	<u>492,541</u>
Net changes in fund balances	<u>(66)</u>	<u>(7,089)</u>	<u>71</u>	<u>100,701</u>	<u>135,676</u>
Fund balances (deficit), beginning of year	<u>-</u>	<u>(5,871)</u>	<u>(2,860)</u>	<u>-</u>	<u>853,106</u>
Fund balances (deficit), end of year	<u>\$ (66)</u>	<u>\$ (12,960)</u>	<u>\$ (2,789)</u>	<u>\$ 100,701</u>	<u>\$ 988,782</u>

CONVERSE COUNTY, WYOMING

COMBINING STATEMENT OF NET POSITION CONVERSE COUNTY LIBRARY AND CONVERSE COUNTY LIBRARY FOUNDATION Year Ended June 30, 2016

	Converse County Public Library	Converse County Public Library Foundation	Total
ASSETS			
Cash and cash equivalents	\$ 778,483	\$ 114,610	\$ 893,093
Investments	84,379	3,372	87,751
Property taxes receivable	2,984	-	2,984
Accounts receivable	261	129,344	129,605
Due from other governments	6,555	-	6,555
Restricted cash and cash equivalents	-	118,452	118,452
Restricted investments	-	142,943	142,943
Beneficial interest in assets held by others	-	222,480	222,480
Capital assets being depreciated, net of accumulated depreciation	538,305	-	538,305
Total assets	1,410,967	731,201	2,142,168
DEFERRED OUTFLOWS OF RESOURCES			
Pension items	174,465	-	174,465
Total deferred outflows of resources	174,465	-	174,465
LIABILITIES			
Accounts payable and accrued liabilities	2,738	-	2,738
Noncurrent liabilities			
Due within one year	545	-	545
Due in more than one year	27,903	-	27,903
Net pension liability	548,726	-	548,726
Total liabilities	579,912	-	579,912
DEFERRED INFLOWS OF RESOURCES			
Pension items	46,022	-	46,022
Total deferred inflows of resources	46,022	-	46,022
NET POSITION			
Net investment in capital assets	538,305	-	538,305
Restricted by grantors, nonexpendable	-	581,646	581,646
Restricted by grantors, expendable	-	31,573	31,573
Unrestricted	421,193	117,982	539,175
Total net position	\$ 959,498	\$ 731,201	\$ 1,690,699

CONVERSE COUNTY, WYOMING

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
CONVERSE COUNTY LIBRARY AND CONVERSE COUNTY LIBRARY FOUNDATION

Year Ended June 30, 2016

	Converse County Public Library	Converse County Public Library Foundation	Total
Revenues			
Taxes	\$ 14,562	\$ -	\$ 14,562
Charges for services	9,915	-	9,915
Intergovernmental revenue	893,883	-	893,883
Miscellaneous	578	116	694
Investment income (loss)	2,516	(11,307)	(8,791)
Public support	-	13,606	13,606
Total revenues	921,454	2,415	923,869
Expenditures			
Current			
Health, welfare and recreation	908,874	5,603	914,477
Debt service			
Interest	469	-	469
Total expenditures	909,343	5,603	914,946
Deficiency of revenues over expenditures	12,111	(3,188)	8,923
Other financing sources			
Contributions to an endowment	-	225,753	225,753
Transfers in	16,498	-	16,498
Transfers out	-	(16,498)	(16,498)
	16,498	209,255	225,753
Net change in fund balance	28,609	206,067	234,676
Net position, beginning of year	930,889	525,134	1,456,023
Net position, end of year	\$ 959,498	\$ 731,201	\$ 1,690,699

COMPLIANCE INFORMATION

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

INDEPENDENT AUDITOR'S REPORT

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 major fund, and the aggregate remaining fund information of Converse County, Wyoming (County) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 23, 2017. Our report includes a reference to other auditors who audited the financial statements for the Memorial Hospital of Converse County, the 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. Accordingly, we do not express 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as 2016-001, that we consider to be a material weakness.

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 January 23, 2017.

County's Response to Findings

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. 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

January 23, 2017
Casper, Wyoming

CONVERSE COUNTY, WYOMING

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2016

Material Weakness in Internal Control

Internal Control over Financial Reporting

2016-001

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. AU 265 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.

Cause

County does not see a significant value from the technical compliance with this statement or a cost benefit to the County.

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.

Views of Responsible Officials and Planned Corrective Actions

While the County understands the issued guidelines under AU 265, 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 PRIOR YEAR AUDIT FINDINGS

June 30, 2016

2015-001

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. AU 265 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.

Status

While the County understands the issued guidelines under AU 265, the County does not see a significant value from the technical compliance with this statement or a cost benefit to the County. The condition still exists, see 2016-001.