

LINCOLN COUNTY
FINANCIAL STATEMENTS

June 30, 2010



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INDEPENDENT AUDITORS' REPORT

Board of County Commissioners
Lincoln County
Kemmerer, Wyoming

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 Lincoln County, Wyoming (the County), as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, 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 the County, as of June 30, 2010, and the respective changes in the financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 13, 2011, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of

internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison schedules as listed in the table of contents are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the County. The accompanying schedules of Drug Court financial position and Drug Court activities and functional expenses are presented for purposes of additional analysis as required by the State of Wyoming Department of Health and are also not a required part of the basic financial statements of the County. The supplementary information, the schedule of expenditures of federal awards and the schedules of Drug Court financial position and Drug Court activities and functional expenses have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in blue ink that reads "Jones Simkins, P.C.".

JONES SIMKINS, P.C.
January 13, 2011

LINCOLN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2010

This document is a narrative overview and analysis of the activities of Lincoln County, Wyoming (the County) for the fiscal year ending June 30, 2010. The County's elected officials encourage readers to consider the information presented here in conjunction with the financial statements which follow this section. To help the reader navigate this report, the County's activities are classified in the following manner: governmental activities, which refers to public safety, public works, health and welfare, and the maintenance of infrastructure, land, buildings, and equipment required to perform these services. Component Units refers to Weed and Pest Control, County Fair, and County Library which are separate legal entities that are required to be presented in these financial statements.

Financial Highlights

The total net assets of Lincoln County for the year decreased by \$1,076,105, taking the net asset total to \$43,530,200. Three focal points of the County's finances are: cash and investments (including cash and cash equivalents and pooled cash and cash equivalents), capital assets (including land, roads, buildings, equipment, construction- in-process, and accumulated depreciation) and long-term liabilities (including notes payable, landfill closure liability, compensated absences, and capital leases).

The change in net assets resulted from changes in all three categories. 1. Cash and investments increased by \$1,864,652 or 15% over the prior year because some major budgeted expenses did not occur. Cash and investments now represent 25% of total assets. 2. Net capital assets increased by \$3,036,308 or 9% over the prior year. This increase is a result of purchases of machinery and equipment and completion of various construction projects. Capital assets are now 59% of total assets. 3. Long-term liabilities increased by \$5,071,948 or 218%. Most of this increase is due to a \$5,109,000 increase in the estimated landfill closure liability. Long-term liabilities account for 42% of total liabilities. Other liabilities decreased \$3,114,529 or 23% due to a reduction in deferred property taxes and a reduction in deferred revenue associated with grants.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Lincoln County's basic financial statements. This financial report comprises information about the County and includes five parts: 1) the independent auditors' report; 2) management's discussion and analysis; 3) the basic financial statements; 4) required supplementary information; 5) and combining financial statements and schedules. Within the basic financial statement are two distinct types of financial statements: 1) the government-wide financial statements; and 2) the fund financial statements. The notes to the financial statements are also an integral part of the basic financial statements. The government-wide view of the County's finances is a requirement under Government Accounting Standards Board Statement No. 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments". Following the notes to the financial statements, the required supplementary information contains certain budgetary comparison information. Thereafter, the supplementary information contains additional fund data such as combining schedules and individual fund budget-to-actual comparisons.

Government-wide Financial Statements

The government-wide financial statements provide a view of the County's finances as a whole, similar to a private business. The statements consist of the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets shows the County's assets and liabilities and the resulting difference between the assets and liabilities as net assets. This number (and the related change in net assets from year to year) is probably the most important financial measurement to understanding the financial position of the County and whether the financial position improves or diminishes from year to year. However, to evaluate the

LINCOLN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2010

County's overall financial condition, the reader needs to consider other important factors, such as the economic outlook, stability of and control over revenue sources, and the condition of and plan to maintain capital assets.

The Statement of Activities shows how the County's net assets changed as a result of its operations during the most recent year. To understand the basis of how these numbers are determined, it is important to note that changes in net assets are reported whenever an event occurs that requires a revenue or expense to be recognized, regardless of when the related cash is received or disbursed. Tax revenues are reported when due, even though they may not be collected for some time after that date. Expenses are recorded when the goods or services are received, even though the bill may not be paid until some time later.

The distinct type of activities reflected in the Primary Government Financial Statements are governmental activities. The County does not have any business-type activities. Governmental activities are those supported primarily by taxes and intergovernmental revenue and are not designed to charge fees sufficient to recover all costs of operations. As reported by the County, governmental activities include such functions as general government, public safety, public works, and health and welfare.

The Government-Wide Financial Statements include not only Lincoln County itself (known as the primary government), but component units which include: Weed and Pest Control, County Fair, and County Library. Financial information for these component units are reported separately from the financial information presented for the primary government.

Fund Financial Statements

The County uses funds to account for separate activities and to help demonstrate compliance with financially related legal requirements such as budgetary compliance. A fund is a set of closely related accounts used to maintain control over financial resources which have been segregated for specific activities or purposes. All funds are categorized as governmental or fiduciary funds.

Governmental funds include essentially the same functions and services as delineated under governmental activities shown in the government-wide statements. However, for accounting and reporting purposes, governmental fund amounts are determined with a different approach. At the fund level, the focus is on changes in short-term resources and the balance available to spend, rather than the long-term focus used for determining government-wide numbers. Because the focus is so different between fund statements and government-wide statements, a reconciliation between the two types of statements is necessary to understand how the numbers differ. Such reconciliations are provided as listed in the table of contents.

The General Fund is the primary operating fund of the County and is one of two governmental funds designated as "major" because of the magnitude of the assets, liabilities, revenues, and expenses recorded in these funds. The Grants fund is the other major fund of the County. There are five other governmental funds that are reported. A summary of these five other funds is combined into one "non-major fund" column. The non-major funds include Abandoned Vehicle, Contracts, Enhanced 911, SL Hospital Contract, and State Roads. The composition of the non-major funds is shown in the combining statements later in this report. The County is required to adopt an annual budget showing appropriations for each of the governmental funds. To demonstrate legal compliance, statements comparing budget to actual numbers for the General Fund and the Grants Fund are included in the required supplementary information. Budget to actual schedules for all other governmental funds are included in the supplementary information.

LINCOLN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2010

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's programs.

Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position and condition. As of June 30, 2010, Lincoln County's assets exceeded its liabilities by \$43,530,200. The largest portion of Lincoln County's assets (59%) reflects its investment in capital assets, (land, rights of way, buildings, infrastructure, equipment, and accumulated depreciation). The County uses these capital assets to provide services to its citizens; consequently these assets are not available for future spending. Current assets represents (41%) of assets and for the most part these funds are available for future spending. The asset to liability ratio is 3.5:1, meaning, for every dollar of liabilities the County holds three dollars and fifty cents in assets.

Statement of Net Assets: As taken from the Statement of Net Assets in the basic financial statements, the following table depicts the net assets including all assets and liabilities that create net assets for 2009 and 2010 as well as the changes between the two years. The percentage to total assets, liabilities, and net assets illustrates the percent change of each account to their respective totals for each year. This will assist in evaluating the importance of that account to the total and how that translates to its effect on net assets.

	2009	2010	Net Change	Percentage to Total Asset		% Change Between 2009-2010
	Governmental Activities	Governmental Activities		%	%	
Assets:						
Current and Other						
Assets	\$ 27,488,923	25,333,929	(2,154,994)	45.55%	41.37%	-7.84%
Capital Assets	32,860,122	35,896,430	3,036,308	54.45%	58.63%	9.24%
Total Assets	60,349,045	61,230,359	881,314			
Liabilities:						
Other Liabilities	13,415,568	10,301,039	(3,114,529)	85.22%	58.20%	-23.22%
Long-term Liabilities	2,327,172	7,399,120	5,071,948	14.78%	41.80%	217.94%
Total Liabilities	15,742,740	17,700,159	1,957,419			
Net Assets:						
Invested in Capital						
Assets, net of debt	32,464,950	35,533,706	3,068,756	72.78%	81.63%	9.45%
Restricted	166,740	173,072	6,332	0.37%	0.40%	3.80%
Unrestricted	11,974,615	7,823,422	(4,151,193)	26.85%	17.97%	-34.67%
Total Net Assets	\$ 44,606,305	43,530,200	(1,076,105)			
Asset to Liability	3.8	3.5				

LINCOLN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2010

Changes in Net Assets: As taken from the Statement of Activities in the basic financial statements, the following table depicts the changes in net assets for 2010, the changes between 2009 and 2010, as well as percentages of revenue and expenses.

Lincoln County Summary of Changes in Net Assets

		<u>2009</u>	<u>% of Total Revenues</u>		<u>2010</u>	<u>% of Total Revenues</u>	<u>\$ Change Between Years</u>	<u>% Change Between Years</u>
Revenues:								
Program revenues								
Charges for services	\$	899,012	3.98%		818,839	3.60%	(80,173)	-8.92%
Operating grants		3,030,650	13.43%		3,296,331	14.51%	265,681	8.77%
Capital grants		742,929	3.29%		1,074,359	4.73%	331,430	44.61%
General Revenues:								
Property taxes		11,745,527	52.06%		13,216,008	58.18%	1,470,481	12.52%
Sales and use tax		5,137,945	22.77%		3,216,788	14.16%	(1,921,157)	-37.39%
Other taxes		797,323	3.53%		795,394	3.50%	(1,929)	-0.24%
Investment income		152,231	0.67%		120,542	0.53%	(31,689)	-20.82%
Gain (loss) on sale of assets		(136,832)	-0.61%		(5,630)	-0.02%	131,202	-95.89%
Insurance Recovery		29,922	0.13%		16,143	0.07%	(13,779)	-46.05%
Miscellaneous		161,751	0.72%		165,660	0.73%	3,909	2.42%
Total Revenues		<u>22,560,457</u>			<u>22,714,434</u>		<u>153,977</u>	0.68%
Expenses:								
General Government		6,455,596	33.77%		6,476,413	27.22%	20,817	0.32%
Public Safety		3,662,658	19.16%		4,291,935	18.04%	629,277	17.18%
Public Works		3,441,844	18.01%		3,959,773	16.64%	517,929	15.05%
Health and Welfare		5,554,996	29.06%		9,062,418	38.09%	3,507,422	63.14%
Total expenses		<u>19,115,094</u>			<u>23,790,539</u>		<u>4,675,445</u>	24.46%
Change in net assets		3,445,363			(1,076,105)			
Net assets-beginning		<u>41,160,942</u>			<u>44,606,305</u>			
Net assets-ending	\$	<u><u>44,606,305</u></u>			<u><u>43,530,200</u></u>			

For the fiscal year 2010, the County experienced a decrease in net assets of \$1,076,105 compared to an increase of \$3,445,363 in fiscal year 2009. The decrease is the net result of reduced health and welfare program expenses combined with a large increase to the estimate of landfill closure costs.

LINCOLN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2010

On the revenue side, property tax revenues and increased by 13% or \$1,470,481, as a result of increasing property values throughout the County. Operating grant revenues increased 9% or \$265,681. The majority of the increase in operating grants relates to Wyolink, a statewide public safety communications system. Sales and use tax revenues decreased 38% or \$1,921,157 due to the weakened economy and decreasing activity in oil and gas fields in the County.

Taxes comprise the largest source of revenue for the County. Property and motor vehicle taxes were 58% of total revenues, followed by sales and use taxes which constitute 14% of total revenues. Operating grants represented 15% of total revenues.

On the expense side, General Government programs cost the same as the prior year and were 27% of total expenses. Health and welfare was the costliest program at 38% of total expenses with a 63% increase over the prior year. Health and Welfare expenses included a 5.1 million dollar increase to the estimated liability to close and monitor County landfills.

Financial analysis of the County's Funds

Lincoln County uses fund accounting to demonstrate compliance with standard accounting procedures and Wyoming State Statutes.

Governmental Funds: The focus of the County's governmental funds is to provide information on near term inflows, outflows, and the balance of resources available for appropriation. Such information is a useful measure of the County's net resources available for spending at the end of the year.

As of June 30, 2010, the fund balance of the County's governmental funds was \$15,038,031, which increased \$964,674 over the prior year. Of the \$15,038,031 in fund balance, \$13,597,750 is undesignated and is available for appropriation by the County. The remainder of the fund balance is comprised of \$1,267,209 which is designated for emergency expenditures or for specific grant programs and \$173,072 which is reserved because it is on deposit with the State of Wyoming or committed for special contracted projects.

LINCOLN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2010

General Fund Budgetary Highlights

A comparison of final budget amounts to actual revenues and expenses is another measure of the County's ability to manage the sources and application of funds.

Year Ending June 30, 2010 - Final Budget to Actual				
	Final Budget	Actual	Favorable (Unfavorable)	% of Change Budget to Actual
<u>Revenues:</u>				
Taxes	\$ 20,383,025	17,228,190	(3,154,835)	-15.48%
Intergovernmental	925,624	1,162,580	236,956	25.60%
Charges for services	528,000	718,732	190,732	36.12%
Licenses and permits	8,300	9,202	902	10.87%
Miscellaneous	217,501	283,709	66,208	30.44%
Total revenue	<u>22,062,450</u>	<u>19,402,413</u>	<u>(2,660,037)</u>	<u>-12.06%</u>
<u>Expenditures:</u>				
General government	7,883,980	6,626,589	1,257,391	15.95%
Public safety	3,463,986	3,447,470	16,516	0.48%
Public works	6,343,515	4,062,564	2,280,951	35.96%
Health and welfare	3,945,152	3,137,791	807,361	20.46%
Total expenditures	<u>\$ 21,636,633</u>	<u>17,274,414</u>	<u>4,362,219</u>	<u>20.16%</u>

The original revenues budget was \$22,062,450 with no modifications made during the year. Actual revenues compared to the final budget had unfavorable variances of \$2,660,037. This variance resulted mainly from the County receiving approximately \$3,200,000 less in taxes than was anticipated. The largest component to the budgetary shortfall was a negative variance \$1,920,937 or 8.7% of total budgeted revenue for sales and use taxes. The second largest component was a budgetary shortfall in payments in lieu of property taxes of \$686,126 or 3.4% of total budgeted revenue. The third largest component was a budgetary shortfall in severance taxes of \$586,390 or 2.9% of total budgeted revenue. Charges for services exceeded budgeted amounts by \$190,732 because of conservative budgeting in service areas. Miscellaneous revenues were over budget by \$66,208. The variance for miscellaneous revenues was caused by unbudgeted sales of equipment.

Final budgeted expenditures were \$21,802,912. Actual expenditures amounted to \$17,274,414, resulting in a favorable variance of \$4,528,498 or 21%. All departmental expenditure variances were favorable. At the department level, general government expenditures were \$1,257,391 or 15.9% less than the budget. General Government variances relate primarily to a favorable variance of \$911,936 in general accounts spending. Public Safety expenditures were \$16,516 less than the budget. Public Safety variances relate primarily to County Sheriff operations being under budget offset by an unfavorable capital spending variance. Public Works expenditures were below budget by \$2,447,230 or 37.6%, with Road & Bridge generating 98% of the total favorable variance. Health and Welfare expenditures were \$807,361 or 20.5% below budget. The landfill favorable variance made up 55% of the total variance and a favorable capital spending variance made up 35% of the total.

The favorable variances in expenditures exceeded the unfavorable variances in revenues by \$1,868,461.

LINCOLN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2010

Capital Asset and Long-Term Debt Administration

Capital Assets: The County's investment in capital assets for its governmental activities, net of accumulated depreciation, came to a total of \$35,896,430 as of June 30, 2010. This investment in capital assets includes land, rights of way, infrastructure, buildings, vehicles, and equipment. Major capital additions this year include vehicles, building repairs, computers, landfill transfer station scales, software upgrades, road improvements, heavy equipment, and other tools and equipment.

Long-Term Liabilities: Total long-term liabilities as of June 30, 2010 were \$7,399,120 of which \$393,661 is due within one year and \$7,005,459 is due in more than one year. There is no general obligation indebtedness as of June 30, 2010. Major activity in long-term liabilities during the year included a significant adjustment to the estimated landfill closure and post closure monitoring costs of \$5,109,000.

Economic and Other factors:

One of the ways to measure the economic strength of the County is to look at the assessed market valuation of property in the County. The assessed market valuation used in property tax levies for fiscal year 2010 for the County increased by 24% or \$239 million over the prior year. The South Lincoln County area continues to experience growth as the new gas processing facility near Opal has completed the first two phases of its nine phase project. Lincoln County's economy remains strong as the demand for coal, natural gas, propane, helium, and gasoline continues to increase. Construction continues on the pipeline delivery system from Lincoln County to hubs in the Midwest and Northwest.

North Lincoln County does not have the natural resources the south end of the County has. However, it does grow due to housing demands from Teton County. However, 2010 saw a slowing of demand for housing.

The County received 1.9 million less in sales and use taxes than in the prior year. Sales and use taxes are expected to slowly rebound as the economy recovers.

Contacting the County

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's financial condition and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Board of County Commissioners at Lincoln County Wyoming, 925 Kemmerer, Wyoming 83101.

The preceding discussion and analysis focuses on the County's primary government operations. The County's component units do not issue separate audited financial statements. Additional information regarding component unit finances may be obtained from their respective administrative offices.

Basic Financial Statements

LINCOLN COUNTY
STATEMENT OF NET ASSETS
June 30, 2010

	<u>Primary Government</u>		<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Total</u>	
<u>Assets</u>			
Pooled cash and cash equivalents	\$ 9,790,997	9,790,997	-
Cash and cash equivalents	1,382,867	1,382,867	1,185,601
Investments	4,153,060	4,153,060	96,447
Accounts receivable	62,022	62,022	76,919
Taxes receivable	8,058,019	8,058,019	2,634,120
Prepaid expenses	-	-	21,705
Inventory	289,000	289,000	164,005
Due from other governments	1,277,264	1,277,264	-
Security deposits	60,700	60,700	-
Note receivable	260,000	260,000	-
Capital assets:			
Land	2,353,358	2,353,358	218,000
Rights of way	1,041,000	1,041,000	-
Construction in process	2,375,654	2,375,654	-
Buildings and improvements	23,196,256	23,196,256	896,872
Infrastructure	20,773,786	20,773,786	-
Equipment and vehicles	14,819,849	14,819,849	744,377
Accumulated depreciation	(28,663,473)	(28,663,473)	(557,578)
Total assets	<u>61,230,359</u>	<u>61,230,359</u>	<u>5,480,468</u>
<u>Liabilities</u>			
Accounts payable	1,783,834	1,783,834	28,857
Accrued liabilities	21,730	21,730	12,590
Deferred revenue	8,324,472	8,324,472	2,597,500
Due to other governments	28,885	28,885	-
Funds held in trust	136,977	136,977	-
Accrued interest	5,141	5,141	-
Long-term liabilities:			
Due within one year	393,661	393,661	76,047
Due in more than one year	7,005,459	7,005,459	-
Total liabilities	<u>17,700,159</u>	<u>17,700,159</u>	<u>2,714,994</u>
<u>Net assets</u>			
Invested in capital assets, net of related debt	35,533,706	35,533,706	1,301,671
Restricted	173,072	173,072	-
Unrestricted	7,823,422	7,823,422	1,463,803
Total net assets	<u>\$ 43,530,200</u>	<u>43,530,200</u>	<u>2,765,474</u>

The accompanying notes are an integral part of these financial statements.

LINCOLN COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units
					Governmental Activities	Total	
Primary government:							
Governmental:							
General	\$ 6,476,413	291,761	808,026	-	(5,376,626)	(5,376,626)	-
Public safety	4,291,935	310,501	1,069,117	-	(2,912,317)	(2,912,317)	-
Public works	3,959,773	-	921,470	1,074,359	(1,963,944)	(1,963,944)	-
Health and welfare	9,062,418	216,577	497,718	-	(8,348,123)	(8,348,123)	-
Total governmental activities	<u>23,790,539</u>	<u>818,839</u>	<u>3,296,331</u>	<u>1,074,359</u>	<u>(18,601,010)</u>	<u>(18,601,010)</u>	<u>-</u>
Total primary government	<u>\$ 23,790,539</u>	<u>818,839</u>	<u>3,296,331</u>	<u>1,074,359</u>	<u>(18,601,010)</u>	<u>(18,601,010)</u>	<u>-</u>
Component units:							
Weed and pest control	\$ 1,004,078	318,459	-	-	-	-	(685,619)
County fair	557,281	76,905	-	-	-	-	(480,376)
County library	1,373,128	10,351	322,371	-	-	-	(1,040,406)
Total component units	<u>\$ 2,934,487</u>	<u>405,715</u>	<u>322,371</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,206,401)</u>
General revenues:							
Taxes:							
Property taxes					\$ 13,216,008	13,216,008	2,451,308
Sales and use taxes					3,216,788	3,216,788	-
Other taxes and shared revenues					795,394	795,394	-
Total taxes					<u>17,228,190</u>	<u>17,228,190</u>	<u>2,451,308</u>
Investment income					120,542	120,542	8,232
Loss on disposal of assets					(5,630)	(5,630)	-
Insurance recovery					16,143	16,143	-
Miscellaneous					165,660	165,660	8,704
Total general revenues					<u>17,524,905</u>	<u>17,524,905</u>	<u>2,468,244</u>
Change in net assets					(1,076,105)	(1,076,105)	261,843
Net assets—beginning					44,606,305	44,606,305	2,503,631
Net assets—ending					<u>\$ 43,530,200</u>	<u>43,530,200</u>	<u>2,765,474</u>

The accompanying notes are an integral part of these financial statements.

LINCOLN COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	<u>General</u>	<u>Grants Special Revenue</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Pooled cash and cash equivalents	\$ 9,146,745	219,040	425,212	9,790,997
Cash and cash equivalents	999,475	-	383,392	1,382,867
Investments	4,153,060	-	-	4,153,060
Inventory	289,000	-	-	289,000
Accounts receivable	39,631	-	22,391	62,022
Taxes receivable	8,058,019	-	-	8,058,019
Note receivable	-	-	260,000	260,000
Due from other governments	795,692	441,459	40,113	1,277,264
Due from other funds	260,000	45,839	-	305,839
Deposits	60,700	-	-	60,700
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 23,802,322</u>	<u>706,338</u>	<u>1,131,108</u>	<u>25,639,768</u>
<u>Liabilities</u>				
Accounts payable	\$ 1,506,989	189,953	86,892	1,783,834
Accrued liabilities	21,730	-	-	21,730
Due to other governments	28,885	-	-	28,885
Due to other funds	45,839	-	260,000	305,839
Deferred revenue	7,991,000	223,610	109,862	8,324,472
Funds held in trust	136,977	-	-	136,977
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>9,731,420</u>	<u>413,563</u>	<u>456,754</u>	<u>10,601,737</u>
<u>Fund balances</u>				
Reserved	60,700	-	112,372	173,072
Unreserved:				
Designated	1,000,000	267,209	-	1,267,209
Undesignated	13,010,202	25,566	561,982	13,597,750
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>14,070,902</u>	<u>292,775</u>	<u>674,354</u>	<u>15,038,031</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 23,802,322</u>	<u>706,338</u>	<u>1,131,108</u>	<u>25,639,768</u>

The accompanying notes are an integral part of these financial statements.

LINCOLN COUNTY
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
Year Ended June 30, 2010

Total fund balances for governmental funds \$ 15,038,031

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 funds.

Land	2,353,358	
Rights of way	1,041,000	
Construction in process	2,375,654	
Buildings and improvements	23,196,256	
Infrastructure	20,773,786	
Equipment and vehicles	14,819,849	
Accumulated depreciation	<u>(28,663,473)</u>	
		35,896,430

Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds.

Landfill closure and post-closure liability	(6,777,000)	
Capital leases	(362,724)	
Compensated absences	(259,396)	
Accrued interest	<u>(5,141)</u>	
		<u>(7,404,261)</u>

Net assets of governmental activities \$ 43,530,200

The accompanying notes are an integral part of these financial statements.

LINCOLN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2010

	<u>General</u>	<u>Grants Special Revenue</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 17,228,190	-	-	17,228,190
Intergovernmental	1,162,580	2,490,860	717,251	4,370,691
Charges for services	718,732	-	90,905	809,637
Licenses and permits	9,202	-	-	9,202
Miscellaneous	283,709	-	2,495	286,204
 Total revenues	 <u>19,402,413</u>	 <u>2,490,860</u>	 <u>810,651</u>	 <u>22,703,924</u>
Expenditures:				
General government	6,626,589	165,099	-	6,791,688
Public safety	3,447,470	855,168	305,257	4,607,895
Public works	4,062,564	1,220,718	1,356,888	6,640,170
Health and welfare	3,137,791	414,336	163,512	3,715,639
 Total expenditures	 <u>17,274,414</u>	 <u>2,655,321</u>	 <u>1,825,657</u>	 <u>21,755,392</u>
Excess (deficiency) of revenues over expenditures	 <u>2,127,999</u>	 <u>(164,461)</u>	 <u>(1,015,006)</u>	 <u>948,532</u>
Other financing sources (uses):				
Transfers in	-	324,692	-	324,692
Transfers out	(324,692)	-	-	(324,692)
Proceeds from insurance recovery	16,143	-	-	16,143
 Total other financing sources (uses)	 <u>(308,549)</u>	 <u>324,692</u>	 <u>-</u>	 <u>16,143</u>
Net change in fund balance	1,819,450	160,231	(1,015,006)	964,675
Fund balance - July 1	12,251,452	132,544	1,689,360	14,073,356
Fund balance - June 30	<u>\$ 14,070,902</u>	<u>292,775</u>	<u>674,354</u>	<u>15,038,031</u>

The accompanying notes are an integral part of these financial statements.

LINCOLN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

Net change in fund balance - Total governmental funds \$ 964,675

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

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Capital assets received as contributions from other entities are recorded as income in the Statement of Activities but are not reported in the funds.

Capital outlays and asset contributions received	5,525,552	
Depreciation expense	<u>(2,369,872)</u>	
		3,155,680

Certain capital assets were disposed during the course of the year. The amount of net book value of the assets at the time of disposal is recorded in the Statement of Activities as a reduction of net assets. (119,372)

Bond proceeds and capital leases provide current financial resources to governmental funds by issuing debt which increases long-term liabilities in the Statement of Net Assets. Repayments of bond and capital lease principal are expenditures in governmental funds, but reduce liabilities in the Statement of Net Assets. In the Statement of Activities, interest expense is recognized as it accrues, regardless of when it is due. Also, in the Statement of Activities, compensated absences and landfill closure and post-closure liabilities are recognized when incurred.

Change in balance of capital leases	26,147	
Change in accrued interest on capital leases	1,161	
Change in compensated absences liability	4,604	
Change in landfill closure and post-closure liability	<u>(5,109,000)</u>	
		<u>(5,077,088)</u>

Change in net assets of governmental activities \$ (1,076,105)

The accompanying notes are an integral part of these financial statements.

LINCOLN COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2010

	<u>Employee Benefit Trust</u>	<u>Agency Funds</u>	<u>Total</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 290,433	3,820,859	4,111,292
Restricted cash	-	3,447	3,447
Investments	1,149,486	-	1,149,486
Accounts receivable	526,214	-	526,214
Property taxes receivable	-	449,103	449,103
Due from other governments	-	83,861	83,861
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,966,133</u>	<u>4,357,270</u>	<u>6,323,403</u>
<u>Liabilities</u>			
Claims payable	\$ 350,000	-	350,000
Due to other taxing units	-	4,256,270	4,256,270
Refunds payable	-	101,000	101,000
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>350,000</u>	<u>4,357,270</u>	<u>4,707,270</u>
<u>Net assets</u>			
Unrestricted net assets	<u>1,616,133</u>	<u>-</u>	<u>1,616,133</u>
Total net assets	<u>1,616,133</u>	<u>-</u>	<u>1,616,133</u>
Total liabilities and net assets	<u>\$ 1,966,133</u>	<u>4,357,270</u>	<u>6,323,403</u>

The accompanying notes are an integral part of these financial statements.

LINCOLN COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2010

	<u>Employee Benefit Trust</u>
Additions:	
Contributions:	
County	\$ 1,518,000
Component units	155,460
Members	<u>1,630</u>
Total contributions	<u>1,675,090</u>
Investment income:	
Interest	<u>11,892</u>
Total investment income	<u>11,892</u>
Other additions:	
Insurance reimbursements	<u>444,598</u>
Total other additions	<u>444,598</u>
Total additions	<u>2,131,580</u>
Deductions:	
Claim benefit expense	2,543,269
Trust operating expense	<u>226,498</u>
Total deductions	<u>2,769,767</u>
Change in net assets	(638,187)
Net assets - beginning	<u>2,254,320</u>
Net assets - ending	<u><u>\$ 1,616,133</u></u>

The accompanying notes are an integral part of these financial statements.

LINCOLN COUNTY
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
June 30, 2010

	<u>Weed and Pest Control</u>	<u>County Fair</u>	<u>County Library</u>	<u>Total</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 279,575	392,547	513,479	1,185,601
Investments	-	-	96,447	96,447
Accounts receivable	44,781	2,000	30,138	76,919
Taxes receivable	866,498	547,527	1,220,095	2,634,120
Prepaid expenses	982	20,723	-	21,705
Inventory	164,005	-	-	164,005
Land	5,000	-	213,000	218,000
Buildings and improvements	267,585	545,075	84,212	896,872
Equipment and vehicles	284,024	292,321	168,032	744,377
Accumulated depreciation	<u>(264,479)</u>	<u>(163,175)</u>	<u>(129,924)</u>	<u>(557,578)</u>
 Total assets	 \$ <u>1,647,971</u>	 <u>1,637,018</u>	 <u>2,195,479</u>	 <u>5,480,468</u>
<u>Liabilities</u>				
Accounts payable	\$ 17,378	8,201	3,278	28,857
Accrued liabilities	10,138	2,452	-	12,590
Deferred revenue	857,500	540,000	1,200,000	2,597,500
Compensated absences	<u>36,696</u>	<u>6,351</u>	<u>33,000</u>	<u>76,047</u>
 Total liabilities	 <u>921,712</u>	 <u>557,004</u>	 <u>1,236,278</u>	 <u>2,714,994</u>
<u>Net assets</u>				
Invested in capital assets, net of related debt	292,130	674,221	335,320	1,301,671
Unrestricted	<u>434,129</u>	<u>405,793</u>	<u>623,881</u>	<u>1,463,803</u>
 Total net assets	 <u>\$ 726,259</u>	 <u>1,080,014</u>	 <u>959,201</u>	 <u>2,765,474</u>

The accompanying notes are an integral part of these financial statements.

LINCOLN COUNTY
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
Year Ended June 30, 2010

	<u>Weed and Pest Control</u>	<u>County Fair</u>	<u>County Library</u>	<u>Total</u>
Expenses	\$ 1,004,078	557,281	1,373,128	2,934,487
Program revenues:				
Charges for services	318,459	76,905	10,351	405,715
Operating grants and contributions	-	-	322,371	322,371
Total program revenues	<u>318,459</u>	<u>76,905</u>	<u>332,722</u>	<u>728,086</u>
Net expenses	(685,619)	(480,376)	(1,040,406)	(2,206,401)
General revenues:				
Taxes	617,718	573,245	1,260,345	2,451,308
Investment income	4,001	3,662	569	8,232
Miscellaneous	-	-	8,704	8,704
Total general revenues	<u>621,719</u>	<u>576,907</u>	<u>1,269,618</u>	<u>2,468,244</u>
Change in net assets	(63,900)	96,531	229,212	261,843
Net assets – beginning	<u>790,159</u>	<u>983,483</u>	<u>729,989</u>	<u>2,503,631</u>
Net assets – ending	<u>\$ 726,259</u>	<u>1,080,014</u>	<u>959,201</u>	<u>2,765,474</u>

The accompanying notes are an integral part of these financial statements.

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 1 – Summary of Significant Accounting Policies

Lincoln County, Wyoming (the County), operates as an incorporated governmental entity within the State of Wyoming. The County is a municipal corporation governed by three elected commissioners. The County provides the following services as authorized by statute: public safety, road and bridge operation and maintenance, health and social services, culture and recreation, public improvements, planning and zoning, and general administrative services. As required by generally accepted accounting principles, these financial statements present the County and its component units.

The financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

Financial Reporting Entity

In determining the financial reporting entity, the County (primary government) complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, as amended. This standard requires the County to evaluate whether separate legal entities are controlled by or dependent on the County. The evaluation of control or dependence is based on several factors including the appointment of the respective governing board, ability of the County to impose its will on the separate legal entity and whether a financial benefit or burden relationship exists.

Blended component units, although legally separate entities, are in substance part of the County's operations and data from those units is combined with data of the primary government. The County has no blended component units. Discretely presented component units, conversely, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the County. All discretely presented component units have a June 30 fiscal year-end.

Discretely Presented Component Units

The Weed and Pest Control District was established for the purpose of implementing and pursuing an effective program for the control of weeds and pests within the County. The District is fiscally dependent upon the County because the Board of Commissioners approves the District's budget and tax levy. The District is presented as a governmental fund type. The District does not issue separate financial statements.

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 1 – Summary of Significant Accounting Policies (continued)

The County Fair Board maintains and manages the operations of the County Fair and the County fairgrounds and conducts agricultural, industrial, and other fairs and exhibitions within the County. The Fair Board is fiscally dependent upon the County because the Board of Commissioners approves the Fair Board's budget, levies taxes on behalf of the Fair Board, and must approve any debt issuance. The Fair Board's taxes are levied under the taxing authority of the County and are included as part of the County's total tax levy. The Fair Board is presented as a governmental fund type. The Fair Board does not issue separate financial statements.

The County Library Board maintains and manages the operations of the County Library system. The Library Board is fiscally dependent upon the County because the Board of Commissioners approves the Library Board's budget, levies taxes on behalf of the Library Board and must approve any debt issuance. The Library Board's taxes are levied under the taxing authority of the County and are included as part of the County's total tax levy. The Library is presented as a governmental fund type. Included in the Library Board is the County Library Foundation (the Foundation), which is a separate legal nonprofit entity. The Foundation's purpose is to raise money for the Library Board. The Foundation was determined to be a component unit of the Library Board in accordance with GASB statement 39. The Library Board does not issue separate financial statements.

Joint Ventures

The Lincoln County Airport Joint Powers Board is a joint venture between the municipalities of Kemmerer, Cokeville, and Afton, Wyoming and the Board of County Commissioners of Lincoln County, Wyoming. Board members are appointed by the County Commissioners of Lincoln County and the Mayor and City Council of each municipality involved. Although neither the municipalities nor the County has any obligation to fund the Joint Powers Board they may fund any sum of money as determined in their individual budget processes. Audited financial statements can be obtained from the City of Kemmerer, the City of Cokeville, the Town of Afton, and from the Airport Joint Powers Board.

The Lincoln Uinta Association of Governments (LUAG) is a Joint Powers Board with representatives from Lincoln and Uinta counties, and representatives of municipalities, local businesses, industry and minority leaders within the counties. The primary focus of this board is on economic development and community development. None of the participants has any obligation to fund LUAG, however they may fund any sum of money as determined in their individual budget processes.

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 1 – Summary of Significant Accounting Policies (continued)

The Upper Green River Basin Water Joint Powers Board has representatives from Sublette County, Lincoln County, and Sweetwater County. The counties formed an agreement to establish and operate water storage facilities along the Green River and within the Upper Green River Basin. Each county appoints two members to this board. The counties have an equity interest in all assets purchased to provide services. None of the participants have any obligation to fund this board, however they may fund any sum of money as determined in their individual budget processes.

Basic Financial Statements - Government-Wide Statements

The County's basic financial statements include both government-wide (reporting the County as a whole) and fund financial statements (reporting the County's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. Governmental activities are usually financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The County currently has no services that are classified as business-type activities. Therefore, all of the County's services are classified as governmental activities.

In the government-wide Statement of Net Assets, the governmental activities column (a) is presented on a consolidated basis, and (b) is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net assets are reported in three parts, - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The government-wide Statement of Activities reports both the gross and net cost of each of the County's functions (health and welfare, public safety, etc.). The functions are also supported by general revenues (property taxes, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function) are normally covered by general revenue (property or sales taxes, intergovernmental revenues, interest income, etc.). The County does not allocate indirect costs.

These government-wide statements focus more on the sustainability of the County as an entity and the change in the County's net assets resulting from the current year's activities.

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 1 – Summary of Significant Accounting Policies (continued)

Basic Financial Statements – Fund Statements

The County's accounting system is organized on a fund basis. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the government establishes for accountability purposes in accordance with statutes, laws, regulations, restrictions, or specific purposes.

A separate financial statement is provided for governmental funds. For governmental funds, the emphasis is on major individual governmental funds with each displayed as a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is on determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than on net income. The following is a description of the governmental funds of the County:

- The **General Fund** is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.
- The **Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The County's major governmental funds consist of the General Fund (see description above) and the Grants Fund, which is a special revenue fund established to receive grants or other restricted revenues and record the related expenditures in an effort to document compliance with grant requirements. The County's nonmajor governmental funds consist of special revenue funds that collect fees and taxes for public safety (Abandoned Vehicle and Enhanced 911 Funds), public road construction maintenance and repair (State Roads Fund), revenues related to intergovernmental contracts (Contracts Fund), and contracts between the County and the South Lincoln Hospital District (SL Hospital Contract Fund).

Fiduciary Funds (not included in the Government-wide statements)

The County's fiduciary funds consist of a trust fund (for employee benefits) and agency funds. Agency funds account for assets held by the County in a purely custodial capacity. The County has three agency funds. Because agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations. The fiduciary funds consist of the following:

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 1 – Summary of Significant Accounting Policies (continued)

- **Employee Benefit Trust Fund** – This fund is used to account for the operations of the County’s self-funded health insurance program. All funds are held in trust to pay benefits according to the health insurance benefit plan.
- **Treasurer’s Tax Agency Fund** – This fund is used to hold and distribute taxes and fees collected on behalf of other governmental units.
- **School Bond and Interest Agency Fund** – This fund collects specific purpose property taxes for school districts within Lincoln County and distributes the taxes to the bond trustee.
- **Hospital Bond and Interest Agency Fund** – This fund collects specific-purpose property taxes for the hospitals within Lincoln County and distributes the taxes to the bond trustee.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

The governmental activities in the government-wide financial statements and the fiduciary funds are presented on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues 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.

Modified Accrual

The governmental funds’ financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service and compensated absences expenditures are recorded only when payment is due.

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 1 – Summary of Significant Accounting Policies (continued)

Financial Statement Amounts

Cash and Cash Equivalents

For the purposes of the Statement of Net Assets, the term cash and cash equivalents includes all demand deposits, savings accounts, certificates of deposit, or other short-term, highly liquid investments.

Pooled Cash and Cash Equivalents

Wherever possible, the County's cash accounts are pooled into common pooled accounts in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash accounts has equity therein. An individual fund's equity in the pooled cash accounts is available on demand and is considered to be cash equivalents for purposes of these financial statements. Negative balances incurred in pooled cash at year-end are treated as interfund payables of the deficit account and receivable in other funds with positive balances. Investments of the pool are reported at fair value.

Investments

Investments are reported at fair value. Wyoming statute allows the County to invest in U.S. and state and local government securities and accounts of any bank and savings associations, which are federally insured. Stocks and bonds of private corporations as well as reverse repurchase agreements are prohibited investments for the County. All investments made during the year were made within these statutory limits.

Receivables

Receivables consist of revenues earned at year-end but received after year-end. Allowances for uncollectible accounts are based upon historical trends.

Due From Other Governments

Due from other governments consists of amounts due to the County at year-end but remitted after year-end. The balance consists primarily of sales tax and other taxes due from the State of Wyoming, payments in lieu of taxes due from the United States government and reimbursements for grant expenditures due from the State of Wyoming or the United States government.

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 1 – Summary of Significant Accounting Policies (continued)

Inventory

Inventory is valued at cost using the first-in, first-out method (FIFO). In the governmental fund financial statements, expenditures are recorded as inventory is used (consumption method).

Capital Assets

Capital assets include land, buildings, improvements, infrastructure, furniture, and equipment. Capital assets are reported in the government-wide financial statements. The County defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life of more than 2 years. All capital assets are valued at cost or estimated cost if actual cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset life is not capitalized.

Capital assets of the County are depreciated using the straight-line method over the following estimated lives:

<u>Assets</u>	<u>Years</u>
Buildings, improvements, and infrastructure	30 to 80
Equipment and vehicles	3 to 36

In the governmental funds' financial statements, the acquisition or construction of capital assets is accounted for as capital outlay expenditures.

Long-Term Liabilities

In the government-wide financial statements long-term debt and obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, when material, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Revenues

In the government-wide statements and the fund statements, deferred revenue is recognized when cash or other assets are received or recognized prior to being earned. In the governmental fund statements, deferred revenue is recorded when revenue is either unearned or unavailable.

Property tax revenues are not recognized prior to the period which they are intended to finance, even if an enforceable lien is in place prior to the beginning of the intended period. Thus, property taxes received or receivable as of year end, which are intended to finance the following fiscal year, are deferred in both the government-wide statements and fund statements.

Compensated Absences

It is the County's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation leave accumulates for all full-time permanent employees dependent upon years of service. Accumulated vacation leave is payable to the employee upon leaving employment of the County for any reason. An estimated liability for vacation leave is reported in the government-wide financial statements and the expense is allocated by function based on where the employee is assigned. No liability is reported for unpaid accumulated sick leave since sick leave credits are not paid to an employee upon termination of employment.

In the fund financial statements, governmental funds do not report a liability for compensated absences. The expenditure is reported when vacation time is taken. Compensated absences are generally liquidated by the General Fund.

Interfund Balances and Transactions

Interfund payables and receivables have been eliminated from the government-wide Statement of Net Assets. Interfund payables and receivables between the governmental funds and the Treasurer's Tax Agency Fund have been reclassified in the government-wide Statement of Net Assets in accordance with the requirements of GASB Statement No. 34.

Transfers are used to report flows of cash (or other assets) between funds without equivalent flows of assets in return or a requirement for repayment. In the government-wide Statement of Activities, transfers between governmental funds have been eliminated. In the fund financial statements, transfers are reported as other financing sources or uses.

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 1 – Summary of Significant Accounting Policies (continued)

Equity Classifications

Equity in the government-wide financial statements is classified as net assets and displayed in three components:

- **Invested in capital assets, net of related debt** – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of these assets.
- **Restricted net assets** – Consists of net assets with constraints placed on their use, whether by 1) external groups such as creditors, grantors, or laws and regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- **Unrestricted net assets** – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Governmental fund equity is reported as fund balance in the fund financial statements. Fund balance is further classified as designated, reserved, and unreserved.

Revenues

Property tax, sales tax, fees, licenses, payments-in-lieu of taxes, intergovernmental revenues, and interest income associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the County receives cash. Motor vehicle fees received by the County Treasurer, acting as an agent, between January and June are not allocated to the funds or component units because State law prohibits the distribution of these funds until the new tax rates are adopted after year end, and are accounted for as revenues of the next fiscal year. Grants are usually reimbursable grants and are thus recognized as revenue at the time the reimbursable expenditures are made.

Expenses/Expenditures

When an expense/expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the County’s general policy to use restricted resources first.

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 1 – Summary of Significant Accounting Policies (continued)

Accounting Estimates

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

Property Tax Calendar and Rates

Property taxes attach as an enforceable lien on property as of January 1. Properties taxes are levied on or about August 1 and are payable in two installments on September 1 and March 1. The County bills and collects its own property taxes as well as property taxes for all municipalities and political subdivisions within the County. Collections and remittances of these taxes for other taxing entities are accounted for in the Treasurer’s Tax Agency Fund. County property tax revenues are recognized when levied to the extent that they result in current receivables which means collected within the current period or expected to be collected within 60 days after the period end to be used to pay liabilities of the current period.

The County is permitted by Wyoming Statute to levy taxes up to 12 mills of assessed valuation for all purposes excluding general school tax, 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, 2010, was 11.2 mills. The County has an unused tax margin of 0.8 mills and could raise approximately \$692,000 in additional taxes per year from the present assessed valuation of approximately \$865,300,000 before the statutory limit is reached.

Note 2 – Deposits and Investments

Primary Government

The State of Wyoming has established laws regarding the investment of public funds (Wyoming Statutes, 9-4). Each year the County adopts a “Statement of Investment Policy” which specifies the County’s policies regarding the investment of County financial assets. The County’s adopted policy refers to State laws and indicates the County will comply with State law. At June 30, 2010, the County’s deposits and investments consisted of the following:

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 2 – Deposits and Investments (continued)

<u>Financial Statement Description</u>	<u>Deposits</u>	<u>Investments</u>	<u>Cash</u>	<u>Total</u>
<i>Governmental funds</i>				
Pooled cash and cash equivalents	\$ 9,790,997	-	-	9,790,997
Cash and cash equivalents:				
Cash-on-hand	-	-	1,150	1,150
Demand deposits	880,158	-	-	880,158
WGIF	-	383,392	-	383,392
WYO-STAR	-	118,167	-	118,167
Total cash and cash equivalents	<u>880,158</u>	<u>501,559</u>	<u>1,150</u>	<u>1,382,867</u>
Investments:				
Government bonds	-	3,950,761	-	3,950,761
Certificates of deposit	101,156	-	-	101,156
Money market funds	101,143	-	-	101,143
Total investments	<u>202,299</u>	<u>3,950,761</u>	<u>-</u>	<u>4,153,060</u>
<i>Total governmental funds</i>	<u>\$ 10,873,454</u>	<u>4,452,320</u>	<u>1,150</u>	<u>15,326,924</u>
<i>Fiduciary funds</i>				
Cash and cash equivalents:				
Demand deposits	\$ 4,111,292	-	-	4,111,292
Restricted cash	<u>3,447</u>	<u>-</u>	<u>-</u>	<u>3,447</u>
Investments:				
Government bonds	-	1,043,899	-	1,043,899
Money market funds	<u>105,587</u>	<u>-</u>	<u>-</u>	<u>105,587</u>
Total investments	<u>105,587</u>	<u>1,043,899</u>	<u>-</u>	<u>1,149,486</u>
<i>Total fiduciary funds</i>	<u>\$ 4,220,326</u>	<u>1,043,899</u>	<u>-</u>	<u>5,264,225</u>

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 2 – Deposits and Investments (continued)

Deposits

State law specifies the types of financial institutions in which the County can deposit monies. In addition, State law requires that all deposits in financial institutions be fully insured by the Federal Deposit Insurance Corporation or secured by a pledge of collateral or the furnishing of a surety bond. At June 30, 2010, none of the County's bank balances were uninsured and uncollateralized.

Investments

Wyoming statutes (W.S. 9-4-831) specifically identify the types of investments that may be held by the County and the conditions for making investment transactions. Accordingly, the County may invest in United States treasury bills, notes, bonds, or any other obligation issued by the United States treasury or guaranteed by the United States; bonds, notes, debentures or any other obligation or securities issued by or guaranteed by any federal government agency or instrumentality; repurchase agreements involving securities which are authorized investments that have been previously mentioned and subject to certain limitations, mortgage backed securities that are obligations of or guaranteed or insured issuances of the United States, its agencies, instrumentalities or organizations created by an act of Congress excluding those defined as high risk; bankers acceptances eligible for purchase by the federal reserve system; guaranteed investment contracts if issued by a United States commercial bank or insurance company whose credit rating is of the highest category; a commingled fund of eligible securities if the securities are held through a trust department of a bank authorized to do business in the State of Wyoming or through a trust company authorized to do business in the State of Wyoming with total capital of at least \$10,000,000; bonds of the Wyoming natural gas pipeline authority and the Wyoming infrastructure authority; commercial paper of corporations organized and existing under the laws of any state of the United States with a maturity of not more than 270 days and rated by Moody's as P-1 or by Standard and Poor's as A-1 or equivalent ratings indicating that the commercial paper issued by a corporation is of the highest quality rating; and a diversified money market fund in which the County does not own more than 10% of the net assets of the funds and subject to several other limitations. The County may also enter into contracts which are determined to be necessary or appropriate to hedge risk or to place the obligation of the bonds, in whole or in part, on the interest rate, cash flow or other basis but the contracts may not be for investment purposes.

The County has investments in WYO-STAR, a government investment pool operated by the State of Wyoming Treasurer's Office. WYO-STAR is available for investments of funds administered by any local government entity within the State of Wyoming.

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 2 – Deposits and Investments (continued)

WYO-STAR is not registered with the SEC as an investment company. WYO-STAR is authorized and regulated by the laws of the State of Wyoming. Deposits in WYO-STAR are not insured or otherwise guaranteed by the State of Wyoming, and participants share proportionally in any realized gains or losses on investments.

WYO-STAR operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of WYO-STAR are allocated monthly based on the participant's average balance in relation to the total balance of the pool. The fair value of the WYO-STAR investment pool is approximately equal to the value of the pool shares.

The County has investments with the Wyoming Government Investment Fund (WGIF), an investment pool authorized by the State of Wyoming and managed by a private investment management firm. WGIF is available for investments of funds administered by any local government entity within the State of Wyoming. WGIF offers cash management investments providing daily liquidity as well as fixed-rate, fixed-term investments.

WGIF is not registered with the SEC as an investment company. Deposits in WGIF are not insured or otherwise guaranteed by the State of Wyoming, and participants share proportionally in any realized gains or losses on investments.

WGIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of WGIF are allocated monthly based on the participant's average balance in relation to the total balance of the pool. The fair value of the WGIF investment pool is approximately equal to the value of the pool shares.

At year end, the County also had investments in Federal National Mortgage Association (FNMA) bonds, Federal Home Loan Banks (FHLB) bonds, Federal Farm Credit Banks (FFCB) bonds, and Federal Home Loan Mortgage Corporation (FHLMC) bonds. The County uses the specific identification method to assess interest rate risk.

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 2 – Deposits and Investments (continued)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More than 10</u>
WGIF	\$ 383,392	383,392	-	-	-
WYO-STAR	118,167	118,167	-	-	-
FNMA bonds	2,716,698	2,716,698	-	-	-
FHLB bonds	1,237,137	1,237,137	-	-	-
FFCB bonds	153,282	153,282	-	-	-
FHLMC bonds	887,543	887,543	-	-	-
	<u>\$ 5,496,219</u>	<u>5,496,219</u>	<u>-</u>	<u>-</u>	<u>-</u>

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 policy for managing its exposure to fair value loss arising from increasing interest rates is to invest no more than 75% of the portfolio of securities with maturities exceeding 1 year and no more than 25% of the portfolio of securities with maturities exceeding 5 years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County's policy for reducing exposure to credit risk is to invest no more than 50% of the County's total investment portfolio in a single security type, with the exception of U.S. Treasury securities. In addition, collateralization is required for all repurchase agreements. The collateralization level must be 102% of the market value of principal and accrued interest. Investments in WGIF and WYO-STAR are unrated. Other investments are guaranteed by the federal government.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The County's policy for reducing this risk is to comply with State laws.

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 2 – Deposits and Investments (continued)

Custodial Credit Risk

For an investment, custodial credit risk 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 the possession of an outside party. The County’s policy for custodial risk is that all securities purchased by the County shall be properly designated as assets of the County and held in safekeeping by a third party custodial bank or third party custodial institution chartered by the United States Government or the State of Wyoming and no withdrawal of such securities shall be made from the safekeeping except by the Treasurer or Deputy Treasurer. All security transactions, including collateral for repurchase agreements, entered into by the County shall be conducted on a delivery-versus-payment basis. Securities will be held by a third party custodian designated by the Treasurer and evidenced by safekeeping receipts. Government bonds are held in the name of the County by the investment broker.

Component Units

At June 30, 2010, the component units’ deposits and investments consisted of the following:

<u>Financial Statement Description</u>	<u>Deposits</u>	<u>Investments</u>	<u>Cash</u>	<u>Total</u>
Cash and cash equivalents:				
Cash-on-hand	\$ -	-	385	385
Demand deposits	807,906	-	-	807,906
WGIF	-	377,310	-	377,310
	<u>807,906</u>	<u>377,310</u>	<u>385</u>	<u>1,185,601</u>
Investments:				
Endowment investment pool	-	96,447	-	96,447
	<u>807,906</u>	<u>473,757</u>	<u>385</u>	<u>1,282,048</u>

Deposits

State law specifies the types of financial institutions in which the component units can deposit monies. In addition, State law requires that all deposits in financial institutions be fully insured by the Federal Deposit Insurance Corporation or secured by a pledge of collateral or the furnishing of a surety bond. At June 30, 2010, all deposits of component units were fully collateralized or insured.

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 2 – Deposits and Investments (continued)

Investments

The component units have investments with the Wyoming Government Investment Fund (WGIF), an investment pool authorized by the State of Wyoming and managed by a private investment management firm. WGIF is available for investments of funds administered by any local government entity within the State of Wyoming. The WGIF offers cash management investments providing daily liquidity as well as fixed-rate, fixed-term investments and operates as described above for the primary government. Additionally, the component units have investments in an investment pool administered by the Wyoming Community Foundation (WCF), a non-governmental, publicly supported foundation that holds donations made to the Lincoln County Library Foundation.

Component units manage their investment risk as follows:

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The component units have no formal policies other than to follow the Wyoming State Statutes, as previously discussed.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The component units' policies for reducing exposure to credit risk are to comply with the Wyoming State Statutes. At June 30, 2010, all investments held by the component units are in WGIF, and WCF which are unrated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The component units' policies for reducing this risk are to comply with State laws.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the component units will not be able to recover the value of their investments or collateral securities that are in the possession of an outside party. The component units have no formal policies with respect to custodial credit risk. As of June 30, 2010, all of the component units' investments were in WGIF and WCF.

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 3 –Receivables and Due From Other Governments

Primary Government

The County's receivables and due from other governments balances at June 30, 2010, consist of the following:

Accounts receivable:	
General fund	\$ 39,631
Enhanced 911 fund	<u>22,391</u>
Total accounts receivable	<u><u>\$ 62,022</u></u>
Taxes receivable:	
Property taxes - current	\$ 67,019
Property taxes - deferred to future periods	<u>7,991,000</u>
Total taxes receivable	<u><u>\$ 8,058,019</u></u>
Due from other government units:	
General fund - sales tax	\$ 576,680
General fund - special gas tax	28,013
General fund - other	190,999
Grants fund reimbursements	441,459
Contracts fund reimbursements	24,690
State roads fund tax payments	<u>15,423</u>
Total due from other governments	<u><u>\$ 1,277,264</u></u>

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 3 –Receivables and Due From Other Governments (continued)

Component Units

The component units' receivable balances at June 30, 2010, consist of the following:

<i>Weed and Pest:</i>	
Trade receivables	\$ <u>44,781</u>
Taxes receivable	
Property taxes - current	\$ 8,998
Property taxes - deferred to future periods	<u>857,500</u>
Total taxes receivable	\$ <u>866,498</u>
<i>County Fair:</i>	
Other receivables	\$ <u>2,000</u>
Taxes receivable	
Property taxes - current	\$ 7,527
Property taxes - deferred to future periods	<u>540,000</u>
Total taxes receivable	\$ <u>547,527</u>
<i>County Library:</i>	
Other receivables	\$ <u>30,138</u>
Taxes receivable	
Property taxes - current	\$ 20,095
Property taxes - deferred to future periods	<u>1,200,000</u>
Total taxes receivable	\$ <u>1,220,095</u>

Note 4 – Note Receivable

The County has a \$260,000 note receivable from the South Lincoln Hospital District (the District). The note is bears no interest and is unsecured. Subsequent to year-end the note was repaid.

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 5 – Capital Assets

Primary Government

Changes in primary government capital assets during the year ended June 30, 2010 are as follows:

	Balance 7/1/09	Additions	Retirements	Transfers	Balance 6/30/10
<u>Governmental activities:</u>					
Capital assets not being depreciated:					
Land	\$ 2,308,025	45,333	-	-	2,353,358
Rights of way	1,041,000	-	-	-	1,041,000
Construction in process	1,571,734	3,297,565	-	(2,493,645)	2,375,654
	<u>4,920,759</u>	<u>3,342,898</u>	<u>-</u>	<u>(2,493,645)</u>	<u>5,770,012</u>
Capital assets being depreciated:					
Buildings and improvements	22,593,924	58,458	-	543,874	23,196,256
Infrastructure	19,924,383	80,770	(738,148)	1,506,781	20,773,786
Equipment and vehicles	12,692,030	2,043,426	(358,597)	442,990	14,819,849
	<u>55,210,337</u>	<u>2,182,654</u>	<u>(1,096,745)</u>	<u>2,493,645</u>	<u>58,789,891</u>
Accumulated depreciation for:					
Buildings and improvements	(10,484,631)	(406,960)	-	-	(10,891,591)
Infrastructure	(10,721,281)	(661,739)	660,532	-	(10,722,488)
Equipment and vehicles	(6,065,062)	(1,301,173)	316,841	-	(7,049,394)
	<u>(27,270,974)</u>	<u>(2,369,872)</u>	<u>977,373</u>	<u>-</u>	<u>(28,663,473)</u>
Total capital assets being depreciated, net	<u>27,939,363</u>	<u>(187,218)</u>	<u>(119,372)</u>	<u>2,493,645</u>	<u>30,126,418</u>
Total governmental activities capital assets, net	<u>\$ 32,860,122</u>	<u>3,155,680</u>	<u>(119,372)</u>	<u>-</u>	<u>35,896,430</u>

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 5 – Capital Assets (continued)

Depreciation expense was charged to functions of the County as follows:

General government	\$	521,695
Health and welfare		512,423
Public safety		394,170
Public works		<u>941,584</u>
	\$	<u><u>2,369,872</u></u>

Component Units

Changes in capital assets of component units during the year ended June 30, 2010 are as follows:

	<u>Balance</u> <u>7/1/09</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/10</u>
<u>Weed and Pest:</u>				
Land	\$ 5,000	-	-	5,000
Buildings and improvements	267,585	-	-	267,585
Equipment	284,024	-	-	284,024
Accumulated depreciation	<u>(234,166)</u>	<u>(30,313)</u>	<u>-</u>	<u>(264,479)</u>
	<u>\$ 322,443</u>	<u>(30,313)</u>	<u>-</u>	<u>292,130</u>
<u>County Fair:</u>				
Buildings and improvements	\$ 344,529	200,546	-	545,075
Equipment	289,252	3,069	-	292,321
Accumulated depreciation	<u>(128,503)</u>	<u>(34,672)</u>	<u>-</u>	<u>(163,175)</u>
	<u>\$ 505,278</u>	<u>168,943</u>	<u>-</u>	<u>674,221</u>
<u>County Library:</u>				
Land	\$ 17,268	213,000	(17,268)	213,000
Buildings and improvements	84,212	-	-	84,212
Equipment	168,032	-	-	168,032
Accumulated depreciation	<u>(119,201)</u>	<u>(10,723)</u>	<u>-</u>	<u>(129,924)</u>
	<u>\$ 150,311</u>	<u>202,277</u>	<u>(17,268)</u>	<u>335,320</u>

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 5 – Capital Assets (continued)

Depreciation expense was charged to the component units as follows:

Weed and Pest	\$ 30,313
County Fair	34,672
County Library	<u>10,723</u>
	\$ <u><u>75,708</u></u>

Note 6 – Accounts Payable

Accounts payable balances shown in the statement of net assets for the primary government and for the component units represent amounts payable for goods delivered and services rendered by vendors on or before June 30, 2010.

Note 7 – Accrued Liabilities

Primary Government

As of June 30, 2010, the County's accrued liabilities consisted of the following:

Payroll payable	\$ 2,857
Deposit payable	6,000
Other	<u>12,873</u>
	\$ <u><u>21,730</u></u>

Component Units

As of June 30, 2010, the component units' accrued liabilities consisted of the following:

Payroll and payroll taxes payable	\$ <u>12,590</u>
	\$ <u><u>12,590</u></u>

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 8 – Long-Term Liabilities

Primary Government

The County is current on all debt payments and is in compliance with the significant terms of debt agreements. Long-term liability activity for the year ended June 30, 2010, was as follows:

	<u>Balance</u> <u>7/1/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/10</u>	<u>Due Within</u> <u>One Year</u>
<u>Governmental activities:</u>					
Compensated absences \$	264,000	269,404	(274,008)	259,396	259,396
Landfill closure costs	1,668,000	5,131,000	(22,000)	6,777,000	31,000
Capital leases	<u>388,871</u>	<u>243,094</u>	<u>(269,241)</u>	<u>362,724</u>	<u>103,265</u>
	<u>\$ 2,320,871</u>	<u>5,643,498</u>	<u>(565,249)</u>	<u>7,399,120</u>	<u>393,661</u>

At June 30, 2010 capital leases consisted of the following:

\$210,300 lease/purchase obligation for a CAT loader, dated September 2008, with interest at 4.75%, payable in annual payments including interest of \$58,963, maturing in fiscal year 2013.	\$ 161,016
\$205,320 lease/purchase obligation for copiers, dated September 2009, with interest at 4.0%, payable in monthly payments of \$3,782, maturing in fiscal year 2015.	173,878
\$37,774 lease/purchase obligation for copiers, dated September 2009, with interest at 4.0%, payable in monthly payments of \$1,115, maturing in fiscal year 2013.	27,730
\$100 lease/purchase obligation for a parcel of land, dated March 2007, non-interest bearing, payable in one payment in fiscal year 2013.	<u>100</u>
	<u>\$ 362,724</u>

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 8 – Long-Term Liabilities (continued)

Minimum future lease payments vary based upon the terms of the agreements. For leases with fixed payment terms, minimum future lease payments as of June 30, 2010 were:

<u>Year</u>	<u>Amount</u>
2011	\$ 117,800
2012	117,800
2013	106,700
2014	45,400
2015	<u>7,544</u>
 Total minimum lease payments	 395,244
 Less amount representing interest	 <u>(32,520)</u>
 Present value of net minimum lease payments	 \$ <u><u>362,724</u></u>

Capital lease obligations are secured by the related equipment and land. At June 30, 2010, the basis of leased capital assets was \$453,394, with related current year depreciation expense of \$60,317, and related accumulated depreciation of \$72,130.

Conduit Debt:

The County has issued the following bonds that have been authorized under the Wyoming Industrial Development Projects Act, W.S. 15-1-701. The bonds are not general obligations of the County nor are any of the bonds, including interest thereon, debt or indebtedness of the County. As such, no liability has been reported in the statement of net assets.

- \$1,000,000 Adjustable Rate Pollution Control Revenue Bonds Series 1983, interest only payments at 6.25%, until final payment on May 1, 2013. The bonds were issued for BP Amoco.
- \$15,200,000 Adjustable Rate Pollution Control Revenue Bonds Series 1983, interest only payments at 8%, until final payment on May 1, 2012. The bonds were issued for BP Amoco.
- \$45,000,000 Pollution Control Revenue Refunding Bonds Series 1991, interest only payments at 11.3%, until final payment on June 1, 2016. The bonds were issued for PacifiCorp.

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 8 – Long-Term Liabilities (continued)

- \$8,300,000 Pollution Control Revenue Bonds Series 1993, interest only payments at 5.625%, until final payment on June 1, 2021. The bonds were issued for PacifiCorp.
- \$15,060,000 Pollution Control Revenue Bonds Series 1994, interest only payments at 8.63%, until final payment on June 1, 2024. The bonds were issued for PacifiCorp.
- \$22,000,000 Environmental Improvement Revenue Bonds Series 1995, interest only payments at 8.63%, until final payment on November 1, 2025. The bonds were issued for PacifiCorp.

In connection with the issuance of conduit debt, the County has entered into fee arrangements requiring the payment of financing fees. During the year ended June 30, 2010, the County collected \$92,704 in financing fees.

Landfill Closure and Post-closure Liability

State and federal laws and regulations require that the County place a final cover on its landfills when closed and perform certain maintenance and monitoring functions at the landfill sites for 30 years after closure. The general fund records the operating expenses related to all activities of the landfills. In the statement of net assets, a liability is recorded based on the estimated future closure and post-closure costs that will be incurred near or after the date the landfill no longer accepts waste and during the post-closure monitoring period. The expense recorded for these landfill closure and post-closure costs is based on the amount of the change in the remaining available storage capacity and/or the change in total estimated closure and post-closure costs during the year.

The total cost of landfill closure and post-closure care is an estimate and subject to changes due to inflation, changes in technology, or changes in landfill laws and regulations. During the current year, the landfill liability for closure and post-closure care was significantly revised due to the State of Wyoming Department of Environmental Quality issuing new requirements for closure and capping. These new requirements are expected to remedy problems which have been identified throughout the State related to contamination of groundwater due to the leaching of pollutants from landfills. However, the requirements are significantly more costly to implement than the previous requirements and the landfill liability was increased \$5,131,000 in the current year due to these requirements.

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 8 – Long-Term Liabilities (continued)

The estimated liability for landfill closure and post-closure costs are as follows:

	<u>Closure and Postclosure Liability</u>	<u>Remaining Capacity</u>	<u>Remaining Life</u>	<u>% of Capacity Used to Date</u>
Kemmerer landfill #1	\$ 2,923,769	Full	N/A	100%
Kemmerer landfill #2	982,082	972,566 cubic yards	28 years	31%
Cokeville landfill #1	467,348	Full	N/A	100%
Cokeville landfill #2	803,205	114,030 cubic yards	19 years	55%
Thayne landfill	<u>1,600,596</u>	4,990 cubic yards	4 years	98%
	<u>\$ 6,777,000</u>			

It is estimated that approximately \$2,900,000 will be recorded as additional closure and post-closure care expenses as the capacity of the landfills is consumed.

The current estimate of the total cost of the landfill closure and post-closure care is approximately \$9,700,000. This estimate is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor and maintain the landfill were acquired as of June 30, 2010.

The County has the option in accordance with state laws and regulations to pay a premium (security deposit) equal to 3% of the estimated closure and post-closure costs to a State trust fund in exchange for an exemption from State laws regarding financial assurance requirements for the landfills. The State also guarantees that it will satisfy all closure and post-closure care requirements using the State trust fund but has the right to recover expenses in excess of the deposit from the County. The County, upon satisfying the closure and post-closure requirements may request a refund of the deposit. The County has elected this option, and at June 30, 2010, approximately \$60,700, is on deposit with the State of Wyoming. This amount does not meet the 3% requirement by approximately \$143,000. The amount held by the State is reported as security deposits. Closure and post-closure costs are primarily funded out of current financial resources of the general fund.

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 8 – Long-Term Liabilities (continued)

Component Units

Long-term liability activity of component units for the year ended June 30, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences \$	76,047	66,390	(66,390)	76,047	76,047

Note 9 – Interfund Transfers and Interfund Balances

During the year, the County made the following interfund transfers:

Purpose	Amount	Transfer from	Transfer to
County matching funds	\$ 324,692	General Fund	Grants Fund

Interfund Balances

At June 30, 2010, the South Lincoln Hospital Contract Fund owed the General Fund \$260,000. The General Fund owed the Grants Fund \$45,839 as matching contributions for various grant projects.

Note 10 – Retirement Commitments

The County participates in the Wyoming Retirement System ("System"), a statewide cost-sharing multiple-employer public employee retirement system. The System is established and governed by the respective sections of Wyoming state statute. The statute provides for the administration of the System under the direction of the Wyoming State Retirement Board whose members are appointed by the Governor. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. A copy of the report may be obtained by writing to the Wyoming Retirement System, 122 West 25th Street, Cheyenne, Wyoming 82002 or by calling 1-307-777-7691.

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 10 – Retirement Commitments (continued)

Substantially all County full-time employees are eligible to participate in the System. Employees qualify for a retirement allowance if they are 50 years old and have at least 4 years of service, or they may retire at any age if they have 25 years of service.

The required contribution to the Public Employees' Pension Plan (PEPP) part of the System is statutorily set at 11.25% of the participant's annual covered salary. County employees participating in the PEPP are required to contribute 5.57% of their annual covered salary to the System. The County contributes the remaining 5.68% of the participant's annual covered salary. The required contribution to the Wyoming Law Enforcement Retirement Plan (WLERP) part of the System is statutorily set at 17.2%. County employees participating in the WLERP are required to contribute 8.6% of their annual covered salary to the System. The County contributes the remaining 8.6%. 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 employees' contribution.

Contributions to the System for the years ended June 30, 2010, 2009, and 2008 were as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
<i>Primary Government</i>			
Employer paid for employee contributions \$	400,999	371,190	342,215
Employer contributions	405,221	375,870	337,492
<i>Weed and Pest - Component Unit</i>			
Employer paid for employee contributions \$	10,718	11,476	9,524
Employer contributions	10,930	9,515	9,712
<i>County Fair - Component Unit</i>			
Employer paid for employee contributions \$	4,317	3,513	6,116
Employer contributions	4,402	3,375	6,236
<i>County Library - Component Unit</i>			
Employer paid for employee contributions \$	30,981	33,245	23,107
Employer contributions	31,501	33,978	23,564

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 11 – Deferred Compensation Plan

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457, which is administered by Wyoming Deferred Compensation, Inc. The plan, available to all County employees, permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All funds are held by Wyoming Deferred Compensation, Inc. as trustee of the plan. The County's involvement is limited to withholding the amounts elected by employees and remitting those amounts to Wyoming Deferred Compensation, Inc.

Note 12 – Restricted Net Assets/ Reserved Fund Balance

Restricted net assets reported on the statement of net assets are comprised of the following:

Governmental Activities:

Restricted for landfill post-closure deposit	\$ 60,700
Funds for special contracted projects	<u>112,372</u>
	<u>\$ 173,072</u>

Reserved fund balances reported on the governmental funds' balance sheet are comprised of the following:

General Fund:

Reserved for landfill post-closure deposit	\$ 60,700
--	-----------

Contracts Fund:

Reserved for special contracted projects	<u>112,372</u>
	<u>\$ 173,072</u>

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 13 – Designated Fund Balance

The County has designated \$1,000,000 of fund balance within the General Fund for emergency expenditures as allowed by Wyoming Statute 16-4-105. The purpose of the designation is to provide cash to finance expenditures from the beginning of the budget year until general property taxes and other revenues are collected and to meet emergency expenditures. The County has designated \$267,209 of fund balance within the Grants Fund for specific ongoing grant projects.

Note 14 – Compliance Related Matters

Expenditures in the Abandoned Vehicle Fund and the Contracts Fund exceeded their budget by \$3,217 and \$57,286, respectively.

Note 15 – Risk Management

Health Plan

The County operates a self-insured employee health and dental benefit plan. The plan provides benefits to eligible employees and their dependents. The County pays the entire premium for the employee and pays all claims below the threshold of the reinsurance contracts the County has entered into. The County has entered into (stop-loss) reinsurance contracts for this plan at \$80,000 per individual and \$1,000,000 for the overall plan. At June 30, 2010, the plan had incurred claims payable and estimated claims incurred but not reported (IBNR) of \$350,000.

For the year ended June 30, 2010, changes to aggregate claims liabilities were as follows:

Claims Liabilities 7/1/09	Claims Incurred and Changes in Estimates	Claims Paid	Claims Liabilities 6/30/10
\$ 117,500	2,775,769	(2,543,269)	350,000

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 15 – Risk Management (continued)

For the year ended June 30, 2009, changes to aggregate claims liabilities were as follows:

Claims Liabilities 7/1/09	Claims Incurred and Changes in Estimates	Claims Paid	Claims Liabilities 6/30/10
\$ 245,000	1,203,677	(1,331,177)	117,500

General Liability

The nature of the County’s operations makes it susceptible to lawsuits, legal actions, and other judgments. The County mitigates its risk of material loss from these events through the purchase of commercial liability insurance. The County had no claim settlements over the past three years that exceeded its insurance coverage.

Note 16 – Operating Leases

The County leases approximately 370 acres of land from the Bureau of Land Management upon which the County maintains and operates a ski area. The County has a significant investment in improvements upon this property. The lease agreement was entered into June 16, 2000, and the term is for 25 years with no annual fee. The ski area is operated by an independent contractor who pays a percentage of gross revenue to the County.

The County has entered into several cost-per-copy non-cancelable rental agreements with third party vendors for copy and postage services. The monthly minimum payments include costs being amortized over the lease term to exit previous lease financing agreements. Rental expense under operating leases for fiscal year 2010 was approximately \$22,596.

Future minimum payments under these agreements are as follows:

<u>Year</u>	<u>Amount</u>
2011	\$ 22,596
2012	13,980
2013	<u>4,836</u>
Total minimum lease payments	<u>\$ 41,412</u>

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 17 – Commitments & Contingencies

Alpine Fire Department Fire Truck

During fiscal year 2008, the County signed an agreement with the Alpine Fire Department to assist with the lease payments on a four-wheel drive, one thousand gallon pumper truck for use of the Alpine Fire Department and the Town of Alpine. The County agreed to pay \$9,000 annually for three years by October 20th of each year, beginning in fiscal year 2009. The Town of Alpine is the lessee with the County as a guarantor. The total amount financed on the lease is \$122,814.

Required Supplementary Information

LINCOLN COUNTY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Revenues:				
Taxes				
Property taxes	\$ 11,942,344	11,942,344	12,007,353	65,009
Payments in lieu of property taxes	1,335,295	1,335,295	649,169	(686,126)
Sales and use taxes	5,026,627	5,026,627	3,105,690	(1,920,937)
Payments in lieu of sales tax	55,000	55,000	92,118	37,118
State gasoline tax	703,209	703,209	617,100	(86,109)
Vehicle fees	560,000	560,000	578,466	18,466
Severance tax	758,050	758,050	171,660	(586,390)
Other taxes	2,500	2,500	6,634	4,134
Total taxes	<u>20,383,025</u>	<u>20,383,025</u>	<u>17,228,190</u>	<u>(3,154,835)</u>
Other Revenues				
Intergovernmental	925,624	925,624	1,162,580	236,956
Charges for services	528,000	528,000	718,732	190,732
Licenses and permits	8,300	8,300	9,202	902
Miscellaneous	217,501	217,501	283,709	66,208
Total other revenues	<u>1,679,425</u>	<u>1,679,425</u>	<u>2,174,223</u>	<u>494,798</u>
Total revenues	<u>22,062,450</u>	<u>22,062,450</u>	<u>19,402,413</u>	<u>(2,660,037)</u>
Expenditures:				
General government				
Salaries, wages, and benefits	2,502,000	2,502,000	2,377,289	124,711
Payroll taxes	618,000	618,000	540,450	77,550
Contributions to other governments	80,000	80,000	80,000	-
County commissioners	250,490	250,490	242,227	8,263
County clerk	341,014	341,014	326,008	15,006
County treasurer	356,323	356,323	345,766	10,557
County assessor	381,820	381,820	381,419	401
County attorney	366,340	366,340	361,776	4,564
Clerk of district court	299,066	299,066	284,474	14,592
County court	8,000	8,000	5,289	2,711
Courthouse	390,620	390,620	387,557	3,063
Elections	41,778	41,778	5,005	36,773
General accounts	1,832,750	1,832,750	920,814	911,936
Afton county offices	184,376	184,376	182,831	1,545
Computer support	191,403	191,403	183,684	7,719
Capital outlay and other	40,000	40,000	2,000	38,000
Total general government	<u>7,883,980</u>	<u>7,883,980</u>	<u>6,626,589</u>	<u>1,257,391</u>

(continued)

LINCOLN COUNTY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Public safety				
County sheriff	2,077,303	2,077,303	1,955,098	122,205
County jail	922,251	922,251	898,397	23,854
County coroner	83,632	83,632	82,858	774
Emergency management	145,800	145,800	112,887	32,913
Juvenile services	30,000	30,000	20,381	9,619
Contributions to other entities	82,000	82,000	85,849	(3,849)
Capital outlay and other	123,000	123,000	292,000	(169,000)
Total public safety	<u>3,463,986</u>	<u>3,463,986</u>	<u>3,447,470</u>	<u>16,516</u>
Public works				
County engineer	118,142	118,142	116,842	1,300
Road and bridge	5,877,377	5,711,098	3,468,915	2,242,183
County planner	371,375	371,375	333,907	37,468
Contributions to other entities	142,900	142,900	142,900	-
Total public works	<u>6,509,794</u>	<u>6,343,515</u>	<u>4,062,564</u>	<u>2,280,951</u>
Health and welfare				
Public health	223,038	223,038	157,197	65,841
Landfill	2,579,566	2,579,566	2,136,210	443,356
Human services	506,365	506,365	494,021	12,344
Extension services	127,183	127,183	120,803	6,380
Contributions to other entities	94,000	94,000	99,583	(5,583)
Capital outlay and other	415,000	415,000	129,977	285,023
Total health and welfare	<u>3,945,152</u>	<u>3,945,152</u>	<u>3,137,791</u>	<u>807,361</u>
Total expenditures	<u>21,802,912</u>	<u>21,636,633</u>	<u>17,274,414</u>	<u>4,362,219</u> (continued)

LINCOLN COUNTY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Excess of expenditures over revenues	<u>259,538</u>	<u>425,817</u>	<u>2,127,999</u>	<u>1,702,182</u>
Other financing sources (uses):				
Transfer to grant fund	(259,538)	(425,817)	(324,692)	101,125
Proceeds from insurance recovery	<u>-</u>	<u>-</u>	<u>16,143</u>	<u>16,143</u>
Total other financing sources (uses)	<u>(259,538)</u>	<u>(425,817)</u>	<u>(308,549)</u>	<u>117,268</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>1,819,450</u>	<u>1,819,450</u>
Fund balance - July 1			<u>12,251,452</u>	
Fund balance - June 30			<u>\$ 14,070,902</u>	

LINCOLN COUNTY
GRANTS FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Revenues:				
Intergovernmental	\$ 4,147,040	4,147,040	2,490,860	(1,656,180)
Total revenues	<u>4,147,040</u>	<u>4,147,040</u>	<u>2,490,860</u>	<u>(1,656,180)</u>
Expenditures:				
General government	-	-	165,099	(165,099)
Public safety	526,278	526,278	855,168	(328,890)
Public works	414,302	414,302	1,220,718	(806,416)
Health and welfare	<u>3,382,023</u>	<u>3,388,649</u>	<u>414,336</u>	<u>2,974,313</u>
Total expenditures	<u>4,322,603</u>	<u>4,329,229</u>	<u>2,655,321</u>	<u>1,673,908</u>
Deficiency of revenues over expenditures	<u>(175,563)</u>	<u>(182,189)</u>	<u>(164,461)</u>	<u>17,728</u>
Other financing sources (uses):				
Transfers in	<u>175,563</u>	<u>175,563</u>	<u>324,692</u>	<u>149,129</u>
Total other financing sources	<u>175,563</u>	<u>175,563</u>	<u>324,692</u>	<u>149,129</u>
Net change in fund balance	\$ <u>-</u>	<u>(6,626)</u>	160,231	<u>166,857</u>
Fund balance - July 1			<u>132,544</u>	
Fund balance - June 30	\$		<u>292,775</u>	

LINCOLN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2010

Budget Presentation

A Budgetary Comparison Schedule is presented for the General Fund and each major special revenue fund as required by generally accepted accounting principles (GAAP). Budgets for governmental funds are adopted on a GAAP basis except for instances in which capital assets are purchased through issuance of debt.

Annual appropriated budgets are adopted for all governmental funds as required by state law. All annual appropriations lapse at fiscal year-end. The Board of County Commissioners may authorize increases to or uses of unreserved fund balances. In the budget presentation, authorized increases to fund balance are shown as positive changes in fund balance and authorized decreases are shown as negative changes in fund balance.

Budget Adoption and Monitoring

Prior to May 15, the County Clerk submits to the Board of County Commissioners a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

A public hearing is conducted prior to the third Monday in July to obtain public comments.

The budget is adopted within 24 hours of the public hearing, or by the third Tuesday of July.

The total budget for any individual department may be amended only upon a motion made by the Board of County Commissioners. After the publication of notice, the Board of County Commissioners may by resolution transfer any unexpended appropriation balance or part thereof from one fund or department to another.

Formal budgetary integration is employed as a management control device during the year for all governmental funds. In the General Fund, the legal level of expenditure control for budgetary purposes is the department level. Management may over-expend an object line item within a department without seeking a formal amendment from the Board of County Commissioners as long as the total department budget is not over-expended.

Supplementary Information

LINCOLN COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2010

	<u>Special Revenue Funds</u>					Total Nonmajor Governmental Funds
	<u>Abandoned Vehicle</u>	<u>Contracts</u>	<u>Enhanced 911</u>	<u>SL Hospital Contract</u>	<u>State Roads</u>	
<u>Assets</u>						
Pooled cash and cash equivalents	\$ 6,711	304,944	93,562	-	19,995	425,212
Cash and cash equivalents	-	-	-	-	383,392	383,392
Accounts receivable	-	-	22,391	-	-	22,391
Note receivable	-	-	-	260,000	-	260,000
Due from other governments	-	24,690	-	-	15,423	40,113
Total assets	<u>\$ 6,711</u>	<u>329,634</u>	<u>115,953</u>	<u>260,000</u>	<u>418,810</u>	<u>1,131,108</u>
<u>Liabilities</u>						
Accounts payable	\$ -	6,194	8,801	-	71,897	86,892
Due to other funds	-	-	-	260,000	-	260,000
Deferred revenue	-	109,862	-	-	-	109,862
Total liabilities	<u>-</u>	<u>116,056</u>	<u>8,801</u>	<u>260,000</u>	<u>71,897</u>	<u>456,754</u>
<u>Fund Balance</u>						
Reserved	-	112,372	-	-	-	112,372
Unreserved - undesignated	6,711	101,206	107,152	-	346,913	561,982
Total fund balance	<u>6,711</u>	<u>213,578</u>	<u>107,152</u>	<u>-</u>	<u>346,913</u>	<u>674,354</u>
Total liabilities and fund balances	<u>\$ 6,711</u>	<u>329,634</u>	<u>115,953</u>	<u>260,000</u>	<u>418,810</u>	<u>1,131,108</u>

LINCOLN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2010

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Abandoned Vehicle	Contracts	Enhanced 911	SL Hospital Contract	State Roads	
Revenues:						
Intergovernmental	\$ -	379,423	-	-	337,828	717,251
Charges for services	-	-	90,905	-	-	90,905
Miscellaneous	228	-	-	-	2,267	2,495
Total revenues	228	379,423	90,905	-	340,095	810,651
Expenditures:						
Public safety	3,217	205,261	96,779	-	-	305,257
Public works	-	-	-	-	1,356,888	1,356,888
Health and welfare	-	163,512	-	-	-	163,512
Total expenditures	3,217	368,773	96,779	-	1,356,888	1,825,657
Excess (deficiency) of revenues over expenditures	(2,989)	10,650	(5,874)	-	(1,016,793)	(1,015,006)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balance	(2,989)	10,650	(5,874)	-	(1,016,793)	(1,015,006)
Fund balance - July 1	9,700	202,928	113,026	-	1,363,706	1,689,360
Fund balance - June 30	\$ 6,711	213,578	107,152	-	346,913	674,354

LINCOLN COUNTY
ABANDONED VEHICLE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2010
(With Comparative Totals for the Year Ended June 30, 2009)

	<u>2010</u>		Variance- Favorable (Unfavorable)	2009
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues:				
Miscellaneous revenues	\$ -	228	228	155
Total revenues	-	228	228	155
Expenditures:				
Public safety	-	3,217	(3,217)	711
Total expenditures	-	3,217	(3,217)	711
Net change in fund balance	\$ -	(2,989)	(2,989)	(556)
Fund balance - July 1		9,700		10,256
Fund balance - June 30		\$ 6,711		9,700

LINCOLN COUNTY
CONTRACTS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2010
(With Comparative Totals for the Year Ended June 30, 2009)

	<u>2010</u>		Variance- Favorable (Unfavorable)	2009 Actual
	<u>Budget</u>	<u>Actual</u>		
Revenues:				
Intergovernmental	\$ 211,487	379,423	167,936	285,102
Total revenues	<u>211,487</u>	<u>379,423</u>	<u>167,936</u>	<u>285,102</u>
Expenditures:				
Public safety	44,939	205,261	(160,322)	201,298
Health and welfare	266,548	163,512	103,036	9,997
Total expenditures	<u>311,487</u>	<u>368,773</u>	<u>(57,286)</u>	<u>211,295</u>
Excess (deficiency) of revenues over expenditures	<u>(100,000)</u>	<u>10,650</u>	<u>225,222</u>	<u>73,807</u>
Net change in fund balance	<u>\$ (100,000)</u>	10,650	<u>225,222</u>	73,807
Fund balance - July 1		<u>202,928</u>		<u>129,121</u>
Fund balance - June 30		<u>\$ 213,578</u>		<u>202,928</u>

LINCOLN COUNTY
ENHANCED 911 FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2010
(With Comparative Totals for the Year Ended June 30, 2009)

	<u>2010</u>		Variance- Favorable (Unfavorable)	2009
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues:				
Charges for services	\$ -	90,905	90,905	97,967
Total revenues	-	90,905	90,905	97,967
Expenditures:				
Public safety	98,050	96,779	1,271	89,564
Total expenditures	98,050	96,779	1,271	89,564
Excess (deficiency) of revenues over expenditures	(98,050)	(5,874)	92,176	8,403
Change in fund balance	\$ <u>(98,050)</u>	(5,874)	<u>92,176</u>	8,403
Fund balance - July 1		<u>113,026</u>		<u>104,623</u>
Fund balance - June 30		\$ <u>107,152</u>		<u>113,026</u>

LINCOLN COUNTY
SL HOSPITAL CONTRACT FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2010
(With Comparative Totals for the Year Ended June 30, 2009)

	2010		Variance- Favorable (Unfavorable)	2009 Actual
	Budget	Actual		
Revenues:				
Intergovernmental	\$ -	-	-	-
Expenditures:				
Health and welfare	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources:				
Transfer from General fund	-	-	-	-
Total other financing sources	-	-	-	-
Net change in fund balance	\$ -	-	-	-
Fund balance - July 1		-		-
Fund balance - June 30		\$ -		-

LINCOLN COUNTY
STATE ROADS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2010
(With Comparative Totals for the Year Ended June 30, 2009)

	2010		Variance- Favorable (Unfavorable)	2009 Actual
	Budget	Actual		
Revenues:				
Intergovernmental	\$ -	337,828	337,828	869,443
Miscellaneous	-	2,267	2,267	11,708
Total revenues	-	340,095	340,095	881,151
Expenditures:				
Public works	1,733,079	1,356,888	376,191	291,772
Total expenditures	1,733,079	1,356,888	376,191	291,772
Excess (deficiency) of revenues over expenditures	(1,733,079)	(1,016,793)	714,019	589,379
Other financing sources (uses):				
Transfers in		-	-	11,260
Transfers out	-	-	-	(41,020)
Total other financing sources (uses)	-	-	-	(29,760)
Net change in fund balance	\$ <u>(1,733,079)</u>	(1,016,793)	<u>716,286</u>	559,619
Fund balance - July 1		<u>1,363,706</u>		<u>804,087</u>
Fund balance - June 30		\$ <u><u>346,913</u></u>		<u><u>1,363,706</u></u>

LINCOLN COUNTY
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
June 30, 2010

	<u>Treasurer's Tax Fund</u>	<u>School Bond and Interest Fund</u>	<u>Hospital Bond and Interest Fund</u>	<u>Totals</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 2,855,673	879,907	85,279	3,820,859
Restricted cash	3,447	-	-	3,447
Property taxes receivable	439,015	1,179	8,909	449,103
Due from other governments	83,861	-	-	83,861
 Total assets	 <u>\$ 3,381,996</u>	 <u>881,086</u>	 <u>94,188</u>	 <u>4,357,270</u>
<u>Liabilities</u>				
Due to taxing units	\$ 3,280,996	881,086	94,188	4,256,270
Refunds payable	101,000	-	-	101,000
 Total liabilities	 <u>\$ 3,381,996</u>	 <u>881,086</u>	 <u>94,188</u>	 <u>4,357,270</u>

LINCOLN COUNTY
COMBINING STATEMENT OF NET ASSETS
COUNTY LIBRARY AND COUNTY LIBRARY FOUNDATION
June 30, 2010

	<u>County Library</u>	<u>County Library Foundation</u>	<u>Total County Library</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 464,563	48,916	513,479
Investments	-	96,447	96,447
Accounts receivable	29,901	237	30,138
Internal balances	(29,604)	29,604	-
Taxes receivable	1,220,095	-	1,220,095
Land	-	213,000	213,000
Buildings and improvements	84,212	-	84,212
Equipment	168,032	-	168,032
Accumulated depreciation	(129,924)	-	(129,924)
	<hr/>	<hr/>	<hr/>
Total assets	\$ 1,807,275	388,204	2,195,479
<u>Liabilities</u>			
Accounts payable	\$ 1,628	1,650	3,278
Deferred revenue	1,200,000	-	1,200,000
Compensated absences	33,000	-	33,000
	<hr/>	<hr/>	<hr/>
Total liabilities	1,234,628	1,650	1,236,278
<u>Net assets</u>			
Invested in capital assets, net of related debt	122,320	213,000	335,320
Unrestricted	450,327	173,554	623,881
	<hr/>	<hr/>	<hr/>
Total net assets	\$ 572,647	386,554	959,201
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

LINCOLN COUNTY
COMBINING STATEMENT OF ACTIVITIES
COUNTY LIBRARY AND COUNTY LIBRARY FOUNDATION
June 30, 2010

	<u>County Library</u>	<u>County Library Foundation</u>	<u>Total County Library</u>
Expenses	\$ 1,346,940	26,188	1,373,128
Program revenues:			
Charges for services	10,351	-	10,351
Operating grants and contributions	2,253	320,118	322,371
Total program revenues	12,604	320,118	332,722
Net expenses	(1,334,336)	293,930	(1,040,406)
General revenues:			
Taxes	1,260,345	-	1,260,345
Investment income	569	-	569
Miscellaneous	8,704	-	8,704
Total general revenues	1,269,618	-	1,269,618
Change in net assets	(64,718)	293,930	229,212
Net assets – beginning	637,365	92,624	729,989
Net assets – ending	\$ 572,647	386,554	959,201

LINCOLN COUNTY DRUG COURT
SCHEDULE OF FINANCIAL POSITION
June 30, 2010

<u>Assets</u>	
Cash and cash equivalents	\$ <u>107,927</u>
Total assets	\$ <u><u>107,927</u></u>
<u>Liabilities and Fund Balance</u>	
Accounts payable	\$ 9,931
Deferred revenue	87,284
Due to other governments	<u>10,712</u>
Total liabilities	107,927
Fund balance	<u>-</u>
Total liabilities and fund balance	\$ <u><u>107,927</u></u>

LINCOLN COUNTY DRUG COURT
SCHEDULE OF ACTIVITIES AND FUNCTIONAL EXPENSES
Year Ended June 30, 2010

Revenues:		
State grants	\$	124,111
Contributions from Lincoln County		<u>59,539</u>
Total revenues		<u>183,650</u>
Expenditures:		
Consultants and contractors		95,201
Salaries, wages, and benefits		62,234
Equipment purchases		18,082
Training		2,041
Supplies		3,070
Travel		<u>3,022</u>
Total expenditures		<u>183,650</u>
Net change in fund balance	\$	<u><u>-</u></u>

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LINCOLN COUNTY
GOVERNMENTAL AUDIT REPORTS
June 30, 2010

LINCOLN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA No.	Contract Number	Expenditures
<u>U.S. Department of Agriculture (DOA)</u>			
<i>Passed through State Department of Health:</i>			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	None	\$ 5,948
<i>Passed through State Forestry Division:</i>			
Cooperative Forestry Assistance	10.664	05FYD4LN	45,000
Wildland Fire Management - ARRA	10.688	None	118,000
<i>Passed through Caribou Targhee National Forest</i>			
Capital Improvement and Maintenance - ARRA	10.687	09-RO-110482B1-007	<u>59,653</u>
Total DOA			<u>228,601</u>
<u>Department of Commerce (DOC)</u>			
<i>Passed through Wyoming Office of Homeland Security:</i>			
Public Safety Interoperable Communications	11.555	07-NTI-LIN-PS-PCS7	<u>78,948</u>
Total DOC			<u>78,948</u>
<u>Department of Justice (DOJ)</u>			
<i>Direct Award:</i>			
Public Safety Partnership and Community Policing - ARRA	16.710	2009 RKWX0952	16,905
<i>Passed through Bureau of Justice Assistance:</i>			
Edward Byrne Memorial Justice Assistance - ARRA	16.804	2009-SBB9-1553	<u>8,674</u>
Total DOJ			<u>25,579</u>
<u>Department of Transportation (DOT)</u>			
<i>Passed through Wyoming Department of Transportation:</i>			
Highway Planning and Construction Cluster	20.205	CM0.00CM09007	138,770
<i>Passed through Wyoming Office of Homeland Security:</i>			
Interagency Hazardous Materials Public Sector Training and Planning	20.703	09-DOT-LIN-HM-HMP9	1,322
Interagency Hazardous Materials Public Sector Training and Planning	20.703	10-DOT-ALB-HM-HMP10	<u>2,396</u>
Total DOT			<u>142,488</u>
<u>Department of Energy (DOE)</u>			
<i>Passed through National Energy Technology Lab:</i>			
Energy Efficiency and Conservation - ARRA	81.128	None	<u>59,811</u>
Total DOE			<u>59,811</u>

LINCOLN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA No.	Contract Number	Expenditures
<u>Health and Human Services (HHS)</u>			
<i>Passed through Wyoming Department of Health:</i>			
Public Health Emergency Preparedness	93.069	None	64,152
Temporary Assistance for Needy Families	93.558	None	65,518
Maternal and Child Health Services	93.994	None	<u>16,204</u>
Total HHS			<u>145,874</u>
<u>Department of Homeland Security (DHS)</u>			
<i>Passed through Wyoming Office of Homeland Security:</i>			
Homeland Security Cluster:			
Homeland Security	97.067	07-ODP-LIN-LC-HLE7	3,098
Homeland Security	97.067	09-GPD-LIN-CC-HCC9	1,286
Homeland Security	97.067	08-GPD-LIN-SC-HSCG8	35,163
Homeland Security	97.067	07-ODP-LIN-SC-HSG7	53,402
Homeland Security	97.067	07-ODP-LIN-CC-HCC7	1,251
Homeland Security	97.067	07-ODP-LIN-LS-HLE7	21,022
Homeland Security	97.067	08-GPD-LIN-CC-HCC8	786
Homeland Security	97.067	09-GPD-LIN-SC-HSG9	<u>12,228</u>
Total Homeland Security Cluster			128,236
Emergency Management Performance	97.042	09-GPD-LIN-EM-GCF9	29,042
Homeland Security	97.042	None	1,270
Coroners LETPP	97.074	06-ODP-LIN-LC-HLE6	10,965
Buffer Zone Protection Program	97.078	08-GPD-LIN-BZ-BZL8	<u>5,480</u>
Total DHS			<u>174,993</u>
Total Expenditures of Federal Awards			<u>\$ 856,294</u>

LINCOLN COUNTY
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

Note 1 – Purpose of the Schedule

The Schedule of Expenditures of Federal Awards (the Schedule) is a supplementary schedule to the basic financial statements. The Schedule is required by the U.S. Office of Management and Budget (OMB) Circular A-133, “Audits of States, Local Governments, and Non-Profit Organizations.”

Note 2 – Significant Accounting Policies

Basis of Accounting

The information in the Schedule is presented in accordance with OMB Circular A-133. The Schedule is prepared using the same accounting policies and basis of accounting as the basic financial statements.

CFDA Numbers

OMB Circular A-133 requires the Schedule to show the total expenditures for each of the entity’s federal financial assistance programs as identified in the Catalog of Federal Domestic Assistance (CFDA). The CFDA is a government-wide compendium of individual federal programs. Each program included in the CFDA is assigned a five-digit program identification number (CFDA number).

Major Programs

OMB Circular A-133 establishes a risk-based approach to be used in defining major federal financial programs. Major Programs are identified in the schedule of findings and questioned costs.

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INDEPENDENT AUDITORS' 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

Board of County Commissioners
Lincoln County
Kemmerer, Wyoming

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lincoln County, Wyoming (the County), as of and for the year ended June 30, 2010 which collectively comprise the County's basic financial statements and have issued our report thereon dated January 13, 2011. 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.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We consider the deficiencies in internal control described in the accompanying schedule of findings and questioned costs as item 10-01 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control described in the accompanying schedule of findings and questioned costs as items 10-02 and 10-03 to be significant deficiencies.

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 13, 2011.

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

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



JONES SIMKINS, P.C.
January 13, 2011



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

Board of County Commissioners
Lincoln County
Kemmerer, Wyoming

Compliance

We have audited the compliance of Lincoln County, Wyoming (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

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

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

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



JONES SIMKINS, P.C.
January 13, 2011

LINCOLN COUNTY
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

A. Summary of Auditors' Results

- | | | |
|----|---|---|
| 1. | Type of Report issued: | Unqualified |
| 2. | Internal control over financial reporting:
Material weaknesses identified: | Yes-1 |
| | Significant deficiencies identified that were not considered to be material weaknesses: | Yes-2 |
| 3. | Non-compliance material to financial statements noted: | No |
| 4. | Internal control over major programs:
Material weaknesses identified:
Significant deficiencies identified that were not considered to be material weaknesses: | No

None reported |
| 5. | Type of auditor's report issued on compliance for major programs: | Unqualified |
| 6. | Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133: | None |
| 7. | Federal programs tested as major programs: | Cooperative Fire Assistance
CFDA # 10.664

Wildland Fire Management - ARRA
CFDA # 10.668

Public Safety Interoperable
Communications
CFDA # 11.555

Highway Planning and Construction
CFDA # 20.205

Energy Efficiency
and Conservation – ARRA
CFDA # 81.128 |

LINCOLN COUNTY
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

- 8. Dollar threshold used to distinguish between Type A and Type B programs: \$300,000
- 9. Auditee qualification as high or low risk: High

B. Findings related to the financial statements required to be reported in accordance with Government Auditing Standards

Finding 10-01

Condition: The auditor provides assistance in the drafting of the annual financial statements, including formatting, grouping of accounts, footnote disclosure and supplementary information including the schedule of expenditures of federal awards. Material auditor-proposed adjustments were made to the balances of current assets, capital assets, current liabilities, long-term liabilities, equity, revenues, and expenses. These adjustments affected the accounts of the County and its component units.

Criteria: Material misstatements in the entity's accounting records identified via auditor testwork are considered substantial evidence of a material weakness in internal control. Inability to independently draft annual financial statements and prepare an accurate schedule of expenditures of federal awards also constitutes substantial evidence of a material weakness in internal control.

Effect: The County has a material weakness in internal control with respect to the accurate recording, reporting, and disclosure of transactions and balances in accordance with Generally Accepted Accounting Principles.

Cause: The County does not have the sufficient expertise in accounting and financial reporting necessary to record, report, and disclose all balances and transactions in accordance with Generally Accepted Accounting Principles.

Recommendation: Management should continue to consider ways to reduce the number of journal entries and prepare a more accurate schedule of expenditures of federal awards.

Finding 10-02

Condition: The internal control system of the County and its component units is not designed in accordance with the expectations of the Government Accountability Office.

Criteria: Internal control standards adopted by the GAO expect that the individuals charged with governance of an organization establish an effective control environment,

LINCOLN COUNTY
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

assess control risks, establish appropriate control activities, document and communicate controls and procedures, and monitor compliance with those policies and procedures.

Effect: The County has a weakness in the design of its internal control processes.

Cause: The County has not designed and implemented internal controls as expected by the GAO.

Recommendation: Those charged with governance should evaluate the costs and benefits of making improvements to internal controls and documentation of internal controls in accordance with GAO expectations.

Finding 10-03

Condition: Multiple departments or offices within the County maintain independent bank accounts with a variety of authorized signatories on these accounts. Certain bank accounts were not recorded in the County's accounting system - Casselle.

Criteria: All assets under the control of the County should be reported in the County's financial statements and recorded in the County's accounting system.

Effect: The County has a significant deficiency in internal controls with respect to completeness of reported assets, revenues, and expenditures, as well as authorization of expenditures.

Cause: Bank accounts have been opened in the name of the County without the County Treasurer being notified.

Recommendation: All County bank accounts should be identified and recorded in the accounting system.

C. Findings and Questioned Costs Related to Federal Awards Required to be Reported in Accordance with OMB Circular A-133

None

LINCOLN COUNTY
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2010

None required as there were no findings or questioned costs related to federal awards required to be reported in accordance with OMB Circular A-133 in the prior year.

LINCOLN COUNTY
Corrective Action Plan
(Client Submitted Document)
Year Ended June 30, 2010

Lincoln County respectfully submits the following corrective action plan for the year ended June 30, 2010:

The findings from the schedule of findings and questioned costs are addressed below. The findings are numbered consistently with the numbers assigned in the schedule of findings and questioned costs.

Findings – Financial Statement Audit

Response to finding 10-01

The County will consider ways to improve the County's ability to record transactions in accordance with Generally Accepted Accounting Principles, and prepare the schedule of expenditures of federal awards independent of the auditors.

Response to finding 10-02

Management will continue to evaluate the cost and benefit of implementing controls in accordance with the expectations of the GAO and implement additional controls where practical and reasonable.

Response to finding 10-03

The County has identified all bank accounts existing in the name of the County and has provided the County Treasurer with the necessary information related to all of these accounts. Subsequent to year end, the County will record all such accounts in the accounting system.