

LINCOLN COUNTY
FINANCIAL STATEMENTS

June 30, 2012



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INDEPENDENT AUDITORS' REPORT

To the 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, 2012, 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, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2012, on our consideration of the County's internal controls 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 the internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's 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 financial statements. 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 and the schedules described above are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Jones Simkins, P.C.

JONES SIMKINS, P.C.
November 29, 2012

LINCOLN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

The Board of County Commissioners of Lincoln County, Wyoming (the County) offers this narrative discussion, overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2012. Readers are encouraged to consider the information presented here in conjunction with the financial statements which follow this section.

Unless otherwise noted, the information and financial data included in this discussion and analysis relate to the primary government and do not include its discretely presented component units. The primary government can be generally described as providing the core services expected of local government, such as public health and safety and maintenance of infrastructure; component units are separate legal entities that provide ancillary services (examples of which are the county library, weed and pest control district, and fair board.)

Financial Highlights

The total net assets of Lincoln County for the year increased by \$3,809,641, resulting in total net assets of \$49,321,840. Three focal points of the County's finances are: cash and investments (including cash and cash equivalents, pooled cash and cash equivalents, and investments), 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 \$2,950,891 or 19% over the prior year. Cash and investments now represent 27% of total assets. The increase in cash and investments is due to major budgeted expenditures, specifically capital outlay, not occurring in the current year. 2. Net capital assets increased by \$2,412,808 or 7% over the prior year. Net capital assets now represent 58% of total assets. This increase is a result of purchases of machinery and equipment and the completion and continuation of significant construction projects in the current year. 3. Long-term liabilities, which account for 42% of total liabilities, increased by \$441,281 or 6%. This increase is a result of an increase in the estimated landfill closure liability and an increase in compensated absences.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Lincoln County's basic financial statements. These statements comprise three components: 1) government-wide financial statements; 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements. A comparative presentation of government-wide information is also included in this discussion and analysis. The purpose of this narrative is to simplify and clarify the following financial statements.

LINCOLN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

Government-Wide Financial Statements

The government-wide financial statements provide a view of the County's finances as a whole, similar to a private-sector business. The statements consist of the Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets presents information on all of the County's assets and liabilities and the resulting difference between the assets and liabilities as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. However, to evaluate the 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 presents information showing how the net assets of the County changed during this fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, the financial statements are presented using the accrual method of accounting and revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected and delinquent property taxes and employees' earned, but unused, paid leave).

The distinct type of activities reflected in the primary government financial statements is 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 the County itself (known as the primary government), but discretely presented component units which include: the Lincoln County Weed and Pest Control District, the Lincoln County Fair Board, and the Lincoln County Library. Financial information for these component units are reported separately from the financial information presented for the primary government.

Fund Financial Statements

A fund is a group of accounts that the County uses to keep track of specific resources that are segregated for a specific purpose. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The County maintains a general fund and four special revenue funds.

LINCOLN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

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 near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The 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 expenditures recorded in these funds. The Grants Fund is the other major fund of the County. There are three other governmental funds that are reported. A summary of these funds is combined into one "non-major fund" column. The non-major funds include the Contracts Fund, the Enhanced 911 Fund, and the State Roads Fund. 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.

The County also maintains four fiduciary funds. 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.

Notes to the Financial Statements

Notes to the financial statements provide additional information that is necessary to more fully understand the financial statements. Many of the notes contain a more complete definition of accounting terms and description of the County's accounting policies. The notes also provide additional detail on deposits and investments, changes to capital assets, funded liabilities, long-term debt obligations, retirement plans and compliance-related issues.

LINCOLN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

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, 2012, the County's assets exceeded its liabilities by \$49,321,840. The largest portion of the County's assets (58%) reflects its investment in capital assets, (land, rights of way, buildings, infrastructure, equipment, construction in progress, 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 (42%) of assets and for the most part these funds are available for future spending. The asset to liability ratio is 3.6:1, 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 fiscal years 2012 and 2011, respectively, 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.

	2012	2011	Net Change	Percentage to Total Assets		% Change Between Years
	Governmental Activities	Governmental Activities		2012	2011	
Assets:						
Current and Other Assets	\$ 29,096,505	26,609,931	2,486,574	42.49%	41.85%	9.34%
Capital Assets	39,380,579	36,967,771	2,412,808	57.51%	58.15%	6.53%
Total Assets	68,477,084	63,577,702	4,899,382			
Liabilities:						
Other Liabilities	11,164,212	10,515,752	648,460	58.28%	58.21%	6.17%
Long-term Liabilities	7,991,032	7,549,751	441,281	41.72%	41.79%	5.84%
Total Liabilities	19,155,244	18,065,503	1,089,741			
Net Assets:						
Invested in Capital Assets, net of debt	39,122,547	36,568,416	2,554,131	79.32%	80.35%	6.98%
Restricted	1,647,610	1,276,872	370,738	3.34%	2.81%	29.03%
Unrestricted	8,551,683	7,666,911	884,772	17.34%	16.85%	11.54%
Total Net Assets	\$ 49,321,840	45,512,199	3,809,641			
Assets to Liabilities	3.6	3.5				

LINCOLN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

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 fiscal year 2012, the changes between fiscal years 2012 and 2011, and the percentages of revenue to total revenues and expenses to total expenses.

Lincoln County
Summary of Changes in Net Assets

	<u>2012</u>	<u>% of Total Revenues</u>	<u>2011</u>	<u>% of Total Revenues</u>	<u>\$ Change Between Years</u>	<u>% Change Between Years</u>
Revenues:						
Program revenues						
Charges for services	\$ 1,093,909	4.78%	1,045,030	4.94%	48,879	4.68%
Operating grants	2,266,109	9.90%	3,587,140	16.95%	(1,321,031)	-36.83%
Capital grants	1,861,919	8.14%	1,754,961	8.29%	106,958	6.09%
General Revenues:						
Property taxes	10,789,518	47.15%	9,556,769	45.17%	1,232,749	12.90%
Sales and use tax	4,970,363	21.72%	4,144,603	19.59%	825,760	19.92%
Other taxes	1,388,872	6.07%	802,074	3.79%	586,798	73.16%
Investment income	226,499	0.99%	143,204	0.68%	83,295	58.17%
Gain (loss) on disposal of assets	57,121	0.25%	(13,181)	-0.06%	70,302	-533.36%
Insurance recovery	-	0.00%	16,706	0.08%	(16,706)	-100.00%
Miscellaneous	227,642	0.99%	122,054	0.58%	105,588	86.51%
Total Revenues	<u>22,881,952</u>		<u>21,159,360</u>		<u>1,722,592</u>	8.14%
		<u>% of Total Expenses</u>		<u>% of Total Expenses</u>		
Expenses:						
General Government	6,605,706	34.64%	6,711,589	35.00%	(105,883)	-1.58%
Public Safety	4,132,580	21.67%	4,360,110	22.74%	(227,530)	-5.22%
Public Works	4,275,762	22.42%	4,085,928	21.31%	189,834	4.65%
Health & Welfare	4,044,680	21.21%	4,001,131	20.86%	43,549	1.09%
Interest & fiscal charges	13,583	0.07%	18,603	0.10%	(5,020)	0.00%
Total expenses	<u>19,072,311</u>		<u>19,177,361</u>		<u>(105,050)</u>	-0.55%
Change in net assets	<u>3,809,641</u>		<u>1,981,999</u>			
Net assets-beginning	<u>45,512,199</u>		<u>43,530,200</u>			
Net assets-ending	<u>\$ 49,321,840</u>		<u>45,512,199</u>			

LINCOLN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

For fiscal year 2012, the County experienced an increase in net assets of \$3,809,641 compared to an increase of \$1,981,999 in fiscal year 2011. The increase is due primarily to the net result of increased property tax and sales and use tax revenues and an increase in public safety expenses. Increases in property tax and sales and use tax revenues are attributable to improvement in the economy and increases in property valuation.

On the revenue side, property tax revenues increased by 13% or \$1,232,749, as a result of significant increases in property values throughout the County. Sales and use tax revenues increased 20% or \$825,760 due to improvement in the economy and increased activity in oil and gas fields in the County.

Taxes comprise the largest source of revenue for the County. Property and motor vehicle taxes represent 47% of total revenues, followed by sales and use taxes which constitute 22% of total revenues. Operating grants and capital grants represent 12% and 8% of total revenues, respectively.

On the expense side, the cost of General Government programs remained mostly unchanged from the prior year and was 35% of total expenses. Health and welfare was the least costly program at 21% of total expenses.

Financial Analysis of the County's Funds

The 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, 2012, the fund balance of the County's governmental funds was \$17,937,437, which increased \$1,838,113 over the prior year. Of the \$17,937,437 in fund balance, \$9,319,787 is unassigned and is available for appropriation by the County. The remainder of the fund balance is comprised of \$289,000 which is in nonspendable form, \$1,647,610 which is restricted by enabling legislation and/or for specific road projects, state and federal contracts, and state and federal grant programs, \$1,867,727 which is committed for construction of a new justice center, and \$4,813,313 which is assigned to budgeted expenditures, special projects and other purposes.

LINCOLN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

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, 2012 - Final Budget to Actual

	Final Budget	Actual	Favorable (Unfavorable)	% of Change Budget to Actual
<u>Revenues:</u>				
Taxes	\$ 14,825,186	17,148,411	2,323,225	15.67%
Intergovernmental	673,163	684,414	11,251	1.67%
Charges for services	649,000	948,516	299,516	46.15%
Licenses and permits	8,500	9,077	577	6.79%
Interest income	110,000	225,811	115,811	105.28%
Miscellaneous	102,000	236,959	134,959	132.31%
Total revenues	16,367,849	19,253,188	2,885,339	17.63%
<u>Expenditures:</u>				
General government	6,576,841	6,381,527	195,314	2.97%
Public safety	6,648,087	4,585,750	2,062,337	31.02%
Public works	2,954,993	3,107,673	(152,680)	-5.17%
Health and welfare	4,902,911	3,626,477	1,276,434	26.03%
Total expenditures	\$ 21,082,832	17,701,427	3,381,405	16.04%

The original revenues budget was \$16,367,849 with no modifications made during the year. Actual revenues compared to the final budget had favorable variances of \$2,885,339. This variance resulted mainly from the County receiving approximately \$1,784,039 more in revenues related to property taxes and sales and use taxes due to improvement in the economy and increases in property valuation.

Original budgeted expenditures were \$17,762,979 with an amendment of \$3,319,853 made for the construction of the new justice center to arrive at final budgeted expenditures of \$21,082,832. Actual expenditures amounted to \$17,701,427, resulting in a favorable variance of \$3,381,405 or 16%. At the department level, general government expenditures were \$195,314 or 3% less than the budgeted expenditures. Public Safety expenditures were \$2,062,337 or 31% less than budgeted expenditures. This favorable variance relates primarily to the timing of the construction of the new justice center project and significantly less capital outlay than expected. Public Works expenditures were \$152,680 or 5% more than budgeted expenditures. Health and Welfare expenditures were \$1,276,434 or 26% less than budgeted expenditures. This favorable variance relates to significantly less expenditures on landfill capital outlay, specifically the landfill containment system, than expected.

LINCOLN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

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 \$39,380,579 as of June 30, 2012. This investment in capital assets includes land, rights of way, infrastructure, buildings, vehicles, equipment, and construction in process. Major capital additions this year include land, vehicles, building construction and improvements, heavy equipment, and other tools and equipment.

Long-Term Liabilities: Total long-term liabilities as of June 30, 2012 were \$7,991,032 of which \$594,000 is due within one year and \$7,397,032 is due in more than one year. There is no general obligation indebtedness as of June 30, 2012. Major activity in long-term liabilities during the year included an adjustment to the estimated landfill closure and post-closure monitoring costs and an increase in compensated absences.

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. Similar to most areas in the Country, the assessed market valuation used in property tax levies for fiscal year 2012 increased by 9% or \$80 million from the prior year, which resulted in an increase of approximately \$1.2 million in property tax revenue.

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.

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Basic Financial Statements

LINCOLN COUNTY
STATEMENT OF NET ASSETS
June 30, 2012

	<u>Primary Government</u>		Component Units
	<u>Governmental Activities</u>	<u>Total</u>	
<u>Assets</u>			
Pooled cash and cash equivalents	\$ 10,623,922	10,623,922	-
Cash and cash equivalents	3,925,057	3,925,057	1,353,338
Investments	4,241,030	4,241,030	213,000
Beneficial interest	-	-	307,001
Accounts receivable	125,205	125,205	51,391
Taxes receivable	8,459,271	8,459,271	2,711,624
Prepaid expenses	-	-	7,620
Inventory	289,000	289,000	152,810
Other assets	-	-	3,385
Due from other governments	1,372,320	1,372,320	-
Security deposit	60,700	60,700	-
Capital assets	70,962,316	70,962,316	2,210,520
Accumulated depreciation	(31,581,737)	(31,581,737)	(662,066)
 Total assets	 <u>68,477,084</u>	 <u>68,477,084</u>	 <u>6,348,623</u>
<u>Liabilities</u>			
Accounts payable	2,094,480	2,094,480	14,464
Accrued liabilities	18,309	18,309	-
Deferred revenue	8,745,436	8,745,436	2,687,000
Funds held in trust	305,987	305,987	-
Long-term liabilities:			
Due within one year	594,000	594,000	87,725
Due in more than one year	7,397,032	7,397,032	-
 Total liabilities	 <u>19,155,244</u>	 <u>19,155,244</u>	 <u>2,789,189</u>
<u>Net assets</u>			
Invested in capital assets, net of related debt	39,122,547	39,122,547	1,548,454
Restricted – expendable	1,647,610	1,647,610	-
Restricted – nonexpendable	-	-	307,001
Unrestricted	8,551,683	8,551,683	1,703,979
 Total net assets	 <u>\$ 49,321,840</u>	 <u>49,321,840</u>	 <u>3,559,434</u>

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

LINCOLN COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Total	
Primary government:							
Governmental:							
General	\$ 6,605,706	271,750	141,982	-	(6,191,974)	(6,191,974)	-
Public safety	4,132,580	333,826	622,658	528,951	(2,647,145)	(2,647,145)	-
Public works	4,275,762	-	1,005,242	329,336	(2,941,184)	(2,941,184)	-
Health and welfare	4,044,680	488,333	496,227	1,003,632	(2,056,488)	(2,056,488)	-
Interest and fiscal charges	13,583	-	-	-	(13,583)	(13,583)	-
Total governmental activities	<u>19,072,311</u>	<u>1,093,909</u>	<u>2,266,109</u>	<u>1,861,919</u>	<u>(13,850,374)</u>	<u>(13,850,374)</u>	<u>-</u>
Total primary government	<u>\$ 19,072,311</u>	<u>1,093,909</u>	<u>2,266,109</u>	<u>1,861,919</u>	<u>(13,850,374)</u>	<u>(13,850,374)</u>	<u>-</u>
Component units:							
Weed and pest control	\$ 1,134,166	359,105	-	-	-	-	(775,061)
County fair	596,439	75,736	-	-	-	-	(520,703)
County library	<u>1,356,406</u>	<u>12,887</u>	<u>66,067</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,277,452)</u>
Total component units	<u>\$ 3,087,011</u>	<u>447,728</u>	<u>66,067</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,573,216)</u>
General revenues:							
Taxes:							
Property taxes				\$ 10,789,518	10,789,518		2,881,339
Sales and use taxes				4,970,363	4,970,363		-
Other taxes and shared revenues				<u>1,388,872</u>	<u>1,388,872</u>		<u>-</u>
Total taxes				17,148,753	17,148,753		2,881,339
Investment income				226,499	226,499		4,933
Gain on disposal of assets				57,121	57,121		7,456
Miscellaneous				<u>227,642</u>	<u>227,642</u>		<u>2,799</u>
Total general revenues				<u>17,660,015</u>	<u>17,660,015</u>		<u>2,896,527</u>
Change in net assets				3,809,641	3,809,641		323,311
Net assets - beginning				<u>45,512,199</u>	<u>45,512,199</u>		<u>3,236,123</u>
Net assets - ending				<u>\$ 49,321,840</u>	<u>49,321,840</u>		<u>3,559,434</u>

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

LINCOLN COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	<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	\$ 10,012,128	187,849	423,945	10,623,922
Cash and cash equivalents	2,636,404	-	1,288,653	3,925,057
Investments	4,241,030	-	-	4,241,030
Accounts receivable	103,319	-	21,886	125,205
Taxes receivable	8,459,271	-	-	8,459,271
Inventory	289,000	-	-	289,000
Due from other governments	919,883	393,158	59,279	1,372,320
Deposits	60,700	-	-	60,700
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 26,721,735</u>	<u>581,007</u>	<u>1,793,763</u>	<u>29,096,505</u>
<u>Liabilities</u>				
Accounts payable	\$ 1,878,234	213,057	3,189	2,094,480
Accrued liabilities	13,165	-	-	13,165
Deferred revenue	8,414,000	248,688	82,748	8,745,436
Funds held in trust	305,987	-	-	305,987
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>10,611,386</u>	<u>461,745</u>	<u>85,937</u>	<u>11,159,068</u>
<u>Fund balances</u>				
Nonspendable	289,000	-	-	289,000
Restricted	72,835	-	1,574,775	1,647,610
Committed	1,867,727	-	-	1,867,727
Assigned	4,561,000	119,262	133,051	4,813,313
Unassigned	9,319,787	-	-	9,319,787
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>16,110,349</u>	<u>119,262</u>	<u>1,707,826</u>	<u>17,937,437</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 26,721,735</u>	<u>581,007</u>	<u>1,793,763</u>	<u>29,096,505</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
June 30, 2012

Total fund balances for governmental funds \$ 17,937,437

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	2,591,359	
Rights of way	1,041,000	
Construction in process	3,299,123	
Buildings and improvements	25,672,436	
Infrastructure	23,550,682	
Equipment and vehicles	14,807,716	
Accumulated depreciation	<u>(31,581,737)</u>	
		39,380,579

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	(7,305,000)	
Capital leases	(258,032)	
Compensated absences	(428,000)	
Accrued interest	<u>(5,144)</u>	
		<u>(7,996,176)</u>

Net assets of governmental activities \$ 49,321,840

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, 2012

	<u>General</u>	<u>Grants</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 17,148,411	-	-	17,148,411
Intergovernmental	684,414	2,633,226	813,443	4,131,083
Charges for services	948,516	-	136,318	1,084,834
Licenses and permits	9,077	-	-	9,077
Interest income	225,811	-	-	225,811
Miscellaneous	236,959	-	689	237,648
Total revenues	<u>19,253,188</u>	<u>2,633,226</u>	<u>950,450</u>	<u>22,836,864</u>
Expenditures:				
General government	6,381,527	-	-	6,381,527
Public safety	4,585,750	727,580	488,255	5,801,585
Public works	3,107,673	497,235	22,501	3,627,409
Health and welfare	3,626,477	1,472,087	89,666	5,188,230
Total expenditures	<u>17,701,427</u>	<u>2,696,902</u>	<u>600,422</u>	<u>20,998,751</u>
Excess (deficiency) of revenues over expenditures	<u>1,551,761</u>	<u>(63,676)</u>	<u>350,028</u>	<u>1,838,113</u>
Other financing sources (uses):				
Transfers in	205,988	164,464	-	370,452
Transfers out	(164,464)	(205,988)	-	(370,452)
Total other financing sources (uses)	<u>41,524</u>	<u>(41,524)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	1,593,285	(105,200)	350,028	1,838,113
Fund balance – beginning	<u>14,517,064</u>	<u>224,462</u>	<u>1,357,798</u>	<u>16,099,324</u>
Fund balance – ending	<u>\$ 16,110,349</u>	<u>119,262</u>	<u>1,707,826</u>	<u>17,937,437</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, 2012

Net change in fund balance – total governmental funds \$ 1,838,113

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$4,816,400) exceeded depreciation (\$2,271,025). 2,545,375

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. (132,567)

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.

Payment of principal on long-term liabilities	\$	141,323	
Change in compensated absences liability		(168,603)	
Change in landfill closure and post-closure liability		<u>(414,000)</u>	
			<u>(441,280)</u>

Change in net assets of governmental activities \$ 3,809,641

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

LINCOLN COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2012

	<u>Employee Benefit Trust</u>	<u>Agency Funds</u>	<u>Total</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 1,062,285	4,247,986	5,310,271
Investments	858,343	-	858,343
Accounts receivable	20,332	-	20,332
	<u>1,940,960</u>	<u>4,247,986</u>	<u>6,188,946</u>
Total assets	<u>\$ 1,940,960</u>	<u>4,247,986</u>	<u>6,188,946</u>
<u>Liabilities</u>			
Claims payable	\$ 325,000	-	325,000
Due to other taxing units	-	4,196,986	4,196,986
Refunds payable	-	51,000	51,000
	<u>325,000</u>	<u>4,247,986</u>	<u>4,572,986</u>
Total liabilities	<u>325,000</u>	<u>4,247,986</u>	<u>4,572,986</u>
<u>Net assets</u>			
Unrestricted net assets	<u>1,615,960</u>	<u>-</u>	<u>1,615,960</u>
Total net assets	<u>1,615,960</u>	<u>-</u>	<u>1,615,960</u>
Total liabilities and net assets	<u>\$ 1,940,960</u>	<u>4,247,986</u>	<u>6,188,946</u>

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

LINCOLN COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2012

	<u>Employee Benefit Trust</u>
Additions:	
Contributions:	
County	\$ 1,522,308
Component units	165,870
Members	<u>10,251</u>
Total contributions	<u>1,698,429</u>
Investment income:	
Interest	<u>28,681</u>
Other additions:	
Insurance reimbursements	<u>34,139</u>
Total additions	<u>1,761,249</u>
Deductions:	
Claim benefit expense	1,598,764
Trust operating expense	<u>283,674</u>
Total deductions	<u>1,882,438</u>
Change in net assets	(121,189)
Net assets – beginning	<u>1,737,149</u>
Net assets – ending	<u>\$ 1,615,960</u>

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

LINCOLN COUNTY
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
June 30, 2012

	<u>Weed and Pest Control</u>	<u>County Fair</u>	<u>County Library</u>	<u>Total</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 305,937	534,504	512,897	1,353,338
Investments	-	-	213,000	213,000
Beneficial interest	-	-	307,001	307,001
Accounts receivable	51,228	-	163	51,391
Taxes receivable	904,998	507,527	1,299,099	2,711,624
Prepaid expenses	983	6,637	-	7,620
Inventory	152,810	-	-	152,810
Other assets	-	-	3,385	3,385
Capital Assets	1,123,797	864,096	222,627	2,210,520
Accumulated depreciation	<u>(303,350)</u>	<u>(238,389)</u>	<u>(120,327)</u>	<u>(662,066)</u>
 Total assets	 \$ <u>2,236,403</u>	 <u>1,674,375</u>	 <u>2,437,845</u>	 <u>6,348,623</u>
<u>Liabilities</u>				
Accounts payable	\$ 11,540	-	2,924	14,464
Deferred revenue	896,000	500,000	1,291,000	2,687,000
Compensated absences	<u>42,720</u>	<u>12,005</u>	<u>33,000</u>	<u>87,725</u>
 Total liabilities	 <u>950,260</u>	 <u>512,005</u>	 <u>1,326,924</u>	 <u>2,789,189</u>
<u>Net assets</u>				
Invested in capital assets, net of related debt	820,447	625,707	102,300	1,548,454
Restricted – nonexpendable	-	-	307,001	307,001
Unrestricted	<u>465,696</u>	<u>536,663</u>	<u>701,620</u>	<u>1,703,979</u>
 Total net assets	 <u>\$ 1,286,143</u>	 <u>1,162,370</u>	 <u>1,110,921</u>	 <u>3,559,434</u>

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

LINCOLN COUNTY
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
Year Ended June 30, 2012

	<u>Weed and Pest Control</u>	<u>County Fair</u>	<u>County Library</u>	<u>Total</u>
Expenses	\$ 1,134,166	596,439	1,356,406	3,087,011
Program revenues:				
Charges for services	359,105	75,736	12,887	447,728
Operating grants and contributions	-	-	66,067	66,067
Total program revenues	359,105	75,736	78,954	513,795
Net expenses	(775,061)	(520,703)	(1,277,452)	(2,573,216)
General revenues:				
Taxes	1,009,695	551,658	1,319,986	2,881,339
Investment income	2,654	1,921	358	4,933
Gain on disposal of assets	7,226	100	130	7,456
Miscellaneous	-	-	2,799	2,799
Total general revenues	1,019,575	553,679	1,323,273	2,896,527
Change in net assets	244,514	32,976	45,821	323,311
Net assets – beginning	1,041,629	1,129,394	1,065,100	3,236,123
Net assets – ending	\$ 1,286,143	1,162,370	1,110,921	3,559,434

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

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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, 2012

Note 1 – Summary of Significant Accounting Policies (continued)

Discretely Presented Component Units (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, 2012

Note 1 – Summary of Significant Accounting Policies (continued)

Joint Ventures (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 (general, 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, and 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, 2012

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 funds, as defined by GASB Statement No. 34, 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 upon 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 and report the proceeds of specific revenue sources that are restricted or committed 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 (Enhanced 911 Fund) and public road construction maintenance and repair (State Roads Fund), and revenues related to intergovernmental contracts (Contracts Fund).

Fiduciary Funds

The County's fiduciary funds are not included in the government-wide financial statements and 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.

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1 – Summary of Significant Accounting Policies (continued)

Fiduciary Funds (continued)

The fiduciary funds consist of the following:

- **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. The following provides a summary of the basis of accounting used by the County:

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.

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1 – Summary of Significant Accounting Policies (continued)

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 (the availability period) of the end of the current fiscal period. An exception to this policy is expenditure-drive grant revenues, which generally are considered to be available if the eligible expenditures have been made. 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.

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 interfund receivables 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.

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1 – Summary of Significant Accounting Policies (continued)

Receivables and Due from Other Governments

Receivables consist of all revenues earned at year-end but received after year-end. All receivable balances are reported net of any allowance for uncollectible accounts. Allowances for uncollectible accounts are based upon historical trends. Receivable balances include sales taxes, property taxes, other taxes, and reimbursements for grant expenditures due from the State of Wyoming or the United States government.

Inventory

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

Capital Assets

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:

Buildings, improvements, and infrastructure	15 to 80 years
Equipment and vehicles	3 to 20 years

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

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.

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Revenues (continued)

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.

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.

Compensated Absences

It is the County's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation and sick leave accumulates for all full-time permanent employees dependent upon years of service. Accumulated vacation leave is payable to the employee upon termination of employment. Twenty-five percent of accumulated sick leave is payable to the employee upon voluntary termination of employment and fifty percent of accumulated sick leave is payable to the employee upon retirement. An estimated liability for vacation and sick leave is reported in the government-wide financial statements and the expense is allocated by function based on where the employee is assigned.

In the fund financial statements, governmental funds do not report a liability for compensated absences. The expenditure is reported when vacation or sick 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.

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1 – Summary of Significant Accounting Policies (continued)

Interfund Balances and Transactions (continued)

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.

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.”

Fund Balance Classifications

Governmental fund equity is classified as fund balance in the fund financial statements. Fund balance is further classified based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows.

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The County has classified inventory assets as nonspendable.

Restricted – This classification includes amounts for which constraints have been placed on the use of resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balance Classifications (continued)

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the County Commissioners. These amounts cannot be used for any purpose unless the County Commissioners removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the County’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the County Commissioners. No other governing body or officials have this authority delegated to them. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by the offsetting of assigned fund balance amounts.

Revenues

Property taxes, sales taxes, 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. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1 – Summary of Significant Accounting Policies (continued)

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, 2012, was 11.2 mills. The County has an unused tax margin of 0.8 mills and could raise approximately \$756,000 in additional taxes per year from the present assessed valuation of approximately \$945,400,000 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.

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 2 – Deposits and Investments (continued)

The County's deposits and investments consist of the following:

<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	\$ 10,623,922	-	-	10,623,922
Cash and cash equivalents:				
Cash-on-hand	-	-	1,150	1,150
Demand deposits	501,128	-	-	501,128
Money market accounts	2,014,677	-	-	2,014,677
WGIF	-	1,288,653	-	1,288,653
WYO-STAR	-	119,449	-	119,449
Total cash and cash equivalents	<u>2,515,805</u>	<u>1,408,102</u>	<u>1,150</u>	<u>3,925,057</u>
Investments:				
Government bonds	-	3,352,044	-	3,352,044
Taxable bonds	-	646,486	-	646,486
Certificates of deposit	242,500	-	-	242,500
Total investments	<u>242,500</u>	<u>3,998,530</u>	<u>-</u>	<u>4,241,030</u>
<i>Total governmental funds</i>	<u>\$ 13,382,227</u>	<u>5,406,632</u>	<u>1,150</u>	<u>18,790,009</u>
<i>Fiduciary funds</i>				
Cash and cash equivalents:				
Demand deposits	\$ 5,310,271	-	-	5,310,271
Investments:				
Government bonds	-	858,343	-	858,343
Total investments	<u>-</u>	<u>858,343</u>	<u>-</u>	<u>858,343</u>
<i>Total fiduciary funds</i>	<u>\$ 5,310,271</u>	<u>858,343</u>	<u>-</u>	<u>6,168,614</u>

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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, 2012, \$15,936,578 of the County's bank balances of \$16,993,910 was uninsured, but all of the County's bank balances were collateralized with securities held by the pledging financial institutions. The pledged securities were not held in the County's name.

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, 2012

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 and asset backed securities, Federal Home Loan Banks (FHLB) bonds, Federal Home Loan Mortgage Corporation (FHLMC) bonds and asset backed securities, and Government National Mortgage Association (GNMA) bonds and asset backed securities. The County uses the specific identification method to assess interest rate risk.

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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	\$ 1,288,653	1,288,653	-	-	-
WYO-STAR	119,449	119,449	-	-	-
FNMA bonds/securities	3,529,614	2,812,118	155,653	44,468	517,375
FHLB bonds	1,034,874	1,034,874	-	-	-
FHLMC bonds/securities	197,420	-	-	-	197,420
GNMA bonds/securities	94,965	-	-	-	94,965
	<u>\$ 6,264,975</u>	<u>5,255,094</u>	<u>155,653</u>	<u>44,468</u>	<u>809,760</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, 2012

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

The component units' deposits and investments consist 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	\$ -	-	5,664	5,664
Demand deposits	896,499	-	-	896,499
Certificates of deposit	15,760	-	-	15,760
Money market accounts	64,760	-	-	64,760
WGIF	-	370,655	-	370,655
	<u>977,019</u>	<u>370,655</u>	<u>5,664</u>	<u>1,353,338</u>
Investments:				
Land held for sale	-	213,000	-	213,000
	<u>-</u>	<u>213,000</u>	<u>-</u>	<u>213,000</u>
Total investments	\$ -	213,000	-	213,000

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 2 – Deposits and Investments (continued)

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, 2012, \$338,218 of the component units' bank balances of \$1,081,234 was uninsured, but all of the component units' bank balances were collateralized with securities held by the pledging financial institutions. The pledged securities were not held in the component units' names.

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.

The library foundation was gifted land that is being held for sale.

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, 2012, with the exception of the land held for sale, all investments held by the component units are in WGIF, which is 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.

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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 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, 2012, with the exception of the land held for sale, all of the component units' investments are in WGIF.

Note 3 – Beneficial Interest

The Lincoln County Library Foundation (Foundation) has transferred assets to the Wyoming Community Foundation (Community Foundation) which is holding the assets as an endowed component fund (Fund) for the benefit of the Foundation. The assets held by the Community Foundation are non-refundable to the Foundation. The Foundation has granted the Community Foundation variance power which gives the Community Foundation's Board of Trustees the power to use the Fund for other purposes in certain circumstances. The Fund is subject to the Community Foundation's investment and spending policies which currently result in an annual distribution to the Foundation of 4 percent of the average quarterly value over the previous 12 quarters. The Foundation reports the fair value of the Fund as a Beneficial Interest in the statement of net assets and reports distributions received as investment income in the statement of activities. Changes in the value of the Fund are also reported as investment income in the statement of activities. Changes in the Fund are as follows:

Balance at June 30, 2011	\$ 269,108
Additional amounts invested in Fund	49,652
Share of depreciation of Fund	<u>(11,759)</u>
Balance at June 30, 2012	<u><u>\$ 307,001</u></u>

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 4 – Receivables and Due from Other Governments

Primary Government

The County's receivables and due from other governments balances consist of the following:

Accounts receivable:	
Landfill fees	\$ 78,007
Other fees and permits	25,312
Emergency management – 911 fees	<u>21,886</u>
Total accounts receivable	\$ <u><u>125,205</u></u>
Taxes receivable:	
Property taxes – deferred to future periods	\$ 8,414,000
Property taxes – current	<u>45,271</u>
Total taxes receivable	\$ <u><u>8,459,271</u></u>
Due from other governments:	
Sales, use, and other taxes	\$ 919,883
Grants reimbursements	393,158
Contracts reimbursements	<u>59,279</u>
Total due from other governments	\$ <u><u>1,372,320</u></u>

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 4 – Receivables and Due from Other Governments (continued)

Component Units

The component units' receivables and due from other governments balances consist of the following:

Weed and Pest:

Trade receivables	\$ <u>51,228</u>
Taxes receivable	
Property taxes – deferred to future periods	\$ 896,000
Property taxes – current	<u>8,998</u>
Total taxes receivable	\$ <u>904,998</u>

County Fair:

Taxes receivable	
Property taxes – deferred to future periods	\$ 500,000
Property taxes – current	<u>7,527</u>
Total taxes receivable	\$ <u>507,527</u>

County Library:

Other receivables	\$ <u>163</u>
Taxes receivable	
Property taxes – deferred to future periods	\$ 1,291,000
Property taxes – current	<u>8,099</u>
Total taxes receivable	\$ <u>1,299,099</u>

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 5 – Capital Assets

Primary Government

Capital asset activity is as follows:

	<u>Balance</u> <u>7/1/11</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>6/30/12</u>
<u>Governmental activities:</u>					
Capital assets not being depreciated:					
Land	\$ 2,353,358	266,065	-	(28,064)	2,591,359
Rights of way	1,041,000	-	-	-	1,041,000
Construction in progress	4,338,890	3,522,148	-	(4,561,915)	3,299,123
	<u>7,733,248</u>	<u>3,788,213</u>	<u>-</u>	<u>(4,589,979)</u>	<u>6,931,482</u>
Capital assets being depreciated:					
Buildings and improvements	23,710,471	37,976	-	1,923,989	25,672,436
Infrastructure	20,770,472	23,912	(221,753)	2,978,051	23,550,682
Equipment and vehicles	14,731,277	966,299	(577,799)	(312,061)	14,807,716
	<u>59,212,220</u>	<u>1,028,187</u>	<u>(799,552)</u>	<u>4,589,979</u>	<u>64,030,834</u>
Accumulated depreciation for:					
Buildings and improvements	(11,323,237)	(452,841)	-	-	(11,776,078)
Infrastructure	(11,335,764)	(712,420)	221,753	-	(11,826,431)
Equipment and vehicles	(7,318,696)	(1,105,764)	445,232	-	(7,979,228)
	<u>(29,977,697)</u>	<u>(2,271,025)</u>	<u>666,985</u>	<u>-</u>	<u>(31,581,737)</u>
Total capital assets being depreciated, net	<u>29,234,523</u>	<u>(1,242,838)</u>	<u>(132,567)</u>	<u>4,589,979</u>	<u>32,449,097</u>
Total governmental activities capital assets, net	<u>\$ 36,967,771</u>	<u>2,545,375</u>	<u>(132,567)</u>	<u>-</u>	<u>39,380,579</u>

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 5 – Capital Assets (continued)

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

General government	\$ 370,388
Public safety	402,951
Public works	1,078,234
Health and welfare	<u>419,452</u>
	<u>\$ 2,271,025</u>

Component Units

Capital asset activity of component units is as follows:

	Balance 7/1/11	Additions	Retirements	Transfers	Balance 6/30/12
Weed and Pest:					
Land	\$ 10,103	-	-	-	10,103
Buildings and improvements	267,585	450,257	-	7,890	725,732
Equipment	355,738	52,940	(20,716)	-	387,962
Construction in progress	7,890	-	-	(7,890)	-
Accumulated depreciation	<u>(273,560)</u>	<u>(50,506)</u>	<u>20,716</u>	<u>-</u>	<u>(303,350)</u>
	<u>\$ 367,756</u>	<u>452,691</u>	<u>-</u>	<u>-</u>	<u>820,447</u>
County Fair:					
Buildings and improvements	\$ 559,833	-	-	-	559,833
Equipment	292,321	21,542	(9,600)	-	304,263
Accumulated depreciation	<u>(204,151)</u>	<u>(43,838)</u>	<u>9,600</u>	<u>-</u>	<u>(238,389)</u>
	<u>\$ 648,003</u>	<u>(22,296)</u>	<u>-</u>	<u>-</u>	<u>625,707</u>
County Library:					
Buildings and improvements	\$ 75,335	-	-	-	75,335
Equipment	168,032	-	(20,740)	-	147,292
Accumulated depreciation	<u>(131,228)</u>	<u>(9,839)</u>	<u>20,740</u>	<u>-</u>	<u>(120,327)</u>
	<u>\$ 112,139</u>	<u>(9,839)</u>	<u>-</u>	<u>-</u>	<u>102,300</u>

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 5 – Capital Assets (continued)

Depreciation expense was charged to the component units as follows:

Weed and Pest	\$ 50,506
County Fair	43,838
County Library	<u>9,839</u>
	<u>\$ 104,183</u>

Note 6 – Accounts Payable and Accrued Liabilities

Primary Government

The County's accounts payable and accrued liabilities consist of the following:

Payables to vendors	\$ 1,053,826
Payables to contractors	958,277
Payables to other governmental units	82,376
Other	<u>18,310</u>
	<u>\$ 2,112,789</u>

Component Units

The component units' accounts payable and accrued liabilities consist of the following:

Payables to vendors	\$ <u>14,464</u>
	<u>\$ 14,464</u>

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 7 – Long-Term Liabilities

Primary Government

Long-term liability activity is as follows:

	<u>Balance</u> <u>7/1/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/12</u>	<u>Due Within</u> <u>One Year</u>
<i>Governmental Activities:</i>					
Landfill closure costs	\$ 6,891,000	437,000	(23,000)	7,305,000	30,000
Compensated absences	259,396	435,111	(266,507)	428,000	428,000
Capital leases	399,355	-	(141,323)	258,032	136,000
	<u>\$ 7,549,751</u>	<u>872,111</u>	<u>(430,830)</u>	<u>7,991,032</u>	<u>594,000</u>

The County has the following capital lease obligations pertaining to governmental activities:

\$172,934 lease-purchase agreement, payable to Caterpillar Financial Services Corporation, for a CAT Loader. Payable in annual installments of \$37,179, including interest of 3.75%, maturing in June 2016. Secured by equipment.	\$ 103,876
\$205,320 lease-purchase agreement, payable to Xerox, for copiers. Payable in monthly installments of \$3,782, including interest of 4%, maturing in August 2014. Secured by copiers.	94,009
\$210,300 lease-purchase agreement, payable to Caterpillar Financial Services Corporation, for a CAT Loader. Payable in annual installments of \$58,963, including interest of 4.75%, maturing in November 2012. Secured by equipment.	57,832
\$37,774 lease-purchase agreement, payable to Xerox, for copiers. Payable in monthly installments of \$1,115, including interest of 4%, maturing in August 2012. Secured by copiers.	2,215
\$100 lease-purchase agreement, payable to the Town of Alpine, Wyoming, for a parcel of land. Payable in one installment of \$100, bearing no interest, maturing in March 2013. Secured by land.	<u>100</u>
	<u>\$ 258,032</u>

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 7 – Long-Term Liabilities (continued)

The following is a schedule of the future minimum lease payments under the governmental activities' capital leases and the present value of the net minimum lease payments:

<u>Year</u>	<u>Amount</u>
2013	\$ 144,000
2014	83,000
2015	45,000
2016	<u>1</u>
Net minimum lease payments	272,001
Less amount representing interest	<u>(13,969)</u>
Present value of net minimum lease payments	<u>\$ 258,032</u>

At June 30, 2012, the cost of assets financed by capital leases is \$768,217 net of accumulated depreciation of \$208,455.

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.
- \$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.
- \$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.

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 7 – Long-Term Liabilities (continued)

Conduit Debt: (continued)

- \$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, 2012, the County collected \$95,441 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. The estimated liability for landfill closure and post-closure costs is as follows:

	<u>Closure and Post-closure Liability</u>	<u>Remaining Capacity</u>	<u>Remaining Life</u>	<u>% of Capacity Used to Date</u>
Kemmerer landfill #1	\$ 2,905,000	Full	N/A	100%
Kemmerer landfill #2	1,117,000	927,255 cubic yards	38 years	34%
Cokeville landfill #1	460,000	Full	N/A	100%
Cokeville landfill #2	1,391,000	48,000 cubic yards	15 years	81%
Thayne landfill	<u>1,432,000</u>	3,000 cubic yards	2 years	99%
	<u>\$ 7,305,000</u>			

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 7 – Long-Term Liabilities (continued)

Landfill Closure and Post-closure Liability (continued)

It is estimated that approximately \$2,500,000 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 \$9,800,000. 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, 2012.

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, 2012, approximately \$60,700, is on deposit with the State of Wyoming. The amount held by the State is reported as a security deposit. Closure and post-closure costs are primarily funded out of current financial resources of the general fund.

Component Units

Long-term liability activity is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences \$	<u>76,047</u>	<u>68,066</u>	<u>(56,388)</u>	<u>87,725</u>	<u>87,725</u>

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 8 – Net Assets and Fund Equities

The following schedule details fund equity balances:

Governmental Activities:

Nonspendable:	
Inventory	\$ <u>289,000</u>
Restricted:	
Roads	1,372,210
Emergency services	117,590
Contracts	84,975
Landfill closure and post-closure costs	60,700
Abandoned vehicles	<u>12,135</u>
	<u>1,647,610</u>
Committed:	
Justice center construction	<u>1,867,727</u>
Assigned:	
Appropriated use of fund balance	4,561,000
Special projects	141,665
Other purposes	<u>110,648</u>
	<u>4,813,313</u>
Unassigned	<u>9,319,787</u>
	<u>\$ 17,937,437</u>

Restricted net assets represent monies required to be maintained to satisfy third party agreements, legal requirements, or enabling legislation. Committed and assigned fund balance represent the commitment or assignment of monies by the County Commissioners.

Net assets restricted by enabling legislation include those restricted for road projects of \$1,372,210, emergency services of \$117,590, landfill closure and post-closure costs of \$60,700, and abandoned vehicles of \$12,135.

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 9 – Interfund Transfers

Interfund transfers consist of the following:

<u>Purpose</u>	<u>Amount</u>	<u>Transfer from</u>	<u>Transfer to</u>
County matching funds	\$ 164,464	General Fund	Grants Fund
Transfer of unused County matching funds upon completion of grant funded projects	205,988	Grants Fund	General Fund

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, 6101 Yellowstone Road, Suite 500, Cheyenne, Wyoming 82002 or by calling 1-307-777-7691.

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

The required contribution to the Public Employees' Pension Plan (PEPP) part of the System is statutorily set at 14.12% of the participant's annual covered salary. County employees participating in the PEPP are required to contribute 7.00% of their annual covered salary to the System. The County contributes the remaining 7.12% 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.

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 10 – Retirement Commitments (continued)

Contributions to the System for the years ended June 30, 2012, 2011, and 2010 are as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<i>Primary Government</i>			
Employer paid for employee contributions \$	510,347	431,478	400,999
Employer contributions	515,283	435,676	405,221
<i>Weed and Pest - Component Unit</i>			
Employer paid for employee contributions \$	17,278	13,476	10,718
Employer contributions	17,574	13,723	10,930
<i>County Fair - Component Unit</i>			
Employer paid for employee contributions \$	6,900	6,168	4,317
Employer contributions	7,018	6,277	4,402
<i>County Library - Component Unit</i>			
Employer paid for employee contributions \$	54,016	42,614	30,981
Employer contributions	54,942	43,370	31,501

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.

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 12 – 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 \$90,000 per individual and \$1,000,000 for the overall plan. At June 30, 2012, the plan had incurred claims payable and estimated claims incurred but not reported (IBNR) of \$325,000.

Changes to aggregate claims liabilities for the year ended June 30, 2012 and 2011, respectively, are as follows:

<u>Claims Liabilities 7/1/11</u>	<u>Claims Incurred and Changes in Estimates</u>	<u>Claims Paid</u>	<u>Claims Liabilities 6/30/12</u>
\$ <u>105,000</u>	<u>1,818,764</u>	<u>(1,598,764)</u>	<u>325,000</u>

<u>Claims Liabilities 7/1/10</u>	<u>Claims Incurred and Changes in Estimates</u>	<u>Claims Paid</u>	<u>Claims Liabilities 6/30/11</u>
\$ <u>350,000</u>	<u>1,327,336</u>	<u>(1,572,336)</u>	<u>105,000</u>

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.

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 13 – 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 a non-cancelable rental agreement for postage services. Lease rental expense under operating leases for copiers and postage services for fiscal year 2012 was approximately \$49,000.

Future minimum non-cancelable operating lease payments are approximately as follows:

<u>Year</u>	<u>Amount</u>
2013	\$ <u>5,000</u>

Note 14 – Subsequent Events

Subsequent to year end, the Lincoln County Building Corporation, an unrelated non-profit organization, issued series 2012 Lease Revenue Bonds of \$10,365,000 to finance a portion of the construction of the Lincoln County justice center. The County also entered into a facility lease and other lease transactions with the Lincoln County Building Corporation related to the use of the justice center property.

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Required Supplementary Information

LINCOLN COUNTY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Taxes				
Property taxes	\$ 8,854,718	8,854,718	9,124,373	269,655
Payments in lieu of property taxes	576,634	576,634	1,110,982	534,348
Sales and use taxes	3,431,551	3,431,551	4,945,647	1,514,096
State gasoline tax	682,881	682,881	663,514	(19,367)
Vehicle fees	565,000	565,000	578,537	13,537
Severance tax	709,402	709,402	719,463	10,061
Other taxes	5,000	5,000	5,895	895
Total taxes	14,825,186	14,825,186	17,148,411	2,323,225
Other Revenues				
Intergovernmental	673,163	673,163	684,414	11,251
Charges for services	649,000	649,000	948,516	299,516
Licenses and permits	8,500	8,500	9,077	577
Interest income	110,000	110,000	225,811	115,811
Miscellaneous	102,000	102,000	236,959	134,959
Total other revenues	1,542,663	1,542,663	2,104,777	562,114
Total revenues	16,367,849	16,367,849	19,253,188	2,885,339
Expenditures:				
General government				
Salaries, wages, and benefits	2,551,342	2,551,342	2,452,520	98,822
Payroll taxes	550,000	550,000	585,299	(35,299)
Contributions to other governments	72,000	72,000	72,000	-
County commissioners	249,228	249,228	266,694	(17,466)
County clerk	330,510	330,510	317,351	13,159
County treasurer	338,413	338,413	324,051	14,362
County assessor	395,880	395,880	385,944	9,936
County attorney	342,288	342,288	342,535	(247)
Clerk of district court	278,345	278,345	257,901	20,444
County court	6,500	6,500	5,510	990
Courthouse	346,387	346,387	322,412	23,975
Elections	48,278	48,278	32,691	15,587
General accounts	712,323	712,323	679,921	32,402
Afton county offices	168,931	168,931	159,141	9,790
Computer support	176,416	176,416	175,557	859
Capital outlay and other	10,000	10,000	2,000	8,000
Total general government	6,576,841	6,576,841	6,381,527	195,314

(continued)

LINCOLN COUNTY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Public safety				
County sheriff	1,979,489	1,979,489	1,877,362	102,127
County jail	929,740	929,740	845,535	84,205
County coroner	76,407	76,407	75,522	885
Emergency management	139,098	139,098	129,016	10,082
Juvenile services	25,000	25,000	13,146	11,854
Contributions to other entities	78,500	78,500	88,695	(10,195)
Capital outlay and other	100,000	3,419,853	1,556,474	1,863,379
Total public safety	<u>3,328,234</u>	<u>6,648,087</u>	<u>4,585,750</u>	<u>2,062,337</u>
Public works				
Road and bridge	2,406,994	2,406,994	2,604,205	(197,211)
County planner	420,999	420,999	376,468	44,531
Contributions to other entities	127,000	127,000	127,000	-
Total public works	<u>2,954,993</u>	<u>2,954,993</u>	<u>3,107,673</u>	<u>(152,680)</u>
Health and welfare				
Public health	192,306	192,306	197,813	(5,507)
Landfill	3,835,672	3,835,672	2,596,753	1,238,919
Human services	554,690	554,690	520,710	33,980
Extension services	135,693	135,693	126,909	8,784
Contributions to other entities	72,550	72,550	72,770	(220)
Capital outlay and other	112,000	112,000	111,522	478
Total health and welfare	<u>4,902,911</u>	<u>4,902,911</u>	<u>3,626,477</u>	<u>1,276,434</u>
Total expenditures	<u>17,762,979</u>	<u>21,082,832</u>	<u>17,701,427</u>	<u>3,381,405</u>
Excess (deficiency) of revenues over expenditures	<u>(1,395,130)</u>	<u>(4,714,983)</u>	<u>1,551,761</u>	<u>6,266,744</u> (continued)

LINCOLN COUNTY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Other financing sources (uses):				
Transfer from grant fund	-	205,988	205,988	-
Transfer to grant fund	<u>(175,065)</u>	<u>(194,682)</u>	<u>(164,464)</u>	<u>30,218</u>
Total other financing sources (uses)	<u>(175,065)</u>	<u>11,306</u>	<u>41,524</u>	<u>30,218</u>
Net change in fund balance	\$ <u>(1,570,195)</u>	<u>(4,703,677)</u>	<u>1,593,285</u>	<u>6,296,962</u>
Fund balance – beginning			<u>14,517,064</u>	
Fund balance – ending	\$		<u>16,110,349</u>	

LINCOLN COUNTY
BUDGETARY COMPARISON SCHEDULE
GRANTS FUND
Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental	\$ 1,115,732	1,115,732	2,633,226	1,517,494
Total revenues	<u>1,115,732</u>	<u>1,115,732</u>	<u>2,633,226</u>	<u>1,517,494</u>
Expenditures:				
Public safety	696,258	696,258	727,580	(31,322)
Public works	301,982	301,982	497,235	(195,253)
Health and welfare	<u>301,088</u>	<u>301,088</u>	<u>1,472,087</u>	<u>(1,170,999)</u>
Total expenditures	<u>1,299,328</u>	<u>1,299,328</u>	<u>2,696,902</u>	<u>(1,397,574)</u>
Deficiency of revenues over expenditures	<u>(183,596)</u>	<u>(183,596)</u>	<u>(63,676)</u>	<u>119,920</u>
Other financing sources (uses):				
Transfers in	183,596	203,214	164,464	(38,750)
Transfers out	<u>-</u>	<u>(205,988)</u>	<u>(205,988)</u>	<u>-</u>
Total other financing sources (uses)	<u>183,596</u>	<u>(2,774)</u>	<u>(41,524)</u>	<u>(38,750)</u>
Net change in fund balance	<u>\$ -</u>	<u>(186,370)</u>	(105,200)	<u>81,170</u>
Fund balance – beginning			<u>224,462</u>	
Fund balance – ending	\$		<u>119,262</u>	

LINCOLN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2012

Note 1 – 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 committed, assigned, or unassigned 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.

Note 2 – 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 provided the total department expenditures budget is not over-expended.

In all governmental funds other than the General fund, the legal level of expenditure control for budgetary purposes is the total fund expenditures level. Management may over-expend an object line item within a fund without seeking a formal amendment from the Board of County Commissioners provided the total fund expenditures budget is not over-expended.

Note 3 – Compliance Related Matters

The Public Works department of the General fund exceeded its budgeted expenditures and total expenditures in the Grants fund exceeded its budgeted expenditures.

Supplementary Information

LINCOLN COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012

	<u>Contracts</u>	<u>Enhanced 911</u>	<u>State Roads</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Assets</u>				
Pooled cash and cash equivalents	\$ 243,253	97,135	83,557	423,945
Cash and cash equivalents	-	-	1,288,653	1,288,653
Accounts receivable	-	21,886	-	21,886
Due from other governments	59,279	-	-	59,279
	<u>302,532</u>	<u>119,021</u>	<u>1,372,210</u>	<u>1,793,763</u>
Total assets	\$ <u>302,532</u>	<u>119,021</u>	<u>1,372,210</u>	<u>1,793,763</u>
<u>Liabilities</u>				
Accounts payable	\$ 1,758	1,431	-	3,189
Deferred revenue	82,748	-	-	82,748
	<u>84,506</u>	<u>1,431</u>	<u>-</u>	<u>85,937</u>
Total liabilities	<u>84,506</u>	<u>1,431</u>	<u>-</u>	<u>85,937</u>
<u>Fund Balance</u>				
Restricted	84,975	117,590	1,372,210	1,574,775
Assigned	133,051	-	-	133,051
	<u>218,026</u>	<u>117,590</u>	<u>1,372,210</u>	<u>1,707,826</u>
Total fund balance	<u>218,026</u>	<u>117,590</u>	<u>1,372,210</u>	<u>1,707,826</u>
Total liabilities and fund balances	\$ <u>302,532</u>	<u>119,021</u>	<u>1,372,210</u>	<u>1,793,763</u>

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

	<u>Contracts</u>	<u>Enhanced 911</u>	<u>State Roads</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:				
Intergovernmental	\$ 427,615	-	385,828	813,443
Charges for services	-	136,318	-	136,318
Miscellaneous	-	-	689	689
	<u>427,615</u>	<u>136,318</u>	<u>386,517</u>	<u>950,450</u>
Total revenues				
Expenditures:				
Public safety	356,979	131,276	-	488,255
Public works	106	-	22,395	22,501
Health and welfare	89,666	-	-	89,666
	<u>446,751</u>	<u>131,276</u>	<u>22,395</u>	<u>600,422</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	(19,136)	5,042	364,122	350,028
Fund balance – beginning	<u>237,162</u>	<u>112,548</u>	<u>1,008,088</u>	<u>1,357,798</u>
Fund balance – ending	<u><u>\$ 218,026</u></u>	<u><u>117,590</u></u>	<u><u>1,372,210</u></u>	<u><u>1,707,826</u></u>

LINCOLN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CONTRACTS FUND
Year Ended June 30, 2012
(With Comparative Totals for the Year Ended June 30, 2011)

	<u>2012</u>			2011
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
Revenues:				
Intergovernmental	\$ 402,367	427,615	25,248	425,096
Total revenues	<u>402,367</u>	<u>427,615</u>	<u>25,248</u>	<u>425,096</u>
Expenditures:				
Public safety	401,367	356,979	44,388	266,744
Public works	-	106	(106)	-
Health and welfare	1,000	89,666	(88,666)	134,768
Total expenditures	<u>402,367</u>	<u>446,751</u>	<u>(44,384)</u>	<u>401,512</u>
Excess (deficiency) of revenues over expenditures	\$ <u>-</u>	(19,136)	<u>(19,136)</u>	23,584
Fund balance – beginning		<u>237,162</u>		<u>213,578</u>
Fund balance – ending		\$ <u><u>218,026</u></u>		<u><u>237,162</u></u>

LINCOLN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
ENHANCED 911 FUND
Year Ended June 30, 2012
(With Comparative Totals for the Year Ended June 30, 2011)

	<u>2012</u>			2011
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
Revenues:				
Charges for services	\$ <u>-</u>	<u>136,318</u>	<u>136,318</u>	<u>100,329</u>
Total revenues	<u>-</u>	<u>136,318</u>	<u>136,318</u>	<u>100,329</u>
Expenditures:				
Public safety	<u>131,185</u>	<u>131,276</u>	<u>(91)</u>	<u>94,933</u>
Total expenditures	<u>131,185</u>	<u>131,276</u>	<u>(91)</u>	<u>94,933</u>
Excess (deficiency) of revenues over expenditures	\$ <u><u>(131,185)</u></u>	5,042	<u><u>136,227</u></u>	5,396
Fund balance – beginning		<u>112,548</u>		<u>107,152</u>
Fund balance – ending		\$ <u><u>117,590</u></u>		<u><u>112,548</u></u>

LINCOLN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
STATE ROADS FUND
Year Ended June 30, 2012
(With Comparative Totals for the Year Ended June 30, 2011)

	2012			2011
	Budget	Actual	Variance	Actual
Revenues:				
Intergovernmental	\$ -	385,828	385,828	1,473,717
Miscellaneous	-	689	689	149
	-	386,517	386,517	1,473,866
Total revenues				
Expenditures:				
Public works	335,555	22,395	313,160	812,691
	335,555	22,395	313,160	812,691
Total expenditures				
Excess (deficiency) of revenues over expenditures	\$ <u>(335,555)</u>	364,122	<u>698,988</u>	661,175
Fund balance – beginning		<u>1,008,088</u>		<u>346,913</u>
Fund balance – ending		<u>\$ 1,372,210</u>		<u>1,008,088</u>

LINCOLN COUNTY
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
June 30, 2012

	<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	\$ 2,503,839	1,733,064	11,083	4,247,986
Total assets	<u>\$ 2,503,839</u>	<u>1,733,064</u>	<u>11,083</u>	<u>4,247,986</u>
<u>Liabilities</u>				
Due to taxing units	\$ 2,452,839	1,733,064	11,083	4,196,986
Refunds payable	<u>51,000</u>	<u>-</u>	<u>-</u>	<u>51,000</u>
Total liabilities	<u>\$ 2,503,839</u>	<u>1,733,064</u>	<u>11,083</u>	<u>4,247,986</u>

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

	<u>County Library</u>	<u>County Library Foundation</u>	<u>Total County Library</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 468,840	44,057	512,897
Investments	-	213,000	213,000
Beneficial interest	-	307,001	307,001
Accounts receivable	163	-	163
Taxes receivable	1,299,099	-	1,299,099
Other assets	2,910	475	3,385
Capital assets	222,627	-	222,627
Accumulated depreciation	(120,327)	-	(120,327)
 Total assets	 \$ 1,873,312	 564,533	 2,437,845
<u>Liabilities</u>			
Accounts payable	\$ 2,559	365	2,924
Deferred revenue	1,291,000	-	1,291,000
Compensated absences	33,000	-	33,000
 Total liabilities	 1,326,559	 365	 1,326,924
<u>Net assets</u>			
Invested in capital assets, net of related debt	102,300	-	102,300
Restricted – nonexpendable	-	307,001	307,001
Unrestricted	444,453	257,167	701,620
 Total net assets	 \$ 546,753	 564,168	 1,110,921

LINCOLN COUNTY
COMBINING STATEMENT OF ACTIVITIES
COUNTY LIBRARY AND COUNTY LIBRARY FOUNDATION
Year Ended June 30, 2012

	<u>County Library</u>	<u>County Library Foundation</u>	<u>Total County Library</u>
Expenses	\$ 1,331,243	25,163	1,356,406
Program revenues:			
Charges for services	12,887	-	12,887
Operating grants and contributions	<u>1,500</u>	<u>64,567</u>	<u>66,067</u>
Total program revenues	<u>14,387</u>	<u>64,567</u>	<u>78,954</u>
Net revenues (expenses)	(1,316,856)	39,404	(1,277,452)
General revenues:			
Taxes	1,319,986	-	1,319,986
Investment income	173	185	358
Gain on disposal of assets	130	-	130
Miscellaneous	<u>2,799</u>	<u>-</u>	<u>2,799</u>
Total general revenues	<u>1,323,088</u>	<u>185</u>	<u>1,323,273</u>
Change in net assets	6,232	39,589	45,821
Net assets – beginning	<u>540,521</u>	<u>524,579</u>	<u>1,065,100</u>
Net assets – ending	<u>\$ 546,753</u>	<u>564,168</u>	<u>1,110,921</u>

LINCOLN COUNTY DRUG COURT
SCHEDULE OF FINANCIAL POSITION
June 30, 2012

<u>Assets</u>	
Cash and cash equivalents	\$ <u>124,937</u>
Total assets	\$ <u><u>124,937</u></u>
 <u>Liabilities and Fund Balance</u>	
Accounts payable	\$ 13,855
Deferred revenue - excess county match	<u>111,082</u>
Total liabilities	124,937
Fund balance	<u>-</u>
Total liabilities and fund balance	\$ <u><u>124,937</u></u>

LINCOLN COUNTY DRUG COURT
SCHEDULE OF ACTIVITIES AND FUNCTIONAL EXPENSES
Year Ended June 30, 2012

Revenues:		
Contributions from Lincoln County	\$	75,065
State grants		72,223
Participant fees		<u>2,950</u>
Total revenues		<u>150,238</u>
Expenses:		
Salaries, wages, and benefits		67,211
Consultants and contractors		57,824
Equipment purchases		14,005
Supplies		4,679
Travel		4,164
Training		<u>2,355</u>
Total expenses		<u>150,238</u>
Net change in fund balance	\$	<u><u>-</u></u>

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Single Audit Reports

LINCOLN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

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	\$ 4,714
<i>Passed through State Forestry Division:</i>			
Cooperative Forestry Assistance	10.664	None	40,000
Schools and Roads Cluster	10.665	None	<u>572,807</u>
Total DOA			<u>617,521</u>
<u>Department of Justice (DOJ)</u>			
<i>Direct Award:</i>			
Public Safety Partnership and Community Policing - ARRA	16.710	2009 RKWX0952	49,435
<i>Passed through Wyoming Division of Criminal Investigation:</i>			
Edward Byrne Memorial Justice Assistance Cluster - ARRA	16.803	2009-SU-B9-0056	<u>38,499</u>
Total DOJ			<u>87,934</u>
<u>Department of Transportation (DOT)</u>			
<i>Passed through Wyoming Department of Transportation:</i>			
Highway Planning and Construction Cluster	20.205	9007, 10007, 11006	266,663
<i>Passed through Wyoming Office of Homeland Security:</i>			
Highway Safety Cluster	20.600	12051, 12054, 12055, 12059	<u>129,545</u>
Total DOT			<u>396,208</u>
<u>Department of Energy (DOE)</u>			
<i>Passed through Wyoming Business Council:</i>			
State Energy Program - ARRA	81.041	None	<u>86,221</u>
Total DOE			<u>86,221</u>
<u>Health and Human Services (HHS)</u>			
<i>Passed through Wyoming Department of Health:</i>			
Public Health Emergency Preparedness	93.069	None	58,596
Temporary Assistance for Needy Families Cluster	93.558	None	55,609
Maternal and Child Health Services Block Grant	93.994	None	<u>33,907</u>
Total HHS			<u>148,112</u>

LINCOLN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA No.	Contract Number	Expenditures
<u>Department of Homeland Security (DHS)</u>			
<i>Passed through Wyoming Office of Homeland Security:</i>			
Interoperable Emergency Communications	97.055	09-GPD-LIN-IE-CGP9	7,052
Homeland Security Cluster:			
Homeland Security	97.067	09-GPD-LIN-LS-HLE9	12,865
Homeland Security	97.067	10-GPD-LIN-CC-HLE10	3,268
Homeland Security	97.067	09-GPD-LIN-CC-HCC9	2,347
Homeland Security	97.067	09-GPD-LIN-BZ-BZL9	9,658
Homeland Security	97.067	10-GPD-LIN-SC-HSCG10	60,188
Homeland Security	97.067	08-GPD-LIN-SC-HSCG8	28,835
Homeland Security	97.067	08-GPD-LIN-CC-HCC8	72
Homeland Security	97.067	09-GPD-LIN-SC-HSG9	<u>61,178</u>
Total Homeland Security Cluster			178,411
Emergency Management Performance	97.042	None	<u>367</u>
Total DHS			<u>185,830</u>
Total Expenditures of Federal Awards			<u>\$ 1,521,826</u>

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

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 the levels of expenditures or expenses and other criteria to be used in defining major programs. Major programs have been noted on the Schedule of Findings and Questioned Costs in accordance with those definitions.

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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

To the 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, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 29, 2012. 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

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 12-01 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 deficiency described in the accompanying schedule of findings and questioned costs as item 12-02 to be a significant deficiency.

Compliance and Other Matters

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

We noted certain other matters that we reported to management of the County in a separate letter dated November 29, 2012.

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



JONES SIMKINS, P.C.
November 29, 2012



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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

To the 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 *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2012. 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, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 12-03.

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 County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described below, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency.

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. We did not identify any deficiency in internal control over compliance that we consider to be a material weakness.

A significant deficiency in internal control is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questions costs as item 12-03 to be a significant deficiency.

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

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.

JONES SIMKINS, P.C.
November 29, 2012

LINCOLN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

A. Summary of Auditors' Results

1.	Type of Report issued:	Unqualified
2.	Internal control over financial reporting:	
	Material weaknesses identified:	Yes – One
	Significant deficiencies identified that are not considered to be material weaknesses:	Yes – One
3.	Non-compliance material to financial statements noted:	No
4.	Internal control over major programs:	
	Material weaknesses identified:	No
	Significant deficiencies identified that are not considered to be material weaknesses:	Yes – One
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:	Yes
7.	Federal programs tested as major programs:	Schools and Roads Cluster 10.665 Highway Planning and Construction Cluster 20.205
8.	Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
9.	Auditee qualification as high or low risk:	High

LINCOLN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

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

Finding 12-01

Condition: The County, including its discretely presented component units, has not developed policies and procedures to record transactions in the proper period and to prepare financial information on the accrual and modified accrual basis as required by generally accepted accounting principles.

Criteria: Internal controls should be sufficiently comprehensive to ensure that all financial transactions are properly accumulated, processed, summarized and reported in accordance with generally accepted accounting principles.

Effect: Multiple material audit adjustments were made to the trial balance of the County, including its discretely presented component units. The auditors provided assistance in drafting the annual financial statements and the Schedule of Expenditures of Federal Awards.

Cause: The County, including its discretely presently component units, does not have the expertise to record all transactions or prepare financial statements and supplemental information in accordance with generally accepted accounting principles.

Recommendation: Management should consider ways to reduce the number of year end audit adjustments and consider whether obtaining the necessary training, materials, and resources to allow the County, including its discretely presented component units, to produce annual financial statements and a more accurate Schedule of Expenditures of Federal Awards with reduced assistance from the auditor is cost beneficial.

LINCOLN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

Finding 12-02

Condition: The internal control system of the County, including its discretely presented component units, is not fully designed in accordance with the expectations of the Government Accountability Office (GAO). As a result of the improper design, several departments or offices within the County maintain independent bank accounts with a variety of authorized signatories on these accounts.

Criteria: Internal control standards adopted by the GAO expect that the individuals charged with governance of an organization establish an effective control environment, assess internal control risks, establish appropriate control activities, document and communicate controls and procedures, and monitor compliance with policies and procedures.

Effect: The County, including its discretely presented component units, has a significant deficiency in the design of its internal control processes including internal controls related to the completeness of reported assets, revenues, and expenditures, as well as the authorization of expenditures.

Cause: The County Treasurer does not have supervisory access to all cash accounts using the County's employer identification number.

Recommendation: All County bank reconciliations should be identified and reviewed by the Treasurer's office. All component unit bank reconciliations should be reviewed by someone independent of the preparer. Evidence of supervisory review should be documented.

LINCOLN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

- C. Findings and questioned costs related to federal awards required to be reported in accordance with OMB Circular A-133

Finding 12-03

Federal Program: Schools and Roads Cluster, CFDA # 10.665.

Condition: Purchasing policies for transactions which exceed \$25,000 do not include obtaining verification on EPLS that the party is not suspended or debarred.

Criteria: Title 2 of the Code of Federal Regulations Part 180 (2 CFR Part 180), *OMB Guidelines to Agencies on Government-Wide Debarment and Suspension (Nonprocurement)*, prohibits non-federal entities from contracting with parties that are suspended or debarred or whose principals have been suspended or debarred when the transaction equals or exceeds \$25,000. When such a transaction occurs, 2 CFR Part 180 requires that the non-federal entity verify that the party is not suspended or debarred or otherwise excluded by checking the Excluded Parties List System (EPLS) located at <http://epls.arnet.gov>.

Effect: The County has a significant deficiency in internal control over compliance with this element of the OMB Guidelines.

Cause: Management was not aware of the requirement for all federal programs.

Recommendation: Management should change its purchasing policies and procedures for transactions that exceed \$25,000 to require verification that the party is not suspended or debarred per a review of the EPLS.

LINCOLN COUNTY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2012

There were no audit findings related to federal awards in the prior year.

LINCOLN COUNTY
CORRECTIVE ACTION PLAN
(Client Submitted Document)
Year Ended June 30, 2012

Lincoln County respectfully submits the following corrective action plan for the year ended June 30, 2012:

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 12-01

The County will consider ways to improve the County's ability to record transactions in accordance with Generally Accepted Accounting Principles, and prepare annual financial statements and the Schedule of Expenditures of Federal Awards independent of the auditors.

Response to finding 12-02

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 12-03

Recommendation: Management should change its purchasing policies and procedures to require verification of suspension or debarment when a transaction or contract with a party exceeds \$25,000.

Action to be taken: The County will update its purchasing policies and procedures to include the above requirement.