

Fremont County, Wyoming Management's Discussion and Analysis June 30, 2005

As management of Fremont County, Wyoming, we offer readers of our financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2005.

These financial statements include not only Fremont County itself (known as the *primary government*), but also six legally separate entities for which the County is financially accountable. The discretely presented component units are comprised of: Fremont County Solid Waste Disposal District, Fremont County Weed and Pest Control District, Fremont County Fair Board, Fremont County Library Board, Fremont County Museum Board, and Fremont County Recreation Board. Financial information for these *discretely presented component units* is included in these financial statements but is reported separately from the financial information of the primary government. The following discussion will focus on the primary government. Unless stated otherwise all information pertains to the primary government alone.

Financial Highlights

As of June 30, 2005, Fremont County had cash and investments exceeding \$21.6 million. This excludes amounts held in fiduciary funds and belonging to other entities. In addition, the County owns capital assets (property and equipment) valued at \$77 million, net of accumulated depreciation. This amount includes infrastructure (roads and bridges). The County had \$5.4 million of other assets, primarily property taxes receivable. The County had liabilities totaling \$5.5 million with no bonded debt.

The assets of Fremont County exceeded liabilities by \$98.6 million (*net assets*) at the close of fiscal year 2005. Of this amount, \$15.9 million may be used to meet the County's general obligations to citizens and creditors (*unrestricted net assets*). \$77 million is invested in capital assets, and the remaining portion of net assets (*restricted net assets*) is restricted for specific purposes as detailed on the statement of net assets (page 11).

During fiscal 2005, Fremont County had revenues of \$21.7 million and expenses also totaling \$18.6 million. The County's total net assets increased by \$3.1 million.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Fremont County, Wyoming's basic financial statements. The County's basic financial statements include 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 that follows the notes to the financial statements.

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

The *statement of net assets* (page 11) presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* (pages 12-13) presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are primarily supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, roads and bridges, sanitation, culture and recreation, health and welfare, economic development, and support services. The business-type activities of the County include an ambulance service and an economic development revolving loan fund.

In addition, a combining statement of net assets and a combining statement of activities for the non-major component units can be found at pages 68-69.

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

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

The County maintains twenty-eight individual governmental funds. Information is presented separately in the governmental fund *balance sheet* and in the governmental fund *statement of revenues, expenditures and changes in fund balances* for the General Fund, Road Construction Capital Project Fund, and the Detention Facility Trust Permanent Fund. These three funds are considered to be *major funds*. Data from the other twenty-five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual budget for all governmental funds as required by state law. A budgetary comparison statement has been provided for the General Fund to demonstrate its compliance with the budget. A budgetary comparison schedule for the Detention Facility Trust Permanent Fund, capital project funds, non-major funds and all component units is also included with the other supplementary information.

The basic governmental fund financial statements can be found on pages 14-16 of this report.

Proprietary funds - The County maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its ambulance service and its economic development revolving loan fund. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for a self-insured employee health benefit plan, a property and equipment internal leasing program, emergency dispatch services, unemployment benefits and an invest pool. These services are primarily included in governmental activities and to a small extent in business type activities on a pro-rata basis.

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail for each fund. The proprietary fund financial statements provide separate information for the Ambulance and Revolving Loan Fund. Conversely, all of the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 17-19 of this report.

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 statement because the resources of those funds are *not* available to support the County's own programs. The basic fiduciary fund financial statements can be found on pages 20-21.

Notes to the financial statements - The notes provide additional information that is essential to understanding the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-46 of this report.

Other information - A schedule of Wyoming state assistance is presented on page 47. A schedule of expenditures of federal awards is presented on page 94. The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented on pages 52-57 and 61-63, respectively. Also, fund financial statements for each of the six component units are presented on pages 65-91.

Government-wide Financial Analysis

Fremont County's assets exceed liabilities by a total of \$98.6 million (*net assets*). Assets total \$104.1 million with 21% of that being cash and investments, 5% property taxes receivable and 74% being capital assets (property and equipment). The component units had an additional \$10.2 million of net assets. The component unit's assets total \$17.0 million with 20% of that being cash and investments, 15% property taxes receivable and 59% being capital assets. The only significant long-term liabilities belong to the Solid Waste Disposal District, which has capital lease obligations of \$2.0 million and estimated liability of \$1.6 million for closure and post closure care costs. The estimated liability for closure and postclosure care costs has fluctuated widely with a low of \$1.5 million in 2004 and a high of \$3.6 million in 2003. See page 45 for a discussion of this estimate.

Total net assets increased by \$3.1 million (3.2%) during fiscal 2005 primarily due a 26% increase in revenue and expenses significantly below budgeted amounts.

Governmental activities - Governmental activities account for 98% of both total assets and net assets. Total revenues increased \$4.6 million (27%) from fiscal year 2004 to 2005 primarily due to a \$1.1 million increase in investment earnings, \$542 thousand of Homeland Security grants, an \$804 thousand State of Wyoming contribution for the Five Mile and Muddy Creek box culverts on North Portal Road, an \$828 thousand increase in sales/use tax revenues, and a \$519 increase in state assistance. Total expenses increased \$1.5 million (12%). Public safety expenses increased significantly each of the last four years (2002 \$1.2 million 19%, 2003 \$0.8 million 13%, 2004 \$0.4 million 6.2%, 2005 \$0.6 8.2%) due primarily to the opening of a new larger detention center, the implementation of adult and juvenile drug courts, and the addition of courtroom security. Health and welfare expenses increased \$420 thousand (28%). Refer to the following section addressing fund financial statements for further comparisons with the prior year.

Business-type activities - Business-type activities account for only 2% of both the County's total assets and net assets. Assets belonging to the business-type activities total \$2.2 million, of which 20% is cash and investments, 72% is capital assets, and the remainder is primarily ambulance service accounts receivable and inventory. Liabilities total \$75 thousand. Net assets total \$2.1 million with 75% invested in capital assets and 25% unrestricted. Sources of funds are made up of charges for services (81%), transfers from the general fund (8%) and grants (8%). As with the governmental activities, look to the fund financial analysis for comparisons to the prior year.

FREMONT COUNTY, WYOMING
NET ASSETS
(In thousands of dollars)

| | Governmental Activities | | Business-Type Activities | | Total | |
|-----------------------------|-------------------------|------------------|--------------------------|-----------------|------------------|------------------|
| | 2004/05 | 2003/04 | 2004/05 | 2003/04 | 2004/05 | 2003/04 |
| Cash and investments | \$ 21,230 | \$ 18,974 | \$ 444 | \$ 579 | \$ 21,674 | \$ 19,068 |
| Capital assets | 75,392 | 74,290 | 1,603 | 809 | 76,995 | 75,099 |
| Other assets | 5,255 | 5,350 | 178 | 689 | 5,433 | 6,039 |
| Total Assets | 101,877 | 98,614 | 2,225 | 2,077 | 104,102 | 100,206 |
| Current liabilities | 4,792 | 4,381 | 52 | 41 | 4,844 | 4,422 |
| Long-term liabilities | 603 | 695 | 23 | 26 | 626 | 721 |
| Total Liabilities | 5,395 | 5,076 | 75 | 67 | 5,470 | 5,143 |
| Net assets | | | | | | |
| Invested in capital assets, | | | | | | |
| net of related debt | 75,356 | 74,290 | 1,603 | 809 | 76,959 | 75,099 |
| Restricted | 5,784 | 5,198 | 0 | 0 | 5,784 | 5,198 |
| Unrestricted | 15,342 | 14,050 | 547 | 1,201 | 15,889 | 14,766 |
| Total Net Assets | \$ 96,482 | \$ 93,538 | \$ 2,150 | \$ 2,010 | \$ 98,632 | \$ 95,063 |

FREMONT COUNTY, WYOMING
CHANGES IN NET ASSETS
(In thousands of dollars)

| | Governmental activities | | Business-type activities | | Total | |
|---|-------------------------|------------------|--------------------------|-----------------|------------------|------------------|
| | 2004/05 | 2003/04 | 2004/05 | 2003/04 | 2004/05 | 2003/04 |
| Program revenues | | | | | | |
| Charges for services | \$ 1,777 | \$ 1,715 | \$ 868 | \$ 906 | \$ 2,645 | \$ 2,621 |
| Operating grants and contributions | 3,839 | 2,799 | 11 | 36 | 3,850 | 2,835 |
| Capital grants and contributions | 2,092 | 1,041 | 70 | 77 | 2,162 | 1,118 |
| General revenues | | | | | | |
| Property taxes | 5,345 | 4,846 | 0 | 0 | 5,345 | 4,846 |
| Federal payment in lieu of taxes | 1,547 | 1,515 | 0 | 0 | 1,547 | 1,515 |
| State sales and use tax | 4,313 | 3,485 | 0 | 0 | 4,313 | 3,485 |
| State severance tax | 413 | 362 | 0 | 0 | 413 | 362 |
| Investment earnings | 965 | (101) | 35 | 3 | 1,000 | (98) |
| Other | 383 | 348 | 0 | 3 | 383 | 351 |
| Total Revenues | 20,674 | 16,010 | 984 | 1,025 | 21,658 | 17,035 |
| Expenses | | | | | | |
| General government | 2,573 | 2,582 | 0 | 0 | 2,573 | 2,582 |
| Public safety | 8,284 | 7,657 | 0 | 0 | 8,284 | 7,657 |
| Roads and bridges | 2,444 | 2,256 | 0 | 0 | 2,444 | 2,256 |
| Sanitation | 5 | 3 | 0 | 0 | 5 | 3 |
| Culture and recreation | 179 | 16 | 0 | 0 | 179 | 16 |
| Health and welfare | 1,906 | 1,486 | 0 | 0 | 1,906 | 1,486 |
| Economic development | 170 | 152 | 0 | 0 | 170 | 152 |
| Support services | 2,078 | 1,963 | 0 | 0 | 2,078 | 1,963 |
| Ambulance services | 0 | 0 | 935 | 904 | 935 | 904 |
| Total Expenses | 17,639 | 16,115 | 935 | 904 | 18,574 | 17,019 |
| Increase in net assets before transfers | 3,035 | (105) | 49 | 121 | 3,084 | 16 |
| Transfers | (91) | (135) | 91 | 135 | 0 | 0 |
| Increase in net assets after transfers | 2,944 | (240) | 140 | 256 | 3,084 | 16 |
| Net Assets - July 1 | 93,538 | 93,778 | 2,010 | 1,754 | 95,548 | 95,532 |
| Net Assets - June 30 | \$ 96,482 | \$ 93,538 | \$ 2,150 | \$ 2,010 | \$ 98,632 | \$ 95,548 |

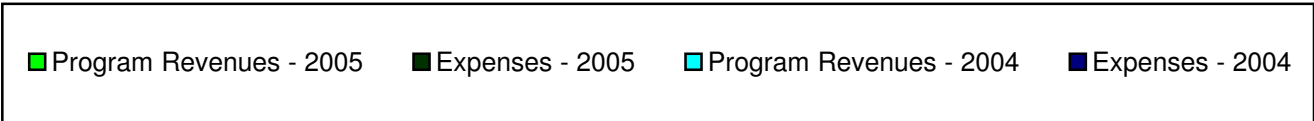
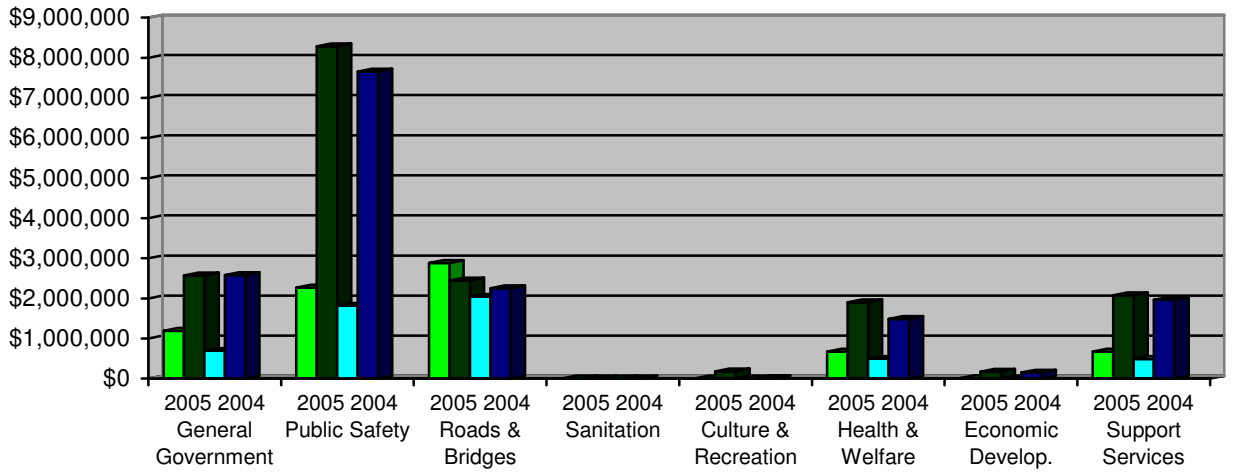
Financial Analysis of the Government's Funds

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

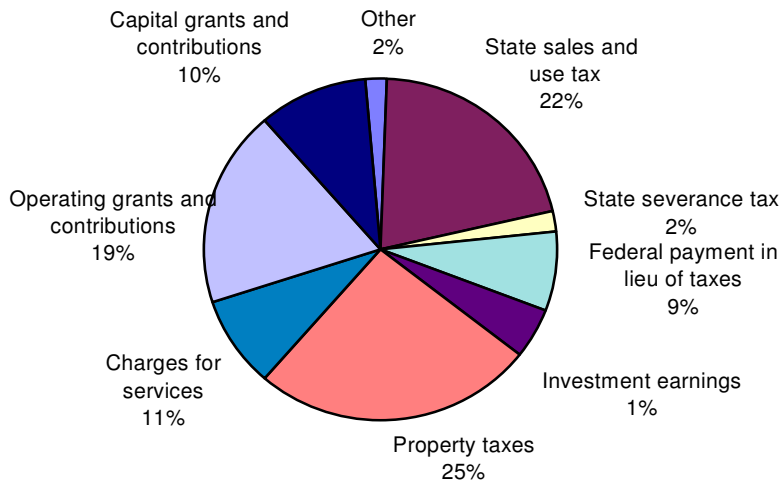
As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$18.2 million, up from \$16.0 million for the prior year. 79% of this total amount (\$14.3 million) constitutes *unreserved fund balance*, which is available for spending at the County's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending. Instead it has been committed for an endowment (\$2.8 million) created to provide for long-term maintenance of the detention center and encumbrances (\$600 thousand) comprised primarily of construction contracts.

The general fund is the chief operating fund of the County and accounts for 83% of governmental fund revenues (unchanged from the prior year). At the end of the current fiscal year, unreserved fund balance of the general fund was \$11.9 million, while total fund balance reached \$12.5 million. Total General Fund balance increased by 15% during the current fiscal year. As a measure of the general fund's liquidity, it is useful to compare unreserved fund balance to total expenditures and transfers out. Unreserved fund balance represents 85% of total expenditures and transfers out.

Program Revenues and Expenses - Governmental Activities



**Revenues by Source - Governmental Activities
 For the Year Ended June 30, 2005**



Governmental funds – (continued)

General fund revenues and other sources increased by 29% from \$12.6 million to \$16.3 million from fiscal 2004 to 2005, while expenditures and other uses decreased by 2%. The major changes in revenues result from: 1) a \$1.9 million increase in property tax revenues as explained above, 2) a \$1.4 million increase in intergovernmental revenue primarily consisting of increased sales tax revenue and state assistance, and 3) a \$0.4 million increase in investment income. The only significant change in expenditures was an increase in health and welfare expenses (\$0.3 million, 28%) primarily due to increased costs for the involuntary commitment of individuals for psychiatric evaluations.

Proprietary funds - The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The ambulance service's assets (\$2.2 million) were made up primarily of cash and investments (19%), capital assets (73%) and accounts receivable (6%). Cash and investments decreased \$141 thousand (16%) from June 30, 2004 to 2005, while accounts receivable decreased \$468 thousand, and capital assets nearly doubled increasing by \$794 thousand. During 2005 the ambulance brought current the billing and collection of accounts receivable. By increasing the staff devoted to billing and collection, cash was increased and accounts receivable was reduced by \$468 thousand. A new ambulance facility was completed at a cost of \$770 thousand.

Unrestricted net assets of the ambulance service at the end of the year amounted to \$0.5 million, while net assets invested in capital assets were \$1.6 million. Net assets increased by \$142 thousand (7%) during the current year. Sources of funds were primarily charges for goods and services (78%) and transfers from the general fund (15%). Increases in net assets result from a policy of continued general fund subsidy for the purpose of upgrading the ambulance facility in Lander. As a measure of liquidity, current assets exceed current liabilities by \$529 thousand.

General Fund Budgetary Highlights

The General Fund budget anticipated an ending balance of \$7.0 million designated in the budget as reserves. The County ended the year with a \$12.5 million fund balance. The large discrepancy is due first to revenues exceeding anticipations by \$1.6 million (5.1%) and secondly expenditures and encumbrances that were \$3 million less than budgeted. \$1.5 million of the \$3 million that was not expended or encumbered can be attributed to road maintenance projects.

The original appropriation (expenditure budget) was amended to allow for an increase of \$1.0 million (5%) from \$17.9 million to \$18.9 million. This increase was primarily for statutory medical (the cost of involuntary commitment of individuals for psychiatric evaluations) (\$400 thousand), salary and wage increases (\$253 thousand), and increased transfer to the ambulance (\$109 thousand). \$710 thousand of these increases were funded from budgetary reserve accounts while the remainder was funded with unanticipated revenue. Actual expenditures were 78% of the amount appropriated.

Capital Assets and Debt Administration

Capital Assets - The County's investment in capital assets (property, equipment, roads, and bridges) for its governmental and business-type activities increased by \$1.9 million from \$75.1 million to \$77 million.

Major events affecting capital assets during fiscal 2005 include:

- Various equipment for emergency response and terrorism prevention funded through federal homeland security grants costing \$298 thousand,
- Webbwood Road project with a current year cost of \$371 thousand,
- Completion of the Five Mile and Muddy Creek box culverts on North Portal Road \$1.0 million,
- Various incomplete road projects with a current year cost of \$405 thousand.

The six component units' investment in capital assets increased by \$1.4 million, (16%) from \$8.7 million to \$10.1 million. The increase was comprised primarily of the Solid Waste Disposal District's new baler facilities in Lander and Riverton.

Capital Assets and Debt Administration (cont'd)

Debt Administration - With the exception of the Solid Waste Disposal District, the County has substantially no long-term debt and has no plans to incur debt. State statutes limit the amount of debt of the County to 2% of the assessed valuation. The limit for fiscal 2005 was \$11.7 million. A \$2.0 million liability remains of an original \$2.5 million leasing arrangement entered into by the Solid Waste Disposal District to finance buildings and equipment. The Solid Waste Disposal District also has an estimated liability for closure and postclosure care costs of \$1.6 million.

Economic Factors and Next Year's Budgets and Rates

| Demographic data from the US Census Bureau | Fremont County | Wyoming |
|---|-----------------------|----------------|
| Population, 2004 estimate | 36,310 | 506,529 |
| Population, percent change, April 2000 to July 2004 | 1.4% | 2.6% |
| Persons under 18 years old, percent, 2000 | 27.4% | 26.1% |
| Persons 65 years and over, percent, 2000 | 13.3% | 11.7% |
| White persons, percent, 2000 | 76.5% | 92.1 |
| American Indian and Alaska Native persons, percent, 2000 | 19.7% | 2.3% |
| High school graduates, percent of persons age 25+, 2000 | 84.8% | 87.9% |
| Bachelor's degree or higher, percent of persons age 25+, 2000 | 19.7% | 21.9% |
| Housing units, 2002 | 15,809 | 227,941 |
| Homeownership rate, 2000 | 72.9% | 70.0% |
| Median household income, 1999 | \$ 32,503 | \$ 37,892 |
| Per capita money income, 1999 | \$ 16,519 | \$ 19,134 |
| Private nonfarm employment, 2001 | 10,394 | 178,299 |
| Private nonfarm employment, percent change 2000-2001 | 2.1% | 2.1% |
| Average annual unemployment rate, December 2004 | 4.9% | 3.9% |
| Land Area, 2000 (square miles) | 9,182 | 97,100 |
| Persons per square mile, 2000 | 3.9 | 5.1 |

The County general fund budget for the 2006 fiscal year anticipates a beginning fund balance up \$0.2 million (2%) from the 2005 actual beginning fund balance and a \$2 million (12%) increase in total revenue to \$18.4 million. At the same time appropriations have increased significantly by \$3.1 million (16%) from \$18.9 to \$22.0 million.

The increase in anticipated revenue is due to: 1) a 4% increase the county general fund property tax mill levy from 8.464 mills to 8.809 mills, a 44% increase in assessed valuation for a property tax increase of 3.2 million (59%); 2) a 125% increase in state assistance from \$0.6 million to \$1.4 million; and 3) a 21% increase in sales/use tax from \$3.4 million to \$4.1 million. The increase in the appropriations is primarily due to a \$2.0 million increase in road maintenance projects; \$746 thousand increase in the Sheriff's dispatch, patrol, and detention divisions; and \$450 thousand for buildings and improvements for the Fair and Lander Museum.

Component Unit Financial Statements

A copy of the audited financial statements for the Fremont County Solid Waste Disposal District component unit may be obtained by writing to the District at P.O. Box 1400, Lander, Wyoming, 82520. None of the other component units of Fremont County have issued audited financial statements for the year ended June 30, 2005.

Requests for Information

This financial report is designed to provide an overview of the County's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Fremont County Treasurer, P.O. Box 465, Lander, Wyoming, 82520.