

**CITY OF ROCK SPRINGS, WYOMING**

**FINANCIAL AND COMPLIANCE REPORT**

**JUNE 30, 2010**

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**INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL  
STATEMENTS AND SUPPLEMENTARY INFORMATION**

Honorable Mayor and Members of the City Council  
City of Rock Springs  
Rock Springs, Wyoming

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rock Springs, Wyoming (the "City") as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City'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 the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. 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 business-type activities, each major fund and the aggregate remaining fund information of the City of Rock Springs, Wyoming as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2010 on our consideration of the City's internal control over financial reporting and 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 *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's discussion and analysis on pages 3 through 11 and budgetary comparison as well as the schedule of funding progress information on pages 43 through 48, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements of nonmajor governmental funds and blended component units are presented for purposes of additional analysis and are not a required part of the basic financial statements. In addition, 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 State, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The combining statements and schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*McGee, Hearne & Paiz, LLP*

Cheyenne, Wyoming  
November 9, 2010

## CITY OF ROCK SPRINGS, WYOMING MANAGEMENT'S DISCUSSION AND ANALYSIS

### INTRODUCTION

As management of the City of Rock Springs, Wyoming, we offer the readers of the city's financial statements this narrative overview and analysis of the financial statements of the city for the year ended June 30, 2010. When read in conjunction with the financial statements, this section's financial highlights, overview, and analysis should assist the reader in gaining a more complete knowledge of the city's financial performance.

### FINANCIAL HIGHLIGHTS

The assets of the city exceed its liabilities at the close of June 30, 2010 by \$173,159,002 (reported as net assets). Of this amount, \$56,849,988 (unrestricted net assets) may be used to meet the city's ongoing obligations to citizens and creditors. Note that the total net assets figure includes capital assets net of accumulated depreciation and related debt.

The city's total net assets increased by \$13,930,447. A majority of the increase was related to the construction of capital assets, including some large infrastructure projects, which were partially funded by capital grants and sixth cent specific use sales and use tax proceeds. Net assets for governmental activities increased by \$8,127,961 or 7% while net assets for business-type activities increased by \$5,802,486 or 12%.

At the close of the year, the city's governmental funds reported combined ending fund balances of \$32,314,505, a decrease of \$9,199,989 or 22% from the prior year. Of this amount, \$3,280,958 is available for spending at the city's discretion (unreserved, undesignated fund balance).

At the end of the year, the unreserved fund balance for the general fund was \$3,192,032 or 6% of total general fund expenditures.

Total long-term debt had a net decrease of \$873,662 (5%) from the prior year. This is due to payments in debt principal made of \$593,619 and \$280,043 in the sewer and water funds, respectively.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the city's basic financial statements. The basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains additional required supplementary information (budgetary schedule and schedule of funding progress) and other supplementary information in addition the other basic financial statements themselves.

**Government-wide financial statements.** These statements are designed to provide readers with a broad overview of the city's finances in a manner similar to private-sector business reporting.

The Statement of Net Assets presents information on all of the city's assets and liabilities, with the difference between the two reported as net assets. The statements provide both short-term and long-term information about the city's financial position. Over time, increases or decreases in net assets may serve as a useful indicator of whether the economic condition of the city is improving or deteriorating. In evaluating the government's economic condition, however, additional non-financial factors should be considered such as the city's economic outlook, changes in its demographics, and the condition of its infrastructure and other capital assets.

The statement of activities presents revenue and expense information showing how the city's net assets changed during the fiscal year. To understand the basis of how these numbers are determined, it is important to note that changes in net assets are reported whenever an event occurs that requires a revenue or expense to be recognized, regardless of when cash is received or disbursed (such as uncollected fees and expenses for goods purchased but not yet received).

Both of the government-wide financial statements distinguish functions of the city that are principally supported by intergovernmental revenues and taxes (governmental activities) from other functions that are designed to recover all or a significant portion of their costs through user fees and charges (business type activities). The governmental activities of the city include: general government, public safety, public works and culture and recreation. Business-type activities include the water department, the wastewater department, and the housing authority.

The government-wide financial statements can be found on pages 12 and 13 of this report.

**Fund financial statements.** A fund is a grouping of related accounts (revenues, expenditures/expenses, assets and liabilities) that is used to control resources that have been segregated for specific activities. The City of Rock Springs, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds utilized by the city can be divided into two categories, governmental funds and proprietary 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, for accounting and reporting purposes, government fund numbers are determined with a different approach. At the fund level, the focus is on changes in near-term spendable resources and the balance of resources available to spend at year-end, rather than the long-term focus used for determining government-wide numbers. Because the focus is so different between fund statements and government-wide statements, reconciliation between the two types is necessary to understand how the numbers differ. Such a reconciliation is provided on pages 15 and 17 of this report.

The General Fund is the primary operating governmental fund of the city. Two other governmental funds (Economic Development Loan Fund and Debt Service Fund) are reported: A summary of the two other funds (nonmajor funds) is combined into one nonmajor governmental funds column. To demonstrate legal compliance, a schedule comparing budget-to actual numbers for the General Fund is included in the required supplementary information.

**Proprietary funds.** The city maintains two different 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 city uses enterprise funds to account for the operation of the water and wastewater operations as well as the Rock Springs Housing Authority. Internal service funds are an accounting tool used to accumulate and allocate costs internally among the city's functions. The city uses an internal service fund to account for its employee health insurance.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 22 of this report.

**Other information.** The budgetary comparison schedule, including related notes, and a schedule of funding progress for the City's other post-employment benefit plan, are reported as required supplementary information, which begins on page 43. Also, individual fund statements and other supplementary information can be found starting on page 49 of this report.

## Government-wide financial analysis

**Net assets:** As stated earlier, an analysis of net assets is probably the most important financial measurement to assist with understanding the financial position of the city, and whether the financial position improves or deteriorates each year. The following table presents summary information from the government-wide statement of net assets.

### City of Rock Springs Summary of Net Assets (expressed in millions)

|   | Governmental Activities |        | Business-Type Activities |       | Total  |        |
|---|-------------------------|--------|--------------------------|-------|--------|--------|
|   | 2010                    | 2009   | 2010                     | 2009  | 2010   | 2009   |
| Current and other assets                          | 42.39                   | 51.63  | 30.89                    | 29.22 | 73.28  | 80.85  |
| Capital assets                                    | 85.81                   | 68.10  | 42.79                    | 39.92 | 128.60 | 108.02 |
| Total assets                                      | 128.20                  | 119.73 | 73.68                    | 69.14 | 201.88 | 188.87 |
| Current liabilities                               | 8.87                    | 8.74   | 2.43                     | 2.81  | 11.30  | 11.55  |
| Non-current liabilities                           | 1.00                    | 0.79   | 16.42                    | 17.30 | 17.42  | 18.09  |
| Total liabilities                                 | 9.87                    | 9.53   | 18.85                    | 20.11 | 28.72  | 29.64  |
| Investment in capital assets, net of related debt | 85.81                   | 68.10  | 29.18                    | 25.61 | 114.99 | 93.71  |
| Restricted  | 0.00                    | 0.00   | 1.32                     | 1.36  | 1.32   | 1.36   |
| Unrestricted                                      | 32.52                   | 42.10  | 24.33                    | 22.06 | 56.85  | 64.16  |
| Total net assets                                  | 118.33                  | 110.20 | 54.83                    | 49.03 | 173.16 | 159.23 |

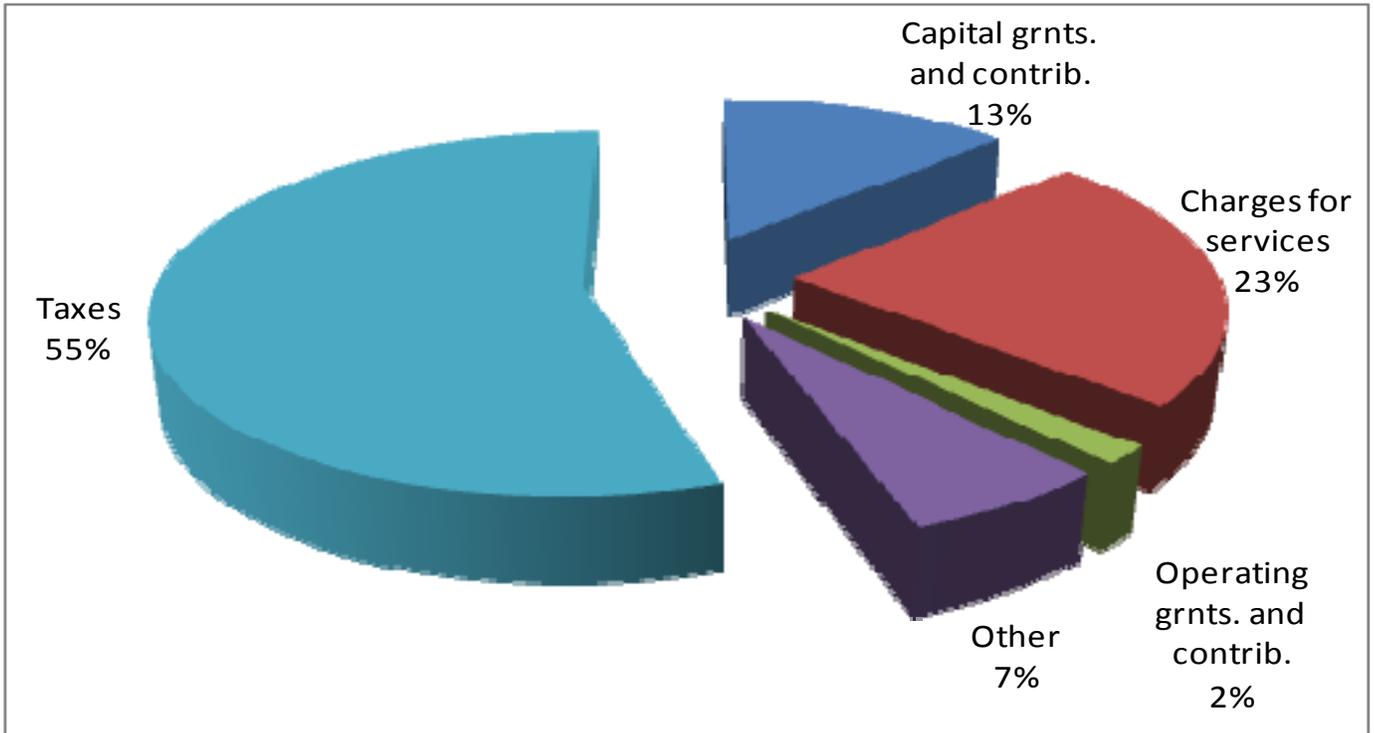
As depicted, at June 30, 2010, the city's assets exceeded liabilities by approximately \$173.16 million (net assets). 66% of this amount is represented by the investment in capital assets, net of related debt. Due to the nature of these assets – long-term assets which are not readily convertible to liquid assets – they are not considered to be available for spending or appropriation.

**Changes in net assets:** As taken from the government-wide statement of activities, the following table depicts the changes in net assets for 2010.

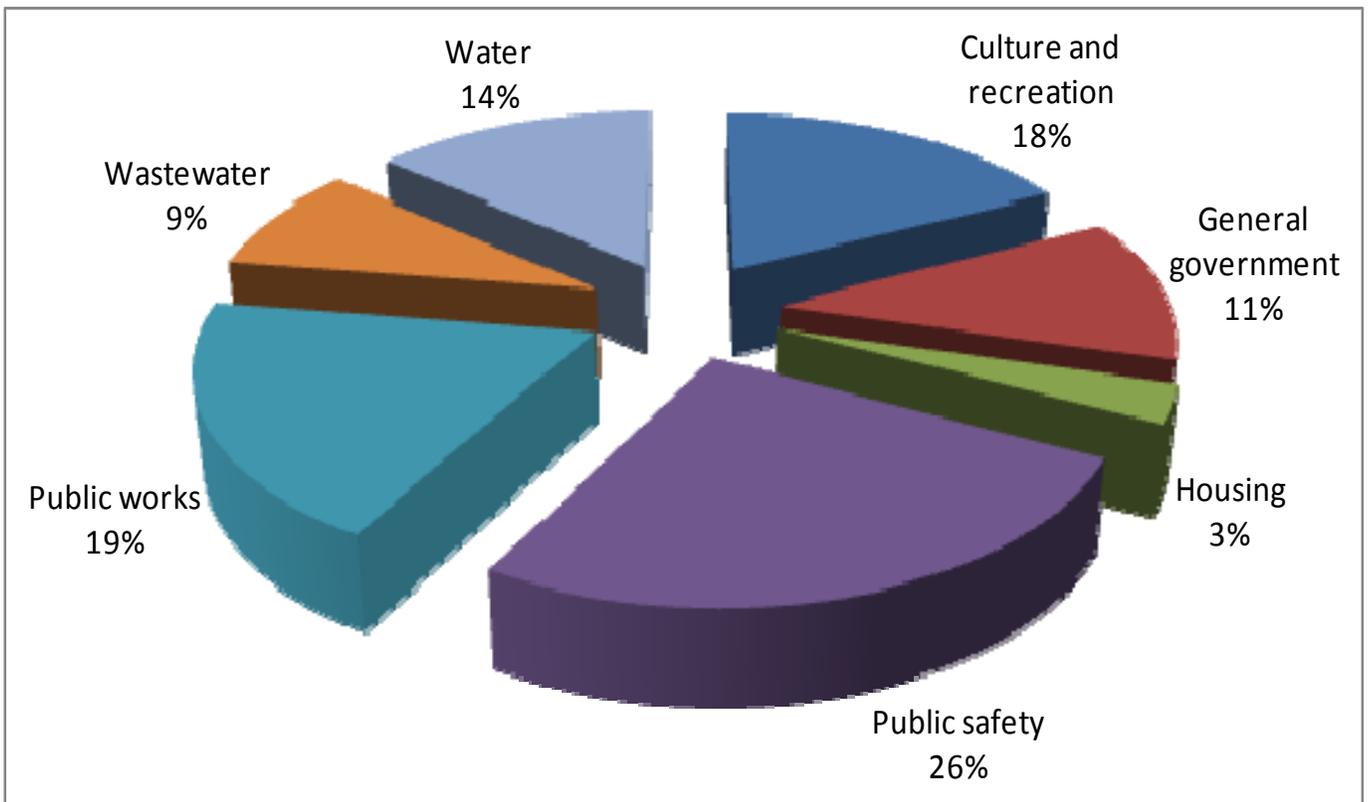
**City of Rock Springs**  
**Summary of Changes in Net Assets**  
(expressed in millions)

|                                | Governmental<br>Activities |        | Business-Type<br>Activities |       | Total  |        |
|--------------------------------|----------------------------|--------|-----------------------------|-------|--------|--------|
|                                | 2010                       | 2009   | 2010                        | 2009  | 2010   | 2009   |
| Revenues:                      |                            |        |                             |       |        |        |
| Program revenues:              |                            |        |                             |       |        |        |
| Charges for services           | 2.75                       | 2.95   | 11.02                       | 12.39 | 13.77  | 15.34  |
| Operating grants and contrib.  | 0.28                       | 0.39   | 0.70                        | 0.66  | 0.98   | 1.05   |
| Capital grants and contrib.    | 6.57                       | 9.25   | 0.77                        | 1.06  | 7.34   | 10.31  |
| General revenues:              |                            |        |                             |       |        |        |
| Sales and use tax              | 23.24                      | 28.03  | 4.07                        | 2.99  | 27.31  | 31.02  |
| Mineral sever. & royalties tax | 1.71                       | 1.54   | -                           | -     | 1.71   | 1.54   |
| Property tax                   | 2.30                       | 2.20   | -                           | -     | 2.30   | 2.20   |
| Franchise tax                  | 0.65                       | 0.65   | -                           | -     | 0.65   | 0.65   |
| Gas and special fuels tax      | 0.43                       | 0.47   | -                           | -     | 0.43   | 0.47   |
| Other taxes                    | 0.24                       | 0.28   | -                           | -     | 0.24   | 0.28   |
| Supp. local govt. funding      | 1.88                       | 1.98   | -                           | -     | 1.88   | 1.98   |
| Investment earnings            | 0.23                       | 0.76   | 0.51                        | 0.40  | 0.74   | 1.16   |
| Miscellaneous                  | 1.20                       | 1.18   | 0.19                        | 0.39  | 1.39   | 1.57   |
| Total revenues                 | 41.48                      | 49.68  | 17.26                       | 17.89 | 58.74  | 67.57  |
| Expenses:                      |                            |        |                             |       |        |        |
| General government             | 5.24                       | 4.46   | -                           | -     | 5.24   | 4.46   |
| Public safety                  | 11.54                      | 11.37  | -                           | -     | 11.54  | 11.37  |
| Public works                   | 8.64                       | 8.78   | -                           | -     | 8.64   | 8.78   |
| Culture and recreation         | 7.93                       | 8.17   | -                           | -     | 7.93   | 8.17   |
| Water                          | -                          | -      | 6.19                        | 6.97  | 6.19   | 6.97   |
| Wastewater                     | -                          | -      | 3.92                        | 3.95  | 3.92   | 3.95   |
| Housing                        | -                          | -      | 1.35                        | 1.04  | 1.35   | 1.04   |
| Total expenses                 | 33.35                      | 32.78  | 11.46                       | 11.96 | 44.81  | 44.74  |
| Change in net assets           | 8.13                       | 16.90  | 5.80                        | 5.93  | 13.93  | 22.83  |
| Net assets, beg. of year       | 110.20                     | 93.30  | 49.03                       | 43.10 | 159.23 | 136.40 |
| Net assets, end of year        | 118.33                     | 110.20 | 54.83                       | 49.03 | 173.16 | 159.23 |
|                                |                            |        |                             |       |        |        |

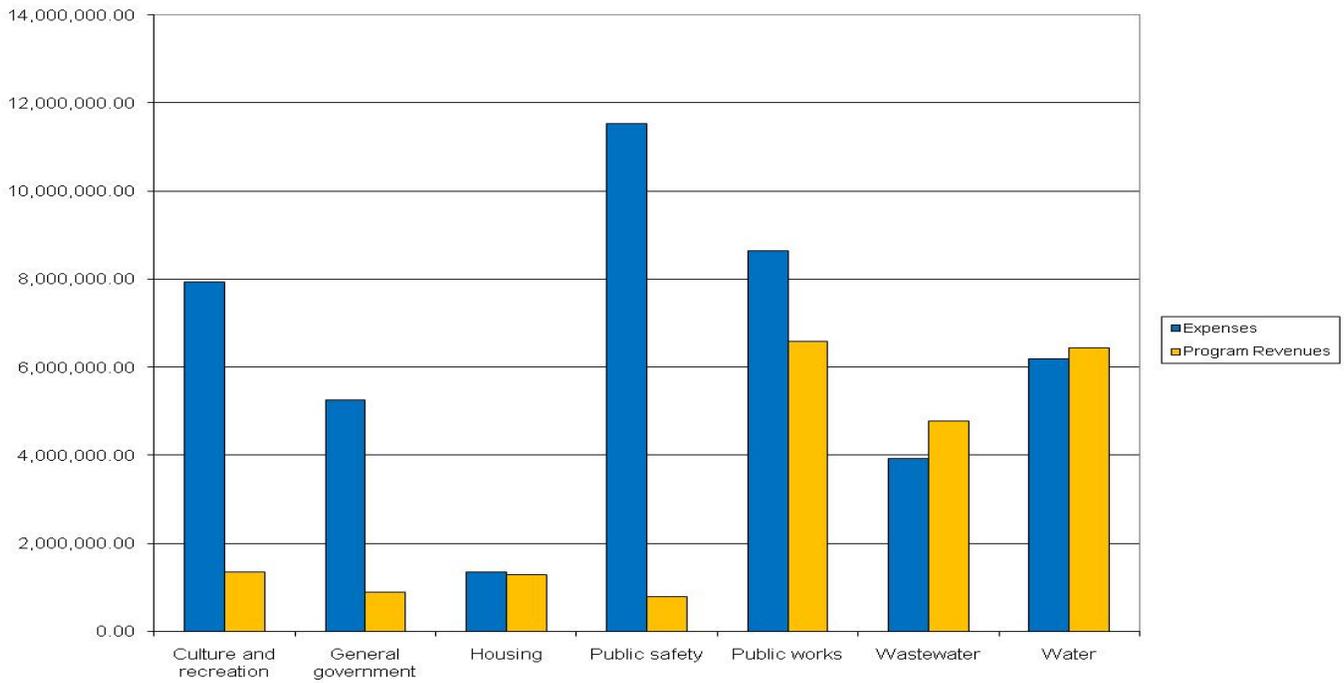
**Total Government-Wide Revenues**  
Fiscal Year Ended June 30, 2010



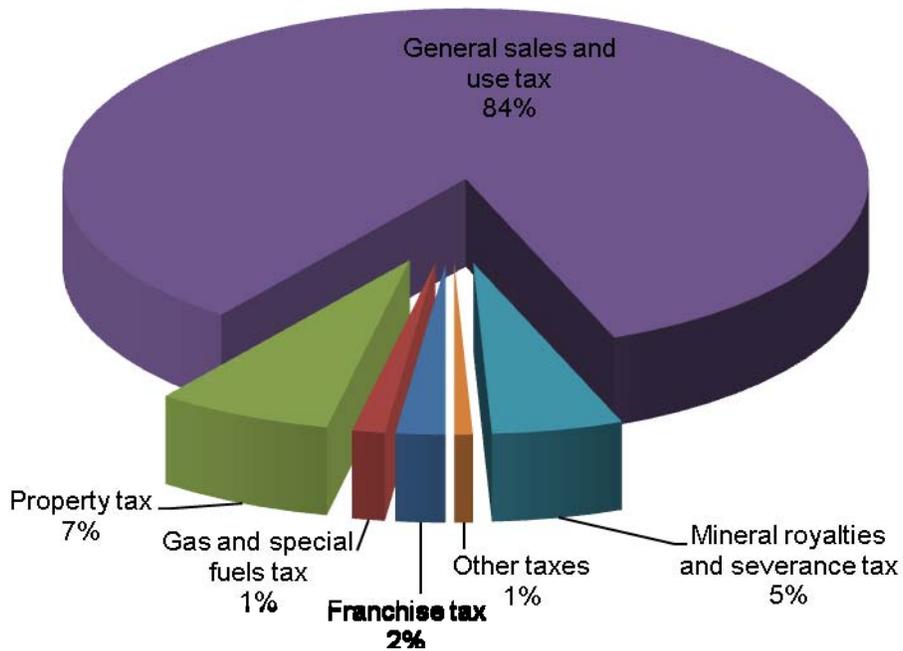
**Total Government-Wide Expenses**  
Fiscal Year Ended June 30, 2010



**Expenses and Program Revenue**  
**Fiscal Year Ended June 30, 2010**



**Tax Revenue**  
**Fiscal Year Ended June 30, 2010**



Governmental activities increased the city's net assets by \$8.13 million. This change in net assets is a decrease from last year's change in net assets by approximately 52%. Key elements of the change in net assets include:

- Sales and use tax revenue comprises approximately 56% of total governmental activities revenues. These taxes decreased by approximately \$4.79 million or 17% from the previous year. This was largely due to a decrease in economic activity.
- Public Safety is the largest category of governmental expenses, representing 35% of the total. Culture and Recreation represents approximately 24% of governmental expenses while public works represents approximately 26% of governmental expenses. Total expenses for the year were \$0.57 million higher this year compared to the prior year.

The business-type activities include the water, wastewater, and the housing authority funds. These activities increased net assets by \$5.80 million. This change in net assets is a decrease from last year's change in net assets by approximately 2%. Key elements of the change in net assets include:

- The wastewater fund charges for services decreased by approximately 16% due to a decrease in usage. Water fund charges for services decreased by approximately 7% from the prior year due to a decrease in usage. Operating grants of the housing authority fund increased slightly from the previous year, however capital grants were received this year that were not received in the prior year relating to federal stimulus money. Taxes revenue related to 6<sup>th</sup> cent sales and use tax reimbursements for wastewater projects increased by 36% from the prior year.
- Total expenses were relatively similar to last year's expenses. Expenses were \$0.50 million lower this year compared to the prior year.

### **Financial analysis of the city's funds**

As noted earlier, the City of Rock Springs uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of the end of the current fiscal year, the city's governmental funds reported a total ending fund balance of \$32,314,505 in comparison with \$ 41,514,494 in ending fund balance in the prior year. \$3,280,958 of this amount is reported as unreserved, undesignated fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending. It has been committed to 1) paying contracts for goods and services to be provided at a later date, buying inventory, and paying expenses in advance (\$8,178,490), 2) purchasing capital assets in future periods (\$2,732,228), 3) being used in emergency or unusual situations that may arise causing need to exceed total appropriations (\$7,256,586), cash carried over from prior periods (\$9,740,993), and 4) paying compensated absences and post-employment benefits other than pensions due to employees (\$1,125,250).

The general fund is the chief operating fund of the city. The unreserved, undesignated fund balance of the general fund totaled \$3,192,032 at year-end, with total fund balance equaling \$32,225,579. Unreserved, undesignated fund balance represents 6% of total general fund expenditures, while total fund balance equals 64% of total general fund expenditures.

Unrestricted net assets of the water fund and wastewater funds were \$7,296,174 and \$17,033,894, respectively. The increase in total net assets for the water fund and wastewater funds was \$1,115,506 and \$4,744,910, respectively. The water fund has restricted net assets of \$834,350 relating to assets held by the Joint Powers Water Board for water system repair expenses. Also, the water fund, by agreement, is required to give the Joint Powers Water Board any water related infrastructure assets constructed by the city. An expense of \$1,270,466 was incurred in the water fund relating to the transfer of title of assets from the city to the Joint Powers Water Board.

The restricted net assets balance for the housing authority was \$480,694, which was a decrease of \$43,952 from the prior year.

The city's internal service fund had a net asset balance of \$2,593,583 at year-end which is a decrease of \$165,163 from the prior year. Much of this can be attributed to an increase in insurance claims paid, an increase in claims allowed, and an increase in insurance administration costs.

### **General Fund budgetary highlights**

The differences between the original budget and the final amounts represent changes made by the council as additional facts and information became available. Several factors lead to these modifications. They include: economic factors, emergency purchases, and other factors.

For 2010, budgeted tax revenues exceeded actual tax revenues by approximately \$3.96 million. At the beginning of the year, the budget was based on current economic conditions. Due to the activity in the local economy, sales tax revenues were \$8.17 million less than originally estimated. Actual federal, state, and county grant revenue recognized was \$2.97 million less than what was originally budgeted for. This was due to the timing of projects expended that are applicable for reimbursements for grants.

For 2010, expenditures were under budget by approximately \$16.58 million. Most of this amount was due to projects budgeted but not completed in various departments. Most of these projects should be completed in the subsequent budget year.

### **Capital assets**

At the end of the year, the city owned capital assets valued at approximately \$128.6 million. The following schedules show the city's capital assets for the year ended June 30, 2010.

**City of Rock Springs**  
**Capital Assets (net of depreciation)**  
(expressed in millions)

|                          | Governmental Activities |              | Business-Type Activities |              | Total         |               |
|--------------------------|-------------------------|--------------|--------------------------|--------------|---------------|---------------|
|                          | 2010                    | 2009         | 2010                     | 2009         | 2010          | 2009          |
| Land                     | 6.34                    | 5.22         | 0.43                     | 0.43         | 6.77          | 5.65          |
| Construction in progress | 25.24                   | 11.93        | 4.31                     | 2.98         | 29.55         | 14.91         |
| Buildings/improvements   | 13.38                   | 14.24        | 20.17                    | 20.66        | 33.55         | 34.90         |
| Systems improvements     | -                       | -            | 2.80                     | 3.00         | 2.80          | 3.00          |
| Land improvements        | 8.12                    | 3.63         | 0.06                     | 0.07         | 8.18          | 3.70          |
| Equipment                | 4.56                    | 4.81         | 0.70                     | 0.73         | 5.26          | 5.54          |
| Infrastructure           | 27.99                   | 28.27        | 14.32                    | 12.05        | 42.31         | 40.32         |
| Easements                | 0.18                    | -            | -                        | -            | 0.18          | -             |
| <b>Total</b>             | <b>85.81</b>            | <b>68.10</b> | <b>42.79</b>             | <b>39.92</b> | <b>128.60</b> | <b>108.02</b> |

Major capital asset events during the year included:

- Construction finished on the new nine holes at the golf course at a total cost of \$4,879,221.
- Construction finished on various sewer line and other sewer related projects totaling \$3,111,337.
- Very few subdivisions were contributed to the city this year compared to prior years. Total contributed assets equaled \$1,291,739 for the fiscal year.

Please refer to note 4 for more information on capital assets.

**Long-term debt**

At year-end, the city had debt outstanding of \$17,233,458. Debt consists of loans payable to the State of Wyoming and the Joint Powers Water Board for water and wastewater projects. Overall debt for the city decreased by \$873,662, or 5%, over the previous year.

Please refer to note 8 for more information on long-term debt.

**Requests for Information**

This financial report is designed to provide citizens, customers, investors, creditors and others with a general overview of the city's finances and to demonstrate the city's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the City of Rock Springs, Lisa M. Taruffelli, Director of Administrative Services, 212 D Street, Rock Springs, WY 82901, telephone number (307) 352-1500.

# **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**CITY OF ROCK SPRINGS, WYOMING**  
**STATEMENT OF NET ASSETS**  
**June 30, 2010**

| <b>ASSETS</b>                                      | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> | <b>Total</b>          |
|--|------------------------------------|-------------------------------------|-----------------------|
| <b>Current assets:</b>                             |                                    |                                     |                       |
| Cash and investments                               | \$ 35,821,017                      | \$ 28,524,571                       | \$ 64,345,588         |
| Restricted cash                                    | -                                  | 834,350                             | 834,350               |
| Receivables (net of allowance for uncollectibles): |                                    |                                     |                       |
| Accounts receivable                                | 1,558                              | 1,052,886                           | 1,054,444             |
| Taxes receivable                                   | 1,718,230                          | -                                   | 1,718,230             |
| Accrued interest receivable                        | 16,078                             | 5,929                               | 22,007                |
| Special assessments receivable                     | -                                  | 4,580                               | 4,580                 |
| Grants receivable                                  | 786,921                            | 89,404                              | 876,325               |
| Internal balances                                  | 7,214                              | (7,214)                             | -                     |
| Due from other governmental entities               | 3,271,421                          | 80,008                              | 3,351,429             |
| Inventories  | 450,182                            | 282,090                             | 732,272               |
| Prepaid expenses                                   | 314,925                            | 20,842                              | 335,767               |
| Total current assets                               | <u>42,387,546</u>                  | <u>30,887,446</u>                   | <u>73,274,992</u>     |
| <b>Noncurrent assets:</b>                          |                                    |                                     |                       |
| Capital assets being depreciated, net              | 54,231,900                         | 38,049,089                          | 92,280,989            |
| Capital assets not being depreciated               | 31,579,964                         | 4,742,583                           | 36,322,547            |
| Total noncurrent assets                            | <u>85,811,864</u>                  | <u>42,791,672</u>                   | <u>128,603,536</u>    |
| Total assets                                       | <u>128,199,410</u>                 | <u>73,679,118</u>                   | <u>201,878,528</u>    |
| <b>LIABILITIES</b>                                 |                                    |                                     |                       |
| <b>Current liabilities</b>                         |                                    |                                     |                       |
| Accounts payable                                   | 3,642,743                          | 884,667                             | 4,527,410             |
| Customer and security deposits                     | 122,651                            | 170,980                             | 293,631               |
| Compensated absences                               | 1,436,775                          | 127,539                             | 1,564,314             |
| Deferred revenue                                   | 1,535,910                          | 3,364                               | 1,539,274             |
| Due to other governmental entities                 | -                                  | 895,863                             | 895,863               |
| Retainage payable                                  | 2,135,391                          | 351,818                             | 2,487,209             |
| Total current liabilities                          | <u>8,873,470</u>                   | <u>2,434,231</u>                    | <u>11,307,701</u>     |
| <b>Noncurrent liabilities</b>                      |                                    |                                     |                       |
| Compensated absences                               | 689,455                            | 80,074                              | 769,529               |
| Net OPEB obligation                                | 304,701                            | -                                   | 304,701               |
| Due to other governmental entities                 | -                                  | 16,337,595                          | 16,337,595            |
| Total noncurrent liabilities                       | <u>994,156</u>                     | <u>16,417,669</u>                   | <u>17,411,825</u>     |
| Total liabilities                                  | <u>9,867,626</u>                   | <u>18,851,900</u>                   | <u>28,719,526</u>     |
| <b>NET ASSETS</b>                                  |                                    |                                     |                       |
| Invested in capital assets, net of related debt    | 85,811,864                         | 29,182,106                          | 114,993,970           |
| Restricted for:                                    |                                    |                                     |                       |
| Joint Powers Water Board                           | -                                  | 834,350                             | 834,350               |
| Housing Authority                                  | -                                  | 480,694                             | 480,694               |
| Unrestricted                                       | 32,519,920                         | 24,330,068                          | 56,849,988            |
| Total net assets                                   | <u>\$ 118,331,784</u>              | <u>\$ 54,827,218</u>                | <u>\$ 173,159,002</u> |

*The notes to the financial statements are an integral part of this statement*

**CITY OF ROCK SPRINGS, WYOMING**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2010

| FUNCTIONS/PROGRAMS                    | PROGRAM REVENUES     |                      |                                    |                                  | NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS |                          |                       |
|---------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|-----------------------|
|                                       | EXPENSES             | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS | GOVERNMENTAL ACTIVITIES                         | BUSINESS-TYPE ACTIVITIES | TOTAL                 |
| <b>Primary Government:</b>            |                      |                      |                                    |                                  |   |                          |                       |
| Governmental activities:              |                      |                      |                                    |                                  |   |                          |                       |
| General government                    | \$ 5,247,474         | \$ 808,223           | \$ 54,140                          | \$ 27,811                        | \$ (4,357,300)                                  | \$ -                     | \$ (4,357,300)        |
| Public safety                         | 11,538,869           | 597,944              | 178,127                            | 17,282                           | (10,745,516)                                    | -                        | (10,745,516)          |
| Public works                          | 8,639,368            | -                    | 47,145                             | 6,529,130                        | (2,063,093)                                     | -                        | (2,063,093)           |
| Culture and recreation                | 7,927,108            | 1,341,438            | -                                  | -                                | (6,585,670)                                     | -                        | (6,585,670)           |
| Total governmental activities         | <u>33,352,819</u>    | <u>2,747,605</u>     | <u>279,412</u>                     | <u>6,574,223</u>                 | <u>(23,751,579)</u>                             | <u>-</u>                 | <u>(23,751,579)</u>   |
| Business-type activities:             |                      |                      |                                    |                                  |   |                          |                       |
| Water                                 | 6,191,740            | 6,021,551            | -                                  | 417,416                          | -   | 247,227                  | 247,227               |
| Wastewater                            | 3,924,273            | 4,673,455            | 16,061                             | 88,070                           | -   | 853,313                  | 853,313               |
| Housing                               | 1,346,837            | 323,468              | 689,108                            | 264,429                          | -   | (69,832)                 | (69,832)              |
| Total business-type activities        | <u>11,462,850</u>    | <u>11,018,474</u>    | <u>705,169</u>                     | <u>769,915</u>                   | <u>-</u>  | <u>1,030,708</u>         | <u>1,030,708</u>      |
| Total primary government              | <u>\$ 44,815,669</u> | <u>\$ 13,766,079</u> | <u>\$ 984,581</u>                  | <u>\$ 7,344,138</u>              | <u>(23,751,579)</u>                             | <u>1,030,708</u>         | <u>(22,720,871)</u>   |
| General revenues                      |                      |                      |                                    |                                  |   |                          |                       |
| Taxes:                                |                      |                      |                                    |                                  |   |                          |                       |
| General sales and use tax             |                      |                      |                                    |                                  | 23,237,551                                      | 4,070,123                | 27,307,674            |
| Mineral severance and royalties tax   |                      |                      |                                    |                                  | 1,716,058                                       | -                        | 1,716,058             |
| Property tax                          |                      |                      |                                    |                                  | 2,296,219                                       | -                        | 2,296,219             |
| Franchise tax                         |                      |                      |                                    |                                  | 653,843   | -                        | 653,843               |
| Gas and special fuels tax             |                      |                      |                                    |                                  | 429,360   | -                        | 429,360               |
| Other taxes                           |                      |                      |                                    |                                  | 236,438   | -                        | 236,438               |
| Supplemental local government funding |                      |                      |                                    |                                  | 1,883,280                                       | -                        | 1,883,280             |
| Unrestricted investment earnings      |                      |                      |                                    |                                  | 228,724   | 512,839                  | 741,563               |
| Miscellaneous                         |                      |                      |                                    |                                  | 1,198,067                                       | 188,816                  | 1,386,883             |
| Total general revenues                |                      |                      |                                    |                                  | <u>31,879,540</u>                               | <u>4,771,778</u>         | <u>36,651,318</u>     |
| Change in net assets                  |                      |                      |                                    |                                  | 8,127,961                                       | 5,802,486                | 13,930,447            |
| Net assets - beginning                |                      |                      |                                    |                                  | 110,203,823                                     | 49,024,732               | 159,228,555           |
| Net assets - ending                   |                      |                      |                                    |                                  | <u>\$ 118,331,784</u>                           | <u>\$ 54,827,218</u>     | <u>\$ 173,159,002</u> |

*The notes to the financial statements are an integral part of this statement*

# **GOVERNMENT FUND FINANCIAL STATEMENTS**

**CITY OF ROCK SPRINGS, WYOMING**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2010**

|  | <b>General<br/>Fund</b> | <b>Nonmajor<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--|-------------------------|--|---|
| <b>ASSETS</b>                                      |                         |  |   |
| Cash and investments                               | \$ 32,819,240           | \$ 88,926                                  | \$ 32,908,166                           |
| Receivables (net of allowance for uncollectibles): |                         |  |   |
| Accounts receivable                                | 1,558                   | -  | 1,558                                   |
| Taxes receivable                                   | 1,718,230               | -  | 1,718,230                               |
| Accrued interest receivable                        | 15,157                  | -  | 15,157                                  |
| Grants receivable                                  | 786,921                 | -  | 786,921                                 |
| Due from other funds                               | 7,214                   | -  | 7,214                                   |
| Due from other governmental entities               | 3,271,421               | -  | 3,271,421                               |
| Inventories  | 450,182                 | -  | 450,182                                 |
| Prepaid expenses                                   | 314,925                 | -  | 314,925                                 |
| Total assets                                       | <u>\$ 39,384,848</u>    | <u>\$ 88,926</u>                           | <u>\$ 39,473,774</u>                    |
| <b>LIABILITIES AND FUND BALANCES</b>               |                         |  |   |
| Liabilities:                                       |                         |  |   |
| Accounts payable                                   | \$ 3,322,554            | \$ -                                       | \$ 3,322,554                            |
| Customer and security deposits                     | 122,651                 | -  | 122,651                                 |
| Deferred revenue                                   | 1,578,673               | -  | 1,578,673                               |
| Retainage payable                                  | 2,135,391               | -  | 2,135,391                               |
| Total liabilities                                  | <u>7,159,269</u>        | <u>-</u>                                   | <u>7,159,269</u>                        |
| Fund balance:                                      |                         |  |   |
| Reserved   | 8,178,490               | -  | 8,178,490                               |
| Unreserved, designated                             | 20,855,057              | -  | 20,855,057                              |
| Unreserved, undesignated:                          |                         |  |   |
| General fund                                       | 3,192,032               | -  | 3,192,032                               |
| Special revenue fund                               | -                       | 88,926                                     | 88,926                                  |
| Total fund balances                                | <u>32,225,579</u>       | <u>88,926</u>                              | <u>32,314,505</u>                       |
| Total liabilities and fund balances                | <u>\$ 39,384,848</u>    | <u>\$ 88,926</u>                           | <u>\$ 39,473,774</u>                    |

*The notes to the financial statements are an integral part of this statement*

**CITY OF ROCK SPRINGS, WYOMING  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
June 30, 2010**

**Total Fund Balances - Governmental Funds** \$ 32,314,505

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, not reported in the governmental funds. 85,811,864

Certain assets are not available to pay current expenditures, so they are deferred in the funds. 42,763

Long-term liabilities (compensated absences and net OPEB obligation) are not due and payable in the current period and, therefore, not reported in the funds. (2,430,931)

An internal service fund is used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service fund are included with governmental activities in the statement of net assets because they primarily benefit governmental activities. 2,593,583

**Net assets of governmental activities** \$ 118,331,784

*The notes to the financial statements are an integral part of this statement*

**CITY OF ROCK SPRINGS, WYOMING  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2010**

|  | <b>General<br/>Fund</b> | <b>Nonmajor<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--|-------------------------|--|---|
| <b>Revenues</b>  |                         |  |   |
| Taxes and special assessments                            | \$ 27,666,939           | \$ 290                                     | \$ 27,667,229                           |
| Licenses and permits                                     | 639,872                 | -  | 639,872                                 |
| Inter-governmental revenue                               | 8,939,878               | -  | 8,939,878                               |
| Charges for services                                     | 1,535,587               | -  | 1,535,587                               |
| Fines and forfeitures                                    | 572,146                 | -  | 572,146                                 |
| Miscellaneous  | 1,204,993               | -  | 1,204,993                               |
| Interest   | 210,802                 | 133  | 210,935                                 |
| <b>Total revenues</b>                                    | <b>40,770,217</b>       | <b>423</b>                                 | <b>40,770,640</b>                       |
| <b>Expenditures</b>                                      |                         |  |   |
| Current:   |                         |  |   |
| General government                                       | 4,324,220               | -  | 4,324,220                               |
| Public safety  | 11,015,859              | -  | 11,015,859                              |
| Public works   | 6,115,302               | -  | 6,115,302                               |
| Culture and recreation                                   | 6,704,967               | -  | 6,704,967                               |
| Capital outlay   | 21,810,281              | -  | 21,810,281                              |
| <b>Total expenditures</b>                                | <b>49,970,629</b>       | <b>-</b>                                   | <b>49,970,629</b>                       |
| <b>Excess (deficiency) of revenues over expenditures</b> | <b>(9,200,412)</b>      | <b>423</b>                                 | <b>(9,199,989)</b>                      |
| <b>Other Financing Sources (Uses)</b>                    |                         |  |   |
| Transfers (to) from other funds                          | 88,886                  | (88,886)                                   | -                                       |
| <b>Net change in fund balance</b>                        | <b>(9,111,526)</b>      | <b>(88,463)</b>                            | <b>(9,199,989)</b>                      |
| Fund balances, beginning                                 | 41,337,105              | 177,389                                    | 41,514,494                              |
| Fund balances, ending                                    | <b>\$ 32,225,579</b>    | <b>\$ 88,926</b>                           | <b>\$ 32,314,505</b>                    |

*The notes to the financial statements are an integral part of this statement*

**CITY OF ROCK SPRINGS, WYOMING  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2010**

**Net Change in Fund Balances - Governmental Funds** **\$ (9,199,989)**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital purchases/capital contributions exceeded depreciation/loss on disposal during the current period. 17,711,035

The statement of activities reports a decrease in the change of revenue which is not reported in the fund because it does not provide current financial resources. (24,738)

Long-term liabilities (compensated absences and net OPEB obligation) are not due and payable in the current period and, therefore, not reported in the funds. This is the current year change in the liability, reported as an expense in the statement of activities. (193,184)

An internal service fund is used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service fund is reported with governmental activities. (165,163)

**Change in net assets of governmental activities** **\$ 8,127,961**

*The notes to the financial statements are an integral part of this statement*

# **PROPRIETARY FUND FINANCIAL STATEMENTS**

**CITY OF ROCK SPRINGS, WYOMING**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2010**

|  | Business-Type Activities |                 |                   |               | Governmental          |
|--|--------------------------|-----------------|-------------------|---------------|-----------------------|
|  | Enterprise Funds         |                 |                   |               | Activities            |
|  | Water Fund               | Wastewater Fund | Housing Authority | Total         | Internal Service Fund |
| <b>ASSETS</b>                                      |                          |                 |                   |               |                       |
| Current assets:                                    |                          |                 |                   |               |                       |
| Cash and investments                               | \$ 10,579,973            | \$ 17,383,841   | \$ 560,757        | \$ 28,524,571 | \$ 2,912,851          |
| Restricted cash                                    | 834,350                  | -               | -                 | 834,350       | -                     |
| Receivables (net of allowance for uncollectibles): |                          |                 |                   |               |                       |
| Accounts receivable                                | 911,972                  | 137,101         | 3,813             | 1,052,886     | -                     |
| Accrued interest receivable                        | 1,528                    | 4,401           | -                 | 5,929         | 921                   |
| Special assessments receivable                     | -                        | 4,580           | -                 | 4,580         | -                     |
| Grants receivable                                  | 34,448                   | 16,061          | 38,895            | 89,404        | -                     |
| Due from other governmental entities               | -                        | 80,008          | -                 | 80,008        | -                     |
| Inventories  | 195,735                  | 84,744          | 1,611             | 282,090       | -                     |
| Prepaid expenses                                   | -                        | -               | 20,842            | 20,842        | -                     |
| Total current assets                               | 12,558,006               | 17,710,736      | 625,918           | 30,894,660    | 2,913,772             |
| Noncurrent assets:                                 |                          |                 |                   |               |                       |
| Capital assets, net of accumulated depreciation    | 3,011,273                | 37,134,101      | 2,646,298         | 42,791,672    | -                     |
| Total assets                                       | 15,569,279               | 54,844,837      | 3,272,216         | 73,686,332    | 2,913,772             |
| <b>LIABILITIES</b>                                 |                          |                 |                   |               |                       |
| Current liabilities:                               |                          |                 |                   |               |                       |
| Accounts payable                                   | 602,905                  | 205,361         | 76,401            | 884,667       | 320,189               |
| Customer and security deposits                     | 99,755                   | 43,115          | 28,110            | 170,980       | -                     |
| Compensated absences                               | 48,191                   | 57,509          | 21,839            | 127,539       | -                     |
| Due to other governmental entities                 | 287,405                  | 608,458         | -                 | 895,863       | -                     |
| Retainage payable                                  | -                        | 351,818         | -                 | 351,818       | -                     |
| Due to other funds                                 | -                        | -               | 7,214             | 7,214         | -                     |
| Deferred revenue                                   | -                        | -               | 3,364             | 3,364         | -                     |
| Total current liabilities                          | 1,038,256                | 1,266,261       | 136,928           | 2,441,445     | 320,189               |
| Noncurrent liabilities:                            |                          |                 |                   |               |                       |
| Compensated absences                               | 52,739                   | 19,039          | 8,296             | 80,074        | -                     |
| Due to other governmental entities                 | 5,491,353                | 10,846,242      | -                 | 16,337,595    | -                     |
| Total noncurrent liabilities                       | 5,544,092                | 10,865,281      | 8,296             | 16,417,669    | -                     |
| Total liabilities                                  | 6,582,348                | 12,131,542      | 145,224           | 18,859,114    | 320,189               |
| <b>NET ASSETS</b>                                  |                          |                 |                   |               |                       |
| Invested in capital assets, net of related debt    | 856,407                  | 25,679,401      | 2,646,298         | 29,182,106    | -                     |
| Restricted for Joint Powers Water Board            | 834,350                  | -               | -                 | 834,350       | -                     |
| Restricted for Housing Authority                   | -                        | -               | 480,694           | 480,694       | -                     |
| Unrestricted                                       | 7,296,174                | 17,033,894      | -                 | 24,330,068    | 2,593,583             |
| Total net assets                                   | \$ 8,986,931             | \$ 42,713,295   | \$ 3,126,992      | \$ 54,827,218 | \$ 2,593,583          |

*The notes to the financial statements are an integral part of this statement*

**CITY OF ROCK SPRINGS, WYOMING**  
**STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2010**

|                                      | Business-Type Activities |                 |                   |               | Governmental          |
|--------------------------------------|--------------------------|-----------------|-------------------|---------------|-----------------------|
|                                      | Enterprise Funds         |                 |                   | Total         | Activities            |
|                                      | Water Fund               | Wastewater Fund | Housing Authority |               | Internal Service Fund |
| Operating revenues:                  |                          |                 |                   |               |                       |
| Water charges                        | \$ 6,021,551             | \$ -            | \$ -              | \$ 6,021,551  | \$ -                  |
| Wastewater charges                   | -                        | 4,673,455       | -                 | 4,673,455     | -                     |
| Tenant rental revenue                | -                        | -               | 292,571           | 292,571       | -                     |
| Other tenant revenue                 | -                        | -               | 30,897            | 30,897        | -                     |
| Insurance premiums and refunds       | -                        | -               | -                 | -             | 2,605,278             |
| Total operating revenue              | 6,021,551                | 4,673,455       | 323,468           | 11,018,474    | 2,605,278             |
| Operating expenses:                  |                          |                 |                   |               |                       |
| Personnel                            | 808,385                  | 1,196,768       | 465,104           | 2,470,257     | -                     |
| Water purchases                      | 3,026,900                | -               | -                 | 3,026,900     | -                     |
| Utilities                            | 189,257                  | 308,165         | 96,803            | 594,225       | -                     |
| Postal/freight                       | 20,566                   | 22,927          | 1,572             | 45,065        | -                     |
| Communications                       | 8,515                    | 6,467           | 2,228             | 17,210        | -                     |
| Office supplies and printing         | 6,338                    | 4,784           | 4,535             | 15,657        | -                     |
| Repairs and maintenance              | 10,128                   | 176,070         | 70,411            | 256,609       | -                     |
| Departmental supplies                | 306,197                  | 288,157         | -                 | 594,354       | -                     |
| Travel                               | 17,299                   | 21,218          | 987               | 39,504        | -                     |
| Administrative costs                 | 32,348                   | 57,408          | 6,375             | 96,131        | -                     |
| Other costs                          | 2,409                    | 5,350           | 17,586            | 25,345        | -                     |
| Depreciation                         | 267,945                  | 1,598,938       | 280,198           | 2,147,081     | -                     |
| Audit and legal expense              | -                        | -               | 2,500             | 2,500         | -                     |
| Laundry and towel service            | 2,666                    | 5,662           | -                 | 8,328         | -                     |
| Consulting and collection            | 4,045                    | 22,774          | 9,116             | 35,935        | -                     |
| Rental                               | 48,000                   | -               | -                 | 48,000        | -                     |
| Insurance                            | -                        | -               | 35,996            | 35,996        | 2,788,230             |
| Housing assistance payments          | -                        | -               | 352,610           | 352,610       | -                     |
| Tenant service contract costs        | -                        | -               | 816               | 816           | -                     |
| Total operating expenses             | 4,750,998                | 3,714,688       | 1,346,837         | 9,812,523     | 2,788,230             |
| Operating income (loss)              | 1,270,553                | 958,767         | (1,023,369)       | 1,205,951     | (182,952)             |
| Nonoperating revenue (expense):      |                          |                 |                   |               |                       |
| Taxes                                | -                        | 4,070,123       | -                 | 4,070,123     | -                     |
| HUD PHA grants                       | -                        | -               | 953,537           | 953,537       | -                     |
| Other grants                         | 417,416                  | 16,061          | -                 | 433,477       | -                     |
| Interest income                      | 55,374                   | 453,926         | 3,539             | 512,839       | 17,789                |
| Other income                         | 105,667                  | 74,786          | 8,363             | 188,816       | -                     |
| Interest expense                     | (170,276)                | (209,585)       | -                 | (379,861)     | -                     |
| Capital asset contribution to JPWB   | (1,270,466)              | -               | -                 | (1,270,466)   | -                     |
| Total nonoperating revenue (expense) | (862,285)                | 4,405,311       | 965,439           | 4,508,465     | 17,789                |
| Income (loss) before transfers       | 408,268                  | 5,364,078       | (57,930)          | 5,714,416     | (165,163)             |
| Capital contributions                | -                        | 88,070          | -                 | 88,070        | -                     |
| Transfers in                         | 707,238                  | -               | 242,530           | 949,768       | -                     |
| Transfers out                        | -                        | (707,238)       | (242,530)         | (949,768)     | -                     |
| Change in net assets                 | 1,115,506                | 4,744,910       | (57,930)          | 5,802,486     | (165,163)             |
| Net assets, beginning                | 7,871,425                | 37,968,385      | 3,184,922         | 49,024,732    | 2,758,746             |
| Net assets, ending                   | \$ 8,986,931             | \$ 42,713,295   | \$ 3,126,992      | \$ 54,827,218 | \$ 2,593,583          |

*The notes to the financial statements are an integral part of this statement*

**CITY OF ROCK SPRINGS, WYOMING**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2010**

|   | Business-Type Activities<br>Enterprise Funds |                    |                      | Governmental<br>Activities  |              |
|---|--|--------------------|----------------------|-----------------------------|--------------|
|   | Water<br>Fund                                | Wastewater<br>Fund | Housing<br>Authority | Internal<br>Service<br>Fund |              |
| <b>Cash Flows from Operating Activities</b>                     |  |                    |                      |                             |              |
| Receipts from external customers and users                      | \$ 5,667,904                                 | \$ 4,447,251       | \$ 328,822           | \$ 10,443,977               | \$ -         |
| Receipts from internal customers and users                      | 353,914                                      | 147,602            | -                    | 501,516                     | 2,605,278    |
| Payments to suppliers   | (3,672,390)                                  | (866,077)          | (600,479)            | (5,138,946)                 | (2,848,365)  |
| Payments to employees   | (808,671)                                    | (1,188,389)        | (445,701)            | (2,442,761)                 | -            |
| Net cash from operating activities                              | 1,540,757                                    | 2,540,387          | (717,358)            | 3,363,786                   | (243,087)    |
| <b>Cash Flows from Noncapital Financing Activities</b>          |  |                    |                      |                             |              |
| Taxes and special assessments                                   | -  | 4,958,967          | -                    | 4,958,967                   | -            |
| Receipts from grants  | 424,968                                      | 2,685              | 914,642              | 1,342,295                   | -            |
| Other   | 105,667                                      | 74,786             | 8,363                | 188,816                     | -            |
| Net cash from noncapital financing activities                   | 530,635                                      | 5,036,438          | 923,005              | 6,490,078                   | -            |
| <b>Cash Flows from Capital and Related Financing Activities</b> |  |                    |                      |                             |              |
| Payment for JPWB assets   | (636,830)                                    | -                  | -                    | (636,830)                   | -            |
| Purchase of capital assets                                      | (39,605)                                     | (5,704,467)        | (240,198)            | (5,984,270)                 | -            |
| Principal payment on loans                                      | (280,043)                                    | (593,619)          | -                    | (873,662)                   | -            |
| Interest paid on loans  | (170,276)                                    | (209,585)          | -                    | (379,861)                   | -            |
| Net cash from capital and related financing activities          | (1,126,754)                                  | (6,507,671)        | (240,198)            | (7,874,623)                 | -            |
| <b>Cash Flows from Investing Activities</b>                     |  |                    |                      |                             |              |
| Interest on investments   | 55,560                                       | 457,505            | 3,539                | 516,604                     | 22,431       |
| Net increase (decrease) in cash and cash equivalents            | 1,000,198                                    | 1,526,659          | (31,012)             | 2,495,845                   | (220,656)    |
| Cash and Investments, July 1                                    | 10,414,125                                   | 15,857,182         | 591,769              | 26,863,076                  | 3,133,507    |
| Cash and Investments, June 30                                   | \$ 11,414,323                                | \$ 17,383,841      | \$ 560,757           | \$ 29,358,921               | \$ 2,912,851 |

Continued

**CITY OF ROCK SPRINGS, WYOMING**  
**STATEMENT OF CASH FLOWS (Continued)**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2010**

|  | Business-Type Activities<br>Enterprise Funds |                     |                      | Total               | Governmental<br>Activities  |
|--|--|---------------------|----------------------|---------------------|-----------------------------|
|  | Water<br>Fund                                | Wastewater<br>Fund  | Housing<br>Authority |                     | Internal<br>Service<br>Fund |
| <b>Reconciliation of Operating Income (Loss)<br/>to Net Cash from Operating Activities</b> |  |                     |                      |                     |                             |
| Operating income (loss)  | \$ 1,270,553                                 | \$ 958,767          | \$ (1,023,369)       | \$ 1,205,951        | \$ (182,952)                |
| Adjustments to reconcile operating income<br>(loss) to net cash from operating activities: |  |                     |                      |                     |                             |
| Depreciation   | 267,945                                      | 1,598,938           | 280,198              | 2,147,081           | -                           |
| Change in assets and liabilities:  |  |                     |                      |                     |                             |
| Accounts receivable  | 267  | (78,602)            | (1,750)              | (80,085)            | -                           |
| Prepaid expenses   | -  | -                   | 3,102                | 3,102               | -                           |
| Inventory  | 26,849                                       | 25,604              | 123                  | 52,576              | -                           |
| Accounts payable   | (32,336)                                     | 27,817              | 17,104               | 12,585              | (60,135)                    |
| Due to other funds   | -  | (3,375)             | 7,214                | 3,839               | -                           |
| Customer deposits  | 7,344  | 5,031               | (1,040)              | 11,335              | -                           |
| Deferred revenue   | -  | -                   | (110)                | (110)               | -                           |
| Compensated absences accrued expenses  | 135  | 6,207               | 1,170                | 7,512               | -                           |
| <b>Net cash from operating activities</b>  | <b>\$ 1,540,757</b>                          | <b>\$ 2,540,387</b> | <b>\$ (717,358)</b>  | <b>\$ 3,363,786</b> | <b>\$ (243,087)</b>         |
| <b>Schedule of Noncash Transactions</b>  |  |                     |                      |                     |                             |
| Capitalized interest   | \$ -   | \$ 89,988           | \$ -                 | \$ 89,988           | \$ -                        |

*The notes to the financial statements are an integral part of this statement*

## **NOTES TO THE FINANCIAL STATEMENTS**

# CITY OF ROCK SPRINGS, WYOMING

## NOTES TO FINANCIAL STATEMENTS

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### **Note 1. Summary of Significant Accounting Policies**

Reporting entity: The City of Rock Springs, Wyoming (the “City”) is a municipal corporation incorporated October 1, 1888, and is governed by an elected mayor and an eight member council. The Mayor and Council members are each elected to serve a four-year term. The Mayor appoints all department heads, subject to approval by the Council. The department heads are under the direct supervision of the Mayor.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity as amended by GASB Statement No. 39*, entities over which the City has significant operational or financial relationships such as boards, commissions and authorities are considered component units. Component units are either discretely presented or blended. Discrete presentation entails reporting component unit financial data in columns separate from the financial data of the primary government (the City). Blended requires the component unit’s balances and transactions be reported with the balances and transactions of the City.

The Rock Springs Housing Authority, an entity legally separated from the City, has been included as a blended component unit in these financial statements. For financial reporting purposes, the Rock Springs Housing Authority is reported as if it were part of the City’s operation because its purpose is to provide low-income housing to citizens of the City. No separate individual component unit financial statements are available for the Rock Springs Housing Authority.

Government-wide and fund financial statements: The government-wide statements (i.e. the statement of net assets and statement of activities) report information on all of the nonfiduciary activities of the primary government and its blended component units. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

# CITY OF ROCK SPRINGS, WYOMING

## NOTES TO FINANCIAL STATEMENTS

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Measurement focus, basis of accounting, and financial statement presentation: The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Sales taxes are recognized as revenue when the sale occurs. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

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

The government reports the following major governmental fund:

The *general fund* is the primary operating fund of the City. This fund is established to account for resources devoted to financing the general services that the City performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the City are included in this fund. This fund is charged with all costs of operating the government for which a separate fund has not been established.

The government reports the following nonmajor governmental funds:

The *special revenue fund* is established to account for the proceeds of specific revenue sources. The City's special revenue funds consist only of the Economic Development Loan Fund.

The *debt service fund* is established for the purpose of accumulating resources for the payment of principal and interest on long-term special assessment debt with City commitment.

The government reports the follow major proprietary funds:

The *water and wastewater funds* account for the activities of the water and wastewater treatment facilities that the City operates.

## CITY OF ROCK SPRINGS, WYOMING

### NOTES TO FINANCIAL STATEMENTS

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The *housing authority funds* account for the activities of the Rock Springs Housing Authority, a blended component unit of the government. The Authority provides 100 low-income units to the citizens of the City.

Additionally, the government reports the following fund type:

The *internal service fund* accounts for the financing of goods or services provided by the City to the City itself on a cost reimbursement basis. The City's employee insurance plan is accounted for as an internal service fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and internal service funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. General revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and of the government's internal service funds are charges to customers for sales and services. The water and wastewater funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Reconciliation of government-wide and fund financial statements: Governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting, while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. As a result, there are important differences between the assets, liabilities, revenues and expense/expenditures reported on the fund financial statements and governmental-wide financial statements. For example, many long-term assets and liabilities are excluded from the fund balance sheet but are included in the government-wide financial statements. As a result, there must be a reconciliation between the two statements to explain the differences. A reconciliation is included as part of the fund financial statements (see pages 15 and 17).

# CITY OF ROCK SPRINGS, WYOMING

## NOTES TO FINANCIAL STATEMENTS

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Cash and investments: Cash consists of demand deposit accounts, money market accounts and petty cash. Investments are carried at fair value and consist primarily of certificates of deposit and United States Government agencies bonds.

Receivables: All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated unbilled revenues from the water fund are recognized at the end of each fiscal year on a pro rata basis. The estimated amount is based on billings during the month following the close of the fiscal year.

Interfund transactions: During the normal course of operations, transactions occur between individual funds for goods, services, and for short-term interfund loans or transfers. As a general rule, the effect of the interfund activity has been eliminated from the government-wide financial statements.

Interfund receivables and payables between funds within governmental activities are eliminated in the statements of net assets.

In general, interfund activity, including internal service fund transactions, has been eliminated from the government-wide financial statements in an effort to minimize the doubling up of revenues and expenses resulting from such transactions.

Restricted cash: The restricted cash is money held in a separate account at the Joint Powers Water Board that can only be spent on maintenance and operation of the assets held by the Joint Powers Water Board.

Capital assets and depreciation/amortization: In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

The government-wide financial statements and the fund financial statements for proprietary funds include capital assets. Capital assets include property, plant, equipment and infrastructure assets, e.g. roads, bridges, curbs, and gutters, streets and sidewalks, drainage systems and lighting systems. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 for equipment, and \$25,000 for easements, buildings, improvements, land improvements, and infrastructure. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

# CITY OF ROCK SPRINGS, WYOMING

## NOTES TO FINANCIAL STATEMENTS

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Depreciation is computed using the straight-line method based on useful lives as follows:

|                           | <u>Years</u> |
|---------------------------|--------------|
| Building and improvements | 30 years     |
| Equipment and furnishings | 2-15 years   |
| Infrastructure            | 12-45 years  |

Amortization is computed using the straight-line method. Easements with a definite life are amortized over the term of the related contract. Easements with an indefinite life are not amortized.

Inventories of consumable supplies: All inventories are carried at cost on the first-in, first-out method. Inventories of the governmental fund types are recorded as expenditures when used. Reported inventories are equally offset by a fund balance reserve which indicates that it does not constitute “available spendable resources.”

Inventories of the proprietary fund types are not charged to operations until consumed by the individual enterprises.

Cash reserve fund: The City maintains a cash reserve in accordance with the Municipal Fiscal Procedures Act as prescribed by Wyoming State Statutes. The Act allows a cash reserve to be established and used in an emergency or an unusual situation that arises causing the need to exceed total appropriations. The cash reserve is included in the cash balance of the general fund and designated as a contingency reserve in the fund balance.

Compensated absences: Vacation leave and the portion of sick leave that will likely be paid are recognized as liabilities in the government-wide and proprietary fund financial statements. In the event of termination or retirement, an employee is reimbursed for unused accumulated vacation. Employees, other than firemen, with less than five years of service receive 5% of their unused accumulated sick leave up to 1,440 hours. The percentage increases by 5% for each five year increment in service with a cap of 25% and 20 or more years of service. Firemen with 20 or more years of service or firemen who are eligible to collect disability pension payments, receive 25% of their unused accumulated sick leave up to 1,440 hours.

Long-term obligations: The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable, accrued compensated absences, and bonds payable.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources, and the payment of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

# CITY OF ROCK SPRINGS, WYOMING

## NOTES TO FINANCIAL STATEMENTS

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Property taxes: Property is annually valued and assessed on January 1. Taxes are levied on or about August 1 and payable in two installments on September 1 and March 1. Sweetwater County bills and collects its own property taxes and also taxes for all municipalities and political subdivisions within the County, including the City. If not paid, property taxes attach as an enforceable lien on property as of May 11. Property tax receivables are recognized when the City has a legal claim to the taxes, which is on the initial date of assessment. Property tax revenues are recognized when collected during the current period or within 60 days of the fiscal year end and can be used to pay liabilities of the current period within the fund financial statements. The uncollected, measurable amounts due and those that will not be levied and may not be used until the subsequent fiscal year have been accrued as deferred revenues.

Property taxes receivable totaling \$1,535,910 assessed in fiscal year 2010 is reported on the fund financials and on the government-wide financial statements and is included in deferred revenue on both statements as these revenues can not be levied and may not be used until fiscal year 2011.

Encumbrances: Encumbrances are recorded when purchase orders are issued or contracts are entered into for goods or services and are reflected as a reserved portion of the fund balance. Actual expenditures are recognized when the goods or services are received.

Fund balance/net assets: Reservations of fund balance represent amounts that are not appropriated or are legally segregated for a specific purpose. Restrictions of net assets are limited to outside third-party restrictions. Designations of fund balance represent tentative management plans that are subject to change.

### **Note 2. Cash and Investments**

Cash and investments and restricted cash as of June 30, 2010, as classified in the accompanying financial statements, consist of the following:

#### Statement of Net Assets:

|                                       | <u>Primary<br/>Government</u> |
|---------------------------------------|-------------------------------|
| Deposits with financial institutions: |                               |
| Cash/money market funds               | \$ 30,405,419                 |
| Certificates of deposit               | 28,260,768                    |
| Investments:                          |                               |
| Federal Home Loan Bank                | 3,566,134                     |
| Federal Home Loan Mtg. Corp.          | 1,506,940                     |
| FICO Strip Coupon                     | 606,327                       |
|                                       | <u><u>\$ 64,345,588</u></u>   |

**CITY OF ROCK SPRINGS, WYOMING**

**NOTES TO FINANCIAL STATEMENTS**

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Investments authorized by the City’s investment policy: The City follows the guidelines set forth in Wyoming State Statute 9-4-831 as it relates to the investment of public funds. The City’s investment policy requires investments to comply with State statutes, which generally allows the City to invest in U.S., state and local government securities and accounts of any bank and savings associations which are federally insured or secured by a pledge of assets including bonds, debentures and other securities in which the State Treasurer may by law invest. All investments made during the year were made within these statutory limits. The City’s investment policy does not contain any specific provisions intended to limit the City’s exposure to interest rate risk, credit risk or concentration of credit risk. However, in regards to custodial credit risk, the City’s investment policy does require all deposits and certificates of deposits to be collateralized at 120% of the amount invested including accrued interest, based on the market value of the collateral.

Credit risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The credit risk for the City’s other investments are presented as follows:

| Category                     | Credit Rating | Market Value |
|------------------------------|---------------|--------------|
| Federal Home Loan Bank       | AAA           | \$ 3,566,134 |
| Federal Home Loan Mtg. Corp. | AAA           | 1,506,940    |
| FICO Strip Coupon            | Not Rated     | 606,327      |

Custodial credit risk: Custodial credit risk for deposits and certificates of deposit is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Certain deposits held in City bank accounts are insured by Federal depository insurance or are collateralized with securities held by the custodian bank under safekeeping or Federal Reserve receipts in the name of the City and the financial institution. As of June 30, 2010, the primary government had bank balances on deposit and certificates of deposit, including accrued interest of \$53,242,254.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. As of June 30, 2010, all investment securities were held by the City’s custodian and registered in the City’s name.

# CITY OF ROCK SPRINGS, WYOMING

## NOTES TO FINANCIAL STATEMENTS

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Concentration of credit risk: Because there is minimal credit risk associated with investments issued by the U.S. government agencies, which include all of the City's investments, no further disclosure regarding concentrations of credit risk is required.

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. A majority of the bonds held in the City's investment portfolio have call structures allowing the issuer to call that bond at specific times during the life of the bond. These bonds are purchased because they add yield compared to buying a non-callable bond.

The City has chosen the segmented time distribution method for its Interest Rate Disclosure. Maturity assumptions have been made using a matrix analyzing interest rates versus final maturity dates of these callable securities. The maturity assumptions or average life of the City's securities are displayed in the Interest Rate Risk Table.

|                              | Primary Government  |                     |                     |                     |                         |
|------------------------------|---------------------|---------------------|---------------------|---------------------|-------------------------|
|                              | Market              | Less Than<br>1 Year | 1-2 Years           | 2-5 Years           | Greater than<br>5 Years |
| Federal Home Loan Bank       | \$ 3,566,134        | \$1,030,940         | \$ 1,229,598        | \$ 1,305,596        | \$ -                    |
| Federal Home Loan Mtg. Corp. | 1,506,940           | 1,506,940           | -                   | -                   | -                       |
| FICO Strip Coupon            | 606,327             | -                   | -                   | 606,327             | -                       |
|                              | <u>\$ 5,679,401</u> | <u>\$2,537,880</u>  | <u>\$ 1,229,598</u> | <u>\$ 1,911,923</u> | <u>\$ -</u>             |

Highly sensitive securities: The City holds no investments that are classified as "highly sensitive."

Part of the City's payment to the Joint Powers Water Board has historically been placed in an account restricted for improvements to the City's portion of the Water System. The balance in this account, held by the Joint Powers Water Board, was \$834,350 at June 30, 2010. These funds are in the custody of and are collateralized through the Joint Powers Water Board, and are included in the accompanying financial statements as restricted cash.

# CITY OF ROCK SPRINGS, WYOMING

## NOTES TO FINANCIAL STATEMENTS

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### Note 3. Receivables

Accounts receivable as of year-end for the individual major funds, including the applicable allowances for doubtful accounts, are as follows:

|                                 | Governmental | Business-Type Activities |            |           |
|---------------------------------|--------------|--------------------------|------------|-----------|
|                                 | Activities   | Water                    | Wastewater | Housing   |
|                                 | General      | Fund                     | Fund       | Authority |
|                                 | Fund         |                          |            |           |
| Accounts receivable             | \$ 1,849     | \$ 915,636               | \$ 138,910 | \$ 4,813  |
| Allowance for doubtful accounts | (291)        | (3,664)                  | (1,809)    | (1,000)   |
|                                 | \$ 1,558     | \$ 911,972               | \$ 137,101 | \$ 3,813  |

The only receivables not expected to be collected within one year are \$355,452 of special assessment receivables in the general fund. These receivables have an off-setting allowance in the amount of \$355,452 for a net realizable value of \$0 at June 30, 2010.

Franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

The accounts receivable in the water fund is related to amounts owed by water customers.

# CITY OF ROCK SPRINGS, WYOMING

## NOTES TO FINANCIAL STATEMENTS

### Note 4. Capital Assets

The following two tables summarize the changes in capital assets for governmental and business-type activities during the year ended June 30, 2010:

|   | Balance<br>June 30, 2009 | Additions            | Deductions         | Transfers          | Balance<br>June 30, 2010 |
|---|--------------------------|----------------------|--------------------|--------------------|--------------------------|
| Governmental Activities:                            |                          |                      |                    |                    |                          |
| Capital assets, not being depreciated:              |                          |                      |                    |                    |                          |
| Land/easements/art                                  | \$ 5,225,805             | \$ 1,146,434         | \$ (34,100)        | \$ -               | \$ 6,338,139             |
| Construction in progress                            | 11,930,184               | 18,919,428           | -                  | (5,607,787)        | 25,241,825               |
| <b>Total capital assets, not being depreciated</b>  | <b>17,155,989</b>        | <b>20,065,862</b>    | <b>(34,100)</b>    | <b>(5,607,787)</b> | <b>31,579,964</b>        |
| Capital assets, being depreciated:                  |                          |                      |                    |                    |                          |
| Buildings and improvements                          | 34,072,694               | 101,513              | -                  | 240,098            | 34,414,305               |
| Land improvements                                   | 7,865,708                | 17,955               | -                  | 4,879,221          | 12,762,884               |
| Furnishings and equipment                           | 13,864,934               | 324,615              | (333,788)          | 473,683            | 14,329,444               |
| Easements   | -                        | 193,771              | -                  | -                  | 193,771                  |
| Infrastructure                                      | 68,915,961               | 1,830,580            | -                  | -                  | 70,746,541               |
| <b>Total capital assets, being depreciated</b>      | <b>124,719,297</b>       | <b>2,468,434</b>     | <b>(333,788)</b>   | <b>5,593,002</b>   | <b>132,446,945</b>       |
| Accumulated depreciation for:                       |                          |                      |                    |                    |                          |
| Buildings and improvements                          | (19,831,660)             | (1,207,598)          | -                  | -                  | (21,039,258)             |
| Land improvements                                   | (4,239,428)              | (407,140)            | -                  | -                  | (4,646,568)              |
| Furnishings and equipment                           | (9,055,436)              | (1,050,478)          | 323,300            | 14,785             | (9,767,829)              |
| Easements   | -                        | (8,290)              | -                  | -                  | (8,290)                  |
| Infrastructure                                      | (40,647,933)             | (2,105,167)          | -                  | -                  | (42,753,100)             |
| <b>Total accumulated depreciation</b>               | <b>(73,774,457)</b>      | <b>(4,778,673)</b>   | <b>323,300</b>     | <b>14,785</b>      | <b>(78,215,045)</b>      |
| <b>Total capital assets, being depreciated, net</b> | <b>50,944,840</b>        | <b>(2,310,239)</b>   | <b>(10,488)</b>    | <b>5,607,787</b>   | <b>54,231,900</b>        |
| <b>Governmental activities capital assets, net</b>  | <b>\$ 68,100,829</b>     | <b>\$ 17,755,623</b> | <b>\$ (44,588)</b> | <b>\$ -</b>        | <b>\$ 85,811,864</b>     |

# CITY OF ROCK SPRINGS, WYOMING

## NOTES TO FINANCIAL STATEMENTS

|   | Balance<br>June 30, 2009 | Additions           | Deductions         | Transfers          | Balance<br>June 30, 2010 |
|---|--------------------------|---------------------|--------------------|--------------------|--------------------------|
| Business-Type Activities:                           |                          |                     |                    |                    |                          |
| Capital assets, not being depreciated:              |                          |                     |                    |                    |                          |
| Land  | \$ 428,875               | \$ -                | \$ -               | \$ -               | \$ 428,875               |
| Construction in progress                            | 2,982,725                | 4,442,320           | -                  | (3,111,337)        | 4,313,708                |
| <b>Total capital assets, not being depreciated</b>  | <b>3,411,600</b>         | <b>4,442,320</b>    | <b>-</b>           | <b>(3,111,337)</b> | <b>4,742,583</b>         |
| Capital assets, being depreciated:                  |                          |                     |                    |                    |                          |
| Buildings and improvements                          | 35,585,402               | 322,918             | -                  | 412,875            | 36,321,195               |
| Systems improvements                                | 4,102,884                | -                   | -                  | -                  | 4,102,884                |
| Furnishings and equipment                           | 2,534,053                | 185,133             | (27,189)           | 12,285             | 2,704,282                |
| Land improvements                                   | 118,309                  | -                   | -                  | -                  | 118,309                  |
| Infrastructure                                      | 17,452,396               | 88,070              | -                  | 2,698,462          | 20,238,928               |
| <b>Total capital assets, being depreciated</b>      | <b>59,793,044</b>        | <b>596,121</b>      | <b>(27,189)</b>    | <b>3,123,622</b>   | <b>63,485,598</b>        |
| Accumulated depreciation for:                       |                          |                     |                    |                    |                          |
| Buildings and improvements                          | (14,934,915)             | (1,215,149)         | -                  | -                  | (16,150,064)             |
| Systems improvements                                | (1,099,604)              | (204,053)           | -                  | -                  | (1,303,657)              |
| Furnishings and equipment                           | (1,815,238)              | (191,885)           | 10,469             | (12,285)           | (2,008,939)              |
| Land improvements                                   | (48,592)                 | (7,888)             | -                  | -                  | (56,480)                 |
| Infrastructure                                      | (5,389,263)              | (528,106)           | -                  | -                  | (5,917,369)              |
| <b>Total accumulated depreciation</b>               | <b>(23,287,612)</b>      | <b>(2,147,081)</b>  | <b>10,469</b>      | <b>(12,285)</b>    | <b>(25,436,509)</b>      |
| <b>Total capital assets, being depreciated, net</b> | <b>36,505,432</b>        | <b>(1,550,960)</b>  | <b>(16,720)</b>    | <b>3,111,337</b>   | <b>38,049,089</b>        |
| <b>Business-type activities capital assets, net</b> | <b>\$ 39,917,032</b>     | <b>\$ 2,891,360</b> | <b>\$ (16,720)</b> | <b>\$ -</b>        | <b>\$ 42,791,672</b>     |

# CITY OF ROCK SPRINGS, WYOMING

## NOTES TO FINANCIAL STATEMENTS

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

|  | <u>Depreciation<br/>Expense</u>   |
|--|-----------------------------------|
| Governmental Activities:                                     |                                   |
| General government   | \$ 675,812                        |
| Public safety  | 426,414                           |
| Public works   | 2,499,320                         |
| Culture and recreation                                       | 1,177,127                         |
| <b>Total depreciation expense - governmental activities</b>  | <b><u><u>\$ 4,778,673</u></u></b> |
| Business-Type Activities:                                    |                                   |
| Water  | \$ 267,945                        |
| Wastewater   | 1,598,938                         |
| Housing  | 280,198                           |
| <b>Total depreciation expense - business-type activities</b> | <b><u><u>\$ 2,147,081</u></u></b> |

### **Note 5. Retirement Commitments**

The City participates in the State of Wyoming Retirement System (System), a statewide cost-sharing multiple-employer public employee retirement system.

Substantially all City full-time (excluding firemen and law enforcement) employees are eligible to participate in the System. Participants who retire at age 60 with four years of credited service are entitled to a retirement benefit according to predetermined formulas and are allowed to select one of five optional methods for receiving benefits. Early retirement is allowed provided the employee has completed four years of service and attained the age of 50, but will result in a reduction of benefits based on the length of time remaining to normal retirement age. The System also provides death and disability benefits. Benefits are established by State statutes. The System issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to Wyoming Retirement System, 6101 Yellowstone Road, Suite 500, Cheyenne, Wyoming 82002 or by calling (307) 777-7691.

Generally, individuals with creditable service prior to July 1, 1981, receive benefits based on the larger of a money purchase benefit structure or a formula basis. The formula consists of multiplying the number of years of service by 2.215% for the members first 15 years of service and 2.25% for all years after 15 by the final average salary. The final average salary consists of the three highest continuous years of service.

Benefits for individuals hired after July 1, 1981, are calculated only by the formula method.

The System also provides disability retirement to any employee who becomes permanently incapacitated, mentally or physically, and who cannot continue in the performance of his duties. Benefits are established by State statute.

## CITY OF ROCK SPRINGS, WYOMING

### NOTES TO FINANCIAL STATEMENTS

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Contributions to the System consist of an amount equal to 11.25% of the employee's salary. The City is required by State statute to contribute 5.68% of the amount and, as permitted by statute, also contributes the employee's 5.57%.

The City's contribution to the Wyoming Retirement System for the years ended June 30, 2010, 2009 and 2008 were \$906,687, \$867,643 and \$796,346, respectively, equal to the required contributions for each year.

Firemen's pension: The City also participates in the State of Wyoming Paid Firemen's Pension, a statewide cost-sharing multiple-employer public employee retirement system.

All paid City firemen are eligible to participate in the system. The Paid Firemen's Pension Fund is a defined-benefit contributory retirement plan covering paid firemen who elect to participate. Participants and employers contribute specified percentages of participants' salaries. The plan provides retirement disability and death benefits according to predetermined amounts primarily determined by years of services and average salaries. Participants may withdraw from the plan at any time and receive funds of participant contributions without interest.

Contributions to the system consist of an amount equal to 20.5% of the employee's salary. The City is required by State statute to contribute 12% of the amount and, as permitted by statute, also contributes the employee's 6%. As of July 1, 2008, an additional 2.5% is contributed by the employee.

The City's and employee's combined contribution to the plan for the years ended June 30, 2010, 2009 and 2008 were \$433,462, \$427,934 and \$392,667, respectively, equal to the required contributions for each year.

Law enforcement pension: The City began participating in the State of Wyoming Law Enforcement Pension on July 1, 2003, a statewide cost-sharing multiple-employer public employee retirement system.

All full-time City law enforcement employees are eligible to participate in the system. The Law Enforcement Pension is a defined-benefit contributory retirement plan covering specific law enforcement positions within the City. Participants and employers contribute specified percentages of participants' salaries. The plan provides retirement disability and death benefits according to predetermined amounts primarily determined by years of services and average salaries. Contributions may be withdrawn from the plan upon termination or upon meeting certain eligibility requirements.

Contributions to the system consist of an amount equal to 17.2% of the employee's salary. The City is required by State statute to contribute 8.6% of the amount and, as permitted by statute, also contributes the employee's 8.6%.

The City's contribution to the plan for the years ended June 30, 2010, 2009 and 2008 was \$673,399, \$637,597 and \$593,712, respectively.

# CITY OF ROCK SPRINGS, WYOMING

## NOTES TO FINANCIAL STATEMENTS

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### **Note 6. Joint Ventures**

Joint Water Board Agreement: Under certain provisions of Wyoming State Statutes, the City entered into an agreement with the City of Green River and Sweetwater County to form a Joint Powers Board for the purchase, financing, rehabilitation, and operation of a water supply distribution system for domestic and other uses servicing Rock Springs, Wyoming; Green River, Wyoming; and other areas in Sweetwater County, Wyoming.

The Board consists of five members: two members from Rock Springs, two members from Green River, and one member from Sweetwater County.

The participating cities are responsible for the maintenance, operation, staffing, rate setting, and billing for each distribution system as well as construction of storage facilities. The cities lease these facilities from the Board on a year-to-year basis subject to annual appropriations by the cities. During the year ended June 30, 2010, the City paid \$3,026,900 to purchase water from the Board. The City is also required to transfer all capital assets associated with water projects to the Board. During the year ended June 30, 2010, capital assets with a cost of \$1,270,466 were transferred.

The financial transactions of the Board are not included in these financial statements. However, complete financial statements of the Joint Powers Water Board may be obtained from their administrative office in Green River, Wyoming.

Joint Telecommunications Board Agreement: Under certain provisions of Wyoming State Statutes, the City entered into an agreement with the City of Green River to form the Joint Powers Telecommunication Board (JPTB) to plan, create, construct, expand, finance and operate a fiber optic telecommunication system servicing Rock Springs, Wyoming; Green River, Wyoming; and other areas in Sweetwater County, Wyoming.

The JPTB consists of six members: three members from Rock Springs and three members from Green River. The participating cities have agreed to fund the creation of a fiber optic telecommunication system and to reimburse the Board for internet bandwidth costs. In fiscal year 2010, the City paid the JPTB \$19,233 for internet bandwidth.

The financial transactions of the JPTB are not included in these financial statements. However, additional financial information of the JPTB may be obtained by contacting the Board Treasurer, Matt McBurnett, at the City of Rock Springs, 212 D Street, Rock Springs, WY 82901.

Sweetwater County Improvement Projects Joint Powers Board Agreement: Under certain provisions of Wyoming State Statutes, the City entered into a joint powers agreement with Sweetwater County and the Cities of Green River, Bairoil, Granger, Superior, and Wamsutter to form the Sweetwater County Improvement Projects Joint Powers Board to finance construction of infrastructure of the participating cities in Sweetwater County using 1% specific purpose sales and use tax proceeds.

# CITY OF ROCK SPRINGS, WYOMING

## NOTES TO FINANCIAL STATEMENTS

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The Board consists of seven members: one member from Sweetwater County and one member from each of the six participating cities. During the year ended June 30, 2010, the City recorded 1% specific purpose sales and use tax revenues of \$8,643,158 to finance various sewer and streets infrastructure projects.

The financial transactions of the Board are not included in these financial statements. However, additional financial information of the Board may be obtained by contacting the Rock Springs Board Member, Carl R. Demshar, Jr., at the City of Rock Springs, 212 D Street, Rock Springs, WY 82901.

Combined Communications Joint Powers Agreement: Under certain provisions of Wyoming State Statutes, the City entered into a joint powers agreement with Sweetwater County and the City of Green River to form the Joint Powers Combined Communications Board to establish and run a combined communications center for the purpose of maximizing efficiency and coordination in communications and dispatching between the Sweetwater County Sheriff's Department, the Rock Springs Police Department, the Green River Police Department, and other law enforcement agencies.

The Board consists of nine members; three members from each of the entities. The participating entities have agreed to fund the Board at a prorated cost to the participating agencies as follows: City of Rock Springs, 43%, City of Green River, 32%, and Sweetwater County, 25%. In fiscal year 2010, the City paid the Board \$21,500.

The financial transactions of the Board are not included in these financial statements. However, additional financial information of the Board may be obtained by contacting the Board Treasurer, Lisa M. Tarufelli, at the City of Rock Springs, 212 D Street, Rock Springs, WY 82901.

### **Note 7. Contingencies and Commitments**

At various times, claims and lawsuits are pending against the City. The City is of the opinion that the liability, if any, arising from such claims will not have a materially adverse effect on its financial statements. Under the terms of Federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. City management believes disallowances, if any, would not be significant to the City's financial statements.

Risk of loss: The City and Housing Authority are subject to risk of loss from various events, including torts, theft, damage to assets, business interruption, errors and omissions, and job-related injuries to employees, as well as acts of God.

The City and Housing Authority have purchased commercial insurance and workers' compensation coverage to minimize their risks of loss. The City has not had significant settlements exceeding insurance coverage in any of the past three fiscal years. There has been no significant reduction in coverage against these losses from year to year.

# CITY OF ROCK SPRINGS, WYOMING

## NOTES TO FINANCIAL STATEMENTS

Employees of the City are covered by the City's medical self-insurance plan. The City's costs for this plan are reflected in the funds paying the coverage, premiums and administrative costs. The self-insurance fund is reported as an internal service fund in the accompanying financial statements. The City has a contract with a third-party administrator to process payments. The City also maintains a stop-loss policy to limit the potential for individual and aggregate claims. Management has estimated an accrual for incurred but not reported (IBNR) claims at June 30, 2010 of \$320,189. Changes in the IBNR from fiscal years 2010 and 2009 were as follows:

|                       | At Fiscal<br>Year-End<br>Liability | Estimated<br>Claims<br>Incurred | Claim<br>Payments | At Fiscal<br>Year-End<br>Liability |
|-----------------------|------------------------------------|---------------------------------|-------------------|------------------------------------|
| Fiscal Year 2008-2009 | \$ 280,000                         | \$ 2,100,559                    | \$ (2,000,235)    | \$ 380,324                         |
| Fiscal Year 2009-2010 | \$ 380,324                         | \$ 2,545,660                    | \$ (2,605,795)    | \$ 320,189                         |

At June 30, 2010, the City was obligated for construction and other contracts as follows:

| Fund:        | Contract<br>Price | Paid to Date  | Balance       |
|--------------|-------------------|---------------|---------------|
| General fund | \$ 32,332,920     | \$ 23,692,074 | \$ 8,640,846  |
| Sewer fund   | 10,451,567        | 8,541,429     | 1,910,138     |
| Water fund   | 2,213,231         | 81,885        | 2,131,346     |
| Housing fund | 165,093           | 129,248       | 35,845        |
|              | \$ 45,162,811     | \$ 32,444,636 | \$ 12,718,175 |

### Note 8. Due to State of Wyoming

The wastewater fund has four outstanding loans with the Wyoming State Loan and Investment Board.

The *Wastewater Treatment Plant Expansion Project* loan (original loan \$11,000,000, interest at 2.5%) requires annual principal and interest payments of \$705,618. The loan balance as of June 30, 2010 was \$9,675,579. The loan is secured by the pledge of the City's rights, title, and interest in and to the revenues received from the water system user fees.

The *Headworks Project* loan (original loan \$1,092,200, interest at 2.5%) requires annual principal and interest payments of \$93,423. The loan balance as of June 30, 2010 was \$593,179. The loan is secured by the pledge of the City's rights, title, and interest in and to revenues received in the operations of the Wastewater Fund.

The *Sunset Sewer* loan (original loan \$500,000, interest at 2.5%) requires annual principal and interest payments of \$32,074. The loan balance as of June 30, 2010 was \$397,115. The loan is secured by the pledge of the City's rights, title, and interest in and to revenues received in the operations of the Wastewater Fund.

## CITY OF ROCK SPRINGS, WYOMING

### NOTES TO FINANCIAL STATEMENTS

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The *Clark Addition* loan (original loan \$993,198, interest at 2.5%) requires annual principal and interest payments of \$63,711. The loan balance as of June 30, 2010 was \$788,827. The loan is secured by the pledge of the City's rights, title, and interest in and to revenues received in the operations of the Wastewater Fund.

Annual debt service requirements to maturity are as follows:

| Year ending June 30, 2010 | Total                | Principal            | Interest            |
|---------------------------|----------------------|----------------------|---------------------|
| 2011                      | \$ 894,826           | \$ 608,458           | \$ 286,368          |
| 2012                      | 894,826              | 623,670              | 271,156             |
| 2013                      | 894,826              | 639,261              | 255,565             |
| 2014                      | 894,826              | 655,243              | 239,583             |
| 2015                      | 894,826              | 671,624              | 223,202             |
| 2016 - 2020               | 4,193,659            | 3,331,199            | 862,460             |
| 2021 - 2025               | 4,007,014            | 3,565,219            | 441,795             |
| 2026 - 2027               | 1,411,237            | 1,360,026            | 51,211              |
|                           | <u>\$ 14,086,040</u> | <u>\$ 11,454,700</u> | <u>\$ 2,631,340</u> |

The City has entered into agreements with the Wyoming State Loan and Investment Board and Wyoming Water Development Commission through the Joint Powers Water Board (except for the *Water Meter Replacement* loan, which runs directly through the City) to provide funding for improvements to the water system. The City has agreed to reimburse the Joint Powers Water Board for all required payments on the notes (except for the *Water Meter Replacement* loan).

The *Water Meter Replacement* loan (original loan \$2,449,830, interest at 2.5%) requires annual principal and interest payments of \$157,150. The loan balance as of June 30, 2010 was \$2,154,866. The loan is secured by the pledge and assignment of revenues from the City's Water Fund.

The *Lower Edgar* loan (original loan \$1,738,481, interest at 2.5%) requires annual principal and interest payments of \$116,062. The loan balance as of June 30, 2010 was \$1,274,731. The loan is secured by the pledge and assignment of revenues from the City's Water Fund.

The *Clark Addition* loan (original loan \$1,000,000, interest at 2.5%) requires annual principal and interest payments of \$64,147. The loan balance as of June 30, 2010 was \$794,230. The loan is secured by the pledge and assignment of revenues from the City's Water Fund.

The *Westside I and II* loans (original loan \$480,195, interest at 7.25%) require annual principal and interest payments of \$39,674. The loan balances as of June 30, 2010 were \$429,887. The loan is secured by the pledge and assignment of revenues from the City's Water Fund.

The *Gobel/O'Donnell Water Line* loan (original loan \$1,171,045, interest at 2.5%) requires annual principal and interest payments of \$74,876. The loan balance as of June 30, 2010 was \$1,125,044. The loan is secured by the pledge and assignment of revenues from the City's Water Fund.

# CITY OF ROCK SPRINGS, WYOMING

## NOTES TO FINANCIAL STATEMENTS

Annual debt service requirements to maturity are as follows:

| Year ending June 30, 2010 | Total               | Principal           | Interest            |
|---------------------------|---------------------|---------------------|---------------------|
| 2011                      | \$ 451,908          | \$ 287,405          | \$ 164,503          |
| 2012                      | 451,908             | 294,978             | 156,930             |
| 2013                      | 451,909             | 302,770             | 149,139             |
| 2014                      | 451,909             | 310,787             | 141,122             |
| 2015                      | 451,909             | 319,038             | 132,871             |
| 2016 - 2020               | 2,259,543           | 1,727,730           | 531,813             |
| 2021 - 2025               | 2,027,419           | 1,739,279           | 288,140             |
| 2026 - 2030               | 812,172             | 725,288             | 86,884              |
| 2031 - 2032               | 78,569              | 71,483              | 7,086               |
|                           | <u>\$ 7,437,246</u> | <u>\$ 5,778,758</u> | <u>\$ 1,658,488</u> |

### Note 9. Long-Term Obligations

A summary of the City's long-term obligations is as follows:

|  | Balance<br>June 30, 2009 | Additions           | Reductions            | Balance<br>June 30, 2010 | Due Within<br>One Year |
|--|--------------------------|---------------------|-----------------------|--------------------------|------------------------|
| Governmental Activities:                             |                          |                     |                       |                          |                        |
| Compensated absences                                 | \$ 2,079,369             | \$ 1,859,375        | \$ (1,812,514)        | \$ 2,126,230             | \$ 1,436,775           |
| Net OPEB obligation                                  | 158,378                  | 146,323             | -                     | 304,701                  | -                      |
| <b>Total governmental long-term obligations</b>      | <u>2,237,747</u>         | <u>2,005,698</u>    | <u>(1,812,514)</u>    | <u>2,430,931</u>         | <u>1,436,775</u>       |
| Business Type Activities:                            |                          |                     |                       |                          |                        |
| Wastewater fund - due to other governmental entities | 12,048,319               | -                   | (593,619)             | 11,454,700               | 608,458                |
| Water fund - due to other governmental entities      | 2,255,625                | -                   | (100,759)             | 2,154,866                | 184,127                |
| Water-JPWB loan                                      | 3,803,176                | -                   | (179,284)             | 3,623,892                | 103,278                |
| Compensated absences                                 | 200,101                  | 214,959             | (207,447)             | 207,613                  | 127,539                |
| <b>Total business-type long-term obligations</b>     | <u>18,307,221</u>        | <u>214,959</u>      | <u>(1,081,109)</u>    | <u>17,441,071</u>        | <u>1,023,402</u>       |
| <b>Total long-term obligations</b>                   | <u>\$ 20,544,968</u>     | <u>\$ 2,220,657</u> | <u>\$ (2,893,623)</u> | <u>\$ 19,872,002</u>     | <u>\$ 2,460,177</u>    |

# CITY OF ROCK SPRINGS, WYOMING

## NOTES TO FINANCIAL STATEMENTS

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### **Note 10. Other Post-Employment Retirement Benefits**

#### *A. Plan Description*

The City of Rock Springs Post-Employment Healthcare Plan is a single-employer defined benefit post-employment healthcare plan administered by the City of Rock Springs and Blue Cross Blue Shield. The plan provides medical (which includes vision and dental) and prescription drug benefits to eligible retirees and their spouses who meet one of the following conditions:

1. Any City employee who retires in good standing after 10 or more years of employment and is a minimum of 55 years old, provided that the retiree pays the required contributions.
2. Any City employee who retires in good standing after 20 or more years of employment regardless of age, provided the retiree pays the required contributions.
3. Any City employee who retires from such employment while in good standing after 8 or more years of employment and after attaining the age of 75 years, provided that the employee applies for and uses the City health coverage plan as a supplemental coverage with Medicare being the primary coverage and that the retired employee pays the necessary contributions.
4. All Mayors and Council members who served two or more terms in office and who participated in the City health coverage plan prior to retiring from office, provided they pay the necessary contributions.

The City Council has the authority for establishing and amending this plan. This plan does not issue a separate report.

#### *B. Funding Policy*

The contribution requirements of plan members and the City are established and may be amended by the City Council. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2010, the City contributed \$0 to the plan. Plan members receiving benefits contributed \$90,925, or approximately 100% of the total premiums, through their required contribution of \$466.68 (\$473.36 for Post-Medicare) per month for retiree-only coverage and \$466.68 (\$473.36 for Post-Medicare) per month for spouse coverage.

#### *C. Annual OPEB Cost and Net OPEB Obligation*

The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

# CITY OF ROCK SPRINGS, WYOMING

## NOTES TO FINANCIAL STATEMENTS

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|  |                   |
|--|-------------------|
| Annual required contribution               | \$ 237,527        |
| Interest on net OPEB obligation            | 5,226             |
| Adjustment to annual required contribution | (5,505)           |
| Annual OPEB cost                           | <u>237,248</u>    |
| Contributions made                         | <u>90,925</u>     |
| Increase in net OPEB obligation            | 146,323           |
| Net OPEB obligation, beginning of year     | <u>158,378</u>    |
| Net OPEB obligation, end of year           | <u>\$ 304,701</u> |

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the two preceding years were as follows:

| Fiscal Year<br>Ended | Annual<br>OPEB Cost | % of Annual<br>OPEB Cost<br>Contributed | Net OPEB<br>Obligation |
|----------------------|---------------------|---|------------------------|
| June 30, 2008        | -                   | -                                       | -                      |
| June 30, 2009        | \$ 237,527          | 33.3%                                   | \$ 158,378             |
| June 30, 2010        | \$ 237,248          | 38.3%                                   | \$ 304,701             |

### D. *Funded Status and Funding Progress*

As of July 1, 2008, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$2,372,750, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,372,750. For the fiscal year ended June 30, 2010, the covered payroll (annual payroll of active employees covered by the plan) was \$14,392,208, and the ratio of the UAAL to the covered payroll was 16.5%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### E. *Actuarial Methods and Assumptions*

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

# CITY OF ROCK SPRINGS, WYOMING

## NOTES TO FINANCIAL STATEMENTS

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In the July 1, 2008 actuarial valuation, the projected unit credit actuarial cost method was used. The amortization method used was level percentage of pay, and the amortization period is an open period of 30 years. The actuarial assumptions included a 3.3% discount rate, a 3.0% salary growth rate, and an annual healthcare cost trend rate of 8.7% per year pre and post Medicare eligible, grading to a rate of 4.5% over 58 years. Both rates included a 2.5% inflation assumption. 50% of future retired participants were projected to opt for health care coverage, and 100% of current retired participants were projected to continue coverage. 40% of future retirees who opted for healthcare were projected to cover a spouse.

### Note 11. Reserves and Designations

Reserves, as described in Note 1, have been established as follows:

|                               | Governmental<br>Fund    |
|-------------------------------|-------------------------|
|                               | <u>General<br/>Fund</u> |
| Reserved for inventories      | \$ 450,182              |
| Reserved for prepaid expenses | 314,925                 |
| Reserved for encumbrances     | 7,413,383               |
|                               | <u>\$ 8,178,490</u>     |

Designations, as described in Note 1, have been established as follows:

|                           | Governmental<br>Fund    |
|---------------------------|-------------------------|
|                           | <u>General<br/>Fund</u> |
| Contingency reserve       | \$ 7,256,586            |
| Capital replacement       | 2,732,228               |
| Cash carryover            | 9,740,993               |
| Compensated absences/OPEB | 1,125,250               |
|                           | <u>\$ 20,855,057</u>    |

### Note 12. Litigation

The City has multiple claims and pending legal proceedings that generally involve the operations of the City. These proceedings are, in the opinion of management, ordinary routine matters incidental to the normal business conducted by the City. In the opinion of management and the City legal counsel, such proceedings are substantially covered by insurance, and the ultimate disposition of such proceedings are not expected to have a material adverse effect on the City's financial position, results of operations or cash flows.

## **REQUIRED SUPPLEMENTARY INFORMATION**

The City's required supplementary information includes the budgetary comparison – general fund as described in the accompanying Notes to Required Supplementary Information following the schedule. Also included in the required supplementary information is the Schedule of Funding Progress for the City's OPEB.

**CITY OF ROCK SPRINGS, WYOMING**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Year Ended June 30, 2010**

|                                       | <u>Budgeted Amounts</u> |                   | <u>Actual</u>     | <u>Variance with<br/>Final Budget</u> |
|---------------------------------------|-------------------------|-------------------|-------------------|---------------------------------------|
|                                       | <u>Original</u>         | <u>Final</u>      |                   |                                       |
| <b>Revenues</b>                       |                         |                   |                   |                                       |
| Taxes:                                |                         |                   |                   |                                       |
| Property taxes                        | \$ 1,600,000            | \$ 1,600,000      | \$ 2,296,219      | \$ 696,219                            |
| Occupation tax                        | 55,000                  | 55,000            | 59,785            | 4,785                                 |
| Franchise tax                         | 540,000                 | 540,000           | 653,843           | 113,843                               |
| Sales and use tax                     | 31,407,879              | 28,007,879        | 23,237,551        | (4,770,328)                           |
| Cigarette tax                         | 225,000                 | 225,000           | 176,363           | (48,637)                              |
| Wholesale gas tax                     | 300,000                 | 300,000           | 317,694           | 17,694                                |
| Mineral severance tax                 | 792,867                 | 792,867           | 813,660           | 20,793                                |
| Special fuels tax                     | 102,500                 | 102,500           | 111,824           | 9,324                                 |
|                                       | <u>35,023,246</u>       | <u>31,623,246</u> | <u>27,666,939</u> | <u>(3,956,307)</u>                    |
| Licenses and permits:                 |                         |                   |                   |                                       |
| Liquor licenses                       | 54,336                  | 54,336            | 54,761            | 425                                   |
| Malt beverage and catering            | 1,500                   | 1,500             | 4,900             | 3,400                                 |
| Building fees and permits             | 450,000                 | 450,000           | 503,959           | 53,959                                |
| Animal licenses                       | 10,000                  | 10,000            | 17,844            | 7,844                                 |
| Contractor licenses                   | 47,500                  | 47,500            | 56,775            | 9,275                                 |
| Road impact fees                      | 3,500                   | 3,500             | 1,633             | (1,867)                               |
|                                       | <u>566,836</u>          | <u>566,836</u>    | <u>639,872</u>    | <u>73,036</u>                         |
| Inter-governmental revenue:           |                         |                   |                   |                                       |
| Mineral royalties                     | 847,546                 | 847,546           | 902,398           | 54,852                                |
| Federal, state, and county grants     | 9,124,356               | 12,006,294        | 6,154,200         | (5,852,094)                           |
| Supplemental local government funding | 1,883,270               | 1,883,270         | 1,883,280         | 10                                    |
|                                       | <u>11,855,172</u>       | <u>14,737,110</u> | <u>8,939,878</u>  | <u>(5,797,232)</u>                    |
| Charges for services:                 |                         |                   |                   |                                       |
| Golf course                           | 690,000                 | 690,000           | 646,166           | (43,834)                              |
| Civic center                          | 161,000                 | 161,000           | 160,986           | (14)                                  |
| Indoor recreation                     | 532,000                 | 532,000           | 488,122           | (43,878)                              |
| Field usage fees                      | 6,500                   | 6,500             | 7,248             | 748                                   |
| Rents and concessions                 | 25,000                  | 25,000            | 38,916            | 13,916                                |
| Cemetery fees                         | 15,000                  | 15,000            | 27,575            | 12,575                                |
| Inter-fund administrative charges     | 120,000                 | 120,000           | 137,756           | 17,756                                |
| Special police and fire services      | 2,000                   | 2,000             | 25,798            | 23,798                                |
| Advertising fees                      | 2,425                   | 2,425             | 3,020             | 595                                   |
|                                       | <u>1,553,925</u>        | <u>1,553,925</u>  | <u>1,535,587</u>  | <u>(18,338)</u>                       |

Continued

**CITY OF ROCK SPRINGS, WYOMING**  
**BUDGETARY COMPARISON SCHEDULE (continued)**  
**GENERAL FUND**  
**For the Year Ended June 30, 2010**

|  | <b>Budgeted Amounts</b> |                   | <b>Actual</b>     | <b>Variance with<br/>Final Budget</b> |
|--|-------------------------|-------------------|-------------------|---------------------------------------|
|  | <b>Original</b>         | <b>Final</b>      |                   |                                       |
| <b>Fines and forfeitures:</b>                      |                         |                   |                   |                                       |
| Municipal court fees and parking fines             | \$ 450,500              | \$ 450,500        | \$ 545,290        | \$ 94,790                             |
| Animal fines                                       | 10,000                  | 10,000            | 26,856            | 16,856                                |
|  | <u>460,500</u>          | <u>460,500</u>    | <u>572,146</u>    | <u>111,646</u>                        |
| <b>Miscellaneous:</b>                              |                         |                   |                   |                                       |
| Animal adoption                                    | 5,000                   | 5,000             | 10,790            | 5,790                                 |
| Sale of cemetery lots                              | 14,000                  | 14,000            | 10,125            | (3,875)                               |
| Maps, publications, and copies                     | 2,000                   | 2,000             | 2,839             | 839                                   |
| Sale of materials or supplies                      | 287,300                 | 287,300           | 236,099           | (51,201)                              |
| Sale of property                                   | -                       | -                 | 8,193             | 8,193                                 |
| Blue Cross Blue Shield                             | 498,000                 | 498,000           | 454,390           | (43,610)                              |
| Miscellaneous reimbursements                       | 31,000                  | 191,111           | 157,082           | (34,029)                              |
| Refund of overpayments and insurance reimbursement | 5,000                   | 21,541            | 33,512            | 11,971                                |
| Contributions and donations                        | 238,065                 | 239,815           | 282,863           | 43,048                                |
| Sundry revenues                                    | 1,250                   | 1,490             | 9,100             | 7,610                                 |
|  | <u>1,081,615</u>        | <u>1,260,257</u>  | <u>1,204,993</u>  | <u>(55,264)</u>                       |
| <b>Other income:</b>                               |                         |                   |                   |                                       |
| Interest   | 102,150                 | 102,150           | 210,802           | 108,652                               |
| Transfers  | -                       | 1,500,000         | 1,851,386         | 351,386                               |
|  | <u>102,150</u>          | <u>1,602,150</u>  | <u>2,062,188</u>  | <u>460,038</u>                        |
| <b>Total revenues</b>                              | <u>50,643,444</u>       | <u>51,804,024</u> | <u>42,621,603</u> | <u>(9,182,421)</u>                    |

Continued

**CITY OF ROCK SPRINGS, WYOMING**  
**BUDGETARY COMPARISON SCHEDULE (continued)**  
**GENERAL FUND**  
**For the Year Ended June 30, 2010**

|  | <b>Budgeted Amounts</b> |                        | <b>Actual</b>          | <b>Variance with<br/>Final Budget</b> |
|--|-------------------------|------------------------|------------------------|---------------------------------------|
|  | <b>Original</b>         | <b>Final</b>           |                        |                                       |
| <b>Expenditures</b>  |                         |                        |                        |                                       |
| General government:  |                         |                        |                        |                                       |
| Legislative  | \$ 554,949              | \$ 654,949             | \$ 262,896             | \$ 392,053                            |
| Judicial   | 615,927                 | 615,927                | 477,051                | 138,876                               |
| Finance, administration                                      | 1,035,053               | 1,000,053              | 871,849                | 128,204                               |
| Municipal court  | 430,351                 | 430,351                | 376,139                | 54,212                                |
| Data processing  | 770,761                 | 528,316                | 464,621                | 63,695                                |
| City buildings   | 375,051                 | 2,625,051              | 422,835                | 2,202,216                             |
| Urban renewal  | 786,924                 | 2,295,922              | 456,479                | 1,839,443                             |
|  | <u>4,569,016</u>        | <u>8,150,569</u>       | <u>3,331,870</u>       | <u>4,818,699</u>                      |
| Public safety:   |                         |                        |                        |                                       |
| Police department  | 8,080,952               | 8,096,902              | 6,942,886              | 1,154,016                             |
| Animal control   | 368,379                 | 585,890                | 468,681                | 117,209                               |
| Emergency management   | 227,750                 | 227,750                | 226,576                | 1,174                                 |
| Fire department  | 4,748,029               | 4,620,511              | 3,995,552              | 624,959                               |
|  | <u>13,425,110</u>       | <u>13,531,053</u>      | <u>11,633,695</u>      | <u>1,897,358</u>                      |
| Public works:  |                         |                        |                        |                                       |
| Public works administration, engineering                     | 1,853,917               | 3,081,057              | 2,919,668              | 161,389                               |
| Planning and inspection                                      | 1,002,646               | 1,002,646              | 811,038                | 191,608                               |
| Street department  | 14,668,561              | 28,992,796             | 23,086,528             | 5,906,268                             |
| Vehicle maintenance  | 597,477                 | 597,477                | 485,301                | 112,176                               |
| Cemetery   | 746,351                 | 763,981                | 512,925                | 251,056                               |
|  | <u>18,868,952</u>       | <u>34,437,957</u>      | <u>27,815,460</u>      | <u>6,622,497</u>                      |
| Culture and recreation:                                      |                         |                        |                        |                                       |
| Parks and recreation   | 2,029,865               | 1,763,365              | 1,405,804              | 357,561                               |
| Golf course  | 2,589,065               | 2,738,365              | 1,861,062              | 877,303                               |
| Recreation   | 707,301                 | 482,301                | 464,097                | 18,204                                |
| Civic center   | 1,342,360               | 1,254,360              | 903,365                | 350,995                               |
| Historical museum  | 238,166                 | 259,199                | 213,042                | 46,157                                |
| Indoor recreation  | 3,041,052               | 8,771,331              | 8,338,714              | 432,617                               |
|  | <u>9,947,809</u>        | <u>15,268,921</u>      | <u>13,186,084</u>      | <u>2,082,837</u>                      |
| Nondepartmental  | <u>2,195,236</u>        | <u>2,833,190</u>       | <u>1,679,403</u>       | <u>1,153,787</u>                      |
| Transfers  | -                       | 1,500,000              | 1,500,000              | -                                     |
| <b>Total expenditures</b>                                    | <u>49,006,123</u>       | <u>75,721,690</u>      | <u>59,146,512</u>      | <u>16,575,178</u>                     |
| <b>Excess (deficiency) of revenues<br/>over expenditures</b> | <u>\$ 1,637,321</u>     | <u>\$ (23,917,666)</u> | <u>\$ (16,524,909)</u> | <u>\$ 7,392,757</u>                   |

## CITY OF ROCK SPRINGS, WYOMING

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2010

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#### **Note 1. Budgets**

The statement of revenues, expenditures and changes in fund balance – budget and actual – general fund presents a comparison of the legally adopted budget with actual data. The City prepares its budget on a modified accrual basis, as is used to prepare the governmental fund financial statements adjusted to include encumbrances and transfers within the general fund. The revenues and expenditures shown below are presented on a similar basis. All budget amendments are approved by the City Council and are presented within the final budget figures.

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

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

The budget is adopted according to the following schedule:

1. On or before May 15, the Budget Officer shall prepare a tentative budget for each fund and file the budget with the governing body.
2. A summary of the tentative budget shall be entered into the minutes and the governing body shall publish the summary at least one week before the public hearing to adopt the budget.
3. The public hearing is held on the third Tuesday in June.
4. A copy of the adopted budget shall be furnished to the County Commissioners for the necessary property tax levies and placed on file for public inspection.

**CITY OF ROCK SPRINGS, WYOMING**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2010**

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**Note 2. Explanation of Differences between Budgetary Basis and GAAP Basis**

|   | <u>General<br/>Fund</u> |
|---|-------------------------|
| <b>Revenues</b>   |                         |
| Actual Amounts (budgetary basis) from the schedule of revenues, expenditures and changes in fund balance - budget (budgetary basis) and actual. | \$ 42,621,603           |
| Differences - Budget Basis to GAAP<br>Transfers to the reserves fund within the General Fund.   | <u>(1,762,500)</u>      |
| Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.                       | <u>\$ 40,859,103</u>    |
| <b>Expenditures</b>   |                         |
| Actual Amounts (budgetary basis) from the schedule of revenues, expenditures and changes in fund balance - budget (budgetary basis) and actual. | \$ 59,146,512           |
| Transfers to the reserves fund within the General Fund.   | (1,762,500)             |
| Differences - Encumbrances included on the budgetary basis, not included in GAAP based expenditures.  | <u>(7,413,383)</u>      |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.                   | <u>\$ 49,970,629</u>    |

**CITY OF ROCK SPRINGS, WYOMING**

**SCHEDULE OF FUNDING PROGRESS  
For the Year Ended June 30, 2010**

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| Fiscal Year Ended | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) Entry Age (b) | Unfunded AAL (UAAL) (b - a) | Funded Ratio (a / b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b - a) / c) |
|-------------------|--------------------------|-------------------------------|---|-----------------------------|----------------------|---------------------|---|
| June 30, 2010     | July 1, 2008             | \$ -                          | \$2,372,750                                     | \$2,372,750                 | 0%                   | \$14,392,208        | 16.5%   |
| June 30, 2009     | July 1, 2008             | \$ -                          | \$2,372,750                                     | \$2,372,750                 | 0%                   | \$13,792,412        | 17.2%   |

## **OTHER GOVERNMENTAL FUNDS**

The City's non-major governmental funds are described below:

*Economic development loan fund* – used to account for economic development loans.

*Debt service fund* - established for the purpose of accumulating resources for the payment of principal and interest on long-term special assessment debt.

**CITY OF ROCK SPRINGS, WYOMING  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2010**

|                          | <u>Special<br/>Revenue Fund<br/>Economic<br/>Development<br/>Loan Fund</u> |
|--------------------------|--|
| <b>ASSETS</b>            |  |
| Cash and investments     | \$ 88,926  |
| Total assets             | <u>\$ 88,926</u>   |
| <b>FUND BALANCE</b>      |  |
| Unreserved, undesignated | \$ 88,926  |
| Total fund balance       | <u>\$ 88,926</u>   |

**CITY OF ROCK SPRINGS, WYOMING  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2010**

|                                   | <b>Special<br/>Revenue Fund</b>               |                              |                  |
|-----------------------------------|---|------------------------------|------------------|
|                                   | <b>Economic<br/>Development<br/>Loan Fund</b> | <b>Debt Service<br/>Fund</b> | <b>Total</b>     |
| <b>Revenues</b>                   |   |                              |                  |
| Taxes and special assessments     | \$ -  | \$ 290                       | \$ 290           |
| Interest                          | -   | 133                          | 133              |
| <b>Total revenues</b>             | <b>-</b>                                      | <b>423</b>                   | <b>423</b>       |
| <b>Other Financing Uses</b>       |   |                              |                  |
| Transfer to the general fund      | -   | 88,886                       | 88,886           |
| <b>Net change in fund balance</b> | <b>-</b>                                      | <b>(88,463)</b>              | <b>(88,463)</b>  |
| Fund balances, beginning          | 88,926  | 88,463                       | 177,389          |
| Fund balances, ending             | <b>\$ 88,926</b>                              | <b>\$ -</b>                  | <b>\$ 88,926</b> |

# **HOUSING AUTHORITY**

**CITY OF ROCK SPRINGS, WYOMING**  
**COMBINING STATEMENT OF NET ASSETS**  
**HOUSING AUTHORITY**  
**June 30, 2010**

| <b>ASSETS</b>   | <b>Public Housing</b> | <b>Section 8 Vouchers</b> | <b>Supportive Housing</b> | <b>Capital Fund</b> | <b>HPRP/ARRA</b> | <b>Total</b>        |
|---|-----------------------|---------------------------|---------------------------|---------------------|------------------|---------------------|
| <b>Current assets:</b>                                    |                       |                           |                           |                     |                  |                     |
| Cash and investments                                      | \$ 526,791            | \$ 31,301                 | \$ 2,665                  | \$ -                | \$ -             | \$ 560,757          |
| Accounts receivable (net of allowance for uncollectibles) | 1,225                 | -                         | 2,588                     | -                   | -                | 3,813               |
| Grants receivable   | -                     | -                         | -                         | 5,446               | 33,449           | 38,895              |
| Inventories   | 1,611                 | -                         | -                         | -                   | -                | 1,611               |
| Prepaid expenses  | 20,842                | -                         | -                         | -                   | -                | 20,842              |
| <b>Total current assets</b>                               | <b>550,469</b>        | <b>31,301</b>             | <b>5,253</b>              | <b>5,446</b>        | <b>33,449</b>    | <b>625,918</b>      |
| <b>Noncurrent assets:</b>                                 |                       |                           |                           |                     |                  |                     |
| Capital assets, net of accumulated depreciation           | 2,624,399             | -                         | -                         | 21,899              | -                | 2,646,298           |
| <b>Total assets</b>                                       | <b>3,174,868</b>      | <b>31,301</b>             | <b>5,253</b>              | <b>27,345</b>       | <b>33,449</b>    | <b>3,272,216</b>    |
| <b>LIABILITIES</b>  |                       |                           |                           |                     |                  |                     |
| <b>Current liabilities:</b>                               |                       |                           |                           |                     |                  |                     |
| Accounts payable  | 44,639                | -                         | 81                        | 5,446               | 26,235           | 76,401              |
| Customer and security deposits                            | 28,110                | -                         | -                         | -                   | -                | 28,110              |
| Compensated absences                                      | 21,839                | -                         | -                         | -                   | -                | 21,839              |
| Due to (from) other funds                                 | (11,626)              | 11,626                    | -                         | -                   | 7,214            | 7,214               |
| Deferred revenue  | 3,364                 | -                         | -                         | -                   | -                | 3,364               |
| <b>Total current liabilities</b>                          | <b>86,326</b>         | <b>11,626</b>             | <b>81</b>                 | <b>5,446</b>        | <b>33,449</b>    | <b>136,928</b>      |
| <b>Noncurrent liabilities:</b>                            |                       |                           |                           |                     |                  |                     |
| Compensated absences                                      | 8,296                 | -                         | -                         | -                   | -                | 8,296               |
| <b>Total liabilities</b>                                  | <b>94,622</b>         | <b>11,626</b>             | <b>81</b>                 | <b>5,446</b>        | <b>33,449</b>    | <b>145,224</b>      |
| <b>NET ASSETS</b>   |                       |                           |                           |                     |                  |                     |
| Invested in capital assets, net of related debt           | 2,624,399             | -                         | -                         | 21,899              | -                | 2,646,298           |
| Restricted  | 455,847               | 19,675                    | 5,172                     | -                   | -                | 480,694             |
| <b>Total net assets</b>                                   | <b>\$ 3,080,246</b>   | <b>\$ 19,675</b>          | <b>\$ 5,172</b>           | <b>\$ 21,899</b>    | <b>\$ -</b>      | <b>\$ 3,126,992</b> |

**CITY OF ROCK SPRINGS, WYOMING**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET ASSETS**  
**HOUSING AUTHORITY**  
**For the Year Ended June 30, 2010**

|                                   | <b>Public<br/>Housing</b> | <b>Section 8<br/>Vouchers</b> | <b>Supportive<br/>Housing</b> | <b>Capital<br/>Fund</b> | <b>HPRP/<br/>ARRA</b> | <b>Total</b>        |
|-----------------------------------|---------------------------|-------------------------------|-------------------------------|-------------------------|-----------------------|---------------------|
| Operating revenues:               |                           |                               |                               |                         |                       |                     |
| Tenant rental revenue             | \$ 291,197                | \$ -                          | \$ 1,374                      | \$ -                    | \$ -                  | \$ 292,571          |
| Other tenant revenue              | 30,897                    | -                             | -                             | -                       | -                     | 30,897              |
| Total operating revenue           | <u>322,094</u>            | <u>-</u>                      | <u>1,374</u>                  | <u>-</u>                | <u>-</u>              | <u>323,468</u>      |
| Operating expenses:               |                           |                               |                               |                         |                       |                     |
| Personnel                         | 434,699                   | 11,625                        | -                             | -                       | 18,780                | 465,104             |
| Utilities                         | 96,803                    | -                             | -                             | -                       | -                     | 96,803              |
| Postal/freight                    | 1,572                     | -                             | -                             | -                       | -                     | 1,572               |
| Communications                    | 2,228                     | -                             | -                             | -                       | -                     | 2,228               |
| Office supplies and printing      | 4,535                     | -                             | -                             | -                       | -                     | 4,535               |
| Repairs and maintenance           | 70,411                    | -                             | -                             | -                       | -                     | 70,411              |
| Travel                            | 987                       | -                             | -                             | -                       | -                     | 987                 |
| Administrative costs              | 6,375                     | -                             | -                             | -                       | -                     | 6,375               |
| Other costs                       | 17,586                    | -                             | -                             | -                       | -                     | 17,586              |
| Depreciation                      | 280,198                   | -                             | -                             | -                       | -                     | 280,198             |
| Audit and legal                   | 2,000                     | 500                           | -                             | -                       | -                     | 2,500               |
| Consulting and collection         | 9,116                     | -                             | -                             | -                       | -                     | 9,116               |
| Insurance                         | 35,996                    | -                             | -                             | -                       | -                     | 35,996              |
| Housing assistance payments       | -                         | 121,136                       | 2,345                         | -                       | 229,129               | 352,610             |
| Tenant service contract costs     | 816                       | -                             | -                             | -                       | -                     | 816                 |
| Total operating expenses          | <u>963,322</u>            | <u>133,261</u>                | <u>2,345</u>                  | <u>-</u>                | <u>247,909</u>        | <u>1,346,837</u>    |
| Operating (loss)                  | <u>(641,228)</u>          | <u>(133,261)</u>              | <u>(971)</u>                  | <u>-</u>                | <u>(247,909)</u>      | <u>(1,023,369)</u>  |
| Nonoperating revenues (expenses): |                           |                               |                               |                         |                       |                     |
| HUD PHA grants                    | 309,313                   | 131,886                       | -                             | 52,181                  | 460,157               | 953,537             |
| Interest income                   | 3,419                     | 120                           | -                             | -                       | -                     | 3,539               |
| Other income                      | -                         | 7,554                         | 809                           | -                       | -                     | 8,363               |
| Total nonoperating revenue        | <u>312,732</u>            | <u>139,560</u>                | <u>809</u>                    | <u>52,181</u>           | <u>460,157</u>        | <u>965,439</u>      |
| Income (loss) before transfers    | (328,496)                 | 6,299                         | (162)                         | 52,181                  | 212,248               | (57,930)            |
| Transfers in                      | 242,530                   | -                             | -                             | -                       | -                     | 242,530             |
| Transfers out                     | -                         | -                             | -                             | (30,282)                | (212,248)             | (242,530)           |
| Change in net assets              | <u>(85,966)</u>           | <u>6,299</u>                  | <u>(162)</u>                  | <u>21,899</u>           | <u>-</u>              | <u>(57,930)</u>     |
| Net assets, beginning             | <u>3,166,212</u>          | <u>13,376</u>                 | <u>5,334</u>                  | <u>-</u>                | <u>-</u>              | <u>3,184,922</u>    |
| Net assets, ending                | <u>\$ 3,080,246</u>       | <u>\$ 19,675</u>              | <u>\$ 5,172</u>               | <u>\$ 21,899</u>        | <u>\$ -</u>           | <u>\$ 3,126,992</u> |

**CITY OF ROCK SPRINGS, WYOMING**  
**SCHEDULE OF EXPENDITURES OF**  
**FEDERAL AWARDS**  
**For the Year Ended June 30, 2010**

|   | <b>Federal CFDA</b> |                            |
|---|---------------------|----------------------------|
|   | <b>Number</b>       | <b>Expenditures</b>        |
| U.S. Department of Housing and Urban Development                                  |                     |                            |
| CFP Cluster:  |                     |                            |
| Public Housing Capital Fund   | 14.872              | \$ 52,181                  |
| Public Housing Capital Fund Stimulus Recovery Act Funded                          | 14.885-ARRA         | <u>212,248</u>             |
|   |                     | 264,429                    |
| Public and Indian Housing   | 14.850              | 309,313                    |
| Section 8 Housing Choice Vouchers   | 14.871              | 131,886                    |
| Passed through the Wyoming Business Council:                                      |                     |                            |
| Homelessness Prevention and Rapid Re-Housing Program, Recovery Act                | 14.257-ARRA         | <u>247,910</u>             |
| <b>Total U.S. Department of Housing and Urban Development</b>                     |                     | <u><u>953,538</u></u>      |
| U.S. Department of Transportation   |                     |                            |
| Passed through the Wyoming Department of Transportation:                          |                     |                            |
| Highway Planning and Construction   | 20.205              | 300,000                    |
| Alcohol Impaired Driver Countermeasures Incentive Grants                          | 20.601              | <u>19,590</u>              |
| <b>Total U.S. Department of Transportation</b>                                    |                     | <u><u>319,590</u></u>      |
| U.S. Department of Interior   |                     |                            |
| Passed through the Wyoming Department of Environmental Quality:                   |                     |                            |
| Abandoned Mine Land Reclamation (AMLR) Program -<br>Bitter Creek Clean Up Project | 15.252              | <u>413,949</u>             |
| U.S. Department of Homeland Security  |                     |                            |
| Passed through the Wyoming Office of Homeland Security:                           |                     |                            |
| Homeland Security Grant Program   | 97.067              | 51,391                     |
| Buffer Zone Protection Program  | 97.078              | 26,100                     |
| Passed through the Airport Board:   |                     |                            |
| Law Enforcement Officer Reimbursement Agreement Program                           | 97.090              | <u>48,359</u>              |
| <b>Total U.S. Department of Homeland Security</b>                                 |                     | <u><u>125,850</u></u>      |
| U.S. Department of Energy   |                     |                            |
| Energy Efficiency and Conservation Block Grant, Recovery Act                      | 81.128-ARRA         | <u>19,221</u>              |
| U.S. Department of Agriculture  |                     |                            |
| Passed through the Wyoming Department of Agriculture:                             |                     |                            |
| Specialty Crop Block Grant Program  | 10.169              | <u>9,250</u>               |
| <b>Total Federal awards expended</b>  |                     | <u><u>\$ 1,841,398</u></u> |

## CITY OF ROCK SPRINGS, WYOMING

### NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2010

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#### Significant Accounting Policies

The following information regarding the schedule of expenditures of Federal awards is provided to assist the reader in understanding the accounting policies regarding, and the nature of, the Federal awards.

Basis of accounting: The schedule of expenditures of Federal awards is prepared on the modified accrual basis of accounting, the same basis used by the City in its governmental fund financial reporting. Receivables are recorded when appropriate program expenditures are made and the City has a claim for reimbursement.

The information in this schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some of the amounts presented in this schedule may differ from their presentation in the financial statements.

## **COMPLIANCE AND INTERNAL CONTROL**

**INDEPENDENT AUDITOR'S 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**

The Honorable Mayor and Members of the City Council  
City of Rock Springs  
Rock Springs, Wyoming

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rock Springs, Wyoming (the "City") as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 9, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City'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 City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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*.

This report is intended solely for the information and use of the Honorable Mayor, Members of the City Council, management, 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 those specified parties.

*McGee, Hearne & Paiz, LLP*

Cheyenne, Wyoming  
November 9, 2010

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

The Honorable Mayor and Members of the City Council  
City of Rock Springs  
Rock Springs, Wyoming

Compliance

We have audited the compliance of the City of Rock Springs, Wyoming (the "City") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*, that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2010. The City'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 City's management. Our responsibility is to express an opinion on the City'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 City'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 on the City's compliance with those requirements.

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

Internal Control over Compliance

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

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

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

This report is intended solely for the information and use of the Honorable Mayor, Members of the City Council, management, 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 those specified parties.

*McGee, Hearne & Paiz, LLP*

Cheyenne, Wyoming  
November 9, 2010

**CITY OF ROCK SPRINGS, WYOMING**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

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**I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS**

**A. Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? \_\_\_\_\_ Yes  X  No
- Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes  X  None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes  X  No

**B. Federal Awards**

Internal control over major programs:

- Material weaknesses identified? \_\_\_\_\_ Yes  X  No
- Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes  X  None reported

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

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

Identification of major programs:

| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u>                                      | <u>Expenditures</u> |
|---------------------|--|---------------------|
| 15.252              | Abandoned Mine Land Reclamation (AMLR) Program – Bitter Creek Clean Up Project | \$413,949           |
| 14.257-ARRA         | Homelessness Prevention and Rapid Re-Housing Program, Recovery Act             | 247,910             |
| 20.205              | Highway Planning and Construction  | 300,000             |

- Dollar threshold used to distinguish between Type A and Type B programs:  \$ 300,000
- Auditee qualified as low-risk auditee?  X  Yes \_\_\_\_\_ No

**CITY OF ROCK SPRINGS, WYOMING**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2010**

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**II. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS**

**A. Significant Deficiencies in Internal Control**

None

**B. Compliance Findings**

None

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**A. Significant Deficiencies in Internal Control**

None

**B. Compliance Findings**

None

**CITY OF ROCK SPRINGS, WYOMING**

**SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS  
For the Year Ended June 30, 2010**

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| <b>Finding</b>   | <b>Status</b>   |
|--|---|
| <b><u>2009-01: Suspension and Debarment</u></b>  |   |
| <p>The internal control objective around the <i>Suspension and Debarment</i> compliance requirement is to provide reasonable assurance that covered transactions (as defined in the suspension and debarment common rule) are not made with a debarred or suspended party. The following program did not have an effective system in place to ensure compliance with the aforementioned control objective:</p> | <p>The City was satisfied with its selection of the contractor after reviewing the contractor's experience and qualifications. The City recognizes the A-133 requirement to include evidence of testing related to the suspended and debarred list with each applicable Federal award. The City revised its policies and procedures in regards to checking the Federal suspended and debarred list and put evidence of testing the list in each of its applicable grant files to be consistent with all the City's grants, regardless of whether it is explicitly required by the individual grant agreement.</p> |
| <p>Abandoned Mine Land Reclamation (AMLR) Program – Bitter Creek Clean Up Project (CFDA #15.252)</p>   |   |