

**CITY OF ROCK SPRINGS, WYOMING**

**FINANCIAL AND COMPLIANCE REPORT**

**JUNE 30, 2015**

# CONTENTS

INDEPENDENT AUDITOR'S REPORT	1 and 2
MANAGEMENT'S DISCUSSION AND ANALYSIS (Required Supplementary Information)	3 - 11
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of net position	12
Statement of activities	13
Governmental Fund Financial Statements:	
Balance sheet	14
Reconciliation of the governmental fund balance sheet to the statement of net position	15
Statement of revenues, expenditures and changes in fund balances	16
Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental fund to the statement of activities	17
Proprietary Fund Financial Statements:	
Statement of net position	18
Statement of revenues, expenses and changes in fund net position	19
Statement of cash flows	20 and 21
Notes to Financial Statements	22 - 48
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund	49 - 51
Notes to Required Supplementary Information	52 and 53
Schedule of OPEB Funding Progress	54
Schedule of the Proportionate Share of the Net Pension Liability	55
Schedule of Pension Contributions	56
SUPPLEMENTARY INFORMATION	
Combining Statements:	
Blended Component Unit:	
Housing Authority:	
Combining statement of net position	57
Combining statement of revenues, expenses and changes in net position	58
Schedule of Expenditures of Federal Awards	59
Note to Schedule of Expenditures of Federal Awards	60
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 <i>GOVERNMENT AUDITING STANDARDS</i>	61 and 62
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133	63 and 64
Schedule of Findings and Questioned Costs	65 and 66
Summary Schedule of Prior Federal Audit Findings	67

## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Financial Statements**

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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, 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 as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of a Matter – Change in Accounting Principle***

As discussed in Notes 6 and 13 to the financial statements, in 2015 the City adopted new accounting guidance with the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB 27 and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement No. 68. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 11, the budgetary comparison schedule-general fund on pages 49 – 51, the schedule of OPEB funding progress on page 54, the schedule of the proportionate share of the net pension liability on page 55, and the schedule of pension contributions on page 56, and the notes to required supplementary information on pages 52 and 53, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary Information***

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 the nonmajor blended component unit and schedule of expenditures of Federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

This supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Cheyenne, Wyoming  
November 13, 2015

## **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, 2015. 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 and deferred outflows of resources of the city exceed its liabilities and deferred inflows of resources at the close of June 30, 2015 by \$186,391,601 (reported as net position). Of this amount, \$44,135,471 (unrestricted net position) may be used to meet the city's ongoing obligations to citizens and creditors. Note that the total net position figure includes net investment in capital assets of \$140,680,683.

The city's total net position decreased by \$14,928,531. A majority of the decrease was related to the net pension obligation liability, which was recorded for the first time in fiscal year 2015. Net position for governmental activities decreased by \$19,425,114 or 14.3% while net position for business-type activities increased by \$4,496,583 or 6.9%.

At the close of the year, the city's general fund reported an ending fund balance of \$35,513,492, a decrease of \$1,026,881 or 2.8% from the prior year. Of this amount, \$3,756,171 is available for spending at the city's discretion (unassigned fund balance).

Total long-term obligations had a net increase of \$3,359,358 (10%) from the prior year. This is primarily due to recording of the city's net pension obligation.

### **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, schedule of OPEB funding progress, and schedule of the proportionate share of the net pension liability and the schedule of pension contributions) and other supplementary information in addition to 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 position presents information on all of the city's assets/deferred outflows of resources and liabilities/deferred inflows of resources, with the difference reported as net position. The statement provides both short-term and long-term information about the city's financial position. Over time, increases or decreases in net position 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 position changed during the fiscal year. To understand the basis of how these numbers are determined, it is important to note that changes in net position 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, deferred outflows of resources, liabilities, and deferred inflows of resources) 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. Reconciliations are provided on pages 15 and 17 of this report.

The General Fund is the operating governmental fund of the city. 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, a schedule of funding progress for the City's other post-employment benefit plan, a schedule of the proportionate share of the net pension liability and a schedule of pension contributions are reported as required supplementary information, which begins on page 49. Also, individual fund statements and other supplementary information can be found starting on page 54 of this report.

## Government-wide financial analysis

**Net position:** As stated earlier, an analysis of net position 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 position.

**City of Rock Springs**  
**Summary of Net Position**  
(expressed in millions, totals may not add due to rounding)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014*	2015	2014	2015	2014*
Current and other assets	43.51	44.76	34.58	33.42	78.09	78.18
Capital assets	101.46	101.03	48.60	49.93	150.06	150.96
Total assets	144.97	145.79	83.18	83.35	228.15	229.14
Deferred outflows of resources	2.69	0.00	-	-	2.69	0
Current liabilities	4.42	6.64	2.22	5.72	6.64	12.36
Non-current liabilities	25.21	1.75	10.83	12.00	36.04	13.75
Total liabilities	29.63	8.39	13.05	17.72	42.68	26.11
Deferred inflows of resources	1.76	1.70	-	-	1.76	1.70
Net investment in capital assets	101.46	99.23	39.22	37.05	140.68	136.28
Restricted	0.35	0.36	1.22	1.17	1.57	1.53
Unrestricted	14.45	36.11	29.68	27.41	44.14	63.52
Total net position	116.27	135.70	70.12	65.63	186.39	201.33

\*GASB 68 is effective for the year ended June 30, 2015. The year ended June 30, 2014, as presented in this column was not restated. For further discussion, see notes 6 and 13 to the financial statements.

As depicted, at June 30, 2015, the city's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by approximately \$186.39 million (net position). 75% of this amount is represented by the net investment in capital assets. 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 position:** As taken from the government-wide statement of activities, the following table depicts the changes in net position for 2015

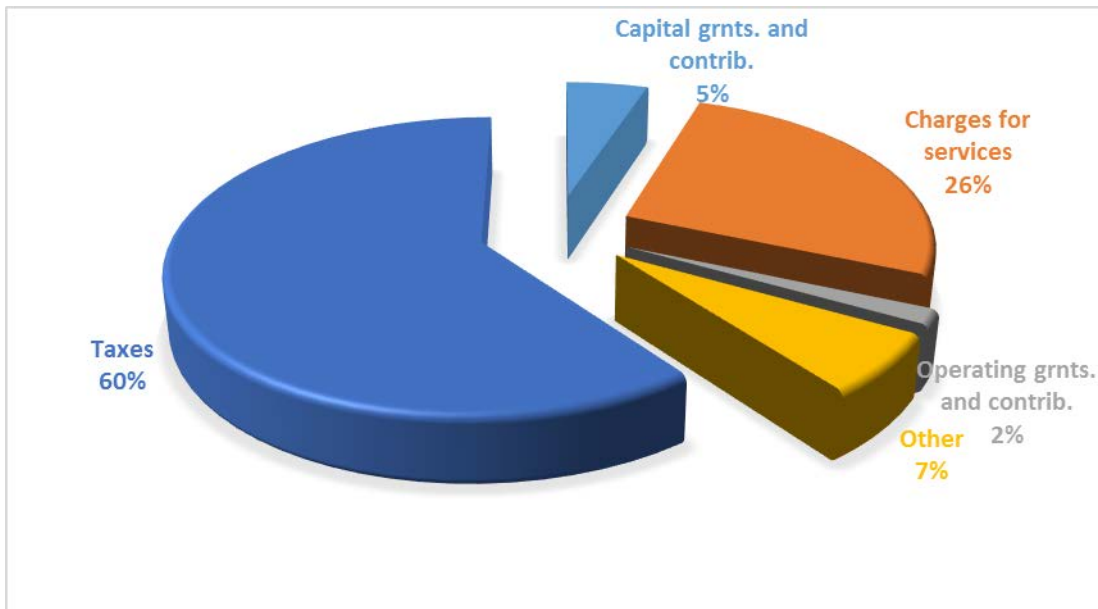
**City of Rock Springs**  
**Summary of Changes in Net Position**  
(expressed in millions, totals may not add due to rounding)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014*	2015	2014	2015	2014*
Revenues:						
Program revenues:						
Charges for services	3.14	3.00	11.42	11.50	14.56	14.50
Operating grants and contribution	0.39	0.42	0.51	0.57	0.90	0.99
Capital grants and contribution	2.24	1.46	0.54	0.45	2.78	1.91
General revenues:						
Sales and use tax	22.50	23.94	4.53	1.72	27.03	25.66
Mineral severance and royalties tax	1.85	1.86	-	-	1.85	1.86
Property tax	2.37	2.28	-	-	2.37	2.28
Franchise tax	0.73	0.72	-	-	0.73	0.72
Gas and special fuels tax	0.93	0.89	-	-	0.93	0.89
Other taxes	0.24	0.24	-	-	0.24	0.24
Supp. local govt funding/impact asst.	2.03	1.90	-	-	2.03	1.90
Investment earnings	0.14	0.15	0.10	0.15	0.24	0.30
Miscellaneous	1.20	1.12	0.11	0.08	1.32	1.20
Total revenues	37.76	37.98	17.22	14.47	54.98	52.45
Expenses:						
General government	6.11	6.86	-	-	6.11	6.86
Public safety	20.58	12.65	-	-	20.58	12.65
Public works	9.21	8.62	-	-	9.21	8.62
Culture and recreation	8.38	8.35	-	-	8.38	8.35
Water	-	-	6.40	5.92	6.40	5.92
Wastewater	-	-	5.11	4.60	5.11	4.60
Housing	-	-	1.21	1.33	1.21	1.33
Total expenses	44.28	36.48	12.72	11.85	57.00	48.33
Change in net position	(6.52)	1.50	4.50	2.62	(2.02)	4.12
Net position, beginning of year	135.69	134.19	65.62	63.00	201.31	197.19
Prior period adjustment	(12.90)	-	-	-	(12.90)	-
Net position, end of year	116.27	135.69	70.12	65.62	186.39	201.31

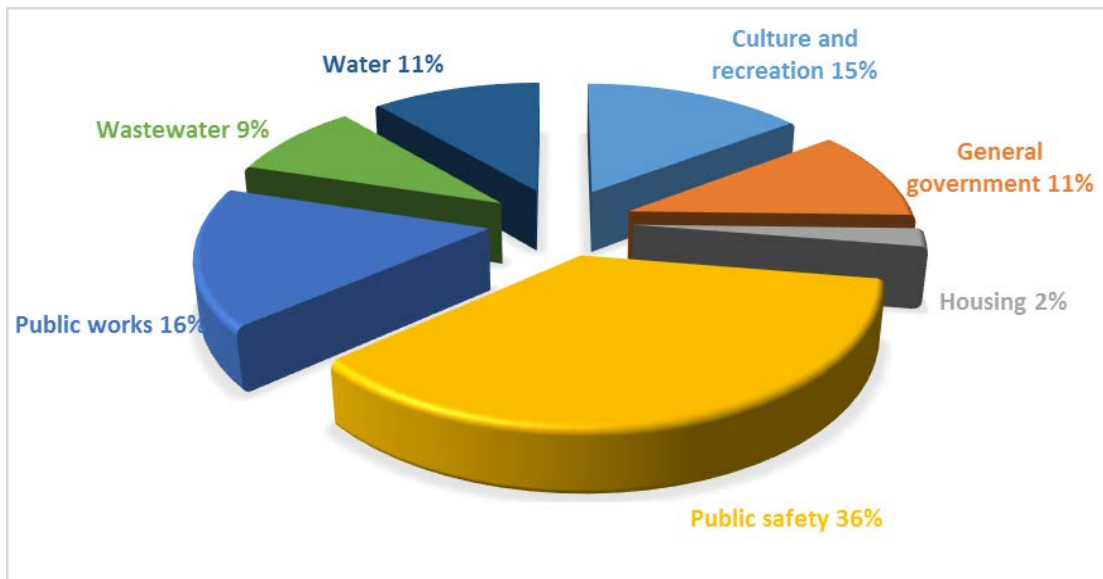
\*GASB 68 is effective for the year ended June 30, 2015. The year ended June 30, 2014, as presented in this column was not restated. For further discussion, see notes 6 and 13 to the financial statements.



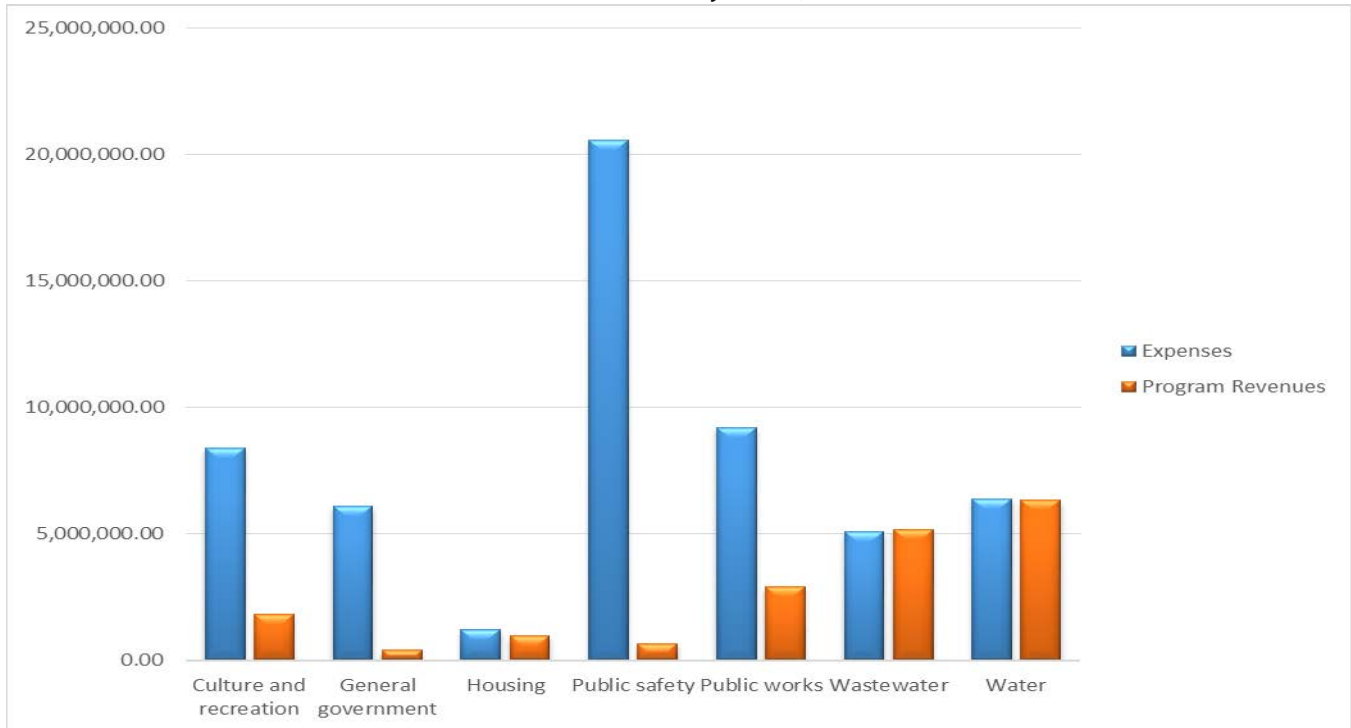
**Total Government-Wide Revenues**  
**Fiscal Year Ended June 30, 2015**



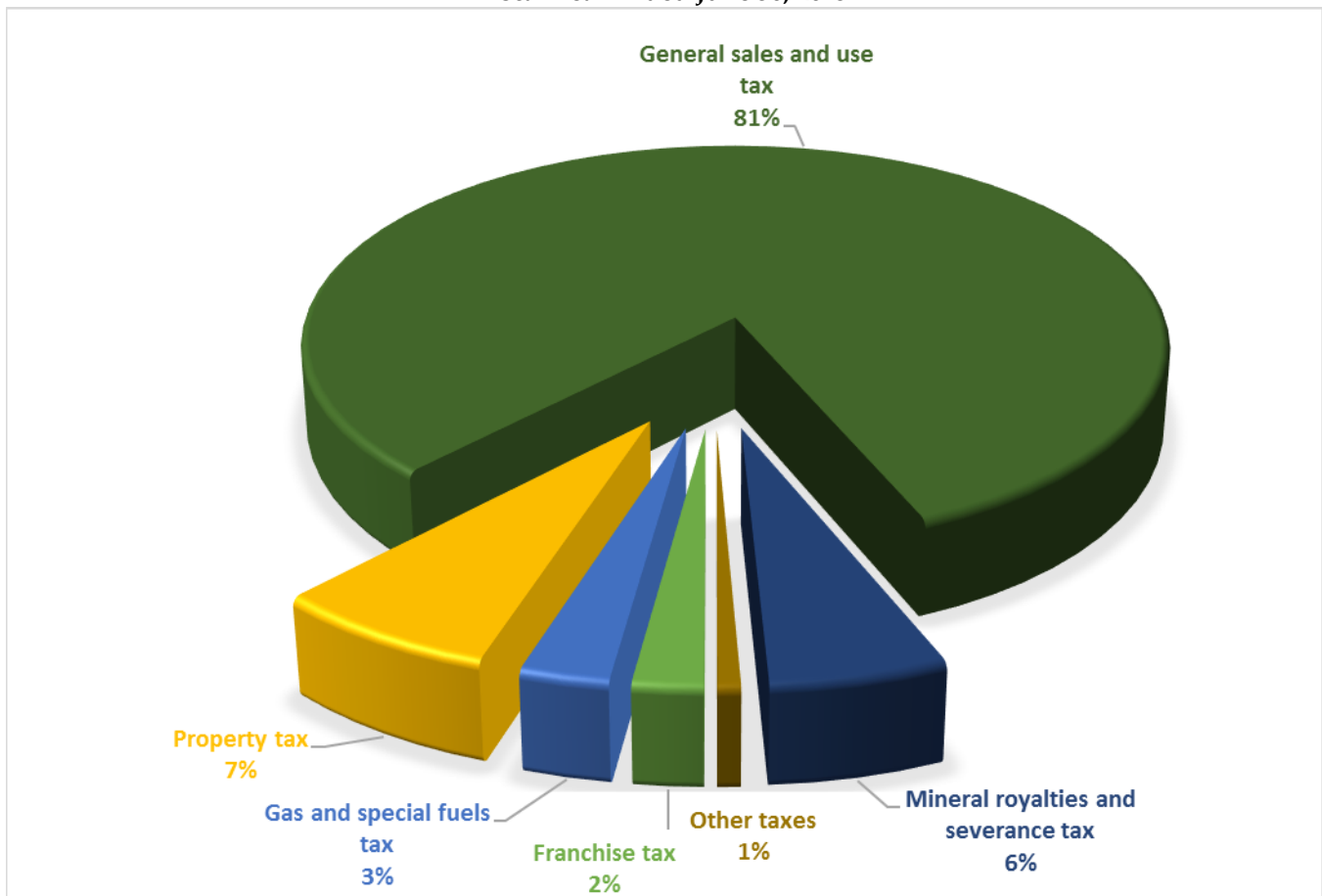
**Total Government-Wide Expenses**  
**Fiscal Year Ended June 30, 2015**



**Expenses and Program Revenue**  
**Fiscal Year Ended June 30, 2015**



**Tax Revenue**  
**Fiscal Year Ended June 30, 2015**



Governmental activities decreased the city's net position by \$6.52 million. This change in net position is a decrease from last year's change in net position of approximately \$8.02 million. Key elements of the change in net position include:

- Sales and use tax revenue comprises approximately 59% of total governmental activities revenues. These taxes decreased by approximately \$1.44 million or 6% from the previous year.
- Public safety is the largest category of governmental expenses, representing 46% of the total. General government represents approximately 14% of governmental expenses while public works represents approximately 21% of governmental expenses. Total governmental expenses for the year were \$7.80 million higher this year compared to the prior year. Much of this can be attributed to the expense related to the net pension obligation.

The business-type activities include the water, wastewater, and the housing authority funds. These activities increased net position by \$4.50 million. This change in net position is an increase from last year's change in net position by approximately 72%. Key elements of the change in net position include:

- General sales and use tax increased by 163% from the prior year. The water fund charges for services decreased by approximately 2% from the prior year. Wastewater fund charges for services increased by approximately 1% from the prior year. Overall housing authority operating revenue increased approximately 8% from the prior year.
- Total business-type activity operating expenses increased by 7% 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.

The general fund is the chief operating fund of the city. As of the end of the current fiscal year, the city's general fund reported a total ending fund balance of \$35,513,492 in comparison with \$36,540,373 in ending fund balance in the prior year. \$3,756,171 of this amount is reported as unassigned fund balance, which is available for spending at the government's discretion. Unassigned fund balance represents 11% of total general fund expenditures, while total fund balance equals 99.6% of total general fund expenditures. The remainder of fund balance is nonspendable, restricted, assigned, or committed to indicate that it is not available for new spending. These amounts are not available because of 1) buying inventory, and paying expenditures in advance (\$714,045), 2) restrictions for 2007 1% specific purpose sales and use tax projects (\$354,800), 3) being used in emergency or unusual situations that may arise causing need to exceed total appropriations (\$9,495,835), 4) purchasing capital assets in future periods (\$6,861,203), 5) paying compensated absences and post-employment benefits other than pensions due to employees (\$1,350,250), 6) encumbered by the City Council or other authorized city official (\$8,034,913), or 6) cash carried over from prior periods (\$4,946,275).

Unrestricted net position of the water fund and wastewater funds were \$12,318,385 and \$17,363,529, respectively. The increase in total net position for the water fund was \$2,006,532, and the increase in the wastewater fund was \$2,734,577. The water fund has restricted net position of \$848,590 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 \$1,302,117 was incurred in the water fund relating to the transfer of title of assets from the city to the Joint Powers Water Board. The wastewater fund has restricted net position of \$43,074 relating to 2007 1% specific purpose sales and use tax projects.

The restricted net position balance for the housing authority was \$328,983, which was an increase of \$59,797 from the prior year.

The city's internal service fund had a net position balance of \$3,227,534 at year-end which is an increase of \$608,395 from the prior year. This can be attributed to a continued increase in insurance premiums.

### **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 2015, actual tax revenues exceeded budgeted tax revenues by \$3,466,282. Actual federal, state, and county grant revenue recognized was \$1.79 million less than what was budgeted for. This was due to the timing of projects expended that are applicable for reimbursements for grants and for grants budgeted for, but not received and the timing of the collections of the specific purpose tax.

For 2015, expenditures were under budget by approximately \$7.18 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 \$150.06 million. The following schedules show the city's capital assets for the year ended June 30, 2015.

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land/easements/art	7.53	6.93	0.56	0.43	8.09	7.36
Construction in progress	1.56	2.18	0.09	0.08	1.65	2.26
Buildings/improvements	23.44	22.66	26.17	27.61	49.61	50.27
Systems improvements	-	-	1.81	2.00	1.81	2.00
Land improvements	9.21	8.76	0.59	0.62	9.80	9.38
Equipment	3.39	3.82	1.03	0.58	4.42	4.40
Infrastructure	56.18	56.52	18.35	18.61	74.53	75.13
Depreciable easements	0.15	0.16	-	-	0.15	0.16
Total	101.46	101.03	48.60	49.93	150.06	150.96

Major capital asset events during the year included:

- The Bunning Transfer Depot building renovation was completed at a cost of \$1,721,058.
- The Scott/Reagan detention basin was completed at a cost of \$735,936.
- Three subdivisions were contributed to the City this year.

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

#### **Long-term obligations**

At year-end, the city had long-term obligations outstanding of \$38,852,374. This primarily consists of loans payable to the State of Wyoming (\$11,649,089) for water and wastewater projects, the financing arrangement with the 2013 specific purpose tax Joint Powers Board (\$64,282), and the net pension obligation of \$23,390,170. Overall long-term obligations for the city increased by \$3,359,358 or 10%, over the previous year.

Please refer to note 10 for more information on long-term obligations.

#### **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. Tarufelli, 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 POSITION**  
**June 30, 2015**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 37,367,784	\$ 32,302,923	\$ 69,670,707
Restricted cash	-	848,590	848,590
Receivables (net of allowance for uncollectibles):			
Accounts receivable	8,839	910,586	919,425
Taxes receivable	1,938,327	65,930	2,004,257
Accrued interest receivable	28,176	13,407	41,583
Grants receivable	111,686	-	111,686
Internal balances	(43,074)	43,074	-
Due from other governmental entities	3,386,220	-	3,386,220
Inventories	479,870	384,268	864,138
Prepaid expenses	234,175	12,673	246,848
Total current assets	<u>43,512,003</u>	<u>34,581,451</u>	<u>78,093,454</u>
Noncurrent assets:			
Capital assets being depreciated, net	92,373,575	47,948,801	140,322,376
Capital assets not being depreciated	9,087,434	648,910	9,736,344
Total noncurrent assets	<u>101,461,009</u>	<u>48,597,711</u>	<u>150,058,720</u>
Total assets	<u>144,973,012</u>	<u>83,179,162</u>	<u>228,152,174</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension contributions	2,685,196	-	2,685,196
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	2,545,491	947,964	3,493,455
Customer and security deposits	238,996	182,395	421,391
Compensated absences	1,432,423	154,947	1,587,370
Due to other governmental entities	12,951	941,227	954,178
Retainage payable	183,006	-	183,006
Total current liabilities	<u>4,412,867</u>	<u>2,226,533</u>	<u>6,639,400</u>
Noncurrent liabilities			
Compensated absences	751,795	67,481	819,276
Net OPEB obligation	1,072,187	-	1,072,187
Net pension obligation	23,390,170	-	23,390,170
Due to other governmental entities	-	10,759,194	10,759,194
Total noncurrent liabilities	<u>25,214,152</u>	<u>10,826,675</u>	<u>36,040,827</u>
Total liabilities	<u>29,627,019</u>	<u>13,053,208</u>	<u>42,680,227</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue	1,717,087	3,719	1,720,806
Pension contributions	44,736	-	44,736
Total deferred inflows of resources	<u>1,761,823</u>	<u>3,719</u>	<u>1,765,542</u>
<b>NET POSITION</b>			
Net investment in capital assets	101,461,009	39,219,674	140,680,683
Restricted for:			
Joint Powers Water Board	-	848,590	848,590
Housing Authority	-	328,983	328,983
2007 1% specific purpose sales and use tax projects	354,800	43,074	397,874
Unrestricted	14,453,557	29,681,914	44,135,471
Total net position	<u>\$ 116,269,366</u>	<u>\$ 70,122,235</u>	<u>\$ 186,391,601</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, 2015

FUNCTIONS/PROGRAMS	PROGRAM REVENUES						NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION	
	EXPENSES	CHARGES	OPERATING	CAPITAL	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
		FOR SERVICES	GRANTS AND CONTRIBUTIONS	GRANTS AND CONTRIBUTIONS				
<b>Primary Government:</b>								
Governmental activities:								
General government	\$ 6,105,002	\$ 316,251	\$ 83,608	\$ -	\$ (5,705,143)	\$ -	\$ (5,705,143)	
Public safety	20,586,768	447,583	214,817	-	(19,924,368)	-	(19,924,368)	
Public works	9,211,731	573,271	97,884	2,238,969	(6,301,607)	-	(6,301,607)	
Culture and recreation	8,379,892	1,809,259	-	-	(6,570,633)	-	(6,570,633)	
Total governmental activities	44,283,393	3,146,364	396,309	2,238,969	(38,501,751)	-	(38,501,751)	
Business-type activities:								
Water	6,400,609	6,339,426	-	-	-	(61,183)	(61,183)	
Wastewater	5,110,586	4,743,166	-	430,120	-	62,700	62,700	
Housing	1,207,084	339,497	508,542	113,665	-	(245,380)	(245,380)	
Total business-type activities	12,718,279	11,422,089	508,542	543,785	-	(243,863)	(243,863)	
Total primary government	\$ 57,001,672	\$ 14,568,453	\$ 904,851	\$ 2,782,754	(38,501,751)	(243,863)	(38,745,614)	
General revenues								
Taxes:								
General sales and use tax					22,498,437	4,531,244	27,029,681	
Mineral severance and royalties tax					1,846,299	-	1,846,299	
Property tax					2,370,412	-	2,370,412	
Franchise tax					726,251	-	726,251	
Gas and special fuels tax					926,799	-	926,799	
Other taxes					235,418	-	235,418	
Supplemental local government/impact assistance funding					2,031,625	-	2,031,625	
Unrestricted investment earnings					136,651	104,162	240,813	
Miscellaneous					1,205,524	105,040	1,310,564	
Total general revenues and transfers					31,977,416	4,740,446	36,717,862	
Change in net position					(6,524,335)	4,496,583	(2,027,752)	
Net position - beginning					135,694,480	65,625,652	201,320,132	
Prior period adjustment					(12,900,779)	-	(12,900,779)	
Net position - ending					\$ 116,269,366	\$ 70,122,235	\$ 186,391,601	

*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 FUND**  
**June 30, 2015**

	<b>General Fund</b>
<b>ASSETS</b>	
Cash and investments	\$ 33,892,649
Receivables (net of allowance for uncollectibles):	
Accounts receivable	8,839
Taxes receivable	1,938,327
Accrued interest receivable	25,048
Grants receivable	111,686
Due from other governmental entities	3,386,220
Inventories	479,870
Prepaid expenses	234,175
Total assets	<u>\$ 40,076,814</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	
Liabilities:	
Accounts payable	\$ 2,294,762
Customer and security deposits	238,996
Due to other funds	43,074
Retainage payable	183,006
Total liabilities	<u>2,759,838</u>
Deferred inflows of resources:	
Deferred revenue	<u>1,803,484</u>
Fund balance:	
Nonspendable	714,045
Restricted for 2007 1% specific purpose sales and use tax projects	354,800
Committed	25,507,883
Assigned	5,180,593
Unassigned	3,756,171
Total fund balance	<u>35,513,492</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 40,076,814</u>

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

**CITY OF ROCK SPRINGS, WYOMING  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
STATEMENT OF NET POSITION**

<b>Total Fund Balances - Governmental Fund</b>	<b>\$ 35,513,492</b>
--	----------------------

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

Capital assets used in governmental activities are not financial resources and, therefore, not reported in the governmental funds	101,461,009
---	-------------

Certain assets are not available to pay current expenditures, so they are deferred in the fund	86,397
--	--------

Long-term liabilities (compensated absences, net OPEB obligation, net pension obligation, and the 2013 specific purpose tax financing arrangement) are not due and payable in the current period and, therefore, not reported in the funds	(26,659,526)
--	--------------

Pension related inflows and outflows do not provide current financial resources and, therefore, are not reported in the fund	2,640,460
--	-----------

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 position because they primarily benefit governmental activities	<u>3,227,534</u>
---	------------------

<b>Net position of governmental activities</b>	<b><u><u>\$ 116,269,366</u></u></b>
--	-------------------------------------

*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 FUND**  
**For the Year Ended June 30, 2015**

	<b>General Fund</b>
<b>Revenues</b>	
Taxes and special assessments	\$ 27,605,604
Licenses and permits	717,918
Inter-governmental revenue	4,324,027
Charges for services	2,027,957
Fines and forfeitures	400,489
Miscellaneous	1,205,524
Investment income	129,469
<b>Total revenues</b>	<b>36,410,988</b>
<b>Expenditures</b>	
Current:	
General government	4,987,914
Public safety	13,079,014
Public works	6,835,709
Culture and recreation	7,632,561
Capital outlay	3,122,385
<b>Total expenditures</b>	<b>35,657,583</b>
 <b>Excess (deficiency) of revenues over expenditures</b>	 753,405
 <b>Other financing sources (uses)</b>	
Net reimbursement from the 2013 Specific Tax Joint Powers Board	(1,780,286)
 <b>Net change in fund balance</b>	 (1,026,881)
 Fund balances, beginning	 36,540,373
 Fund balances, ending	 <b>\$ 35,513,492</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 FUND**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2015**

<b>Net Change in Fund Balances - Governmental Fund</b>	<b>\$ (1,026,881)</b>
--	-----------------------

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 is greater (less) than depreciation/loss on disposal during the current period	435,132
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	(337,308)
Long-term liabilities (compensated absences, net OPEB obligation, net pension obligation, and 2013 specific purpose tax financing arrangement) 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	(7,721,106)
The change in the pension related inflows and outflows are not reported in the governmental fund. This is the net effect of the change in these balances in the statement of net position	1,517,433
An internal service fund is used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities	608,395

<b>Change in net position of governmental activities</b>	<b>\$ (6,524,335)</b>
--	-----------------------

*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 POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2015**

	Business-Type Activities Enterprise Funds			Governmental Activities	
	Water Fund	Wastewater Fund	Nonmajor - Housing Authority	Total	Internal Service Fund
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 14,305,369	\$ 17,564,511	\$ 433,043	32,302,923	\$ 3,475,135
Restricted cash	848,590	-	-	848,590	-
Receivables (net of allowance for uncollectibles):					
Accounts receivable	848,835	57,906	3,845	910,586	-
Taxes receivable	64,232	1,698	-	65,930	-
Accrued interest receivable	4,455	8,952	-	13,407	3,128
Due from other funds	-	43,074	-	43,074	-
Inventories	293,826	88,668	1,774	384,268	-
Prepaid expenses	-	-	12,673	12,673	-
Total current assets	16,365,307	17,764,809	451,335	34,581,451	3,478,263
Noncurrent assets:					
Capital assets, net of accumulated depreciation	2,197,140	44,456,849	1,943,722	48,597,711	-
Total assets	18,562,447	62,221,658	2,395,057	83,179,162	3,478,263
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	684,700	210,080	53,184	947,964	250,729
Customer and security deposits	90,493	53,852	38,050	182,395	-
Compensated absences	65,097	68,533	21,317	154,947	-
Due to other governmental entities	366,538	574,689	-	941,227	-
Total current liabilities	1,206,828	907,154	112,551	2,226,533	250,729
Noncurrent liabilities:					
Compensated absences	35,910	25,489	6,082	67,481	-
Due to other governmental entities	3,563,609	7,195,585	-	10,759,194	-
Total noncurrent liabilities	3,599,519	7,221,074	6,082	10,826,675	-
Total liabilities	4,806,347	8,128,228	118,633	13,053,208	250,729
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred revenue	-	-	3,719	3,719	-
<b>NET POSITION</b>					
Net investment in capital assets	589,125	36,686,827	1,943,722	39,219,674	-
Restricted for Joint Powers Water Board	848,590	-	-	848,590	-
Restricted for Housing Authority	-	-	328,983	328,983	-
Restricted for 2007 1% specific purpose sales and use tax projects	-	43,074	-	43,074	-
Unrestricted	12,318,385	17,363,529	-	29,681,914	3,227,534
Total net position	\$ 13,756,100	\$ 54,093,430	\$ 2,272,705	\$ 70,122,235	\$ 3,227,534

*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 POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2015**

	Business-Type Activities Enterprise Funds				Governmental Activities
	Water Fund	Wastewater Fund	Nonmajor - Housing Authority	Total	Internal Service Fund
Operating revenues:					
Water charges	\$ 6,339,426	\$ -	\$ -	\$ 6,339,426	\$ -
Wastewater charges	-	4,743,166	-	4,743,166	-
Tenant rental revenue	-	-	324,688	324,688	-
Other tenant revenue	-	-	14,809	14,809	-
Insurance premiums and refunds	-	-	-	-	3,667,119
Total operating revenue	6,339,426	4,743,166	339,497	11,422,089	3,667,119
Operating expenses:					
Personnel	945,830	1,414,551	359,081	2,719,462	-
Water purchases	3,081,955	-	-	3,081,955	-
Utilities	253,024	647,892	91,354	992,270	-
Postal/freight	24,618	26,555	1,817	52,990	-
Communications	7,794	5,643	2,688	16,125	-
Office supplies and printing	5,521	7,336	4,437	17,294	-
Repairs and maintenance	55,668	171,503	107,801	334,972	-
Departmental supplies	259,222	361,137	-	620,359	-
Travel	18,271	37,904	2,908	59,083	-
Administrative costs	35,652	62,871	6,900	105,423	-
Other costs	2,389	5,293	15,044	22,726	-
Depreciation	227,406	2,097,303	304,324	2,629,033	-
Audit and legal	-	-	5,000	5,000	-
Laundry and towel service	1,453	6,312	-	7,765	-
Consulting and collection	28,513	13,620	6,365	48,498	-
Rental	48,000	-	-	48,000	-
Insurance	-	47,182	22,851	70,033	3,065,906
Housing assistance payments	-	-	276,514	276,514	-
Total operating expenses	4,995,316	4,905,102	1,207,084	11,107,502	3,065,906
Operating income (loss)	1,344,110	(161,936)	(867,587)	314,587	601,213
Nonoperating revenue (expense):					
Taxes	1,999,637	2,531,607	-	4,531,244	-
HUD PHA grants	-	-	622,207	622,207	-
Investment income	31,601	71,707	854	104,162	7,182
Other income	36,477	68,563	-	105,040	-
Gain (loss) on disposal of property	-	-	-	-	-
Interest expense	(103,176)	(205,484)	-	(308,660)	-
Capital asset contribution to JPWB	(1,302,117)	-	-	(1,302,117)	-
Total nonoperating revenue (expense)	662,422	2,466,393	623,061	3,751,876	7,182
Income (loss) before transfers	2,006,532	2,304,457	(244,526)	4,066,463	608,395
Capital contributions	-	430,120	-	430,120	-
Transfers in	-	-	113,665	113,665	-
Transfers out	-	-	(113,665)	(113,665)	-
Change in net position	2,006,532	2,734,577	(244,526)	4,496,583	608,395
Net position, beginning	11,749,568	51,358,853	2,517,231	65,625,652	2,619,139
Net position, ending	\$ 13,756,100	\$ 54,093,430	\$ 2,272,705	\$ 70,122,235	\$ 3,227,534

*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, 2015**

	Business-Type Activities Enterprise Funds				Governmental Activities
	Water Fund	Wastewater Fund	Nonmajor - Housing Authority	Total	Internal Service Fund
<b>Cash Flows from Operating Activities</b>					
Receipts from external customers and users	\$ 6,111,951	\$ 4,497,100	\$ 337,333	\$ 10,946,384	\$ -
Receipts from internal customers and users	424,932	238,441	-	663,373	3,667,119
Payments to suppliers	(3,836,398)	(1,347,038)	(523,255)	(5,706,691)	(3,115,709)
Payments to employees	(967,200)	(1,405,299)	(362,470)	(2,734,969)	-
Net cash from operating activities	1,733,285	1,983,204	(548,392)	3,168,097	551,410
<b>Cash Flows from Noncapital Financing Activities</b>					
Taxes and special assessments	1,890,697	543,600	-	2,434,297	-
Receipts from grants	-	-	621,958	621,958	-
Other	36,477	68,563	-	105,040	-
Net cash from noncapital financing activities	1,927,174	612,163	621,958	3,161,295	-
<b>Cash Flows from Capital and Related Financing Activities</b>					
Payment for JPWB assets	(1,568,956)	-	-	(1,568,956)	-
Purchase of capital assets	(272,828)	(627,474)	-	(900,302)	-
Principal payment on loans	(307,995)	(860,057)	-	(1,168,052)	-
Interest paid on loans	(105,922)	(219,586)	-	(325,508)	-
Net cash from capital and related financing activities	(2,255,701)	(1,707,117)	-	(3,962,818)	-
<b>Cash Flows from Investing Activities</b>					
Investment Income	33,331	71,991	854	106,176	6,735
Net increase (decrease) in cash and cash equivalents	1,438,089	960,241	74,420	2,472,750	558,145
Cash and Investments, July 1	13,715,870	16,604,270	358,623	30,678,763	2,916,990
Cash and Investments, June 30	\$ 15,153,959	\$ 17,564,511	\$ 433,043	\$ 33,151,513	\$ 3,475,135

Continued

**CITY OF ROCK SPRINGS, WYOMING**  
**STATEMENT OF CASH FLOWS (Continued)**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2015**

	Business-Type Activities Enterprise Funds				Governmental Activities
	Water Fund	Wastewater Fund	Nonmajor - Housing Authority	Total	Internal Service Fund
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>					
Operating income (loss)	\$ 1,344,110	\$ (161,936)	\$ (867,587)	\$ 314,587	\$ 601,213
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	227,406	2,097,303	304,324	2,629,033	-
Change in assets and liabilities:					
Accounts receivable	197,457	(7,625)	(2,165)	187,667	-
Prepaid expenses	-	-	369	369	-
Inventory	(9,614)	52,171	(636)	41,921	-
Accounts payable	3,982	(3,911)	21,962	22,033	(49,803)
Customer deposits	(8,143)	(346)	(1,167)	(9,656)	-
Compensated absences accrued expenses	(21,913)	7,548	(3,492)	(17,857)	-
<b>Net cash from operating activities</b>	<b>\$ 1,733,285</b>	<b>\$ 1,983,204</b>	<b>\$ (548,392)</b>	<b>\$ 3,168,097</b>	<b>\$ 551,410</b>
<b>Schedule of Noncash Transactions</b>					
Capitalized interest	\$ -	\$ 2,164	\$ -	\$ 2,164	\$ -

*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

---

### 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 Statements Nos. 39 and 61*, 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 position 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

---

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 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 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

---

The government reports the following nonmajor proprietary funds:

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.

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.

# CITY OF ROCK SPRINGS, WYOMING

## NOTES TO FINANCIAL STATEMENTS

---

Reconciliations 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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. Reconciliations are included as part of the fund financial statements (see pages 15 and 17).

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 months 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 position.

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.

# CITY OF ROCK SPRINGS, WYOMING

## NOTES TO FINANCIAL STATEMENTS

---

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.

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/prepaid items: 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 and prepayments in the general fund are reflected in the category nonspendable fund balance which indicates that these amounts are not in a spendable form.

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

Cash reserve (stabilization arrangement): The City maintains a cash reserve in accordance with the Municipal Fiscal Procedures Act as prescribed by Wyoming State Statutes and put into effect through resolution of the City Council. 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 considered a stabilization arrangement and is reported in the committed category of fund balance. It is included in the cash balance of the general fund. The amount held in the cash reserve is calculated using an average of three months of expenditures determined by using five years of actual expenditures by month historically and then arriving at an average monthly expense. The cash reserve may only be spent following action on a formal resolution of the City Council when: 1) revenues are insufficient in an amount that is equal to at least one-half of one percent of the annual expenditures of the previous year to cover necessary capital improvement expenditures; or 2) there is a major reduction (anticipated or actual) in tax revenue, grant funding, or state legislative appropriation; or 3) there are other unexpected needs or emergency situations costing an amount that is equal to at least one-half of one percent of the annual total expenditures of the previous year which do not routinely occur. If used, the cash reserve funds shall be replenished when revenues become available.

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.



# CITY OF ROCK SPRINGS, WYOMING

## NOTES TO FINANCIAL STATEMENTS

---

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 obligations to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes payable, accrued compensated absences, the net OPEB and pension obligations, and the financing arrangement with the 2013 Specific Purpose Tax Joint Powers Board.

Long-term obligations for governmental funds are not reported as a liability in the fund financial statements. The 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.

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 \$1,717,087, assessed in fiscal year 2015, 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 2016.

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

Fund balance/net position: Restrictions of net position/fund balance are limited to outside third-party restrictions. Commitments of fund balance represent amounts that can only be used for specific purposes whose constraints are imposed by the Mayor and City Council through formal resolutions. Assignments of fund balance represent amounts that the City intends to be used for specific purposes whose constraints are imposed by the Mayor and City Council or through an agreement with an authorized representative of the City as specified in chapter 1, article 5 of the City of Rock Springs ordinances. If more than one type of resource is available to spend, the order of spending will be restricted first, then committed funds, next assigned funds, and finally unassigned funds. For nongovernmental fund types and government-wide activities, restricted resources will be spent before nonrestricted resources when both are available to spend. Beginning fund balance was adjusted by (\$12,900,779) due to the effect of the GASB 68 implementation, specifically to record the prior year portion of the net pension obligation liability on the government-wide financial statements.

Defined benefit pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about

## CITY OF ROCK SPRINGS, WYOMING

### NOTES TO FINANCIAL STATEMENTS

---

the fiduciary net position of the Wyoming Retirement System (WRS) and additions to/deductions from the WRS's fiduciary net position have been determined on the same basis as they are reported by the WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### Note 2. Cash and Investments

Cash and investments and restricted cash as of June 30, 2015, as classified in the accompanying financial statements, consist of the following:

##### Statement of Net Position:

	Primary Government
Deposits with financial institutions:	
Cash/money market funds	\$ 39,268,574
Certificates of deposit held at banks	21,169,416
Investments:	
Ally Bank Midvale UT CD	242,187
American Express Centr'n CD	243,395
BMW Bank North America UT CD	249,587
Citibank SLC CD	246,958
Discover Bank CD	243,710
Federal Farm Credit Bank	1,259,237
Federal Home Loan Bank	996,346
Federal Home Loan Bank Step Coupon	1,539,045
Federal Home Loan Bank Callable	273,303
Federal Home Loan Bank Callable Step Coupon	1,610,803
Federal Home Loan Bank Corp Quarterly Call	260,000
Federal National Mortgage Association	499,266
Federal National Mortgage Association Step Coupon	498,900
Federal National Mortgage Association Stripped	152,784
FICO Strips	492,530
Financing Corp Coupon FICO Strips	295,356
GE Cap Final Inc Retail CD	241,602
GE Cap Retail Bk Draper UT CD	244,941
Goldman Sachs Bank NY CD	250,241
SallieMae Bank Murray UT CD	241,116
	<u>\$ 70,519,297</u>

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

## CITY OF ROCK SPRINGS, WYOMING

### NOTES TO FINANCIAL STATEMENTS

---

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
Ally Bank Midvale UT CD	Not rated	\$ 242,187
American Express Centr'n CD	Not rated	243,395
BMW Bank North America UT CD	Not rated	249,587
Citibank SLC CD	Not rated	246,958
Discover Bank CD	Not rated	243,710
Federal Farm Credit Bank	AAA	1,259,237
Federal Home Loan Bank	AAA	996,346
Federal Home Loan Bank Step Coupon	AAA	1,539,045
Federal Home Loan Bank Callable	AAA	273,303
Federal Home Loan Bank Callable Step Coupon	AAA	1,610,803
Federal Home Loan Bank Corp Quarterly Call	AAA	260,000
Federal National Mortgage Association	AAA	499,266
Federal National Mortgage Association Step Coupon	AAA	498,900
Federal National Mortgage Association Stripped	Not rated	152,784
FICO Strips	Not rated	492,530
Financing Corp Coupon FICO Strips	Not rated	295,356
GE Cap Final Inc Retail CD	Not rated	241,602
GE Cap Retail Bk Draper UT CD	Not rated	244,941
Goldman Sachs Bank NY CD	Not rated	250,241
SallieMae Bank Murray UT CD	Not rated	241,116

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, 2015, the primary government had bank balances on deposit and certificates of deposit, including accrued interest of \$58,569,975.

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

# CITY OF ROCK SPRINGS, WYOMING

## NOTES TO FINANCIAL STATEMENTS

credit risk generally applies only to direct investments in marketable securities. As of June 30, 2015, all investment securities were held by the City's custodian and registered in the City's name.

Concentration of credit risk: Because there is minimal credit risk associated with investments issued by the U.S. government agencies and investments made by the City's third-party investment manager in certificates of deposit that are insured by Federal depository insurance, 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 1 Year	1-2 Years	2-5 Years	Greater than 5 Years
Ally Bank Midvale UT CD	\$ 242,187	\$ 242,187	\$ -	\$ -	\$ -
American Express Centr'n CD	243,395	-	-	243,395	-
BMW Bank North America UT CD	249,587	-	-	249,587	-
Citibank SLC CD	246,958	-	246,958	-	-
Discover Bank CD	243,710	-	243,710	-	-
Federal Farm Credit Bank	1,259,237	-	760,395	498,842	-
Federal Home Loan Bank	996,346	-	-	996,346	-
Federal Home Loan Bank Step Coupon	1,539,045	-	-	1,539,045	-
Federal Home Loan Bank Callable	273,303	-	-	273,303	-
Federal Home Loan Bank Callable Step Coupon	1,610,803	-	-	1,610,803	-
Federal Home Loan Bank Corp Quarterly Call	260,000	-	-	260,000	-
Federal National Mortgage Association	499,266	-	-	499,266	-
Federal National Mortgage Association Step Coupon	498,900	-	-	498,900	-
Federal National Mortgage Association Stripped	152,784	-	-	152,784	-
FICO Strips	492,530	-	492,530	-	-
Financing Corp Coupon FICO Strips	295,356	-	295,356	-	-
GE Cap Final Inc Retail CD	241,602	241,602	-	-	-
GE Cap Retail Bk Draper UT CD	244,941	-	-	244,941	-
Goldman Sach Bank NY CD	250,241	-	250,241	-	-
SallieMae Bank Murray UT CD	241,116	241,116	-	-	-
	<u>\$ 10,081,307</u>	<u>\$ 724,905</u>	<u>\$ 2,289,190</u>	<u>\$ 7,067,212</u>	<u>\$ -</u>

Highly sensitive securities: The City holds investments that are classified as "highly sensitive." These securities, because of their specific type and structure, are rate sensitive as market conditions change.

## CITY OF ROCK SPRINGS, WYOMING

### NOTES TO FINANCIAL STATEMENTS

---

Step-up bonds are structured so that the bonds, at strategic times during their life, will step-up to a higher interest rate if they are not called. The portfolio holds \$3,648,748 or 36% of the securities in step-up structured bonds.

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 \$848,590 at June 30, 2015. 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.

#### 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 Activities	Business-Type Activities		
	General Fund	Water Fund	Wastewater Fund	Housing Authority
Accounts receivable	\$ 9,139	\$ 859,835	\$ 58,906	\$ 3,845
Allowance for doubtful accounts	(300)	(11,000)	(1,000)	-
	<u>\$ 8,839</u>	<u>\$ 848,835</u>	<u>\$ 57,906</u>	<u>\$ 3,845</u>

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, 2015:

	Balance June 30, 2014	Additions	Deductions	Transfers	Balance June 30, 2015
Governmental Activities:					
Capital assets, not being depreciated:					
Land/easements/art	\$ 6,930,710	\$ 600,837	\$ -	\$ -	\$ 7,531,547
Construction in progress	2,184,460	2,156,547	-	(2,785,120)	1,555,887
<b>Total capital assets, not being depreciated</b>	<b>9,115,170</b>	<b>2,757,384</b>	<b>-</b>	<b>(2,785,120)</b>	<b>9,087,434</b>
Capital assets, being depreciated:					
Buildings and improvements	48,538,928	-	-	1,721,058	50,259,986
Land improvements	15,014,630	89,355	-	735,954	15,839,939
Furnishings and equipment	15,667,250	427,841	(173,796)	396,027	16,317,322
Easements	193,771	-	-	-	193,771
Infrastructure	105,345,867	1,526,005	-	224,715	107,096,587
<b>Total capital assets, being depreciated</b>	<b>184,760,446</b>	<b>2,043,201</b>	<b>(173,796)</b>	<b>3,077,754</b>	<b>189,707,605</b>
Accumulated depreciation for:					
Buildings and improvements	(25,879,911)	(939,567)	-	-	(26,819,478)
Land improvements	(6,258,849)	(366,254)	-	-	(6,625,103)
Furnishings and equipment	(11,847,137)	(953,603)	160,849	(292,634)	(12,932,525)
Easements	(35,713)	(6,856)	-	-	(42,569)
Infrastructure	(48,828,129)	(2,086,226)	-	-	(50,914,355)
<b>Total accumulated depreciation</b>	<b>(92,849,739)</b>	<b>(4,352,506)</b>	<b>160,849</b>	<b>(292,634)</b>	<b>(97,334,030)</b>
<b>Total capital assets, being depreciated, net</b>	<b>91,910,707</b>	<b>(2,309,305)</b>	<b>(12,947)</b>	<b>2,785,120</b>	<b>92,373,575</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 101,025,877</b>	<b>\$ 448,079</b>	<b>\$ (12,947)</b>	<b>\$ -</b>	<b>\$ 101,461,009</b>

# CITY OF ROCK SPRINGS, WYOMING

## NOTES TO FINANCIAL STATEMENTS

	Balance June 30, 2014	Additions	Deductions	Transfers	Balance June 30, 2015
Business-Type Activities:					
Capital assets, not being depreciated:					
Land	\$ 428,872	\$ 128,000	\$ -	\$ -	\$ 556,872
Construction in progress	83,246	8,792	-	-	92,038
<b>Total capital assets, not being depreciated</b>	<b>512,118</b>	<b>136,792</b>	<b>-</b>	<b>-</b>	<b>648,910</b>
Capital assets, being depreciated:					
Buildings and improvements	49,085,874	-	-	-	49,085,874
Systems improvements	4,102,885	-	-	-	4,102,885
Furnishings and equipment	2,670,268	675,231	(106,942)	(292,634)	2,945,923
Land improvements	758,677	-	-	-	758,677
Infrastructure	27,182,171	486,136	-	-	27,668,307
<b>Total capital assets, being depreciated</b>	<b>83,799,875</b>	<b>1,161,367</b>	<b>(106,942)</b>	<b>(292,634)</b>	<b>84,561,666</b>
Accumulated depreciation for:					
Buildings and improvements	(21,479,570)	(1,441,259)	-	-	(22,920,829)
Systems improvements	(2,104,694)	(184,332)	-	-	(2,289,026)
Furnishings and equipment	(2,086,877)	(232,622)	106,942	292,634	(1,919,923)
Land improvements	(138,189)	(34,601)	-	-	(172,790)
Infrastructure	(8,574,078)	(736,219)	-	-	(9,310,297)
<b>Total accumulated depreciation</b>	<b>(34,383,408)</b>	<b>(2,629,033)</b>	<b>106,942</b>	<b>292,634</b>	<b>(36,612,865)</b>
<b>Total capital assets, being depreciated, net</b>	<b>49,416,467</b>	<b>(1,467,666)</b>	<b>-</b>	<b>-</b>	<b>47,948,801</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 49,928,585</b>	<b>\$ (1,330,874)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 48,597,711</b>

## CITY OF ROCK SPRINGS, WYOMING

### NOTES TO FINANCIAL STATEMENTS

---

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

	Depreciation Expense
Governmental Activities:	
General government	\$ 764,079
Public safety	333,294
Public works	2,453,734
Culture and recreation	801,399
<b>Total depreciation expense - governmental activities</b>	<b>\$ 4,352,506</b>
Business-Type Activities:	
Water	\$ 227,406
Wastewater	2,097,303
Housing	304,324
<b>Total depreciation expense - business-type activities</b>	<b>\$ 2,629,033</b>

#### Note 5. Interfund Receivables, Payables and Transfers

The composition of due to/from other funds as of June 30, 2015 are as follows:

	Due From	Due To
Governmental Funds:		
General fund	\$ -	\$ 43,074
Proprietary funds:		
Wastewater fund	43,074	-
	<b>\$ 43,074</b>	<b>\$ 43,074</b>

The balances in interfund receivables and payables resulted from the time lag between the dates that: 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.



## CITY OF ROCK SPRINGS, WYOMING

### NOTES TO FINANCIAL STATEMENTS

---

Interfund transfers for the year ended June 30, 2015 are as follows:

	Transfers In	Transfer Out
Public Housing	\$ 113,665	\$ -
Capital Fund	-	113,665
	<u>\$ 113,665</u>	<u>\$ 113,665</u>

Transfers are used to: 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and 2) use revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

During the year ended June 30, 2015, the City made transfers from the capital fund in the amount of \$113,665 to the Public Housing fund for money relating to HUD capital grant funding.

#### Note 6. Retirement Commitments

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

On July 1, 2014 the City implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions, which recognizes a long-term obligation for pension benefits. The accounting change adopted to conform to the provisions of GASB 68 has been applied retroactively by restating the beginning net position by \$12,900,779 for the fiscal year ended June 30, 2015, which included recording a net pension obligation of \$14,023,806 and deferred outflows of resources of \$1,123,027.

#### Public employees pension:

The determination of retirement benefits is dependent upon the employee's initial employment date. Service retirement tier 1 allows full retirement at age 60 or qualifies for the rule of 85. Early retirement is permitted at age 50 or 25 years of service. Formula for retirement equals 2.125% times the number of years of service times the three-year highest average salary for the first 15 years and 2.25% times the number of years of service times the three-year highest average over 15 years. Service retirement tier 2 allows full retirement at age 65 or qualifies for the rule of 85. Early retirement is permitted at age 55 or 25 years of service. Formula for retirement equals 2% times the number of years of service times the five-year highest average salary.

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

---

Contributions to the System consist of an amount equal to 15.87% of the employee's salary. The City is required by State statute to contribute 7.62% of the amount and, as permitted by statute, also contributes the employees' 8.25%. The city's and employees' combined contributions to the plan for the years ended June 30, 2015, 2014, 2013 were \$1,377,571, \$1,215,934, and \$1,134,921, respectively

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. This includes both the Paid Firemen's Pension Plan A and the Paid Firemen's Pension Plan B.

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 refunds of participant contributions without interest.

Contributions to the system consist of an amount equal to 21.245% 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%. An additional 3.245% is contributed by the employee. The city's and employees' combined contributions to the plan for the years ended June 30, 2015, 2014, 2013 were \$497,256, \$484,404, and \$448,587, respectively.

Law enforcement pension: The City participates in the State of Wyoming Law Enforcement Pension, 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 and employees' combined contributions to the plan for the years ended June 30, 2015, 2014, 2013 were \$592,379, \$573,397, and \$566,797, respectively.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions: At June 30, 2015, the City reported a liability of \$23,390,170 for its proportionate share of the net pension liability. This net pension obligation was comprised of \$8,427,943 for the Public Employees Pension Plan, \$14,432,687 for the Firemen's Pension Plan A, \$(115,054) for the Firemen's Pension Plan B, and \$644,594 for the Law Enforcement Pension Plan. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015. The City's proportion of the net pension liability was based on the relationship of the City's total contributions to the plan for the year ended December 31, 2014 to the contributions of all participating employers for the same period. The

# CITY OF ROCK SPRINGS, WYOMING

## NOTES TO FINANCIAL STATEMENTS

table below summarizes the City's share of the net position liability at December 31, 2014 and December 31, 2013.

Pension Plan	December 31, 2014 Proportion	December 31, 2013 Proportion
Public Employees Pension Plan	0.477587152%	0.481505769%
Paid Firemen's Pension Plan A	8.768998174%	11.379147754%
Paid Firemen's Pension Plan B	10.230516150%	10.334137317%
Law Enforcement Pension Plan	2.187755887%	2.180668097%

For the year ended June 30, 2015 the City recognized pension expense of \$9,089,040 comprised of \$1,011,480 for the Public Employees Pension Plan, \$7,488,316 for the Firemen's Pension Plan A, \$313,110 for the Firemen's Pension Plan B, and \$276,134 for the Law Enforcement Pension Plan.. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Total Deferred Outflows of Resources	Total Deferred Inflows of Resources
Net Difference between projected and actual earnings on pension investments	\$ 1,473,148	\$ -
Changes in proportionate share of contributions	4,356	44,736
Contributions subsequent to the measurement date	1,207,692	-
Total	\$ 2,685,196	\$ 44,736

The deferred outflows of resources for the net difference between projected and actual earnings on pension investment were \$691,018, \$266,809, \$260,750, and \$254,571 for the Public Employees Pension Plan, Firemen's Pension Plan A, Firemen's Pension Plan B, and Law Enforcement Pension Plan, respectively. The deferred outflows (inflows) of resources for the changes in proportionate share of contributions were \$(44,736), \$0, \$3,309, and \$1,047 for the Public Employees Pension Plan, Firemen's Pension Plan A, Firemen's Pension Plan B, and Law Enforcement Pension Plan, respectively. The deferred outflows or resources for the contributions subsequent to the measurement date were \$680,053, \$0, \$239,903, and \$287,736 for the Public Employees Pension Plan, Firemen's Pension Plan A, Firemen's Pension Plan B, and Law Enforcement Pension Plan, respectively.

\$1,207,692 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources pensions will be recognized in pension expense as follows:

# CITY OF ROCK SPRINGS, WYOMING

## NOTES TO FINANCIAL STATEMENTS

	Public Employees Pension Plan	Paid Firemen's Pension Plan A	Paid Firemen's Pension Plan B	Law Enforcement Pension Plan	Total
Year Ended June 30:					
2016	\$ 157,912	\$ 66,702	\$ 65,617	\$ 63,890	\$ 354,121
2017	157,912	66,702	65,617	63,890	354,121
2018	157,912	66,702	65,617	63,890	354,121
2019	172,546	66,703	65,617	63,890	368,756
2020	-	-	1,591	58	1,649
Total	\$ 646,282	\$ 266,809	\$ 264,059	\$ 255,618	\$ 1,432,768

Actuarial assumptions: The total pension liability in the January 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Assumption	Public Employees Pension Plan	Paid Firemen's Pension Plan A	Paid Firemen's Pension Plan B	Law Enforcement Pension Plan
Inflation	3.25%	3.25%	3.25%	3.25%
Salary increases	4.25% to 6.00%	4.25%	4.25% to 7.00%	4.25% to 8.00%
Investment rate of return	7.75%	7.75%	7.75%	7.75%

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale BB.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	15.00%	.98%
Equity	55.00%	6.66%
Marketable Alternatives	15.50%	4.19%
Private Markets	12.00%	7.13%
Cash	2.50%	.50%
Total	<u>100.00%</u>	

## CITY OF ROCK SPRINGS, WYOMING

### NOTES TO FINANCIAL STATEMENTS

---

Experience analysis: An experience study was conducted on behalf of all WRS' plans covering the five-year period ended December 31, 2011. That study provided a detailed analysis concerning the development of the long-term inflation rate, real rate of return and discount rate. The study also analyzed each major actuarial assumption (e.g., mortality, salary increases, retirement, termination and disability) and proposed assumptions consistent with the findings.

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

Sensitivity of the employer's proportionate share of the net pension liability to changes in the discount rate: The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Public Employees Pension Plan proportionate share of the net pension liability	\$ 13,170,319	\$ 8,427,943	\$ 4,445,441
Paid Firemen's Pension Plan A proportionate share of the net pension liability	\$ 18,453,924	\$ 14,432,687	\$ 11,211,329
Paid Firemen's Pension Plan B proportionate share of the net pension liability	\$ 1,521,121	\$ (115,054)	\$ (1,478,505)
Law Enforcement Pension Plan proportionate share of the net pension liability	\$ 2,250,717	\$ 644,593	\$ (680,836)

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued WRS financial report available from the Wyoming Retirement System, 6101 Yellowstone Road, Cheyenne, Wyoming 82002 or at <http://retirement.state.wy.us/>.

## CITY OF ROCK SPRINGS, WYOMING

### NOTES TO FINANCIAL STATEMENTS

---

#### Note 7. 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, 2015, the City paid \$3,081,955 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, 2015, capital assets with a cost of \$1,302,117, 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 2015, the City paid the JPTB \$23,760 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 President, David Halter, at P.O. Box 668, Green River, Wyoming 82935.

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.

## CITY OF ROCK SPRINGS, WYOMING

### NOTES TO FINANCIAL STATEMENTS

---

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 2015, the City paid the Board \$1,213,745.

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 Executive Director, Robin Etienne, at P.O. Box 129, Green River, WY 82935.

Sweetwater County 2013 Specific Purpose Tax Joint Powers Board Agreement: Under certain provisions of Wyoming State Statutes, the City entered into a joint powers agreement with Sweetwater County, the Cities of Green River, Granger, Superior, and Wamsutter, and the Castle Rock Special Hospital District to form the Sweetwater County 2013 Specific Purpose Tax Joint Powers Board to finance construction of infrastructure of the participating entities in Sweetwater County using 1% specific purpose sales and use tax proceeds. The total approved specific purpose tax was \$81,816,412 with \$30,689,204 designated for various projects for the City of Rock Springs as well as related bond costs. The agreement includes lease payments which are required to be made to the Joint Powers Board. The 1% specific purpose sales and use tax proceeds can only be used to make the lease payments to the Joint Powers Board. The lease payments are made out of the 1% specific purpose sales tax proceeds collected by Sweetwater County and remitted directly to the board trustee on behalf of the city. The lease payments are due as follows:

Fiscal Year	Lease Payments
2016	5,097,685
2017	5,574,322
2018	6,409,794
2019	3,548,491
Total	20,630,292

The City of Rock Spring's share of the collections remitted to the trustee by Sweetwater County was \$6,653,523 and \$6,681,124, for the years ended June 30, 2015 and 2014, respectively. For the year ended June 30, 2015, the tax revenue was allocated as follows: \$2,122,279 to the general fund; \$1,999,637 to the water fund; and \$2,531,607 to the wastewater fund. The proceeds were allocated as follows for the year ended June 30, 2014: \$3,862,094 to the general fund; \$155,865 to the water fund; and \$2,663,165 to the wastewater fund

The Board consists of seven members: one member from Sweetwater County and one member from each of the six participating entities. 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, Clark Stith, at the City of Rock Springs, 212 D Street, Rock Springs, WY 82901.

# CITY OF ROCK SPRINGS, WYOMING

## NOTES TO FINANCIAL STATEMENTS

---

### Note 8. Contingencies and Commitments

At various times, claims and lawsuits are pending against the City. These claims and lawsuits are, in the opinion of management, ordinary routine matters incidental to the normal business conducted by the City. City management and legal counsel are of the opinion that such proceedings are substantially covered by insurance and the City's 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.

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, 2015 of \$250,729. Changes in the IBNR from fiscal years 2015 and 2014 were as follows:

	At Fiscal Year-End Liability	Estimated Claims Incurred	Claim Payments	At Fiscal Year-End Liability
Fiscal Year 2013-2014	\$ 330,504	\$ 2,945,891	\$ (2,975,863)	\$ 300,532
Fiscal Year 2014-2015	\$ 300,532	\$ 2,790,072	\$ (2,839,875)	\$ 250,729



## CITY OF ROCK SPRINGS, WYOMING

### NOTES TO FINANCIAL STATEMENTS

---

At June 30, 2015, the City was obligated for construction and other commitments as follows:

Governmental activities:	Encumbered
General government	\$ 181,458
Public safety	161,227
Public works	7,603,557
Culture and recreation	88,671
Total governmental activities	<u>\$ 8,034,913</u>
Business-type activities:	
Wastewater	\$ 366,664
Water	5,439,989
Public Housing	30,356
Total business-type activities	<u>\$ 5,837,009</u>

Note 9. Due to State of Wyoming

The Wastewater fund has the following 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, 2015 was \$7,214,993. 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 *Sunset Sewer* loan (original loan \$500,000, interest at 2.5%) was paid off during fiscal year 2015.

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, 2015 was \$555,030. 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:

	Total	Principal	Interest
Year ending June 30:			
2016	\$ 769,329	\$ 574,438	\$ 194,891
2017	769,329	588,798	180,531
2018	769,329	603,518	165,811
2019	769,329	618,606	150,723
2020	769,329	634,072	135,257
2021 - 2025	3,844,075	3,413,639	430,436
2026 - 2029	1,388,162	1,336,952	51,210
	<u>\$ 9,078,882</u>	<u>\$ 7,770,023</u>	<u>\$ 1,308,859</u>

## CITY OF ROCK SPRINGS, WYOMING

### NOTES TO FINANCIAL STATEMENTS

---

The City has entered into agreements with the Wyoming State Loan and Investment Board 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, 2015 was \$1,608,014. 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, 2015 was \$832,181. 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, 2015 was \$561,420. 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, 2015 was \$877,453. The loan is secured by the pledge and assignment of revenues from the City's Water Fund.

Annual debt service requirements to maturity are as follows:

	Total	Principal	Interest
Year ending June 30:			
2016	\$ 412,235	\$ 315,459	\$ 96,776
2017	412,235	323,327	88,908
2018	412,235	331,392	80,843
2019	412,236	339,657	72,578
2020	412,237	348,130	64,107
2021 - 2025	1,846,718	1,640,282	206,436
2026 - 2029	609,816	580,821	28,995
	<u>\$ 4,517,712</u>	<u>\$ 3,879,068</u>	<u>\$ 638,643</u>

# CITY OF ROCK SPRINGS, WYOMING

## NOTES TO FINANCIAL STATEMENTS

### Note 10. Long-Term Obligations

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

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Due Within One Year
Governmental Activities:					
Compensated absences	\$ 2,147,157	\$ 1,700,574	\$ (1,663,513)	\$ 2,184,218	\$ 1,432,423
2013 specific purpose tax financing	1,793,238	341,992	(2,122,279)	12,951	12,951
Net pension obligation	14,023,806	9,366,364	-	23,390,170	-
Net OPEB obligation	974,219	97,968	-	1,072,187	-
<b>Total governmental long-term obligations</b>	<b>18,938,420</b>	<b>11,506,898</b>	<b>(3,785,792)</b>	<b>26,659,526</b>	<b>1,445,374</b>
Business Type Activities:					
Wastewater fund - due to other governmental entities	8,630,080	-	(860,057)	7,770,023	574,438
Wastewater- 2013 specific purpose tax financing	2,525,233	6,625	(2,531,607)	251	251
Water fund - due to other governmental entities	1,722,227	-	(114,213)	1,608,014	116,850
Water-JPWB loan	2,464,836	-	(193,782)	2,271,054	198,609
Water- 2013 specific purpose tax financing	701,936	1,348,780	(1,999,637)	51,079	51,079
Compensated absences	240,285	213,401	(231,258)	222,428	154,947
<b>Total business-type long-term obligations</b>	<b>16,284,597</b>	<b>1,568,806</b>	<b>(5,930,554)</b>	<b>11,922,849</b>	<b>1,096,174</b>
<b>Total long-term obligations</b>	<b>\$ 35,223,017</b>	<b>\$ 13,075,704</b>	<b>\$ (9,716,346)</b>	<b>\$ 38,582,375</b>	<b>\$ 2,541,548</b>

See note 7 for additional information regarding the 2013 specific purpose tax financing.

### Note 11. 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 eight 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

## CITY OF ROCK SPRINGS, WYOMING

### NOTES TO FINANCIAL STATEMENTS

---

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 2015, the City contributed \$0 to the plan. Plan members receiving benefits contributed \$72,561 or 100% of the total premiums, through their required contribution of \$671.45. (\$681.06 for Post-Medicare) per month for retiree-only coverage and \$671.45 (\$681.06 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:

Annual required contribution	\$ 169,522
Interest on net OPEB obligation	38,969
Adjustment to annual required contribution	(37,962)
Annual OPEB cost	<u>170,529</u>
Net estimated employer contributions	(72,561)
Increase in net OPEB obligation	<u>97,968</u>
Net OPEB obligation, beginning of year	<u>974,219</u>
Net OPEB obligation, end of year	<u><u>\$ 1,072,187</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	144,907	37.4%	901,720
June 30, 2014	149,323	51.4%	974,219
June 30, 2015	170,529	42.6%	1,072,187

## CITY OF ROCK SPRINGS, WYOMING

### NOTES TO FINANCIAL STATEMENTS

---

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

As of July 1, 2014, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$1,765,352, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,765,352. For the fiscal year ended June 30, 2015, the covered payroll (annual payroll of active employees covered by the plan) was \$14,966,204, and the ratio of the UAAL to the covered payroll was 11.8%. 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.

In the July 1, 2014 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 4.0% discount rate, a 3.0% salary growth rate, and an annual healthcare cost trend rate of 7.5% per year pre and post Medicare eligible, grading to a rate of 4.5% after 12 years. Both rates included a 3.0% inflation assumption. 45% of future retired participants age 55 or over or 15% under age 55 were projected to opt for health care coverage, and 100% of current retired participants were projected to continue coverage. 35% of future retirees who opted for healthcare were projected to cover a spouse.

#### Note 12. Fund Balance Classifications

Certain components of fund balance have been aggregated on the face of the financials. Below is the detail to the aggregated fund balance:

## CITY OF ROCK SPRINGS, WYOMING

### NOTES TO FINANCIAL STATEMENTS

---

	Governmental Fund General Fund
Nonspendable:	
Inventories	\$ 479,870
Prepaid expenses	234,175
	<u>\$ 714,045</u>
Committed:	
Cash reserve	\$ 9,495,835
Capital replacement	6,861,203
Compensated absences/OPEB	1,350,250
General government	155,883
Public safety	57,150
Public works	7,519,362
Culture and recreation	68,200
	<u>\$ 25,507,883</u>
Assigned:	
General government	\$ 25,575
Culture and recreation	20,471
Public safety	104,077
Public works	84,195
Cash carryover	4,946,275
	<u>\$ 5,180,593</u>

#### Note 13. Recent Pronouncements

In June 2012, the Governmental Accounting Standards Board issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which replaces GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*, for most government pensions. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). Accounting changes adopted to conform to the provisions of this statement were applied beginning in the year ended June 30, 2015 retroactively by restating the beginning net position. See discussion of prior period restatement in Note 6.

In February 2015, the GASB issued GASB Statement No. 72, *Fair Value Measurement and Application*. The statement is effective for years beginning after June 15, 2015. The effect that the adoption of this statement will have on the City's financial statements has not been determined.

## 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, as well as the Schedule of the Proportionate Share of the Net Pension Liability and the Schedule of Pension Contributions relating to the City's retirement commitment with Wyoming Retirement System.

**CITY OF ROCK SPRINGS, WYOMING**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes:				
Property taxes	\$ 1,600,000	\$ 1,600,000	\$ 2,370,412	770,412
Occupation tax	50,000	50,000	65,100	15,100
Franchise tax	540,000	540,000	726,251	186,251
Sales and use tax	19,972,161	20,223,366	22,498,436	2,275,070
Cigarette tax	165,000	165,000	170,318	5,318
Wholesale gas tax	550,000	550,000	655,159	105,159
Mineral severance tax	857,956	857,956	859,122	1,166
Special fuels tax	153,000	153,000	260,806	107,806
	<u>23,888,117</u>	<u>24,139,322</u>	<u>27,605,604</u>	<u>3,466,282</u>
Licenses and permits:				
Liquor licenses	60,102	60,102	79,319	19,217
Malt beverage and catering	3,500	3,500	4,650	1,150
Building fees and permits	450,000	450,000	537,821	87,821
Animal licenses	21,000	21,000	21,753	753
Contractor licenses	60,100	60,100	74,375	14,275
Road impact fees	100	100	-	(100)
	<u>594,802</u>	<u>594,802</u>	<u>717,918</u>	<u>123,116</u>
Inter-governmental revenue:				
Mineral royalties	976,155	976,155	987,177	11,022
Federal, state, and county grants	1,572,363	3,092,413	1,305,225	(1,787,188)
Supplemental local government/impact assistance funding	1,641,305	1,737,955	2,031,625	293,670
	<u>4,189,823</u>	<u>5,806,523</u>	<u>4,324,027</u>	<u>(1,482,496)</u>
Charges for services:				
Golf course	750,000	750,000	684,496	(65,504)
Civic center	185,000	185,000	189,199	4,199
Indoor recreation	600,000	600,000	654,362	54,362
Field usage fees	12,000	12,000	11,685	(315)
Rents and concessions	53,500	53,500	55,535	2,035
Inter-fund administrative charges	147,260	147,260	146,523	(737)
Special police and fire services	2,000	2,000	12,690	10,690
Maps, publications and copies	2,000	2,000	5,565	3,565
Sale of cemetery lots	5,000	5,000	18,750	13,750
Miscellaneous cemetery fees	15,000	15,000	16,700	1,700
Sale of property	-	-	2,434	2,434
Sale of materials or supplies	212,800	212,800	214,082	1,282
Animal adoption	7,500	7,500	12,651	5,151
Advertising fees	2,500	2,500	3,285	785
	<u>1,994,560</u>	<u>1,994,560</u>	<u>2,027,957</u>	<u>33,397</u>

Continued



**CITY OF ROCK SPRINGS, WYOMING**  
**BUDGETARY COMPARISON SCHEDULE (continued)**  
**GENERAL FUND**  
**For the Year Ended June 30, 2015**

	<b>Budgeted Amounts</b>			<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Final Budget</b>
Fines and forfeitures:				
Municipal court fees and parking fines	\$ 321,000	\$ 321,000	\$ 375,394	\$ 54,394
Animal fines	21,000	21,000	25,095	4,095
	<u>342,000</u>	<u>342,000</u>	<u>400,489</u>	<u>58,489</u>
Miscellaneous:				
Blue Cross Blue Shield	628,000	649,101	702,890	53,789
Miscellaneous reimbursements	30,000	113,893	165,070	51,177
Refund of overpayments and insurance reimbursement	5,000	5,000	32,734	27,734
Contributions and donations	700	700	2,708	2,008
Sundry revenues	3,700	4,875	302,122	297,247
	<u>667,400</u>	<u>773,569</u>	<u>1,205,524</u>	<u>431,955</u>
Other income:				
Interest	50,000	50,000	129,469	79,469
Transfers	1,706,082	1,706,082	635,381	(1,070,701)
	<u>1,756,082</u>	<u>1,756,082</u>	<u>764,850</u>	<u>(991,232)</u>
<b>Total revenues</b>	<u>33,432,784</u>	<u>35,406,858</u>	<u>37,046,369</u>	<u>1,639,511</u>

Continued

**CITY OF ROCK SPRINGS, WYOMING**  
**BUDGETARY COMPARISON SCHEDULE (continued)**  
**GENERAL FUND**  
**For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Expenditures</b>				
General government:				
Legislative	\$ 443,635	\$ 443,635	\$ 302,333	141,302
Judicial	555,451	555,451	526,549	28,902
Finance	1,027,552	1,027,552	955,102	72,450
Municipal court	447,001	447,001	323,031	123,970
Information technology	728,340	741,340	588,669	152,671
Human Resources	177,374	177,374	144,393	32,981
City buildings	458,001	458,001	300,185	157,816
Urban renewal	1,549,596	1,736,419	1,531,124	205,295
	<u>5,386,950</u>	<u>5,586,773</u>	<u>4,671,386</u>	<u>915,387</u>
Public safety:				
Police department	8,861,322	8,861,322	7,989,137	872,185
Animal control	314,914	314,914	295,013	19,901
Emergency management	358,763	358,763	164,766	193,997
Fire department	6,583,589	6,583,589	4,993,762	1,589,827
	<u>16,118,588</u>	<u>16,118,588</u>	<u>13,442,678</u>	<u>2,675,910</u>
Public works:				
Public works administration, engineering	1,076,049	1,076,049	783,680	292,369
Planning and inspection	1,228,265	1,230,950	1,157,231	73,719
Street department	10,585,686	13,348,005	13,078,534	269,471
Vehicle maintenance	762,626	770,626	573,018	197,608
Cemetery	869,076	869,076	560,608	308,468
	<u>14,521,702</u>	<u>17,294,706</u>	<u>16,153,071</u>	<u>1,141,635</u>
Culture and recreation:				
Parks and recreation	1,512,631	1,599,948	1,388,951	210,997
Golf course	1,955,437	1,955,437	1,905,490	49,947
Civic center	1,646,939	1,666,308	1,545,441	120,867
Historical museum	241,574	241,574	212,232	29,342
Indoor recreation	2,977,303	2,977,507	2,866,206	111,301
	<u>8,333,884</u>	<u>8,440,774</u>	<u>7,918,320</u>	<u>522,454</u>
Nondepartmental	<u>2,106,392</u>	<u>2,613,042</u>	<u>1,932,041</u>	<u>681,001</u>
Transfers	<u>1,456,082</u>	<u>1,456,082</u>	<u>210,381</u>	<u>1,245,701</u>
<b>Total expenditures</b>	<u>47,923,598</u>	<u>51,509,965</u>	<u>44,327,877</u>	<u>7,182,088</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>\$ (14,490,814)</u>	<u>\$ (16,103,107)</u>	<u>\$ (7,281,508)</u>	<u>\$ 8,821,599</u>

*The notes to the required supplementary information are an integral part of this schedule*

## **CITY OF ROCK SPRINGS, WYOMING**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2015**

---

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

The budgetary comparison schedule – 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 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, 2015

---

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

	<u>General 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	\$ 37,046,369
Differences - Budget Basis to GAAP	
Transfers to the reserves fund within the General Fund	<u>(635,381)</u>
 Total revenues and other financing sources as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	 <u><u>\$ 36,410,988</u></u>
<b>Expenditures</b>	
Actual Amounts (budgetary basis) from the schedule of revenues, expenditures and changes in fund balance - budget (budgetary basis) and actual	\$ 44,327,877
Transfers to the reserves fund within the General Fund	(635,381)
Differences - Encumbrances included on the budgetary basis, not included in GAAP based expenditures	<u>(8,034,913)</u>
 Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	 <u><u>\$ 35,657,583</u></u>

**CITY OF ROCK SPRINGS, WYOMING**

**SCHEDULE OF OPEB FUNDING PROGRESS**  
**For the Year Ended June 30, 2015**

---

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, 2015	July 1, 2014	\$ -	\$1,765,352	\$1,765,352	0%	\$14,966,204	11.8%
June 30, 2014	July 1, 2012	\$ -	\$1,597,566	\$1,597,566	0%	\$14,620,831	10.9%
June 30, 2013	July 1, 2012	\$ -	\$1,597,566	\$1,597,566	0%	\$14,268,655	11.2%
June 30, 2012	July 1, 2010	\$ -	\$3,713,385	\$3,713,385	0%	\$14,366,022	25.8%
June 30, 2011	July 1, 2010	\$ -	\$3,713,385	\$3,713,385	0%	\$14,509,520	25.6%
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%

# CITY OF ROCK SPRINGS, WYOMING

## SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY For the Year Ended June 30, 2015 and 2014

	Public Employee Pension Plan	Public Employee Pension Plan	Paid Firemen's Plan A	Paid Firemen's Plan A	Paid Firemen's Plan B	Paid Firemen's Plan B	Law Enforcement Pension Plan	Law Enforcement Pension Plan
	2015	2014	2015	2014	2015	2014	2015	2014
City's proportion of the net pension liability (asset)	0.477587152%	0.481505769%	8.768998174%	11.379147754%	10.230516150%	10.334137317%	2.187755887%	2.180668097%
City's proportionate share of the net pension liability (asset)	8,427,943	7,320,816	14,432,687	6,677,562	(115,054)	(372,746)	644,594	398,175
City's covered employee payroll	8,656,527	8,364,912	114,724	99,310	2,751,686	2,822,902	3,443,267	3,333,707
City's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	98%	88%	12581%	6724%	-4%	-13%	19%	12%
Plan fiduciary net position as a percentage of the total pension liability	79.08%	81.10%	45.95%	71.55%	100.98%	103.45%	94.76%	96.53%

\* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

\*\* There were no changes in benefit terms or assumptions between the December 31, 2013 measurement date and the December 31, 2014 measurement date.

**CITY OF ROCK SPRINGS, WYOMING**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**For the Year Ended June 30, 2015 and 2014**

	Public Employee Pension Plan 2015	Public Employee Pension Plan 2014	Paid Firemen's Plan A 2015	Paid Firemen's Plan A 2014	Paid Firemen's Plan B 2015	Paid Firemen's Plan B 2014	Law Enforcement Pension Plan 2015	Law Enforcement Pension Plan 2014
Contractually required contribution	659,627	595,582	-	-	330,202	338,748	296,121	286,699
Contributions in relation to the contractually required contribution	659,627	595,582	-	-	330,202	338,748	296,121	286,699
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
City's covered employee payroll	8,656,527	8,364,912	114,724	99,310	2,751,686	2,822,902	3,443,267	3,333,707
Contributions as a percentage of covered employee payroll	7.62%	7.12%	0.00%	0.00%	12.00%	12.00%	8.60%	8.60%

\* There were no changes in benefit terms or assumptions between the December 31, 2013 measurement date and the December 31, 2014 measurement date.

## HOUSING AUTHORITY



**CITY OF ROCK SPRINGS, WYOMING**  
**COMBINING STATEMENT OF NET POSITION**  
**HOUSING AUTHORITY**  
**June 30, 2015**

<b>ASSETS</b>	<b>Public Housing</b>	<b>Section 8 Vouchers</b>	<b>Supportive Housing</b>	<b>Total</b>
Current assets:				
Cash and investments	\$ 390,756	\$ 37,651	\$ 4,636	\$ 433,043
Accounts receivable (net of allowance for uncollectibles)	3,845	-	-	3,845
Inventories	1,774	-	-	1,774
Prepaid expenses	12,673	-	-	12,673
Total current assets	409,048	37,651	4,636	451,335
Noncurrent assets:				
Capital assets, net of accumulated depreciation	1,943,722	-	-	1,943,722
Total assets	2,352,770	37,651	4,636	2,395,057
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	50,989	2,195	-	53,184
Customer and security deposits	38,050	-	-	38,050
Compensated absences	21,317	-	-	21,317
Total current liabilities	110,356	2,195	-	112,551
Noncurrent liabilities:				
Compensated absences	6,082	-	-	6,082
Total liabilities	116,438	2,195	-	118,633
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Revenues	3,719	-	-	3,719
<b>NET POSITION</b>				
Net investment in capital assets	1,943,722	-	-	1,943,722
Restricted	288,891	35,456	4,636	328,983
Total net position	\$ 2,232,613	\$ 35,456	\$ 4,636	\$ 2,272,705

**CITY OF ROCK SPRINGS, WYOMING**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET POSITION**  
**HOUSING AUTHORITY**  
**For the Year Ended June 30, 2015**

	<b>Public Housing</b>	<b>Section 8 Vouchers</b>	<b>Supportive Housing</b>	<b>Capital Fund</b>	<b>Total</b>
Operating revenues:					
Tenant rental revenue	\$ 324,688	\$ -	\$ -	\$ -	\$ 324,688
Other tenant revenue	14,809	-	-	-	14,809
Total operating revenue	339,497	-	-	-	339,497
Operating expenses:					
Personnel	337,834	21,247	-	-	359,081
Utilities	91,354	-	-	-	91,354
Postal/freight	1,817	-	-	-	1,817
Communications	2,688	-	-	-	2,688
Office supplies and printing	4,437	-	-	-	4,437
Repairs and maintenance	106,913	888	-	-	107,801
Travel	2,908	-	-	-	2,908
Administrative costs	6,900	-	-	-	6,900
Other costs	15,044	-	-	-	15,044
Depreciation	304,324	-	-	-	304,324
Audit and legal	4,000	1,000	-	-	5,000
Consulting and collection	6,365	-	-	-	6,365
Insurance	22,851	-	-	-	22,851
Housing assistance payments	-	276,514	-	-	276,514
Total operating expenses	907,435	299,649	-	-	1,207,084
Operating (loss)	(567,938)	(299,649)	-	-	(867,587)
Nonoperating revenues (expenses):					
HUD PHA grants	264,305	244,237	-	113,665	622,207
Investment income	680	174	-	-	854
Other income (loss)	-	-	-	-	-
Total nonoperating revenue (expense)	264,985	244,411	-	113,665	623,061
Income (loss) before transfers	(302,953)	(55,238)	-	113,665	(244,526)
Transfers in	113,665	-	-	-	113,665
Transfers out	-	-	-	(113,665)	(113,665)
Change in net position	(189,288)	(55,238)	-	-	(244,526)
Net position, beginning	2,421,901	90,694	4,636	-	2,517,231
Net position, ending	\$ 2,232,613	\$ 35,456	\$ 4,636	\$ -	\$ 2,272,705

**CITY OF ROCK SPRINGS, WYOMING**  
**SCHEDULE OF EXPENDITURES OF**  
**FEDERAL AWARDS**  
**For the Year Ended June 30, 2015**

	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Housing and Urban Development</b>		
Public Housing Capital Fund	14.872	\$ 113,665
Public and Indian Housing	14.850	264,305
Section 8 Housing Choice Vouchers	14.871	244,237
<b><i>Total U.S. Department of Housing and Urban Development</i></b>		<b><u>622,207</u></b>
<b>U.S. Department of Transportation</b>		
Passed through the Wyoming Department of Transportation: State and Community Highway Safety	20.600	12,859
<b>U.S. Department of Agriculture</b>		
Passed through the Wyoming State Forestry Division Cooperative Forestry Assistance	10.664	<u>19,000</u>
<b>U.S. Department of Homeland Security</b>		
Passed through the Wyoming Office of Homeland Security: Homeland Security Grant Program	97.067	111,576
Passed through the Rock Springs-Sweetwater County Airport Board: Law Enforcement Officer Reimbursement Agreement Program	97.090	25,813
<b><i>Total U.S. Department of Homeland Security</i></b>		<b><u>137,389</u></b>
<b>U.S. Department of Justice</b>		
Bullet Proof Vest Partnership Program	16.607	4,892
Edward Byrne Memorial Justice Assistance Grant Program	16.738	<u>3,720</u>
Passed through the Wyoming Association of Sheriffs and Chiefs of Police: Enforcing Underage Drinking Laws Program	16.727	<u>20,524</u>
<b><i>Total U.S. Department of Justice</i></b>		<b><u>29,136</u></b>
<b>Total Federal awards expended</b>		<b><u>\$ 820,591</u></b>

## **CITY OF ROCK SPRINGS, WYOMING**

### **NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2015**

---

#### **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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the 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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 13, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2015-001 that we consider to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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*.

## **The City's Response to Finding**

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "McGee, Heurne & Paiz, LLP". The signature is written in a cursive, flowing style.

Cheyenne, Wyoming  
November 13, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL OVER COMPLIANCE REQUIRED  
BY OMB CIRCULAR A-133**

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

**Report on Compliance for Each Major Federal Program**

We have audited the City of Rock Springs, Wyoming's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major Federal programs for the year ended June 30, 2015. 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.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major Federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major Federal program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of 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, 2015.



## **Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "McGee, Hearne & Paiz, LLP". The signature is written in a cursive, flowing style.

Cheyenne, Wyoming  
November 13, 2015

CITY OF ROCK SPRINGS, WYOMING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

---

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

A. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?            Yes   X   No
- Significant deficiency(ies) identified?   X   Yes            None reported

Noncompliance material to financial statements noted?            Yes   X   No

B. Federal Awards

Internal control over major Federal programs:

- Material weakness(es) identified?            Yes   X   No
- Significant deficiency(ies) identified?            Yes   X   None reported

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

- 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 Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.871	Section 8 Housing Choice Vouchers

- 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, 2015

---

#### II. FINANCIAL STATEMENT FINDINGS

##### **2015-001: Audit Adjustments**

**Condition:** As part of our audit, significant adjustments were proposed and recorded in order to properly state the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

**Criteria:** Under professional standards, the control deficiency exists as City personnel did not identify the adjusting journal entries, which were significant to the City's financial statements prepared in accordance with GAAP.

**Cause:** The Senior Accountant has experience in financial statements prepared in accordance with GAAP. However, as a result of inexperienced staff involved in various processes during the current year (i.e., capital assets, inventory), as well as a limited amount of time available for accounting staff to review and prepare for the audit, certain adjustments were required in fiscal year 2015 that had not been required in prior years. It was mainly in these areas where the adjustments were not identified by City personnel.

**Effect:** Significant adjustments identified during the audit included:

- Adjustment to capitalize a piece of equipment in the Water Fund that was incorrectly expensed in the current year.
- Adjustment to reflect Water Fund inventory at its proper value as of June 30, 2015.

**Recommendation:** We recommend the City review its policies and procedures to ensure that staff are properly trained and that complete and accurate information is available and evaluated in a timely manner to properly record transactions in accordance with GAAP.

**Auditee response:** The errors were not an indication that there is a problem with the quality of the information provided for the financial statements. The piece of equipment that was not capitalized represents 0.08% of total capital assets reported and the inventory adjustments represent 8.37% of total inventory reported. Combined, the adjustments represented 0.08% of all assets accounted for. Management will implement new inventory and capitalization processes to gain better efficiency and effectiveness in controls.

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

None

**CITY OF ROCK SPRINGS, WYOMING**

**SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS**  
**For the Year Ended June 30, 2015**

---

There were no Federal audit findings in the prior year.