

CITY OF ROCK SPRINGS, WYOMING

FINANCIAL AND COMPLIANCE REPORT

JUNE 30, 2014

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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, 2014, 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 opinion.

Opinion

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, 2014, 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.

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, and schedule of funding progress on pages 46 – 51 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 December 11, 2014 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
December 11, 2014

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, 2014. When read in conjunction with the financial statements, this section's financial highlights, overview, and analysis should assist the reader in gaining a more complete knowledge of the city's financial performance.

FINANCIAL HIGHLIGHTS

The assets of the city exceed its liabilities and deferred inflows of resources at the close of June 30, 2014 by \$201,320,132 (reported as net position). Of this amount, \$63,514,822 (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.

The city's total net position increased by \$4,129,983. A majority of the increase was related to the construction of capital assets, including some large infrastructure projects. Net position for governmental activities increased by \$1,504,494 or 1.1% while net position for business-type activities increased by \$2,625,489 or 4.2%.

At the close of the year, the city's general fund reported an ending fund balance of \$36,540,373, an increase of \$368,505 or 0.1% from the prior year. Of this amount, \$11,861,047 is available for spending at the city's discretion (unassigned fund balance).

Total long-term obligations had a net increase of \$4,312,147 (26%) from the prior year. This is primarily due to the financing arrangement with the 2013 Specific Purpose Tax Joint Powers Board.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the city's basic financial statements. The basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains additional required supplementary information (budgetary schedule and schedule of funding progress) and other supplementary information in addition 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 and liabilities, with the difference between the two reported as net position. The statements provide 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. Such a reconciliation is 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, and a schedule of funding progress for the City's other post-employment benefit plan, are reported as required supplementary information, which begins on page 46. Also, individual fund statements and other supplementary information can be found starting on page 52 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)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	44.76	44.25	33.42	31.91	78.18	76.16
Capital assets	101.03	98.14	49.93	47.52	150.96	145.66
Total assets	145.79	142.39	83.35	79.43	229.14	221.82
Current liabilities	6.64	5.00	5.72	3.51	12.36	8.51
Non-current liabilities	1.75	1.60	12.00	12.92	13.75	14.52
Total liabilities	8.39	6.60	17.72	16.43	26.11	23.03
Deferred inflows of resources	1.70	1.60	-	-	1.70	1.60
Net investment in capital assets	99.23	98.14	37.05	36.48	136.28	134.62
Restricted	0.36	0.59	1.17	1.23	1.53	1.82
Unrestricted	36.11	35.46	27.41	25.29	63.52	60.75
Total net position	135.70	134.19	65.63	63.00	201.33	197.19

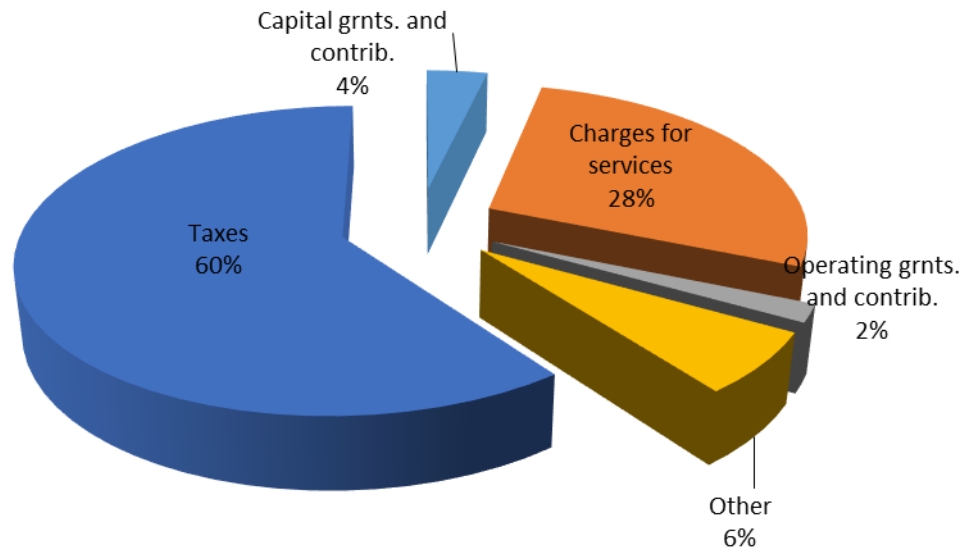
As depicted, at June 30, 2014, the city's assets exceeded liabilities and deferred inflows of resources by approximately \$201.33 million (net position). 68% of this amount is represented by the investment in capital assets, net of related debt. Due to the nature of these assets – long-term assets which are not readily convertible to liquid assets – they are not considered to be available for spending or appropriation.

Changes in net position: As taken from the government-wide statement of activities, the following table depicts the changes in net position for 2014

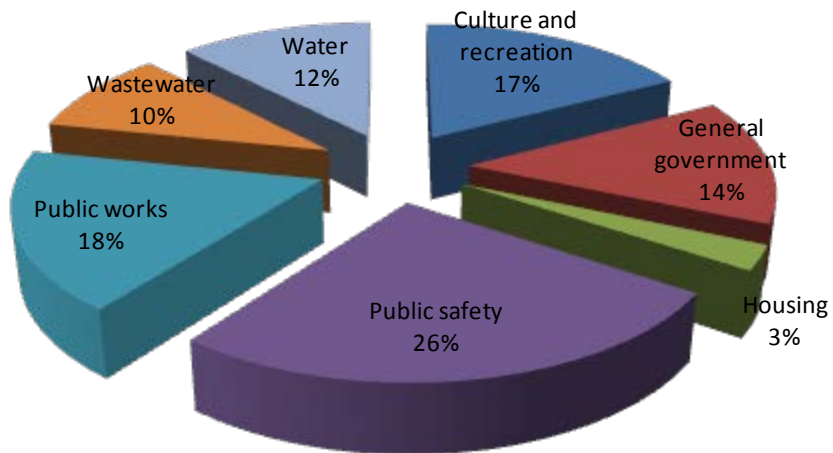
City of Rock Springs
Summary of Changes in Net Position
(expressed in millions)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	3.00	3.12	11.50	11.59	14.50	14.71
Operating grants and contribution	0.42	0.56	0.57	0.55	0.99	1.11
Capital grants and contribution	1.46	0.91	0.45	1.36	1.91	2.27
General revenues:						
Sales and use tax	23.94	22.33	1.72	1.39	25.66	23.72
Mineral severance and royalties tax	1.86	1.83	-	-	1.86	1.83
Property tax	2.28	2.18	-	-	2.28	2.18
Franchise tax	0.72	0.69	-	-	0.72	0.69
Gas and special fuels tax	0.89	0.55	-	-	0.89	0.55
Other taxes	0.24	0.25	-	-	0.24	0.25
Supp. local government funding	1.90	1.29	-	-	1.90	1.29
Investment earnings	0.15	0.03	0.15	(0.01)	0.30	0.02
Miscellaneous	1.12	0.77	0.08	0.09	1.20	0.86
Total revenues	37.98	34.51	14.47	14.97	52.45	49.48
Expenses:						
General government	6.86	5.62	-	-	6.86	5.62
Public safety	12.65	12.45	-	-	12.65	12.45
Public works	8.62	8.02	-	-	8.62	8.02
Culture and recreation	8.35	8.00	-	-	8.35	8.00
Water	-	-	5.92	8.04	5.92	8.04
Wastewater	-	-	4.60	4.47	4.60	4.47
Housing	-	-	1.33	1.35	1.33	1.35
Total expenses	36.48	34.09	11.85	13.86	48.33	47.95
Transfers	0.00	0.07	0.00	(0.07)	0.00	-
Change in net position	1.50	0.49	2.62	1.04	4.12	1.53
Net position, beginning of year	134.19	133.70	63.00	61.96	197.19	195.66
Net position, end of year	135.69	134.19	65.62	63.00	201.31	197.19

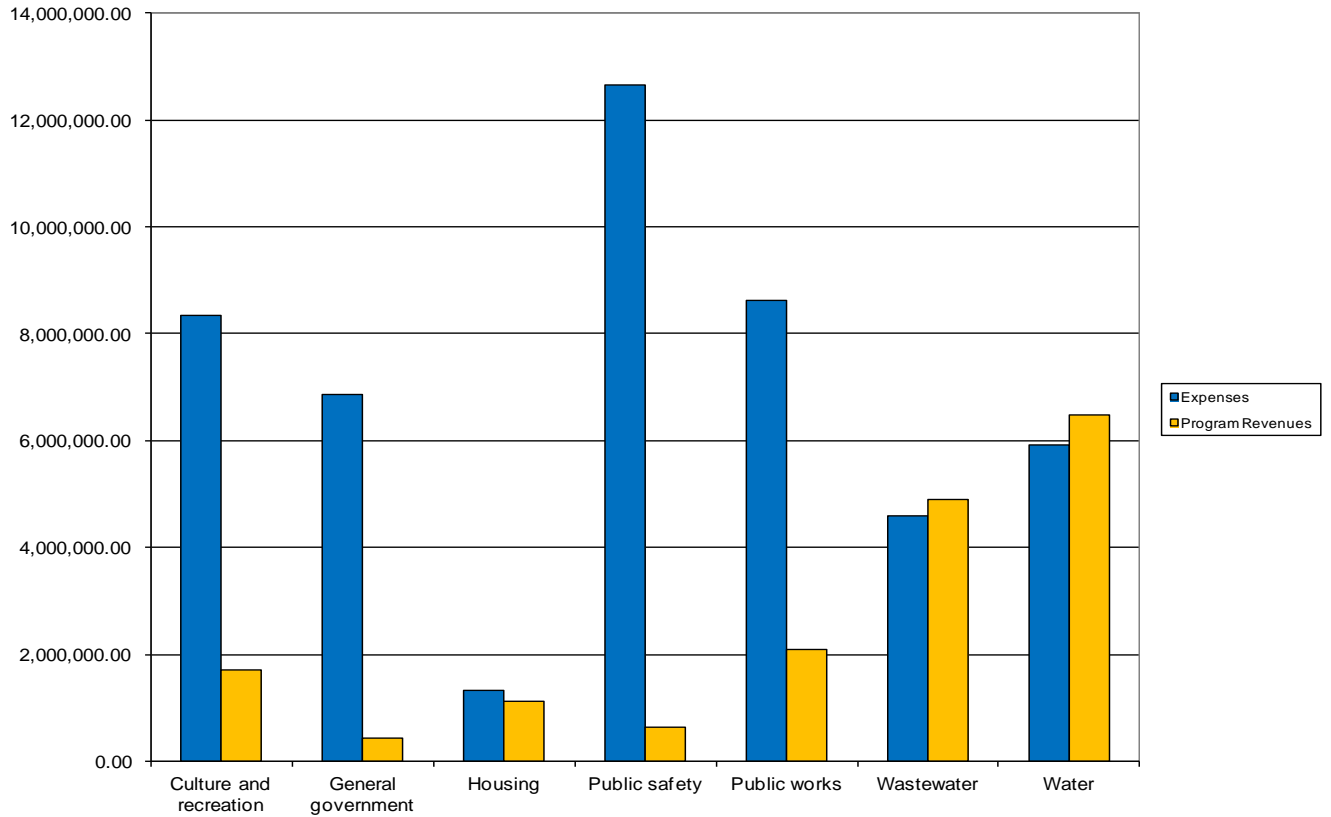
Total Government-Wide Revenues
Fiscal Year Ended June 30, 2014



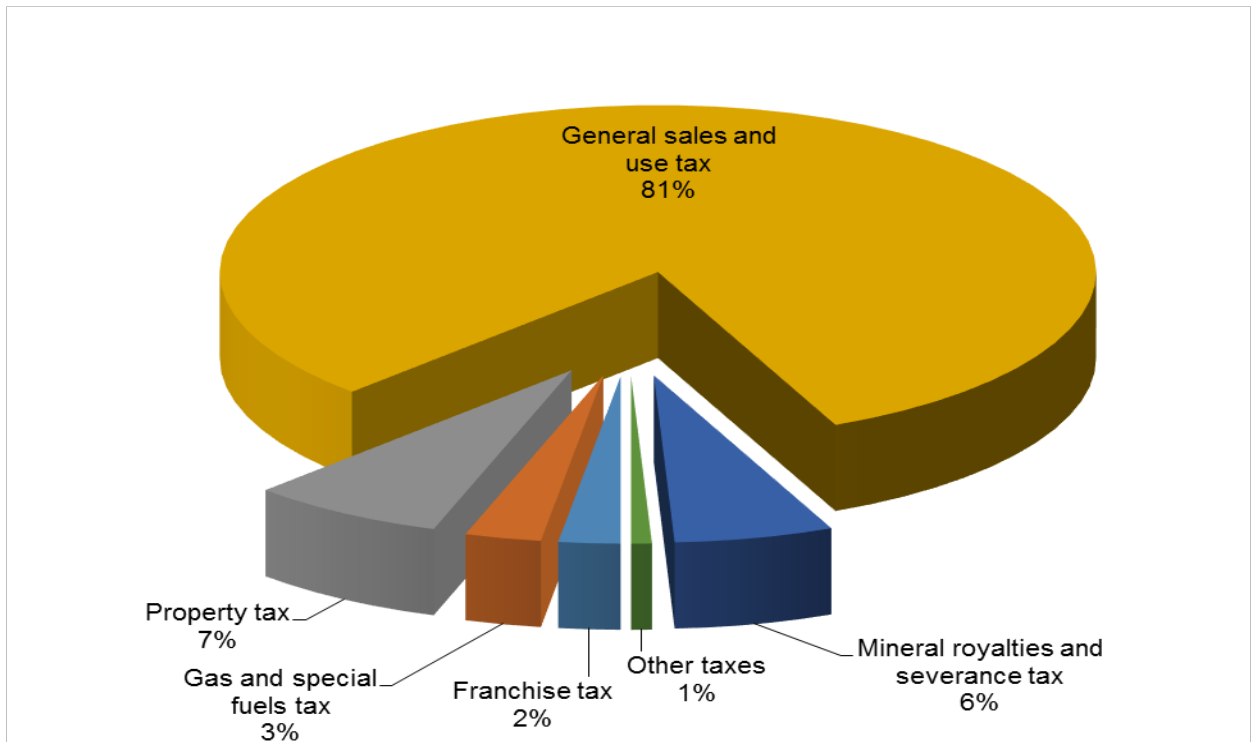
Total Government-Wide Expenses
Fiscal Year Ended June 30, 2014



**Expenses and Program Revenue
Fiscal Year Ended June 30, 2014**



**Tax Revenue
Fiscal Year Ended June 30, 2014**



Governmental activities increased the city's net position by \$1.50 million. This change in net position is an increase from last year's change in net position by approximately 206%. Key elements of the change in net position include:

- Sales and use tax revenue comprises approximately 63% of total governmental activities revenues. These taxes increased by approximately \$1.61million or 7% from the previous year. This was largely due to an increase in 6th cent sales tax collections.
- Public Safety is the largest category of governmental expenses, representing 35% of the total. Culture and Recreation represents approximately 23% of governmental expenses while public works represents approximately 24% of governmental expenses. Total governmental expenses for the year were \$2.39 million higher this year compared to the prior year.

The business-type activities include the water, wastewater, and the housing authority funds. These activities increased net position by \$2.62 million. This change in net position is an increase from last year's change in net position by approximately 152%. Key elements of the change in net position include:

- The water fund charges for services decreased by approximately 3% from the prior year. Wastewater fund charges for services increased by approximately 3% from the prior year. Overall housing authority operating revenue decreased approximately 2% from the prior year.
- Total business-type activity operating expenses were consistent this year compared to the prior year.

Financial analysis of the city's funds

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

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 \$36,540,373 in comparison with \$36,171,868 in ending fund balance in the prior year. \$11,861,047 of this amount is reported as unassigned fund balance, which is available for spending at the government's discretion. Unassigned fund balance represents 31% of total general fund expenditures, while total fund balance equals 94% 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 (\$673,543), 2) restrictions for 2007 1% specific purpose sales and use tax projects (\$354,602), 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 (\$6,645,685), 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 (\$3,361,050), or 6) cash carried over from prior periods (\$2,798,361).

Unrestricted net position of the water fund and wastewater funds were \$10,443,477 and \$16,964,106, respectively. The increase in total net position for the water fund was \$736,041, and the increase in the wastewater fund was \$2,086,611. The water fund has restricted net position of \$845,372 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 \$737,053 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 \$52,466 relating to 2007 1% specific purpose sales and use tax projects.

The restricted net position balance for the housing authority was \$269,186, which was an increase of \$117,028 from the prior year.

The city's internal service fund had a net position balance of \$2,619,139 at year-end which is an increase of \$341,710 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 2014, actual tax revenues exceeded budgeted tax revenues by \$1,109. Actual federal, state, and county grant revenue recognized was \$1.28 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.

For 2014, expenditures were under budget by approximately \$10.55 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 \$150.96 million. The following schedules show the city's capital assets for the year ended June 30, 2014.

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land/easements/art	6.93	6.93	0.43	0.43	7.36	7.36
Construction in progress	2.18	2.22	0.08	4.24	2.26	6.46
Buildings/improvements	22.66	24.93	27.61	23.60	50.27	48.53
Systems improvements	-	-	2.00	2.19	2.00	2.19
Land improvements	8.76	8.84	0.62	0.61	9.38	9.45
Equipment	3.82	3.40	0.58	0.70	4.40	4.10
Infrastructure	56.52	51.65	18.61	15.75	75.13	67.40
Depreciable easements	0.16	0.17	-	-	0.16	0.17
Total	101.03	98.14	49.93	47.52	150.96	145.66

Major capital asset events during the year included:

- Phase II of the wastewater treatment plant renovation was completed at a cost of \$5,471,314.
- Various capital facilities tax related projects were under construction.
- The 2013 road extension project was completed at a cost of \$5,138,633.
- The 2012 miscellaneous sewer rehabilitation project was completed at a cost of \$3,146,779.
- Two 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 \$21,199,211. This primarily consists of loans payable to the State of Wyoming (12,817,143) for water and wastewater projects and the financing arrangement with the 2013 specific purpose tax Joint Powers Board (5,020,407). Overall long-term obligations for the city increased by \$4,312,147 or 26%, 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, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 38,004,704	\$ 29,833,391	\$ 67,838,095
Restricted cash	-	845,372	845,372
Receivables (net of allowance for uncollectibles):			
Accounts receivable	11,144	1,098,254	1,109,398
Taxes receivable	1,912,066	1,135,430	3,047,496
Accrued interest receivable	36,287	15,421	51,708
Grants receivable	559,911	-	559,911
Internal balances	(52,466)	52,466	-
Due from other governmental entities	3,615,697	-	3,615,697
Inventories	423,218	426,189	849,407
Prepaid expenses	250,325	13,042	263,367
Total current assets	<u>44,760,886</u>	<u>33,419,565</u>	<u>78,180,451</u>
Noncurrent assets:			
Capital assets being depreciated, net	91,910,707	49,416,467	141,327,174
Capital assets not being depreciated	9,115,170	512,118	9,627,288
Total noncurrent assets	<u>101,025,877</u>	<u>49,928,585</u>	<u>150,954,462</u>
Total assets	<u>145,786,763</u>	<u>83,348,150</u>	<u>229,134,913</u>
LIABILITIES			
Current liabilities			
Accounts payable	2,593,733	1,193,989	3,787,722
Customer and security deposits	187,838	192,051	379,889
Compensated absences	1,371,126	166,532	1,537,658
Due to other governmental entities	1,793,238	4,119,823	5,913,061
Retainage payable	700,262	47,893	748,155
Total current liabilities	<u>6,646,197</u>	<u>5,720,288</u>	<u>12,366,485</u>
Noncurrent liabilities			
Compensated absences	776,031	73,753	849,784
Net OPEB obligation	974,219	-	974,219
Due to other governmental entities	-	11,924,489	11,924,489
Total noncurrent liabilities	<u>1,750,250</u>	<u>11,998,242</u>	<u>13,748,492</u>
Total liabilities	<u>8,396,447</u>	<u>17,718,530</u>	<u>26,114,977</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	1,695,836	3,968	1,699,804
NET POSITION			
Net investment in capital assets	99,232,639	37,051,045	136,283,684
Restricted for:			
Joint Powers Water Board	-	845,372	845,372
Housing Authority	-	269,186	269,186
2007 1% specific purpose sales and use tax projects	354,602	52,466	407,068
Unrestricted	36,107,239	27,407,583	63,514,822
Total net position	<u>\$ 135,694,480</u>	<u>\$ 65,625,652</u>	<u>\$ 201,320,132</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, 2014

		PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
FUNCTIONS/PROGRAMS	EXPENSES						
Primary Government:							
Governmental activities:							
General government	\$ 6,858,868	\$ 309,954	\$ 121,111	\$ -	\$ (6,427,803)	\$ -	\$ (6,427,803)
Public safety	12,652,193	409,744	244,174	-	(11,998,275)	-	(11,998,275)
Public works	8,622,247	578,088	53,702	1,458,817	(6,531,640)	-	(6,531,640)
Culture and recreation	8,349,428	1,706,057	-	-	(6,643,371)	-	(6,643,371)
Total governmental activities	36,482,736	3,003,843	418,987	1,458,817	(31,601,089)	-	(31,601,089)
Business-type activities:							
Water	5,915,867	6,481,965	-	-	-	566,098	566,098
Wastewater	4,597,859	4,701,036	-	202,762	-	305,939	305,939
Housing	1,325,632	313,776	569,825	243,874	-	(198,157)	(198,157)
Total business-type activities	11,839,358	11,496,777	569,825	446,636	-	673,880	673,880
Total primary government	\$ 48,322,094	\$ 14,500,620	\$ 988,812	\$ 1,905,453	(31,601,089)	673,880	(30,927,209)
General revenues							
Taxes:							
General sales and use tax					23,937,956	1,723,056	25,661,012
Mineral severance and royalties tax					1,857,621	-	1,857,621
Property tax					2,281,554	-	2,281,554
Franchise tax					718,242	-	718,242
Gas and special fuels tax					885,872	-	885,872
Other taxes					240,789	-	240,789
Supplemental local government funding					1,904,948	-	1,904,948
Unrestricted investment earnings					154,556	151,170	305,726
Miscellaneous					1,124,045	77,383	1,201,428
Total general revenues and transfers					33,105,583	1,951,609	35,057,192
Change in net position					1,504,494	2,625,489	4,129,983
Net position - beginning					134,189,986	63,000,163	197,190,149
Net position - ending					\$ 135,694,480	\$ 65,625,652	\$ 201,320,132

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, 2014

	General Fund
ASSETS	
Cash and investments	\$ 35,087,714
Receivables (net of allowance for uncollectibles):	
Accounts receivable	11,144
Taxes receivable	1,912,066
Accrued interest receivable	33,606
Grants receivable	559,911
Due from other governmental entities	3,615,697
Inventories	423,218
Prepaid expenses	250,325
Total assets	<u>\$ 41,893,681</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 2,293,201
Customer and security deposits	187,838
Due to other funds	52,466
Retainage payable	700,262
Total liabilities	<u>3,233,767</u>
Deferred inflows of resources:	
Deferred revenue	<u>2,119,541</u>
Fund balance:	
Nonspendable	673,543
Restricted for 2007 1% specific purpose sales and use tax projects	354,602
Committed	20,623,088
Assigned	3,028,093
Unassigned	11,861,047
Total fund balance	<u>36,540,373</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 41,893,681</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
June 30, 2014

Total Fund Balances - Governmental Fund	\$ 36,540,373
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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	101,025,877
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Certain assets are not available to pay current expenditures, so they are deferred in the funds	423,705
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Long-term liabilities (compensated absences, net OPEB 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	(4,914,614)
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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>2,619,139</u>
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Net position of governmental activities	<u>\$ 135,694,480</u>
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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, 2014

	General Fund
Revenues	
Taxes and special assessments	\$ 29,825,417
Licenses and permits	697,566
Inter-governmental revenue	3,628,165
Charges for services	1,952,049
Fines and forfeitures	354,228
Miscellaneous	1,124,045
Investment income	147,826
Total revenues	<u>37,729,296</u>
Expenditures	
Current:	
General government	4,768,532
Public safety	12,339,780
Public works	6,362,644
Culture and recreation	7,595,961
Capital outlay	7,684,157
Total expenditures	<u>38,751,074</u>
 Excess (deficiency) of revenues over expenditures	 (1,021,778)
 Other financing sources (uses)	
Net reimbursement from the 2013 Specific Tax Joint Powers Board	<u>1,390,283</u>
 Net change in fund balance	 368,505
 Fund balances, beginning	 <u>36,171,868</u>
 Fund balances, ending	 <u><u>\$ 36,540,373</u></u>

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, 2014

Net Change in Fund Balances - Governmental Fund	\$ 368,505
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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	2,885,488
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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	(131,250)
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Long-term liabilities (compensated absences, net OPEB 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	(1,959,959)
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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	<div style="border-top: 1px solid black;">341,710</div>
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Change in net position of governmental activities	<div style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 1,504,494</div>
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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, 2014

	Business-Type Activities Enterprise Funds				Governmental Activities
	Water Fund	Wastewater Fund	Nonmajor - Housing Authority	Total	Internal Service Fund
ASSETS					
Current assets:					
Cash and investments	\$ 12,870,498	\$ 16,604,270	\$ 358,623	29,833,391	\$ 2,916,990
Restricted cash	845,372	-	-	845,372	-
Receivables (net of allowance for uncollectibles):					
Accounts receivable	1,046,292	50,281	1,681	1,098,254	-
Taxes receivable	606,149	529,281	-	1,135,430	-
Accrued interest receivable	6,185	9,236	-	15,421	2,681
Due from other funds	-	52,466	-	52,466	-
Inventories	284,212	140,839	1,138	426,189	-
Prepaid expenses	-	-	13,042	13,042	-
Total current assets	15,658,708	17,386,373	374,484	33,419,565	2,919,671
Noncurrent assets:					
Capital assets, net of accumulated depreciation	2,182,946	45,497,594	2,248,045	49,928,585	-
Total assets	17,841,654	62,883,967	2,622,529	83,348,150	2,919,671
LIABILITIES					
Current liabilities:					
Accounts payable	933,638	229,129	31,222	1,193,989	300,532
Customer and security deposits	98,636	54,198	39,217	192,051	-
Compensated absences	79,550	61,796	25,186	166,532	-
Due to other governmental entities	1,009,718	3,110,105	-	4,119,823	-
Retainage payable	47,893	-	-	47,893	-
Total current liabilities	2,169,435	3,455,228	95,625	5,720,288	300,532
Noncurrent liabilities:					
Compensated absences	43,370	24,678	5,705	73,753	-
Due to other governmental entities	3,879,281	8,045,208	-	11,924,489	-
Total noncurrent liabilities	3,922,651	8,069,886	5,705	11,998,242	-
Total liabilities	6,092,086	11,525,114	101,330	17,718,530	300,532
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue	-	-	3,968	3,968	-
NET POSITION					
Net investment in capital assets	460,719	34,342,281	2,248,045	37,051,045	-
Restricted for Joint Powers Water Board	845,372	-	-	845,372	-
Restricted for Housing Authority	-	-	269,186	269,186	-
Restricted for 2007 1% specific purpose sales and use tax projects	-	52,466	-	52,466	-
Unrestricted	10,443,477	16,964,106	-	27,407,583	2,619,139
Total net position	\$ 11,749,568	\$ 51,358,853	\$ 2,517,231	\$ 65,625,652	\$ 2,619,139

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, 2014

	Business-Type Activities Enterprise Funds				Governmental Activities
	Water Fund	Wastewater Fund	Nonmajor - Housing Authority	Total	Internal Service Fund
Operating revenues:					
Water charges	\$ 6,481,965	\$ -	\$ -	\$ 6,481,965	\$ -
Wastewater charges	-	4,701,036	-	4,701,036	-
Tenant rental revenue	-	-	299,409	299,409	-
Other tenant revenue	-	-	14,367	14,367	-
Insurance premiums and refunds	-	-	-	-	3,587,972
Total operating revenue	6,481,965	4,701,036	313,776	11,496,777	3,587,972
Operating expenses:					
Personnel	867,111	1,333,461	409,123	2,609,695	-
Water purchases	3,244,344	-	-	3,244,344	-
Utilities	241,597	520,638	94,725	856,960	-
Postal/freight	23,416	25,651	2,101	51,168	-
Communications	7,396	5,893	2,606	15,895	-
Office supplies and printing	6,255	8,507	3,755	18,517	-
Repairs and maintenance	17,608	149,612	202,850	370,070	-
Departmental supplies	299,824	304,356	-	604,180	-
Travel	22,360	41,460	894	64,714	-
Administrative costs	34,662	61,582	6,900	103,144	-
Other costs	1,683	5,381	14,868	21,932	-
Depreciation	240,405	1,958,391	314,192	2,512,988	-
Audit and legal	-	-	5,000	5,000	-
Laundry and towel service	1,766	6,749	-	8,515	-
Consulting and collection	11,083	3,120	2,901	17,104	-
Rental	48,000	-	-	48,000	-
Insurance	-	-	23,015	23,015	3,252,992
Housing assistance payments	-	-	242,702	242,702	-
Total operating expenses	5,067,510	4,424,801	1,325,632	10,817,943	3,252,992
Operating income (loss)	1,414,455	276,235	(1,011,856)	678,834	334,980
Nonoperating revenue (expense):					
Taxes	115,135	1,607,921	-	1,723,056	-
HUD PHA grants	-	-	813,699	813,699	-
Investment income	26,792	123,919	459	151,170	6,730
Other income	28,016	48,832	535	77,383	-
Gain (loss) on disposal of property	-	(2,465)	-	(2,465)	-
Interest expense	(111,304)	(170,593)	-	(281,897)	-
Capital asset contribution to JPWB	(737,053)	-	-	(737,053)	-
Total nonoperating revenue (expense)	(678,414)	1,607,614	814,693	1,743,893	6,730
Income (loss) before transfers	736,041	1,883,849	(197,163)	2,422,727	341,710
Capital contributions	-	202,762	-	202,762	-
Transfers in	-	-	139,694	139,694	-
Transfers out	-	-	(139,694)	(139,694)	-
Change in net position	736,041	2,086,611	(197,163)	2,625,489	341,710
Net position, beginning	11,013,527	49,272,242	2,714,394	63,000,163	2,277,429
Net position, ending	\$ 11,749,568	\$ 51,358,853	\$ 2,517,231	\$ 65,625,652	\$ 2,619,139

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, 2014

	Business-Type Activities Enterprise Funds				Governmental Activities
	Water Fund	Wastewater Fund	Nonmajor - Housing Authority	Total	Internal Service Fund
Cash Flows from Operating Activities					
Receipts from external customers and users	\$ 6,128,154	\$ 4,542,966	\$ 313,821	\$ 10,984,941	\$ -
Receipts from internal customers and users	414,254	195,590	-	609,844	3,587,972
Payments to suppliers	(4,112,150)	(1,162,487)	(606,862)	(5,881,499)	(3,282,964)
Payments to employees	(855,673)	(1,316,265)	(426,650)	(2,598,588)	-
Net cash from operating activities	1,574,585	2,259,804	(719,691)	3,114,698	305,008
Cash Flows from Noncapital Financing Activities					
Taxes and special assessments	262,620	5,129,993	-	5,392,613	-
Receipts from grants	-	-	816,374	816,374	-
Other	28,016	48,832	534	77,382	-
Net cash from noncapital financing activities	290,636	5,178,825	816,908	6,286,369	-
Cash Flows from Capital and Related Financing Activities					
Payment for JPWB assets	(500,033)	-	-	(500,033)	-
Purchase of capital assets	(41,200)	(5,864,028)	-	(5,905,228)	-
Proceeds from sale of capital assets	-	-	-	-	-
Principal payment on loans	(301,216)	(578,860)	-	(880,076)	-
Interest paid on loans	(114,718)	(170,116)	-	(284,834)	-
Net cash from capital and related financing activities	(957,167)	(6,613,004)	-	(7,570,171)	-
Cash Flows from Investing Activities					
Investment Income	23,480	122,709	459	146,648	6,730
Net increase (decrease) in cash and cash equivalents	931,534	948,334	97,676	1,977,544	311,738
Cash and Investments, July 1	12,784,336	15,655,936	260,947	28,701,219	2,605,252
Cash and Investments, June 30	\$ 13,715,870	\$ 16,604,270	\$ 358,623	\$ 30,678,763	\$ 2,916,990

Continued

CITY OF ROCK SPRINGS, WYOMING
STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

	Business-Type Activities Enterprise Funds				Governmental Activities
	Water Fund	Wastewater Fund	Nonmajor - Housing Authority	Total	Internal Service Fund
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities					
Operating income (loss)	\$ 1,414,455	\$ 276,235	\$ (1,011,856)	\$ 678,834	\$ 334,980
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	240,405	1,958,391	314,192	2,512,988	-
Change in assets and liabilities:					
Accounts receivable	60,443	36,867	351	97,661	-
Due from other funds	-	-	-	-	-
Special assessments receivable	-	653	-	653	-
Prepaid expenses	-	-	237	237	-
Inventory	(38,433)	(33,427)	(13)	(71,873)	-
Accounts payable	(87,275)	23,588	(10,214)	(73,901)	(29,972)
Due to other funds	-	-	-	-	-
Customer deposits	(23,990)	(12,498)	1,492	(34,996)	-
Compensated absences accrued expenses	8,980	9,995	(13,880)	5,095	-
Net cash from operating activities	\$ 1,574,585	\$ 2,259,804	\$ (719,691)	\$ 3,114,698	\$ 305,008
Schedule of Noncash Transactions					
Capitalized interest	\$ -	\$ 54,001	\$ -	\$ 54,001	\$ -

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, 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 \$1,683,936, assessed in fiscal year 2014, 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 2015.

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.

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash and Investments

Cash and investments and restricted cash as of June 30, 2014, 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	\$ 36,498,943
Certificates of deposit held at banks	21,175,801
Investments:	
Ally Bank Midvale UT CD	246,800
American Express Centr'n CD	241,979
BMW Bank North America UT CD	248,443
Citibank SLC CD	245,655
Discover Bank CD	244,447
Federal Farm Credit Bank	1,754,095
Federal Home Loan Bank	1,486,693
Federal Home Loan Bank Step Coupon	1,247,850
Federal Home Loan Mtg Corp	240,386
Federal Home Loan Bank Corp Quarterly Call	260,543
Federal National Mortgage Association	492,606
Federal National Mortgage Association Step Coupon	2,151,688
Federal National Mortgage Association Stripped	149,451
FICO Strips	485,470
Financing Corp Coupon FICO Strips	290,577
GE Cap Final Inc Retail CD	243,289
GE Cap Retail Bk Draper UT CD	244,298
Goldman Sachs Bank NY CD	252,037
Home Savings Bank CD	240,515
SallieMae Bank Murray UT CD	241,901
	<u>\$ 68,683,467</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 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

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

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	\$ 246,800
American Express Centr'n CD	Not rated	241,979
BMW Bank North America UT CD	Not rated	248,443
Citibank SLC CD	Not rated	245,655
Discover Bank CD	Not rated	244,447
Federal Farm Credit Bank	AAA	1,754,095
Federal Home Loan Bank	AAA	1,486,693
Federal Home Loan Bank Step Coupon	AAA	1,247,850
Federal Home Loan Bank Mtg Corp	AAA	240,386
Federal Home Loan Bank Corp Quarterly Call	AAA	260,543
Federal National Mortgage Association	AAA	492,606
Federal National Mortgage Association Step Coupon	AAA	2,151,688
Federal National Mortgage Association Stripped	Not rated	149,451
FICO Strips	Not rated	485,470
Financing Corp Coupon FICO Strips	Not rated	290,577
GE Cap Final Inc Retail CD	Not rated	243,289
GE Cap Retail Bk Draper UT CD	Not rated	244,298
Goldman Sachs Bank NY CD	Not rated	252,037
Home Savings Bank CD	Not rated	240,515
SallieMae Bank Murray UT CD	Not rated	241,901

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, 2014, the primary government had bank balances on deposit and certificates of deposit, including accrued interest of \$56,872,994.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. As of June 30, 2014, all investment securities were held by the City's custodian and registered in the City's name.

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

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.

	Market	Primary Government			
		Less Than	1-2 Years	2-5 Years	Greater than
		1 Year			5 Years
Ally Bank Midvale UT CD	\$ 246,800	\$ -	\$ 246,800	\$ -	\$ -
American Express Centr'n CD	241,979	-	-	241,979	-
BMW Bank North America UT CD	248,443	-	-	248,443	-
Citibank SLC CD	245,655	-	-	245,655	-
Discover Bank CD	244,447	-	-	244,447	-
Federal Farm Credit Bank	1,754,095	-	-	1,754,095	-
Federal Home Loan Bank	1,486,693	-	-	1,486,693	-
Federal Home Loan Bank Step Coupon	1,247,850	-	-	1,247,850	-
Federal Home Loan Mtg Corp	240,386	-	-	240,386	-
Federal Home Loan Bank Corp Quarterly Call	260,543	-	-	260,543	-
Federal National Mortgage Association	492,606	-	-	492,606	-
Federal National Mortgage Association Step Coupon	2,151,688	-	-	2,151,688	-
Federal National Mortgage Association Stripped	149,451	-	-	149,451	-
FICO Strips	485,470	-	-	485,470	-
Financing Corp Coupon FICO Strips	290,577	-	-	290,577	-
GE Cap Final Inc Retail CD	243,289	-	243,289	-	-
GE Cap Retail Bk Draper UT CD	244,298	-	-	244,298	-
Goldman Sach Bank NY CD	252,037	-	-	252,037	-
Home Savings Bank CD	240,515	240,515	-	-	-
SallieMae Bank Murray UT CD	241,901	-	241,901	-	-
	<u>\$ 11,008,723</u>	<u>\$ 240,515</u>	<u>\$ 731,990</u>	<u>\$ 10,036,218</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. 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 \$3,399,538 or 31% 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 \$845,372 at June 30, 2014. These funds are in the custody of and

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

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	\$ 11,444	\$ 1,057,292	\$ 51,281	\$ 1,681
Allowance for doubtful accounts	(300)	(11,000)	(1,000)	-
	<u>\$ 11,144</u>	<u>\$ 1,046,292</u>	<u>\$ 50,281</u>	<u>\$ 1,681</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, 2014:

	Balance June 30, 2013	Additions	Deductions	Transfers	Balance June 30, 2014
Governmental Activities:					
Capital assets, not being depreciated:					
Land/easements/art	\$ 6,930,710	\$ -	\$ -	\$ -	\$ 6,930,710
Construction in progress	2,223,545	5,307,075	-	(5,346,160)	2,184,460
Total capital assets, not being depreciated	9,154,255	5,307,075	-	(5,346,160)	9,115,170
Capital assets, being depreciated:					
Buildings and improvements	49,993,012	30,528	(1,484,612)	-	48,538,928
Land improvements	14,733,966	73,137	-	207,527	15,014,630
Furnishings and equipment	15,026,493	1,418,924	(690,585)	(87,582)	15,667,250
Easements	193,771	-	-	-	193,771
Infrastructure	98,567,334	1,639,900	-	5,138,633	105,345,867
Total capital assets, being depreciated	178,514,576	3,162,489	(2,175,197)	5,258,578	184,760,446
Accumulated depreciation for:					
Buildings and improvements	(25,060,694)	(984,084)	164,867	-	(25,879,911)
Land improvements	(5,897,960)	(360,889)	-	-	(6,258,849)
Furnishings and equipment	(11,621,705)	(979,492)	666,478	87,582	(11,847,137)
Easements	(28,857)	(6,856)	-	-	(35,713)
Infrastructure	(46,919,226)	(1,908,903)	-	-	(48,828,129)
Total accumulated depreciation	(89,528,442)	(4,240,224)	831,345	87,582	(92,849,739)
Total capital assets, being depreciated, net	88,986,134	(1,077,735)	(1,343,852)	5,346,160	91,910,707
Governmental activities capital assets, net	\$ 98,140,389	\$ 4,229,340	\$ (1,343,852)	\$ -	\$ 101,025,877

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

	Balance June 30, 2013	Additions	Deductions	Transfers	Balance June 30, 2014
Business-Type Activities:					
Capital assets, not being depreciated:					
Land	\$ 428,872	\$ -	\$ -	\$ -	\$ 428,872
Construction in progress	4,237,715	4,599,105	-	(8,753,574)	83,246
Total capital assets, not being depreciated	4,666,587	4,599,105	-	(8,753,574)	512,118
Capital assets, being depreciated:					
Buildings and improvements	43,614,560	-	-	5,471,314	49,085,874
Systems improvements	4,102,885		-	-	4,102,885
Furnishings and equipment	2,805,603	79,280	(302,197)	87,582	2,670,268
Land improvements	717,476	41,201	-	-	758,677
Infrastructure	23,697,150	202,761	-	3,282,260	27,182,171
Total capital assets, being depreciated	74,937,674	323,242	(302,197)	8,841,156	83,799,875
Accumulated depreciation for:					
Buildings and improvements	(20,017,471)	(1,462,099)	-	-	(21,479,570)
Systems improvements	(1,911,944)	(192,750)	-	-	(2,104,694)
Furnishings and equipment	(2,105,592)	(193,436)	299,733	(87,582)	(2,086,877)
Land improvements	(106,109)	(32,080)	-	-	(138,189)
Infrastructure	(7,941,455)	(632,623)	-	-	(8,574,078)
Total accumulated depreciation	(32,082,571)	(2,512,988)	299,733	(87,582)	(34,383,408)
Total capital assets, being depreciated, net	42,855,103	(2,189,746)	(2,464)	8,753,574	49,416,467
Business-type activities capital assets, net	\$ 47,521,690	\$ 2,409,359	\$ (2,464)	\$ -	\$ 49,928,585

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	\$ 797,765
Public safety	356,093
Public works	2,284,124
Culture and recreation	802,242
Total depreciation expense - governmental activities	\$ 4,240,224
Business-Type Activities:	
Water	\$ 240,405
Wastewater	1,958,391
Housing	314,192
Total depreciation expense - business-type activities	\$ 2,512,988

Note 5. Interfund Receivables, Payables and Transfers

The composition of due to/from other funds as of June 30, 2014 are as follows:

	Due From	Due To
Governmental Funds:		
General fund	\$ -	\$ 52,466
Proprietary funds:		
Wastewater fund	52,466	-
	\$ 52,466	\$ 52,466

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, 2014 are as follows:

	Transfers In	Transfer Out
Public Housing	\$ 139,694	\$ -
Capital Fund	-	139,694
	<u>\$ 139,694</u>	<u>\$ 139,694</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, 2014, the City made transfers from the capital fund in the amount of \$139,694 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.

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

Generally, individuals with creditable service prior to July 1, 1981, receive benefits based on the larger of a money purchase benefit structure or a formula basis. Benefits for individuals hired after July 1, 1981, are calculated only by the formula method. The formula method is based on a tier for employees hired before September 1st, 2012 and a tier for employees hired on or after September 1st, 2012.

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 14.62% of the employee's salary. The City is required by State statute to contribute 7.12% of the amount and, as permitted by statute, also contributes the employees' 7.50%.

The City's contribution to the Wyoming Retirement System for the years ended June 30, 2014, 2013 and 2012 were \$1,215,924, \$1,162,908, and \$1,134,921, respectively, equal to the required contributions for each year.

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

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

Contributions to the system consist of an amount equal to 20.725% 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 2.725% is contributed by the employee.

The City's and employees' combined contributions to the plan for the years ended June 30, 2014, 2013 and 2012 were \$484,404, \$448,587, and \$430,746, respectively, equal to the required contributions for each year.

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 contribution to the plan for the years ended June 30, 2014, 2013 and 2012 was \$573,397, \$566,797, and \$640,495, respectively.

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, 2014, the City paid \$3,244,344 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, 2014, capital assets with a cost of \$737,053, 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 2014, 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 2014, the City paid the Board \$1,156,738.

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
2015	4,671,148
2016	5,097,685
2017	5,574,322
2018	6,409,794
2019	3,548,491
Total	25,301,440

The City of Rock Spring's share of the collections remitted to the trustee by Sweetwater County was \$5,585,150 and \$403,576, for the years ended June 30, 2014 and 2013, respectively. For the year ended June 30, 2014, the tax revenue was allocated as follows: \$3,862,094 to the general fund; \$115,135 to the water fund; and \$1,607,921 to the wastewater fund. The proceeds were allocated as follows for the year ended June 30, 2013: \$108,492 to the general fund; \$10,967 to the water fund; and \$284,117 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, 2014 of \$300,532. Changes in the IBNR from fiscal years 2014 and 2013 were as follows:

	At Fiscal Year-End Liability	Estimated Claims Incurred	Claim Payments	At Fiscal Year-End Liability
Fiscal Year 2012-2013	\$ 450,225	\$ 2,641,974	\$ (2,761,695)	\$ 330,504
Fiscal Year 2013-2014	\$ 330,504	\$ 2,945,891	\$ (2,975,863)	\$ 300,532

At June 30, 2014, the City was obligated for construction and other commitments as follows:

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

Governmental activities:	Encumbered
General government	\$ 1,001,939
Culture and recreation	32,193
Public safety	295,063
Public works	2,031,855
Total governmental activities	<u>\$ 3,361,050</u>
Business-type activities:	
Wastewater	\$ 771,731
Water	1,185,908
Total business-type activities	<u>\$ 1,957,639</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, 2014 was \$7,722,266. 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%) requires annual principal and interest payments of \$32,074. The loan balance as of June 30, 2014 was \$303,862. The loan is secured by the pledge of the City's rights, title, and interest in and to revenues received in the operations of the Wastewater Fund.

The *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, 2014 was \$603,952. 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:

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

	Total	Principal	Interest
Year ending June 30, 2014			
2015	\$ 801,403	\$ 584,872	\$ 216,531
2016	801,402	599,493	201,909
2017	801,403	614,481	186,922
2018	801,403	629,843	171,560
2019	801,403	645,589	155,814
2020 - 2024	4,007,014	3,478,262	528,752
2025- 2029	2,181,469	2,077,540	103,929
	<u>\$ 10,195,497</u>	<u>\$ 8,630,080</u>	<u>\$ 1,565,417</u>

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, 2014 was \$1,722,227. 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, 2014 was \$925,115. 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, 2014 was \$610,309. 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, 2014 was \$929,412. 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, 2014			
2015	\$ 412,235	\$ 307,782	\$ 104,453
2016	412,235	315,459	96,776
2017	412,235	323,327	88,908
2018	412,235	331,392	80,843
2019	412,236	339,658	72,578
2020 - 2024	1,945,113	1,713,609	231,504
2025- 2029	906,202	855,836	50,366
	<u>\$ 4,912,491</u>	<u>\$ 4,187,063</u>	<u>\$ 725,428</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, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
Governmental Activities:					
Compensated absences	\$ 2,052,935	\$ 1,727,967	\$ (1,633,745)	\$ 2,147,157	\$ 1,371,126
2013 specific purpose tax financing	-	5,655,332	(3,862,094)	1,793,238	1,793,238
Net OPEB obligation	901,720	72,499	-	974,219	-
Total governmental long-term obligations	2,954,655	7,455,798	(5,495,839)	4,914,614	3,164,364
Business Type Activities:					
Wastewater fund - due to other governmental entities	9,208,940	-	(578,860)	8,630,080	584,872
Wastewater- 2013 specific purpose tax financing	-	5,188,397	(2,663,164)	2,525,233	2,525,233
Water fund - due to other governmental entities	1,834,369	-	(112,142)	1,722,227	114,000
Water-JPWB loan	2,653,910	-	(189,074)	2,464,836	193,782
Water- 2013 specific purpose tax financing	-	857,802	(155,866)	701,936	701,936
Compensated absences	235,190	223,793	(218,698)	240,285	166,532
Total business-type long-term obligations	13,932,409	6,269,992	(3,917,804)	16,284,597	4,286,355
Total long-term obligations	\$ 16,887,064	\$ 13,725,790	\$ (9,413,643)	\$ 21,199,211	\$ 7,450,719

See note 7 for addition 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 2014, the City contributed \$0 to the plan. Plan members receiving benefits contributed \$76,824 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	\$ 148,391
Interest on net OPEB obligation	36,069
Adjustment to annual required contribution	(35,137)
Annual OPEB cost	<u>149,323</u>
Net estimated employer contributions	<u>(76,824)</u>
Increase in net OPEB obligation	72,499
Net OPEB obligation, beginning of year	<u>901,720</u>
Net OPEB obligation, end of year	<u><u>\$ 974,219</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	390,876	34.0%	810,995
June 30, 2013	144,907	37.4%	901,720
June 30, 2014	149,323	51.4%	974,219

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

D. Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$1,597,566, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,597,566. For the fiscal year ended June 30, 2014, the covered payroll (annual payroll of active employees covered by the plan) was \$14,620,831, and the ratio of the UAAL to the covered payroll was 10.9%. 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, 2012 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% in 2019. 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	\$ 423,218
Prepaid expenses	250,325
	<u>\$ 673,543</u>
Committed:	
Cash reserve	\$ 9,495,835
Capital replacement	6,645,685
Compensated absences/OPEB	1,350,250
General government	989,512
Public safety	119,114
Public works	2,022,692
	<u>\$ 20,623,088</u>
Assigned:	
General government	\$ 12,427
Culture and recreation	32,193
Public safety	175,949
Public works	9,163
Cash carryover	2,798,361
	<u>\$ 3,028,093</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).

GASB Statement No. 68 is effective for years beginning after June 15, 2014 with the effects of changes made to comply with this statement reported as adjustments to prior periods. The effect that the adoption of GASB Statement No. 68 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.

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

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Taxes:				
Property taxes	\$ 1,600,000	\$ 1,600,000	\$ 2,281,554	\$ 681,554
Occupation tax	50,000	50,000	67,530	17,530
Franchise tax	540,000	540,000	718,242	178,242
Sales and use tax	25,684,637	26,158,352	24,852,358	(1,305,994)
Cigarette tax	165,000	165,000	173,259	8,259
Wholesale gas tax	350,000	350,000	629,138	279,138
Mineral severance tax	857,956	857,956	868,157	10,201
Special fuels tax	103,000	103,000	235,179	132,179
	<u>29,350,593</u>	<u>29,824,308</u>	<u>29,825,417</u>	<u>1,109</u>
Licenses and permits:				
Liquor licenses	64,244	64,244	60,794	(3,450)
Malt beverage and catering	3,500	3,500	4,100	600
Building fees and permits	450,000	450,000	534,588	84,588
Animal licenses	18,000	18,000	22,337	4,337
Contractor licenses	60,125	60,125	74,375	14,250
Road impact fees	100	100	1,372	1,272
	<u>595,969</u>	<u>595,969</u>	<u>697,566</u>	<u>101,597</u>
Inter-governmental revenue:				
Mineral royalties	976,155	976,155	989,464	13,309
Federal, state, and county grants	1,971,472	2,018,808	733,753	(1,285,055)
Supplemental local government funding	1,909,070	1,909,070	1,904,948	(4,122)
	<u>4,856,696</u>	<u>4,904,033</u>	<u>3,628,165</u>	<u>(1,275,868)</u>
Charges for services:				
Golf course	775,000	775,000	662,496	(112,504)
Civic center	150,000	150,000	173,668	23,668
Indoor recreation	615,000	615,000	606,159	(8,841)
Field usage fees	12,675	12,675	210	(12,465)
Rents and concessions	61,000	61,000	58,835	(2,165)
Inter-fund administrative charges	143,000	143,000	144,245	1,245
Special police and fire services	2,000	2,000	23,465	21,465
Maps, publications and copies	2,000	2,000	3,023	1,023
Sale of cemetery lots	5,000	5,000	22,300	17,300
Miscellaneous cemetery fees	15,000	15,000	21,200	6,200
Sale of property	-	-	18,849	18,849
Sale of materials or supplies	219,500	219,500	205,125	(14,375)
Animal adoption	7,500	7,500	9,714	2,214
Advertising fees	3,000	3,000	2,760	(240)
	<u>2,010,675</u>	<u>2,010,675</u>	<u>1,952,049</u>	<u>(58,626)</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		
Fines and forfeitures:				
Municipal court fees and parking fines	\$ 321,000	\$ 321,000	\$ 329,251	\$ 8,251
Animal fines	21,000	21,000	24,977	3,977
	<u>342,000</u>	<u>342,000</u>	<u>354,228</u>	<u>12,228</u>
Miscellaneous:				
Blue Cross Blue Shield	565,600	565,600	620,905	55,305
Miscellaneous reimbursements	48,000	58,547	428,822	370,275
Refund of overpayments and insurance reimbursement	5,000	21,919	52,606	30,687
Contributions and donations	2,100	3,838	808	(3,030)
Sundry revenues	1,200	2,248	20,904	18,656
	<u>621,900</u>	<u>652,152</u>	<u>1,124,045</u>	<u>471,893</u>
Other income:				
Investment	50,000	50,000	147,826	97,826
Transfers	1,556,765	1,744,318	495,000	(1,249,318)
	<u>1,606,765</u>	<u>1,794,318</u>	<u>642,826</u>	<u>(1,151,492)</u>
Total revenues	<u>39,384,598</u>	<u>40,123,455</u>	<u>38,224,296</u>	<u>(1,899,159)</u>

Continued

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

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Expenditures				
General government:				
Legislative	\$ 577,519	\$ 577,519	\$ 346,784	\$ 230,735
Judicial	572,751	572,751	522,426	50,325
Finance, administration	1,069,402	1,069,402	937,538	131,864
Municipal court	446,401	446,401	354,314	92,087
Data processing	789,605	789,605	604,810	184,795
City buildings	524,142	556,142	454,982	101,160
Urban renewal	1,711,962	1,711,962	1,770,922	(58,960)
	<u>5,691,782</u>	<u>5,723,782</u>	<u>4,991,776</u>	<u>732,006</u>
Public safety:				
Police department	8,497,290	8,550,263	7,714,891	835,372
Animal control	310,464	310,464	284,195	26,269
Emergency management	305,996	305,996	153,098	152,898
Fire department	6,385,780	6,364,827	5,545,709	819,118
	<u>15,499,530</u>	<u>15,531,550</u>	<u>13,697,893</u>	<u>1,833,657</u>
Public works:				
Public works administration, engineering	1,255,248	1,255,048	668,940	586,108
Planning and inspection	1,089,171	1,223,953	1,095,948	128,005
Street department	15,919,105	16,580,372	11,632,380	4,947,992
Vehicle maintenance	736,377	740,377	500,067	240,310
Cemetery	777,499	777,699	594,919	182,780
	<u>19,777,400</u>	<u>20,577,449</u>	<u>14,492,254</u>	<u>6,085,195</u>
Culture and recreation:				
Parks and recreation	1,906,377	1,914,563	1,536,459	378,104
Golf course	2,282,608	2,282,608	1,767,998	514,610
Civic center	1,693,459	1,693,459	1,489,620	203,839
Historical museum	232,551	232,551	202,262	30,289
Indoor recreation	3,224,600	3,224,600	2,926,634	297,966
	<u>9,339,595</u>	<u>9,347,781</u>	<u>7,922,973</u>	<u>1,424,808</u>
Nondepartmental	<u>1,954,445</u>	<u>1,954,445</u>	<u>1,502,228</u>	<u>452,217</u>
Transfers	<u>281,765</u>	<u>469,318</u>	<u>446,793</u>	<u>22,525</u>
Total expenditures	<u>52,544,517</u>	<u>53,604,325</u>	<u>43,053,917</u>	<u>10,550,408</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (13,159,919)</u>	<u>\$ (13,480,870)</u>	<u>\$ (4,829,621)</u>	<u>\$ 8,651,249</u>

CITY OF ROCK SPRINGS, WYOMING

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2014

Note 1. Budgets

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

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

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

The budget is adopted according to the following schedule:

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

CITY OF ROCK SPRINGS, WYOMING

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2014

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

	<u>General Fund</u>
Revenues	
Actual Amounts (budgetary basis) from the schedule of revenues, expenditures and changes in fund balance - budget (budgetary basis) and actual	\$ 38,224,296
Differences - Budget Basis to GAAP Transfers to the reserves fund within the General Fund	<u>(495,000)</u>
Total revenues and other financing sources as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 37,729,296</u></u>
Expenditures	
Actual Amounts (budgetary basis) from the schedule of revenues, expenditures and changes in fund balance - budget (budgetary basis) and actual	\$ 43,053,917
Transfers to the reserves fund within the General Fund	(941,793)
Differences - Encumbrances included on the budgetary basis, not included in GAAP based expenditures	<u>(3,361,050)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 38,751,074</u></u>

CITY OF ROCK SPRINGS, WYOMING

SCHEDULE OF FUNDING PROGRESS
For the Year Ended June 30, 2014

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, 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%

HOUSING AUTHORITY

CITY OF ROCK SPRINGS, WYOMING
COMBINING STATEMENT OF NET POSITION
HOUSING AUTHORITY
June 30, 2014

	Public Housing	Section 8 Vouchers	Supportive Housing	Total
ASSETS				
Current assets:				
Cash and investments	\$ 262,293	\$ 91,694	\$ 4,636	\$ 358,623
Accounts receivable (net of allowance for uncollectibles)	1,681	-	-	1,681
Inventories	1,138	-	-	1,138
Prepaid expenses	13,042	-	-	13,042
Total current assets	278,154	91,694	4,636	374,484
Noncurrent assets:				
Capital assets, net of accumulated depreciation	2,248,045	-	-	2,248,045
Total assets	2,526,199	91,694	4,636	2,622,529
LIABILITIES				
Current liabilities:				
Accounts payable	30,222	1,000	-	31,222
Customer and security deposits	39,217	-	-	39,217
Compensated absences	25,186	-	-	25,186
Total current liabilities	94,625	1,000	-	95,625
Noncurrent liabilities:				
Compensated absences	5,705	-	-	5,705
Total liabilities	100,330	1,000	-	101,330
DEFERRED INFLOWS OF RESOURCES				
Deferred Revenues	3,968	-	-	3,968
NET POSITION				
Net investment in capital assets	2,248,045	-	-	2,248,045
Restricted	173,856	90,694	4,636	269,186
Total net position	\$ 2,421,901	\$ 90,694	\$ 4,636	\$ 2,517,231

CITY OF ROCK SPRINGS, WYOMING
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
HOUSING AUTHORITY
For the Year Ended June 30, 2014

	Public Housing	Section 8 Vouchers	Supportive Housing	Capital Fund	Total
Operating revenues:					
Tenant rental revenue	\$ 299,409	\$ -	\$ -	\$ -	\$ 299,409
Other tenant revenue	14,367	-	-	-	14,367
Total operating revenue	313,776	-	-	-	313,776
Operating expenses:					
Personnel	393,113	16,010	-	-	409,123
Utilities	94,725	-	-	-	94,725
Postal/freight	2,101	-	-	-	2,101
Communications	2,606	-	-	-	2,606
Office supplies and printing	3,755	-	-	-	3,755
Repairs and maintenance	98,670	-	-	104,180	202,850
Travel	894	-	-	-	894
Administrative costs	6,900	-	-	-	6,900
Other costs	14,868	-	-	-	14,868
Depreciation	314,192	-	-	-	314,192
Audit and legal	4,000	1,000	-	-	5,000
Consulting and collection	2,901	-	-	-	2,901
Insurance	23,015	-	-	-	23,015
Housing assistance payments	-	242,702	-	-	242,702
Total operating expenses	961,740	259,712	-	104,180	1,325,632
Operating (loss)	(647,964)	(259,712)	-	(104,180)	(1,011,856)
Nonoperating revenues (expenses):					
HUD PHA grants	254,665	315,160	-	243,874	813,699
Investment income	324	135	-	-	459
Other income (loss)	-	-	535	-	535
Total nonoperating revenue (expense)	254,989	315,295	535	243,874	814,693
Income (loss) before transfers	(392,975)	55,583	535	139,694	(197,163)
Transfers in	139,694	-	-	-	139,694
Transfers out	-	-	-	(139,694)	(139,694)
Change in net position	(253,281)	55,583	535	-	(197,163)
Net position, beginning	2,675,182	35,111	4,101	-	2,714,394
Net position, ending	\$ 2,421,901	\$ 90,694	\$ 4,636	\$ -	\$ 2,517,231

CITY OF ROCK SPRINGS, WYOMING
SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
For the Year Ended June 30, 2014

	Federal CFDA Number	Expenditures
U.S. Department of Housing and Urban Development		
Public Housing Capital Fund	14.872	\$ 243,874
Public and Indian Housing	14.850	254,665
Section 8 Housing Choice Vouchers	14.871	315,160
Passed through the Wyoming Business Council:		
Community Development Block Grant	14.228	9,000
Total U.S. Department of Housing and Urban Development		<u>822,699</u>
U.S. Department of Transportation		
Passed through the Wyoming Department of Transportation:		
Highway Safety Cluster:		
State and Community Highway Safety	20.600	13,900
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	1,750
Total U.S. Department of Transportation		<u>15,650</u>
U.S. Department of Agriculture		
Passed through the Wyoming State Forestry Division		
Cooperative Forestry Assistance	10.664	19,673
U.S. Department of Homeland Security		
Passed through the Wyoming Office of Homeland Security:		
Homeland Security Grant Program	97.067	98,272
Passed through the Rock Springs-Sweetwater County Airport Board:		
Law Enforcement Officer Reimbursement Agreement Program	97.090	46,135
Total U.S. Department of Homeland Security		<u>144,407</u>
U.S. Department of Justice		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	43,401
Passed through the Wyoming Association of Sheriffs and Chiefs of Police:		
Enforcing Underage Drinking Laws Program	16.727	16,298
Total U.S. Department of Justice		<u>59,699</u>
Total Federal awards expended		<u>\$ 1,062,128</u>

CITY OF ROCK SPRINGS, WYOMING

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2014

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 11, 2014.

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. However, material weaknesses may exist that have not been identified.

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*.

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, Hearne & Paiz, LLP". The signature is written in a cursive, flowing style.

Cheyenne, Wyoming
December 11, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND 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, 2014. 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, 2014.

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
December 11, 2014

CITY OF ROCK SPRINGS, WYOMING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

A. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ Yes X No

B. Federal Awards

Internal control over major programs:

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

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

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>	<u>Expenditures</u>
14.871	Section 8 Housing Choice Vouchers	\$ 315,160
14.872	Public Housing Capital Fund	243,874

- 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, 2014

II. FINANCIAL STATEMENT FINDINGS

None

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, 2014

There were no Federal audit findings in the prior year.