

CITY OF ROCK SPRINGS, WYOMING

FINANCIAL AND COMPLIANCE REPORT

JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

The 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, 2018, 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 City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter – Change in Accounting Principle

As discussed in Notes 11 and 13 to the financial statements, in 2018 the City adopted new accounting guidance with implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaced GASB Statement No. 45. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information. Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 11, Budgetary Comparison Schedule – General Fund on pages 47 through 49, Notes to the Required Supplementary Information on page 50, Schedule of Changes in Total OPEB Liability and Related Ratios on page 51, Schedule of the Proportionate Share of the Net Pension Liability on pages 52 through 55, and Schedule of Pension Contributions on pages 56 through 59, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2018 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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.

McGee, Hearne & Paiz, LLP

Cheyenne, Wyoming
November 16, 2018

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, 2018. When read in conjunction with the financial statements, this section's financial highlights, overview, and analysis should assist the reader in gaining a more complete knowledge of the City's financial performance.

FINANCIAL HIGHLIGHTS

The assets and deferred outflows of resources of the City exceed its liabilities and deferred inflows of resources at the close of June 30, 2018 by \$166,932,400, (reported as net position). Of this amount, \$8,706,561 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors. Note that the total net position figure includes net investment in capital assets of \$144,767,182.

The City's total net position decreased by \$10,306,685. Net position for governmental activities decreased by \$8,431,810 or 7.9%, and \$1,141,362 of this decrease was due to a prior period adjustment related to the total OPEB liability to conform with GASB statement No. 75. Net position for business-type activities decreased by \$1,874,875 or 2.7%.

At the close of the year, the City's general fund reported an ending fund balance of \$33,482,831, an increase of \$3,321,184 or 11% from the prior year. Of this amount, \$12,214,162 is available for spending at the City's discretion (unassigned fund balance).

Total long-term obligations had a net increase of \$4,292,973 or 9.4% from the prior year. This is primarily due to a decrease in the financing arrangement with the 2013 Specific Purpose Tax Joint Power Board of \$1,446,431, an increase in the City's net pension obligation of \$3,698,746, as well as an increase in the total OPEB obligation as a result the implementation of GASB Statement No.75.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains additional required supplementary information (budgetary schedule, schedule of changes in total OPEB liability and related ratios, and schedule of the proportionate share of the net pension liability and the schedule of pension contributions) and other supplementary information in addition to the other basic financial statements themselves.

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

The statement of net position presents information on all of the City's assets/deferred outflows of resources and liabilities/deferred inflows of resources, with the difference reported as net position. The statement provides both short-term and long-term information about the City's financial position. Over time, increases or decreases in net position may serve as a useful indicator of whether the economic condition of the City is improving or deteriorating. In evaluating the government's economic condition, however, additional non-financial factors should be considered such as the City's economic outlook, changes in its demographics, and the condition of its infrastructure and other capital assets.

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

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

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

Fund financial statements. A fund is a grouping of related accounts (revenues, expenditures/expenses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources) that is used to control resources that have been segregated for specific activities. The City of Rock Springs, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds utilized by the City can be divided into two categories, governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, for accounting and reporting purposes, government fund numbers are determined with a different approach. At the fund level, the focus is on changes in near-term spendable resources and the balance of resources available to spend at year-end, rather than the long-term focus used for determining government-wide numbers. Because the focus is so different between fund statements and government-wide statements, reconciliation between the two types is necessary to understand how the numbers differ. Reconciliations are provided on pages 15 and 17 of this report.

The General Fund is the operating governmental fund of the City. To demonstrate legal compliance, a schedule comparing budget-to-actual numbers for the General Fund is included in the required supplementary information.

Proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operation of the water and wastewater operations as well as the Rock Springs Housing Authority. Internal service funds are an accounting tool used to accumulate and allocate costs internally among the City's functions. The City uses an internal service fund to account for its employee health insurance.

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

Other information. The budgetary comparison schedule, including related notes, a schedule of changes in total OPEB liability and related ratios, a schedule of the proportionate share of the net pension liability and a schedule of pension contributions are reported as required supplementary information, which begins on page 47. Also, individual fund statements and other supplementary information can be found starting on page 60 of this report.

Government-wide financial analysis

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

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017*	2018	2017*	2018	2017*
Current and other assets	40.81	37.78	26.67	36.62	67.48	74.40
Capital assets	98.55	102.59	53.47	48.13	152.02	150.72
Total assets	139.36	140.37	80.14	84.75	219.50	225.12
Deferred outflows of resources	8.90	7.15	-	-	8.90	7.15
Current liabilities	3.48	3.93	3.37	5.14	6.85	9.07
Non-current liabilities	39.57	34.44	8.03	8.99	47.60	43.43
Total liabilities	43.05	38.37	11.40	14.13	54.45	52.50
Deferred inflows of resources	7.01	2.52	-	-	7.01	2.52
Net investment in capital assets	98.55	102.59	46.22	40.15	144.77	142.74
Restricted	0.40	0.40	13.06	12.92	13.46	13.32
Unrestricted	(0.75)	3.64	9.46	17.54	8.71	21.18
Total net position	98.20	106.63	68.74	70.61	166.94	177.24

*GASB Statement No.75 is effective for the year ended June 30, 2018. The year ended June 30, 2017, as presented in this column was not restated. For further discussion, see notes 11 and 13 to the financial statements.

As depicted, at June 30, 2018, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by approximately \$166.94 million (net position). 86.7% of this amount is represented by the net investment in capital assets. Due to the nature of these assets – long-term assets which are not readily convertible to liquid assets – they are not considered to be available for spending or appropriation.

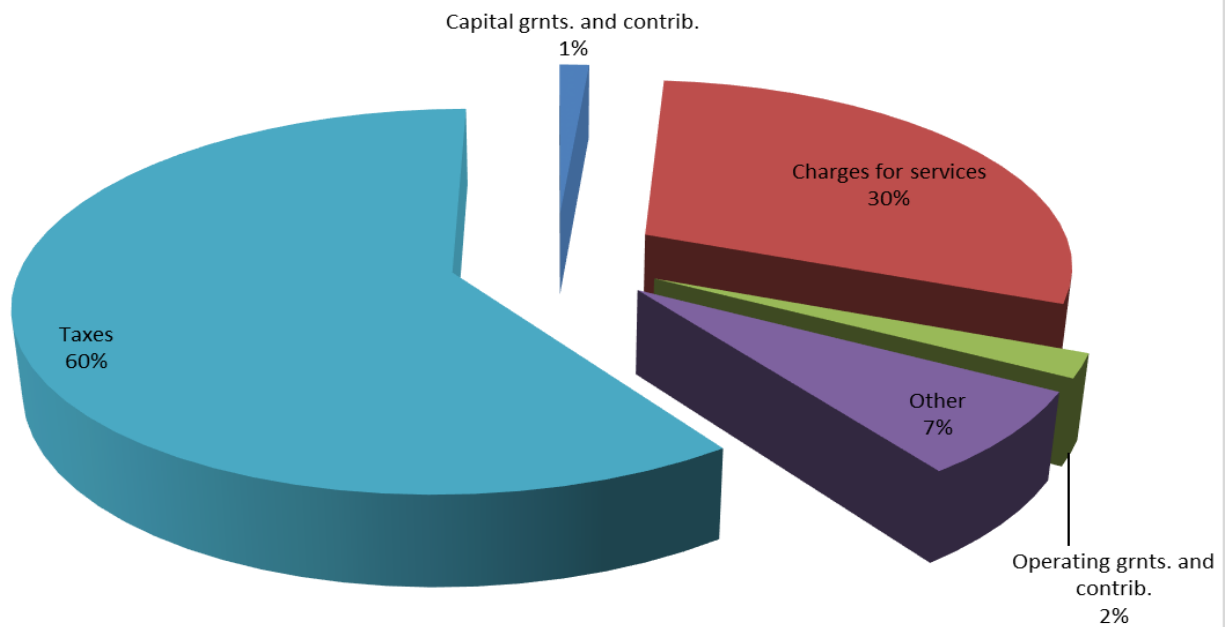
Changes in net position: As taken from the government-wide statement of activities, the following table depicts the changes in net position for 2018:

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

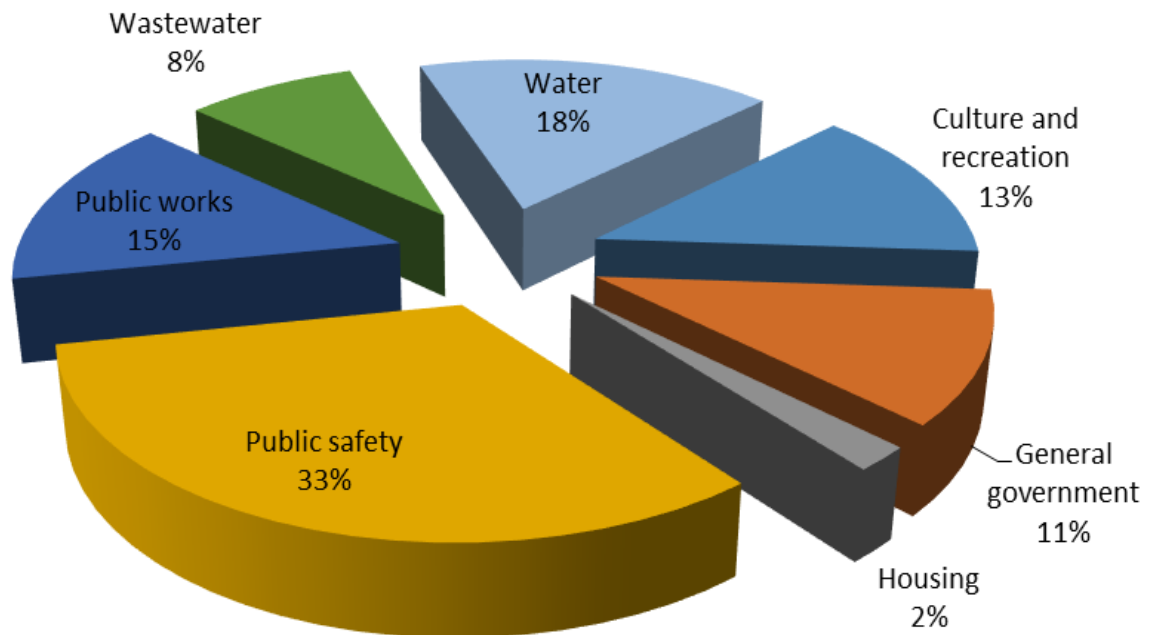
	Governmental Activities		Business-Type Activities		Total	
	2018	2017*	2018	2017*	2018	2017*
Revenues:						
Program revenues:						
Charges for services	2.95	2.91	11.29	10.96	14.24	13.87
Operating grants and contribution	0.40	0.42	0.57	0.60	0.97	1.02
Capital grants and contribution	0.35	1.18	0.28	0.21	0.63	1.39
General revenues:						
Sales and use tax	20.55	16.75	1.87	5.18	22.42	21.93
Mineral severance and royalties tax	1.84	1.84	-	-	1.84	1.84
Property tax	2.45	2.40	-	-	2.45	2.40
Franchise tax	0.74	0.74	-	-	0.74	0.74
Gas and special fuels tax	0.98	1.02	-	-	0.98	1.02
Other taxes	0.21	0.22	-	-	0.21	0.22
Supp. local gov't funding/impact asst.	1.29	1.28	-	-	1.29	1.28
Investment earnings	0.14	0.11	0.10	0.11	0.24	0.22
Miscellaneous	1.74	1.68	0.15	0.12	1.89	1.80
Total revenues	33.64	30.55	14.26	17.18	47.90	47.73
Expenses:						
General government	6.37	7.20	-	-	6.37	7.20
Public safety	18.63	13.50	-	-	18.63	13.50
Public works	8.36	9.87	-	-	8.36	9.87
Culture and recreation	7.57	7.30	-	-	7.57	7.30
Water	-	-	10.14	9.80	10.14	9.80
Wastewater	-	-	4.81	5.15	4.81	5.15
Housing	-	-	1.18	1.19	1.18	1.19
Total expenses	40.93	37.87	16.13	16.14	57.06	54.01
Change in net position	(7.29)	(7.32)	(1.87)	1.04	(9.16)	(6.28)
Net position, beginning of year	106.63	113.95	70.61	69.57	177.24	183.52
Prior period adjustment	(1.14)	-	-	-	(1.14)	-
Net position, end of year	98.20	106.63	68.74	70.61	166.94	177.24

*GASB Statement No.75 is effective for the year ended June 30, 2018. The year ended June 30, 2017, as presented in this column was not restated. For further discussion, see notes 11 and 13 to the financial statements.

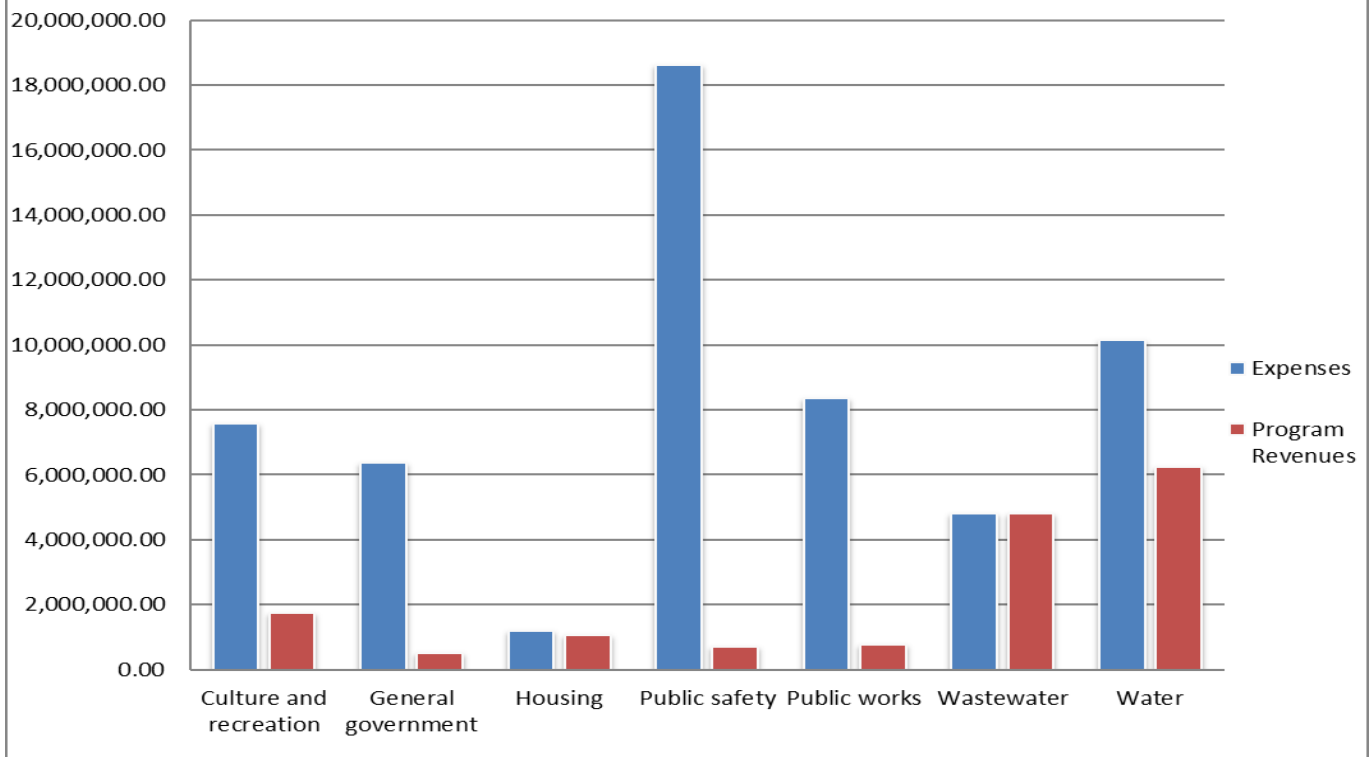
Total Government-Wide Revenues
Fiscal Year Ended June 30, 2018



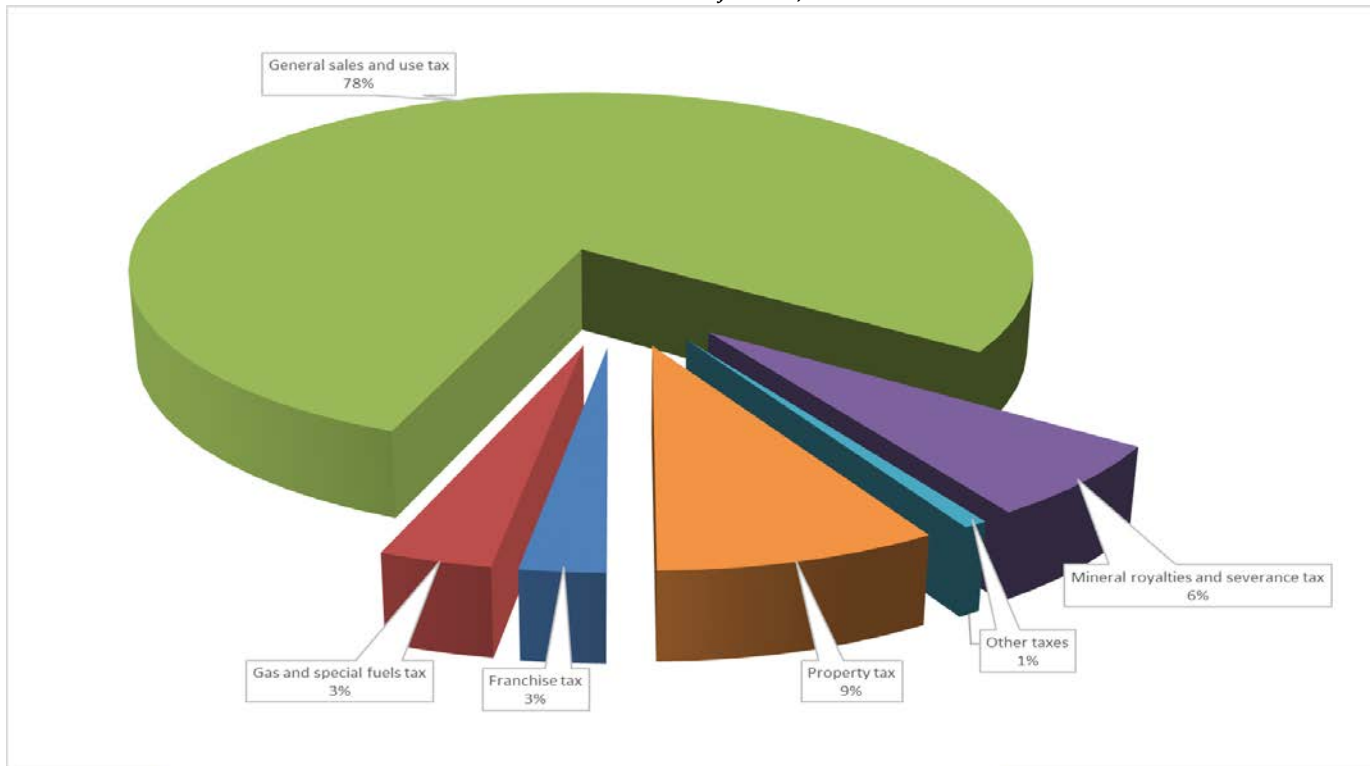
Total Government-Wide Expenses
Fiscal Year Ended June 30, 2018



Expenses and Program Revenue
Fiscal Year Ended June 30, 2018



Tax Revenue
Fiscal Year Ended June 30, 2018



Governmental activities decreased the City's net position by \$8.43 million. This change in net position is a decrease from last year's change in net position of approximately \$1.1 million. Key elements of the change in net position include:

- A prior period adjustment of \$1,141,362 related to the total OPEB liability to conform to the provisions of GASB statement No. 75.
- Sales and use tax revenue comprises approximately 61% of total governmental activities revenues. These taxes increased by approximately \$3.8 million or 22.7% from the previous year.
- Public safety is the largest category of governmental expenses, representing 45.5% of the total. These expenses increased by approximately \$5.13 million or 38% from the previous year.

The business-type activities include the water, wastewater, and the housing authority funds. These activities decreased net position by \$1.87 million. This change in net position is a decrease from last year's change in net position by approximately 280%. Key elements of the change in net position include:

- General sales and use tax decreased by \$3.3 million or 63.9% from the prior year. Water fund charges increased by 2.8%. Wastewater fund charges for services increased by approximately 4% from the prior year. Overall housing authority program revenue increased approximately 5% from the prior year.
- Total business-type activity operating expenses decreased by 8.2% 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 \$33,482,831 in comparison with \$30,161,647 in ending fund balance in the prior year. \$12,214,162 of this amount is reported as unassigned fund balance, which is available for spending at the government's discretion. Unassigned fund balance represents 40.8% of total general fund expenditures, while total fund balance equals 111.7% 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 (\$585,261), 2) restrictions for 2007 1% specific purpose sales and use tax projects (\$400,520), 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 (\$6,457,895), 5) paying compensated absences and post-employment benefits other than pensions due to employees (\$1,575,250), 6) encumbered by the City Council or other authorized City official (\$1,294,960), or 6) cash carried over from prior periods (\$1,458,948).

Unrestricted net position of the water fund and wastewater funds were \$6,810,615 and \$2,645,186, respectively. The decrease in total net position for the water fund was \$2,359,013, and the increase in the wastewater fund was \$578,523. The water fund has restricted net position of \$858,560 relating to assets held by the Joint Powers Water Board for water system repair expenses and \$2,940,000 for future system improvements and repairs. The wastewater fund had restricted net position of \$8,912,651 for future system improvements and repairs. 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 \$4,900,311 was incurred in the water fund relating to the transfer of title of assets from the City to the Joint Powers Water Board.

The restricted net position balance for the housing authority was \$346,926, which was an increase of \$9,664 from the prior year. The City's internal service fund had a net position balance of \$3,327,630 at year-end which is a decrease of \$11,336 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 2018, actual tax revenues exceeded budgeted tax revenues by \$6,404,244. Actual federal, state, and county grant revenue recognized was \$785,703 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, timing of the collections of the specific purpose tax, as well as increased sales tax collection statewide. In addition the City received an additional sales tax payment in July 2018, that was accrued at year-end, related to a correction for use tax reported by a taxpayer as being paid in Natrona County instead of Sweetwater County in fiscal years 2014-2015. The City of Rock Springs portion of this correction was \$896 thousand.

For 2018, expenditures were under budget by approximately \$5.49 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 \$152.01 million. The following schedules show the City's capital assets for the year ended June 30, 2018.

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land/easements/art	7.52	7.48	0.56	0.56	8.08	8.04
Construction in progress	0.97	0.99	5.41	3.55	6.38	4.54
Buildings/improvements	20.69	21.69	22.65	23.91	43.34	45.60
Systems improvements	-	-	1.28	1.45	1.28	1.45
Land improvements	8.15	8.50	0.48	0.52	8.63	9.02
Equipment	3.15	3.68	0.63	0.77	3.78	4.45
Infrastructure	57.93	60.11	22.46	17.37	80.39	77.48
Depreciable easements	0.13	0.14	-	-	0.13	0.14

Major capital asset events during the year included:

- The 2017 Misc. Sewer Rehabilitation project was completed with a capitalized cost of \$3,713,783.
- The James Addition Sewer Replacement Project was completed with a capitalized cost of \$1,610,089.
- The Crossroads Subdivision was accepted at an approximate cost of \$426,895.
- A new pickup truck and new accounting software were added in Public Housing at a cost of \$44,476 and \$9,053, respectively.

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 \$50,086,891. This primarily consists of loans payable to the State of Wyoming (\$8,907,941) for water and wastewater projects, the net pension obligation of \$36,074,024, and the total OPEB obligation of \$2,715,452. Overall long-term obligations for the City decreased by \$4,292,973 or 9.4%, 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, Matthew L. McBurnett, 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
As of June 30, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and investments	\$ 33,325,543	\$ 24,233,980	\$ 57,559,523
Restricted cash	-	858,560	858,560
Receivables (net of allowance for uncollectibles):			
Accounts receivable	3,943	1,105,278	1,109,221
Taxes receivable	2,029,166	-	2,029,166
Accrued interest receivable	66,977	46,535	113,512
Grants receivable	58,026	3,297	61,323
Due from other governmental entities	4,739,290	-	4,739,290
Inventories	399,536	410,834	810,370
Prepaid items	185,725	15,811	201,536
Total current assets	<u>40,808,206</u>	<u>26,674,295</u>	<u>67,482,501</u>
Noncurrent Assets			
Capital assets being depreciated, net	90,054,428	47,496,598	137,551,026
Capital assets, not being depreciated	8,494,008	5,969,828	14,463,836
Total noncurrent assets	<u>98,548,436</u>	<u>53,466,426</u>	<u>152,014,862</u>
Total assets	<u>139,356,642</u>	<u>80,140,721</u>	<u>219,497,363</u>
Deferred Outflows of Resources			
Pension contributions	8,718,033	-	8,718,033
OPEB contributions	183,927	-	183,927
Total deferred outflows of resources	<u>8,901,960</u>	<u>-</u>	<u>8,901,960</u>
Liabilities			
Current Liabilities			
Accounts payable	1,772,408	882,514	2,654,922
Customer and security deposits	207,614	148,963	356,577
Compensated absences - current	1,361,338	169,585	1,530,923
Due to other governmental entities - current	-	958,264	958,264
Retainage payable	133,849	1,217,693	1,351,542
Total current liabilities	<u>3,475,209</u>	<u>3,377,019</u>	<u>6,852,228</u>
Noncurrent Liabilities:			
Compensated absences - noncurrent	782,061	76,490	858,551
Total OPEB obligation	2,715,452	-	2,715,452
Net pension obligation	36,074,024	-	36,074,024
Due to other governmental entities - noncurrent	-	7,949,677	7,949,677
Total noncurrent liabilities:	<u>39,571,537</u>	<u>8,026,167</u>	<u>47,597,704</u>
Total liabilities	<u>43,046,746</u>	<u>11,403,186</u>	<u>54,449,932</u>
Deferred Inflows of Resources			
Unearned/Unavailable revenue	1,802,837	4,851	1,807,688
Pension contributions	5,209,303	-	5,209,303
Total deferred inflows of resources	<u>7,012,140</u>	<u>4,851</u>	<u>7,016,991</u>
Net Position			
Net investment in capital assets	98,548,436	46,218,746	144,767,182
Restricted for:			
Joint Powers Water Board	-	858,560	858,560
Housing Authority	-	346,926	346,926
2007 1% specific purpose sales and use tax	400,520	-	400,520
Depreciation Fund	-	11,852,651	11,852,651
Unrestricted (deficit)	(749,240)	9,455,801	8,706,561
Total net position	<u>\$ 98,199,716</u>	<u>\$ 68,732,684</u>	<u>\$ 166,932,400</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, 2018

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 6,366,471	\$ 369,894	\$ 88,532	\$ 19,362	\$ (5,888,683)	\$ -	\$ (5,888,683)
Public safety	18,630,538	519,430	192,425	-	(17,918,683)	-	(17,918,683)
Public works	8,361,058	327,609	121,237	326,232	(7,585,980)	-	(7,585,980)
Culture and recreation	7,571,058	1,734,757	-	-	(5,836,301)	-	(5,836,301)
Total governmental activities	40,929,125	2,951,690	402,194	345,594	(37,229,647)	-	(37,229,647)
Business-type activities:							
Water	10,144,810	6,247,891	-	-	-	(3,896,919)	(3,896,919)
Wastewater	4,806,117	4,692,145	-	125,237	-	11,265	11,265
Housing	1,180,341	347,498	573,792	155,643	-	(103,408)	(103,408)
Total business-type activities	16,131,268	11,287,534	573,792	280,880	-	(3,989,062)	(3,989,062)
Total primary government	\$ 57,060,393	\$ 14,239,224	\$ 975,986	\$ 626,474	\$ (37,229,647)	\$ (3,989,062)	\$ (41,218,709)
General Revenues:							
Taxes:							
General sales and use tax					\$ 20,546,778	\$ 1,868,538	\$ 22,415,316
General severance and royalties tax					1,839,379	-	1,839,379
Property tax					2,446,659	-	2,446,659
Franchise tax					738,902	-	738,902
Gas and special fuels tax					983,788	-	983,788
Other taxes					209,352	-	209,352
Supplemental government funding					1,289,326	-	1,289,326
Unrestricted investment earnings					140,024	101,488	241,512
Miscellaneous					1,744,991	144,161	1,889,152
Total general revenues					29,939,199	2,114,187	32,053,386
Change in net position					(7,290,448)	(1,874,875)	(9,165,323)
Net position - beginning					106,631,526	70,607,559	177,239,085
Prior period adjustment (Note 11)					(1,141,362)	-	(1,141,362)
Net position, beginning of year as restated					105,490,164	70,607,559	176,097,723
Net position - ending					\$ 98,199,716	\$ 68,732,684	\$ 166,932,400

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

GOVERNMENT FUND FINANCIAL STATEMENTS

City of Rock Springs, Wyoming
Balance Sheet
Governmental Funds
June 30, 2018

	<u>General Fund</u>
Assets	
Cash and investments	\$ 29,584,501
Receivables (net of allowance for uncollectibles):	
Accounts receivable	3,943
Taxes receivable	2,029,166
Accrued interest receivable	49,997
Grant receivable	58,026
Due from other governmental entities	4,739,290
Inventories	399,536
Prepaid items	185,725
Total assets:	<u>\$ 37,050,184</u>
Liabilities, Deferred Inflows of Resources, and Fund Balance	
Liabilities:	
Accounts payable	\$ 1,342,016
Customer and security deposits	207,614
Retainage payable	133,849
Total liabilities:	<u>1,683,479</u>
Deferred inflows of resources:	
Unavailable revenue	<u>1,883,874</u>
Fund balance:	
Nonspendable	585,261
Restricted for 2007 1% specific purpose sales and use tax projects	400,520
Committed	18,771,898
Assigned	1,510,990
Unassigned	12,214,162
Total fund balance:	<u>33,482,831</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 37,050,184</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, 2018

Total Fund Balances - Governmental Fund	\$ 33,482,831
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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	98,548,436
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Certain assets are not available to pay current expenditures, so they are deferred in the fund	81,037
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Long-term liabilities and related items (compensated absences, total OPEB obligation, and net pension obligation) are not due and payable in the current period and, therefore, not reported in the funds	(40,932,875)
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Pension and OPEB related inflows and outflows do not provide current financial resources and, therefore, are not reported in the fund	3,692,657
---	-----------

An internal service fund is used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service fund are included with governmental activities in the statement of net position because they primarily benefit governmental activities	<u>3,327,630</u>
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Net position of governmental activities:	<u>\$ 98,199,716</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 Funds
For the Year Ended June 30, 2018

	<u>General Fund</u>
Revenues	
Taxes and special assessments	\$ 25,779,925
Licenses and permits	448,555
Inter-governmental revenue	2,695,069
Charges for services	2,066,769
Fines and forfeitures	436,366
Miscellaneous	1,744,991
Investment income	117,108
	<hr/>
Total revenues	33,288,783
	<hr/>
Expenditures	
Current:	
General government	4,575,588
Public safety	12,558,108
Public works	5,706,239
Culture and recreation	6,791,523
Capital outlay	336,141
	<hr/>
Total expenditures:	29,967,599
	<hr/>
Net change in fund balances	3,321,184
Fund balances, beginning of year	30,161,647
Fund balances, end of year	<u><u>\$ 33,482,831</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 Balances of Governmental Fund to
the Statement of Activities
For the Year Ended June 30, 2018

Net Change in Fund Balances - Governmental Fund **\$ 3,321,184**

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 (4,043,986)

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 746

Long-term liabilities and related items (compensated absences, total OPEB obligation, and net pension obligation) are not due and payable in the current period and, therefore, not reported in the funds. This is the current year change in the liability, reported as an expense in the statement of activities (3,848,243)

The change in the pension related inflows and outflows are not reported in the governmental fund. This is the net effect of the change in these balances in the statement of net position (2,708,813)

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 (11,336)

Change in net position of governmental activities **\$ (7,290,448)**

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, 2018

June 30, 2018

	Business-Type Activities Enterprise Funds				Governmental Activities
			Nonmajor - Housing Authority		
	Water Fund	Wastewater Fund		Total	Internal Service Funds
Assets					
Current assets:					
Cash and investments	\$ 11,741,422	\$ 12,061,347	\$ 431,211	\$ 24,233,980	\$ 3,741,042
Restricted cash	858,560	-	-	858,560	-
Receivables (net of allowance for uncollectibles):					
Accounts receivable	1,023,643	76,543	5,092	1,105,278	-
Accrued interest receivable	21,042	25,493	-	46,535	16,980
Grant receivable	-	3,297	-	3,297	-
Inventories	231,615	171,483	7,736	410,834	-
Prepaid items	-	-	15,811	15,811	-
Total current assets	13,876,282	12,338,163	459,850	26,674,295	3,758,022
Noncurrent assets:					
Capital assets, net of accumulated depreciation	1,625,497	50,210,687	1,630,242	53,466,426	-
Total assets	\$ 15,501,779	\$ 62,548,850	\$ 2,090,092	\$ 80,140,721	\$ 3,758,022
Liabilities					
Current liabilities:					
Accounts payable	686,944	161,516	34,054	882,514	430,392
Customer and security deposits	71,354	37,459	40,150	148,963	-
Compensated absences - current	67,675	74,059	27,851	169,585	-
Due to other governmental entities - current	339,658	618,606	-	958,264	-
Retainage payable	733,528	484,165	-	1,217,693	-
Total current liabilities	1,899,159	1,375,805	102,055	3,377,019	430,392
Noncurrent liabilities:					
Compensated absences - noncurrent	47,345	23,127	6,018	76,490	-
Due to other governmental entites - noncurrent	2,569,935	5,379,742	-	7,949,677	-
Total noncurrent liabilities	2,617,280	5,402,869	6,018	8,026,167	-
Total liabilities	4,516,439	6,778,674	108,073	11,403,186	430,392
Deferred Inflows of Resources:					
Unavailable revenue	-	-	4,851	4,851	-
Net Position:					
Net investment in capital assets	376,165	44,212,339	1,630,242	46,218,746	-
Restricted for Joint Powers Water Board	858,560	-	-	858,560	-
Restricted for Housing Authority	-	-	346,926	346,926	-
Depreciation Fund	2,940,000	8,912,651	-	11,852,651	-
Unrestricted	6,810,615	2,645,186	-	9,455,801	3,327,630
Total net position	\$ 10,985,340	\$ 55,770,176	\$ 1,977,168	\$ 68,732,684	\$ 3,327,630

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, 2018

	Business-Type Activities Enterprise Funds			Governmental Activities
		Nonmajor - Housing Authority		
	Water Fund	Wastewater Fund	Total	Internal Service Funds
Operating revenues:				
Water charges	\$ 6,247,891	\$ -	\$ 6,247,891	\$ -
Wastewater charges	-	4,692,145	4,692,145	-
Tenant rental revenue	-	-	328,776	-
Other tenant revenue	-	-	18,722	-
Insurance premiums and refunds	-	-	-	3,862,299
Total operating revenues	6,247,891	4,692,145	11,287,534	3,862,299
Operating Expenditures:				
Personnel	1,009,492	1,472,568	2,952,871	-
Water purchases	3,230,480	-	3,230,480	-
Utilities	194,145	549,609	838,303	-
Postal/Freight	18,551	19,881	38,487	-
Communications	8,656	5,817	16,913	-
Office supplies and printing	7,511	7,178	17,955	-
Repairs and maintenance	58,615	247,439	374,875	-
Departmental supplies	244,453	212,718	457,171	-
Travel	15,939	35,155	52,864	-
Administrative costs	61,922	86,802	154,961	-
Other costs	3,472	5,954	13,811	-
Depreciation	240,645	2,114,872	2,513,095	-
Audit and legal	-	-	5,000	-
Laundry and towel service	956	3,956	4,912	-
Consulting and collection	22,510	4,165	39,844	-
Rental	48,000	-	48,000	-
Insurance	-	39,868	69,244	3,896,551
Housing assistance payments	-	-	322,884	-
Total operating expenses	5,165,347	4,805,982	11,151,670	3,896,551
Operating income (loss)	1,082,544	(113,837)	135,864	(34,252)
Nonoperating Revenues (Expenditures):				
Taxes and special assessments	1,422,049	446,489	1,868,538	-
HUD PHA grants	-	-	729,435	-
Other grants	-	28,975	28,975	-
Investment income	68,306	32,182	101,488	22,916
Other income	47,551	88,587	144,161	-
Interest expense	(79,152)	(135)	(79,287)	-
Capital asset contribution to JPWB	(4,900,311)	-	(4,900,311)	-
Total nonoperating revenues (expenditures)	(3,441,557)	596,098	(2,107,001)	22,916
Income (loss) before operating transfers	(2,359,013)	482,261	(1,971,137)	(11,336)
Capital contributions	-	96,262	96,262	-
Transfers in	-	-	155,643	-
Transfers out	-	-	(155,643)	-
Change in net position	(2,359,013)	578,523	(1,874,875)	(11,336)
Net position, beginning of year	13,344,353	55,191,653	70,607,559	3,338,966
Net position, end of year	<u>\$ 10,985,340</u>	<u>\$ 55,770,176</u>	<u>\$ 1,977,168</u>	<u>\$ 3,327,630</u>

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, 2018

	Business-type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Water Fund	Wastewater Fund	Nonmajor - Housing Authority	Total	
Cash from operating activities:					
Receipts from external customers and users	\$ 5,910,459	\$ 4,438,648	\$ 349,139	\$ 10,698,246	\$ -
Receipts from internal customers and users	333,221	229,707	-	562,928	3,862,299
Payments to suppliers	(3,925,453)	(1,516,318)	(554,840)	(5,996,611)	(3,816,562)
Payments to employees	(1,014,847)	(1,465,051)	(481,091)	(2,960,989)	-
Net cash provided (used) by operating activities	<u>1,303,380</u>	<u>1,686,986</u>	<u>(686,792)</u>	<u>2,303,574</u>	<u>45,737</u>
Cash from noncapital financing activities:					
Taxes and special assessments	4,394,447	1,973,547	-	6,367,994	-
Receipts from grants	-	25,678	730,212	755,890	-
Other	47,551	88,587	8,023	144,161	-
Net cash provided by noncapital financing activities	<u>4,441,998</u>	<u>2,087,812</u>	<u>738,235</u>	<u>7,268,045</u>	<u>-</u>
Cash from capital and related financing activities:					
Payment for JPWB assets	(5,683,770)	-	-	(5,683,770)	-
Purchase of capital assets	(5,739)	(8,452,449)	(53,529)	(8,511,717)	-
Principal payment on loans	(330,922)	(604,705)	-	(935,627)	-
Interest paid on loans	(81,602)	(3,152)	-	(84,754)	-
Net cash (used) by capital and related financing activities	<u>(6,102,033)</u>	<u>(9,060,306)</u>	<u>(53,529)</u>	<u>(15,215,868)</u>	<u>-</u>
Cash from investing activities:					
Investment income	<u>51,679</u>	<u>16,534</u>	<u>1,000</u>	<u>69,213</u>	<u>9,064</u>
Net cash increase (decrease) in cash and cash equivalents	(304,976)	(5,268,974)	(1,086)	(5,575,036)	54,801
Cash and investments, July 1	<u>12,904,958</u>	<u>17,330,321</u>	<u>432,297</u>	<u>30,667,576</u>	<u>3,686,241</u>
Cash and investments, June 30	<u>\$ 12,599,982</u>	<u>\$ 12,061,347</u>	<u>\$ 431,211</u>	<u>\$ 25,092,540</u>	<u>\$ 3,741,042</u>

Continued

City of Rock Springs, Wyoming
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2018

	Business-type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Water Fund	Wastewater Fund	Nonmajor - Housing Authority	Total	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ 1,082,544	\$ (113,837)	\$ (832,843)	\$ 135,864	\$ (34,252)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	240,645	2,114,872	157,578	2,513,095	-
Changes in assets and liabilities:					
Accounts receivable	(4,211)	(23,790)	1,641	(26,360)	-
Due from other funds	-	-	2,838	2,838	-
Prepaid expenses	-	-	(962)	(962)	-
Inventory	1,477	(57,295)	(4,508)	(60,326)	-
Accounts payable	(13,438)	(236,819)	5,520	(244,737)	79,989
Due to other funds	-	-	(10,896)	(10,896)	-
Customer deposits	(1,217)	(1,424)	195	(2,446)	-
Compensated absences accrued expenses	(2,420)	5,279	(5,355)	(2,496)	-
Net cash provided (used) by operating activities:	<u>\$ 1,303,380</u>	<u>\$ 1,686,986</u>	<u>\$ (686,792)</u>	<u>\$ 2,303,574</u>	<u>\$ 45,737</u>
Schedule of Noncash Transactions					
Capitalized interest	<u>\$ -</u>	<u>\$ 161,607</u>	<u>\$ -</u>	<u>\$ 161,607</u>	<u>\$ -</u>

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 the Financial Statements
For the Year Ended June 30, 2018

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 unit. 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.

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.

City of Rock Springs, Wyoming
Notes to the Financial Statements
For the Year Ended June 30, 2018

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. 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.

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 the Financial Statements
For the Year Ended June 30, 2018

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 in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

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 statement 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 acquisition value on the date received.

City of Rock Springs, Wyoming
Notes to the Financial Statements
For the Year Ended June 30, 2018

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>
Buildings 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.

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.

City of Rock Springs, Wyoming
Notes to the Financial Statements
For the Year Ended June 30, 2018

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

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

Property taxes:

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

Property taxes receivable totaling \$1,802,837, assessed in fiscal year 2018, 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 2019.

Encumbrances:

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

Fund balance/net position:

Restrictions of net position/fund balance are limited to outside third-party restrictions. Commitments of fund balance represent amounts that can only be used for specific purposes whose constraints are imposed by the Mayor and City Council through formal resolutions. Assignments of fund balance represent amounts that the City intends to be used for specific purposes whose constraints are imposed by the Mayor and City Council or through an agreement with an authorized representative of the City as specified in chapter 1, article 5 of the City of Rock Springs ordinances. If more than one type of resource is available to spend, the order of spending will be restricted first, then committed funds, next assigned funds, and finally unassigned funds. For nongovernmental fund types and government-wide activities, restricted resources will be spent before nonrestricted resources when both are available to spend. Beginning fund balance was adjusted by (\$1,141,362) due to the effect of the GASB 75 implementation, specifically to record an increase in the prior year total OPEB obligation liability on the government-wide financial statements.

Defined benefit pensions:

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

City of Rock Springs, Wyoming
Notes to the Financial Statements
For the Year Ended June 30, 2018

Other post employment benefits:

The total other post employment benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, have been actuarially determined. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Note 2. Cash and Investments

Cash and investments and restricted cash as of June 30, 2018, as classified in the accompanying financial statements, consist of the following:

Statement of Net Position:

	<u>Primary Government</u>
Deposits with financial institutions:	
Cash/money market funds	\$ 21,954,346
Certificates of deposit held at banks	25,175,250
Investments:	
Allegiance Bank Texas CD	\$ 235,080
Ally Bank Midvale CD	243,400
American Express Fed Savings Bank CD	234,852
American Express Centurion CD	239,940
Barclays Bank CD	240,171
BMW Bank North America UT CD	245,010
Capital One Bank CD	239,867
Capital One NA CD	236,594
Discover Bank CD	237,988
Federal Farm Credit Bank	749,148
Federal Home Ln Mtg Corp - Call	1,020,991
Federal Home Ln Mtg Corp - Step	2,249,646
Federal Home Ln Mtg Corp	987,559
Federal Home Loan Bank	1,476,152
Federal National Mtg Assn - Call	977,645
First Bank Highland CD	239,642
First Premier Bank Sioux Falls CD	236,788
GE Cap Retail Bank - Draper UT CD	240,096
Goldman Sachs Bank USA CD	238,328
Merrick Bank UT CD	234,186
Sallie Mae Bank Murray CD	241,051
Wells Fargo Bank CD	244,353
	<u>\$ 58,418,083</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 deposits to

City of Rock Springs, Wyoming
Notes to the Financial Statements
For the Year Ended June 30, 2018

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
Allegiance Bank Texas CD	Not rated	\$ 235,080
Ally Bank Midvale CD	Not rated	243,400
American Express Fed Savings Bank CD	Not rated	234,852
American Express Centurion CD	Not rated	239,940
Barclays Bank CD	Not rated	240,171
BMW Bank North America UT CD	Not rated	245,010
Capital One Bank USA	Not rated	239,867
Capital One NA USA	Not rated	236,594
Discover Bank CD	Not rated	237,988
Federal Farm Credit Bank	AAA	749,148
Federal Home Ln Mtg Corp Call	AAA	1,020,991
Federal Home Ln Mtg Corp - Step	AAA	2,249,646
Federal Home Ln Mtg Corp	AAA	987,559
Federal Home Loan Bank	AAA	1,476,152
Federal National Mtg Assn - Call	AAA	977,645
First Bank Highland CD	Not rated	239,642
First Premier Bank Sioux Falls CD	Not rated	236,788
GE Cap Retail Bank - Draper UT CD	Not rated	240,096
Goldman Sachs Bank USA CD	Not rated	238,328
Merrick Bank UT CD	Not rated	234,186
Sallie Mae Bank Murray CD	Not rated	241,051
Wells Fargo Bank CD	Not rated	244,353

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, 2018, the primary government had bank balances on deposit and certificates of deposit, including accrued interest of \$46,471,973.

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, 2018, all investment securities were held by the City's custodian and registered in the City's name.

Concentration of credit risk:

Because there is minimal credit risk associated with investments issued by the U.S. government agencies and investments made by the City's third-party investment manager in certificates of deposit that are insured by Federal depository insurance, which include all of the City's investments, no further disclosure regarding concentrations of credit risk is required.

City of Rock Springs, Wyoming
Notes to the Financial Statements
For the Year Ended June 30, 2018

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	1-2 Years	2-5 Years
		Year		
Allegiance Bank Texas CD	\$ 235,080	\$ -	\$ -	\$ 235,080
Ally Bank Midvale CD	243,400	243,400	-	-
American Express Fed Savings Bank CD	234,852	-	-	234,852
American Express Centurion CD	239,940	239,940	-	-
Barclays Bank CD	240,171	-	-	240,171
BMW Bank North America UT CD	245,010	245,010	-	-
Capital One Bank USA	239,867	-	-	239,867
Capital One NA USA	236,594	-	-	236,594
Discover Bank CD	237,988	-	-	237,988
Federal Farm Credit Bank	749,148	-	-	749,148
Federal Home Ln Mtg Corp - Call	1,020,991	-	-	1,020,991
Federal Home Ln Mtg Corp - Step	2,249,646	-	-	2,249,646
Federal Home Ln Mtg Corp	987,559	-	497,329	490,230
Federal Home Loan Bank	1,476,152	498,620	296,307	681,225
Federal National Mtg Assn - Call	977,645	-	492,550	485,095
First Bank Highland CD	239,642	-	-	239,642
First Premier Bank Sioux Falls CD	236,788	-	-	236,788
GE CAP Retail Bank - Draper UT CD	240,096	240,096	-	-
Goldman Sachs Bank USA	238,328	-	-	238,328
Merrick Bank UT CD	234,186	-	-	234,186
Sallie Mae Bank Murray CD	241,051	-	241,051	-
Wells Fargo Bank CD	244,353	-	-	244,353
	<u>\$ 11,288,487</u>	<u>\$ 1,467,066</u>	<u>\$ 1,527,237</u>	<u>\$ 8,294,184</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 \$2,249,646 or 20% 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 \$858,560 at June 30, 2018. These funds are in the custody of and are collateralized through the Joint Powers Water Board, and are included in the accompanying financial statements as restricted cash.

City of Rock Springs, Wyoming
Notes to the Financial Statements
For the Year Ended June 30, 2018

Fair value of investments:

The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. The City had recurring fair-value measurement as of June 30, 2018 of negotiable certificates of deposit and United States Government agencies bonds in the amount of \$11,288,487. These investments are all classified as observable inputs other than quoted market prices which is level 2 of the fair value hierarchy as defined by GASB statement no. 72. All of the investments are valued using quoted prices for similar investments in active markets.

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 Activites	Business-Type Activites		
	General Fund	Water Fund	Wastewater Fund	Housing Authority
Accounts receivable	\$ 4,243	\$ 1,034,643	\$ 77,543	\$ 5,092
Allowance for doubtful accounts	(300)	(11,000)	(1,000)	-
	<u>\$ 3,943</u>	<u>\$ 1,023,643</u>	<u>\$ 76,543</u>	<u>\$ 5,092</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 the Financial Statements
For the Year Ended June 30, 2018

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, 2018:

	Balance June 30, 2017	Additions	Transfers	Deductions	Balance June 30, 2018
Governmental Activities:					
Capital assets, not being depreciated:					
Land/ easements/ art	\$ 7,483,341	\$ 40,212	\$ -	\$ -	\$ 7,523,553
Construction in progress	991,372	34,516	(55,433)	-	970,455
Total capital assets, not being depreciated	8,474,713	74,728	(55,433)	-	8,494,008
Capital assets, being depreciated:					
Buildings and improvments	50,507,693	-	-	-	50,507,693
Land improvements	15,908,139	-	55,433	-	15,963,572
Furnishing and equipment	17,543,418	297,197	-	(258,570)	17,582,045
Easements	193,771	-	-	-	193,771
Infrastructure	115,440,278	245,808	-	-	115,686,086
Total capital assets, being depreciated	199,593,299	543,005	55,433	(258,570)	199,933,167
Accumulated depreciation for					
Buildings and improvments	(28,814,887)	(1,003,937)	-	-	(29,818,824)
Land improvements	(7,412,679)	(393,953)	-	-	(7,806,632)
Furnishings and equipment	(13,860,221)	(835,030)	-	258,570	(14,436,681)
Easements	(56,279)	(6,857)	-	-	(63,136)
Infrastructure	(55,331,524)	(2,421,942)	-	-	(57,753,466)
Total accumulated depreciation	105,475,590	(4,661,719)	-	258,570	(109,878,739)
Total capital assets, being depreciated, net	94,117,709	(4,118,714)	55,433	-	90,054,428
Governmental activites capital assets, net	\$102,592,422	\$ (4,043,986)	\$ -	\$ -	\$ 98,548,436
Business-Type Activities:					
Capital assets, not being depreciated:					
Land	\$ 556,875	\$ -	\$ -	\$ -	\$ 556,875
Construction in progress	3,546,356	7,672,197	(5,805,600)	-	5,412,953
Total capital assets, not being depreciated	4,103,231	7,672,197	(5,805,600)	-	5,969,828
Capital assets, being depreciated:					
Buildings and improvments	49,357,722	-	-	-	49,357,722
System improvements	4,102,885	-	-	-	4,102,885
Furnishing and equipment	3,014,430	85,991	-	(32,588)	3,067,833
Land improvements	758,677	-	-	-	758,677
Infrastructure	28,186,611	96,264	5,805,600	-	34,088,475
Total capital assets, being depreciated	85,420,325	182,255	5,805,600	(32,588)	91,375,592
Accumulated depreciation for					
Buildings and improvments	(25,443,960)	(1,262,245)	-	-	(26,706,205)
System improvements	(2,655,720)	(167,795)	-	-	(2,823,515)
Furnishings and equipment	(2,243,191)	(228,304)	-	32,588	(2,438,907)
Land improvements	(241,991)	(33,310)	-	-	(275,301)
Infrastructure	(10,813,625)	(821,441)	-	-	(11,635,066)
Total accumulated depreciation	(41,398,487)	(2,513,095)	-	32,588	(43,878,994)
Total capital assets, being depreciated, net	44,021,838	(2,330,840)	5,805,600	-	47,496,598
Business-type activites capital assets, net	\$ 48,125,069	\$ 5,341,357	\$ -	\$ -	\$ 53,466,426

City of Rock Springs, Wyoming
Notes to the Financial Statements
For the Year Ended June 30, 2018

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

	<u>Depreciation Expense</u>
Governmental Activities:	
General government	\$ 812,122
Public safety	392,164
Public works	2,685,339
Culture and recreation	<u>772,094</u>
Total depreciation expense - governmental activities	<u>\$ 4,661,719</u>
Business-Type Activities:	
Water	240,645
Wastewater	2,114,872
Housing	<u>157,578</u>
Total depreciation expense - business-type activities	<u>\$ 2,513,095</u>

Note 5. Interfund Transfers

Interfund transfers for the year ended June 30, 2018 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Public Housing Fund	\$ 155,643	\$ -
Capital Fund	<u>-</u>	<u>155,643</u>
	<u>\$ 155,643</u>	<u>\$ 155,643</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, 2018, the City made transfers from the Capital fund in the amount of \$155,643 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.

Public employees pension:

Substantially all employees of the City (except for those that are eligible to participate in the Firemen's or Law Enforcement Plans) are provided with pensions through the Public Employee Pension Plan - a cost sharing multiple-employer defined benefit pension plan. The System is granted authority to administer the Plan by Wyoming State Statutes 9-3-401 through 432.

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

City of Rock Springs, Wyoming
Notes to the Financial Statements
For the Year Ended June 30, 2018

years of service. The formula for retirement equals 2% times the number of years of service times the five-year highest average salary.

The System also provides disability benefits. Partial or total disability retirement is available to any member who becomes permanently incapacitated, mentally or physically, and cannot continue in the performance of his/her duties. Benefits are established by State statute. Certain surviving dependents receive benefits based on the deceased member's compensation and their relationship to the deceased, as well as the benefit option selected by the member at the date of retirement.

Contributions to the System consist of an amount equal to 16.62% of the employee's salary. The City is required by State statute to contribute 8.37% of the amount and, as permitted by statute, also contributes the employees' 8.25%. The City's and employees' combined contributions to the plan for the years ended June 30, 2018, 2017, 2016 were \$1,354,517, \$1,438,906, and \$1,523,002, respectively

Firemen's pensions:

The City participates in the State of Wyoming Paid Firemen's Plan B, a statewide cost-sharing multiple-employer defined benefit pension plan administered by the State of Wyoming Retirement System Board. Substantially all paid City firemen hired after July 1, 1981 are eligible to participate. The Plan provides retirement, disability and death benefits according to predetermined formulas. Benefits are established by Wyoming State Statutes.

The members of this plan qualify for a retirement allowance if they are 50 years old and have at least 48 months of credited service. The basic monthly benefit for participants is based on a formula involving years of service, highest average salary and age at retirement. The current benefit formula equals 2.8% times the 3 year final average compensation for first 25 years of service. The benefit is capped at 70% of the highest average salary. The highest average salary is calculated by averaging the 36 highest continuous months of acceptable salary as defined in the rules of the Wyoming Retirement Board.

Partial or total disability retirement is available to any member who becomes incapacitated, mentally or physically, and cannot continue in the performance of his/her duties from an individual and specific act incurred while employed.

Surviving spouse or other qualified dependents receive benefits based on 50% of the member's final actual salary. On the death of a member, inactive member, retired member, or survivor, the excess of the accumulated member contributions over all pension payments made are payable as a death benefit to the next qualified beneficiary.

Contributions to the system consist of an amount equal to 21.245% of the employee's salary. The City is required by State statute to contribute 12% of the amount and, as permitted by statute, also contributes the employee's 6%. An additional 3.245% is contributed by the employee. The City's and employees' combined contributions (18%) to the plan for the years ended June 30, 2018, 2017, 2016 were \$513,925, \$490,238, and \$511,826, respectively.

The City formerly participated in the State of Wyoming Paid Firemen's Plan A, a statewide cost sharing multiple employer defined benefit, contributory retirement plan covering paid firemen who were employed prior to July 1, 1981 and who elected to participate.

The plan statutorily provides retirement, disability and death benefits according to a percentage of a fireman first class salary. The Plan also statutorily provides for an annual percentage increase in the benefit amounts beginning in the year following twelve (12) months of payments, by at least 3%.

Partial or total disability retirement is available to any member who becomes incapacitated, mentally or physically, and cannot continue in the performance of his/her duties from an individual and specific act incurred while employed. Certain surviving beneficiaries receive benefits based on the maximum salary and years of service. Upon death, 100% of the benefit continues to be paid to the beneficiary.

City of Rock Springs, Wyoming
Notes to the Financial Statements
For the Year Ended June 30, 2018

The plan statutorily required participants to contribute 8% of their salary to a maximum not to exceed the salary of a Firemen First Class. Employers were required to contribute 21% of the salary. Effective April 1, 1997, required contributions were suspended as the Plan had been determined to be actuarially over-funded. This plan is being reviewed by the Wyoming Retirement System to determine the appropriate measures to take to ensure this plan is adequately funded, as it is a closed plan.

Law Enforcement pension:

Employees who are sworn law enforcement officers are eligible for full retirement benefits after they either reach age 60 with at least forty-eight months of contributions to the plan or at any age with 20 years of service. These same employees are eligible for early retirement with a reduced benefit after they reach age 50 with forty-eight months of contributions. Benefits are established by State statutes.

Benefits are based on a formula involving years of service, highest average salary and age at retirement. Currently, the benefit formula entitles retirees to 2.5% of the highest average salary for each year of service with a ceiling on the benefit at 75% of the highest average salary.

Partial or total disability retirement is available to any member who becomes incapacitated, mentally or physically, and cannot continue in the performance of his/her duties from an individual and specific act incurred while employed. Surviving spouse receives benefits dependent on if the member was on-duty at time of death. Additional benefits are available for additional qualified dependents.

Contributions to the system consist of an amount equal to 17.2% of the employee's salary. The City is required by State statute to contribute 8.6% of the amount and, as permitted by statute, also contributes the employee's 8.6%. The City's and employees' combined contributions to the plan for the years ended June 30, 2018, 2017, 2016, were \$579,358, \$612,484, and \$615,102, respectively.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions:

At June 30, 2018, the City reported a liability of \$36,074,024 for its proportionate share of the net pension liability. This net pension obligation was comprised of \$10,821,912 for the Public Employees Pension Plan, \$19,090,505 for the Firemen's Pension Plan A, \$4,212,189 for the Firemen's Pension Plan B, and \$1,949,418, for the Law Enforcement Pension Plan. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017, and incorporated assumption changes adopted by the System's Board effective August 23, 2017. The City's proportion of the net pension liability was based on the relationship of the City's total contributions to the plan for the year ended December 31, 2017 to the contributions of all participating employers for the same period. The table below summarizes the City's share of the net position liability at December 31, 2017 and December 31, 2016.

	December 31, 2017	December 31, 2016
<u>Pension Plan</u>	<u>Proportion</u>	<u>Proportion</u>
Public Employees Pension Plan	0.4747826000%	0.499093800%
Paid Firemen's Pension Plan A	8.5328753000%	8.468409700%
Paid Firemen's Plan B	10.2151270000%	9.778981200%
Law Enforcement Pension Plan	2.2655944000%	2.233462000%

City of Rock Springs, Wyoming
Notes to the Financial Statements
For the Year Ended June 30, 2018

For the year ended June 30, 2018 the City recognized pension expense of \$6,591,483 comprised of \$861,167 for the Public Employees Pension Plan, \$4,360,388 for the Firemen's Pension Plan A, \$927,175 for the Firemen's Pension Plan B, and \$442,753 for the Law Enforcement Pension Plan. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Total Deferred Outflows of Resources	Total Deferred Inflows of Resources
Net difference between projected and actual earnings on investments	\$ 2,998,322	\$ 3,726,626
Changes in proportionate share of contributions	249,995	617,056
Differences in expected and actual experience	22,930	755,525
Changes in assumptions	4,798,242	110,096
Contributions subsequent to the measurement date	648,544	-
Total	<u>\$ 8,718,033</u>	<u>\$ 5,209,303</u>

The deferred outflows (inflows) of resources for the net difference between projected and actual earnings on pension investment were \$1,437,901 and \$(1,765,879); \$508,704 and \$(526,632); \$528,170 and \$(726,500); as well as \$523,547 and \$(707,615) for the Public Employees Pension Plan, Firemen's Pension Plan A, Firemen's Pension Plan B, and Law Enforcement Pension Plan, respectively.

The deferred outflows (inflows) of resources for the changes in proportionate share of contributions were \$99,409 and \$(477,263); \$0; \$122,087 and \$(124,486); as well as \$28,499 and \$(15,307) for the Public Employees Pension Plan, Firemen's Pension Plan A, Firemen's Pension Plan B, and Law Enforcement Pension Plan, respectively.

The deferred outflows (inflows) for differences in expected and actual experience were \$(387,819); \$0; \$7,954 and \$(202,017); as well as \$14,976 and \$(165,689) for the Public Employees Pension Plan, Firemen's Pension Plan A, Firemen's Pension Plan B, and Law Enforcement Pension Plan, respectively.

The deferred outflows (inflows) for changes in actuarial assumptions were \$1,051,528; \$0; \$2,827,306 and \$(110,096); as well as \$919,408 for the Public Employees Pension Plan, Firemen's Pension Plan A, Firemen's Pension Plan B, and Law Enforcement Pension Plan, respectively.

Amounts of \$340,941; \$168,806; as well as \$138,797 are reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date for the Public Employees Pension Plan, Firemen's Pension Plan B Plan, and Law Enforcement Pension Plan, respectively, and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Public Employees Pension Plan	Paid Firemen's Pension Plan A	Paid Firemen's Pension Plan B	Law Enforcement Pension Plan	Total
Year Ended June 30:					
2019	\$ 420,168	\$ 148,819	\$ 526,111	\$ 325,113	\$ 1,420,211
2020	236,008	82,117	460,924	251,214	1,030,263
2021	(281,139)	(117,206)	249,395	35,732	(113,218)
2022	(417,160)	(131,658)	236,087	(14,240)	(326,971)
2023	-	-	167,676	-	167,676
Thereafter	-	-	682,225	-	682,225
Total	<u>\$ (42,123)</u>	<u>\$ (17,928)</u>	<u>\$ 2,322,418</u>	<u>\$ 597,819</u>	<u>\$ 2,860,186</u>

City of Rock Springs, Wyoming
Notes to the Financial Statements
For the Year Ended June 30, 2018

Actuarial assumptions:

The total pension liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Assumption	Public Employees Pension Plan	Paid Firemen's Pension Plan A	Paid Firemen's Pension Plan B	Law Enforcement Pension Plan
Inflation	2.25%	2.25%	2.25%	2.25%
Salary increases	2.50% to 6.00%	4.25%	2.50% to 7.00%	2.50% to 8.00%
Investment rate of return	7.00%	7.00%	7.00%	7.00%
Payroll growth rate	2.50%	3.25%	2.50%	2.50%
Cost of living adjustment	0.00%	0.00%	0.00%	0.00%

Mortality rates were based on the RP-2014 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale MP-2017. There were economic and demographic changes in assumptions between the December 31, 2016 and December 31, 2017 measurement dates.

Long-Term Expected Rate of Return:

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

Asset Class	Target Allocation	Long-Term Expected Real Geometric Rate of Return	Long-Term Expected Real Arithmetic Rate of Return
Cash	0.00%	0.40%	0.40%
Fixed Income	20.00%	1.25%	1.77%
Equity	45.00%	4.96%	6.88%
Marketable Alternatives	17.50%	2.79%	3.30%
Private Markets	17.50%	5.06%	7.11%
Total	100.00%	3.85%	5.27%

Experience analysis:

An experience study was conducted on behalf of all WRS' plans covering the five-year period ended December 31, 2016. That study provided a detailed analysis concerning the development of the long-term inflation rate, real rate of return and discount rate. The study also analyzed each major actuarial assumption (e.g., mortality, salary increases, retirement, termination and disability) and proposed assumptions consistent with the findings.

Discount rate:

The discount rate used to measure the total pension liability was 7.00%, 3.75%, 5.65%, and 7.00% for the Public Employees Pension Plan, Paid Firemen's Plan A, Paid Firemen's Plan B, and Law Enforcement Pension Plan, respectively. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the current contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Rock Springs, Wyoming
Notes to the Financial Statements
For the Year Ended June 30, 2018

Sensitivity of the employer's proportionate share of the net pension liability to changes in the discount rate:

The following presents the City's proportionate share of the net pension liability calculated using the discount rate for each plan as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>Decrease</u>	<u>Discount</u>	<u>Increase</u>
Public Employees Pension Plan proportionate share of the net pension liability	6.00% \$ 16,356,124	7.00% \$ 10,821,912	8.00% \$ 6,206,459
Paid Firemen's Plan A proportionate share of the net pension liability	2.75% \$ 23,580,945	3.75% \$ 19,090,505	4.75% \$ 15,501,576
Paid Firemen's Plan B proportionate share of the net pension liability	4.65% \$ 7,198,290	5.65% \$ 4,212,189	6.65% \$ 1,764,744
Law Enforcement Pension Plan proportionate share of the net pension liability	6.00% \$ 4,184,041	7.00% \$ 1,949,418	8.00% \$ 130,253

Pension plan fiduciary net position:

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

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, 2018, the City paid \$3,230,480 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, 2018, capital assets with a cost of \$4,900,311, 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.

**City of Rock Springs, Wyoming
Notes to the Financial Statements
For the Year Ended June 30, 2018**

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 2018, the City paid the JPTB \$27,360 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.

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 2018, the City paid the Board \$1,092,370.

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 interim Executive Director, Jim Wamsley, 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 City of Rock Spring's share of the collections remitted to the trustee by Sweetwater County was \$1,868,538 and \$5,226,720, for the years ended June 30, 2018 and 2017, respectively. For the year ended June 30, 2018, the tax revenue was allocated as follows: \$0 to the general fund; \$1,422,049 to the water fund; and \$446,489 to the wastewater fund. The proceeds were allocated as follows for the year ended June 30, 2017: \$48,052 to the general fund; \$3,094,722 to the water fund; and \$2,083,945 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, Billy Shalata, at

City of Rock Springs, Wyoming
Notes to the Financial Statements
For the Year Ended June 30, 2018

the City of Rock Springs, 212 D Street, Rock Springs, WY 82901.

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, 2018 of \$430,392. Changes in the IBNR from fiscal years 2018 and 2017 were as follows:

	At Fiscal Year-End Liability	Estimated Claims Incurred	Claim Payments	At Fiscal Year-End Liability
Fiscal Year 2016-2017	\$ 345,324	\$ 3,430,862	\$ (3,425,783)	\$ 350,403
Fiscal Year 2017-2018	\$ 350,403	\$ 3,398,727	\$ (3,318,738)	\$ 430,392

At June 30, 2018, the City was obligated for construction and other commitments as follows:

Governmental activities:	<u>Encumbered</u>
General government	\$ 177,512
Public safety	44,338
Public works	1,053,278
Culture and recreation	19,832
Total governmental activities	<u>1,294,960</u>
Business-type activities:	
Wastewater	604,682
Water	737,255
Total business-type activities	<u>\$ 1,341,937</u>

City of Rock Springs, Wyoming
Notes to the Financial Statements
For the Year Ended June 30, 2018

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, 2018 was \$5,596,053. 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 *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, 2018 was \$402,295. The loan is secured by the pledge of the City's rights, title, and interest in and to revenues received in the operations of the Wastewater Fund.

Annual debt service requirements to maturity are as follows:

Year ending June 30:	Total	Principal	Interest
2019	\$ 769,329	\$ 618,606	\$ 150,723
2020	769,329	634,072	135,257
2021	769,329	649,923	119,406
2022	769,329	666,171	103,158
2023	769,330	682,826	86,504
Thereafter	2,919,329	2,746,750	172,579
	<u>\$ 6,765,975</u>	<u>\$ 5,998,348</u>	<u>\$ 767,627</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, 2018 was \$1,249,333. 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, 2018 was \$539,204. 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, 2018 was \$407,295. 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, 2018 was \$713,761. The loan is secured by the pledge and assignment of revenues from the City's Water Fund.

City of Rock Springs, Wyoming
Notes to the Financial Statements
For the Year Ended June 30, 2018

Annual debt service requirements to maturity are as follows:

Year ending June 30:	Total	Principal	Interest
2019	\$ 412,235	\$ 339,658	\$ 72,577
2020	412,235	348,129	64,106
2021	412,235	356,813	55,422
2022	412,235	365,712	46,523
2023	412,235	374,834	37,401
Thereafter	1,202,865	1,124,447	78,418
	<u>\$ 3,264,040</u>	<u>\$ 2,909,593</u>	<u>\$ 354,447</u>

Note 10. Long-Term Obligations

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Governmental Activities:					
Compensated absences	\$ 2,301,098	\$ 1,756,681	\$ (1,914,380)	\$ 2,143,399	\$ 1,361,338
Net pension obligation	32,375,278	3,698,746	-	36,074,024	-
Total OPEB obligation	<u>2,471,834</u>	<u>243,618</u>	<u>-</u>	<u>2,715,452</u>	<u>-</u>
Total governmental long-term obligations	<u>37,148,210</u>	<u>5,699,045</u>	<u>(1,914,380)</u>	<u>40,932,875</u>	<u>1,361,338</u>
Business Type Activities:					
Wastewater fund - due to other governmental entities	6,603,053	-	(604,705)	5,998,348	618,606
Wastewater fund - 2013 specific purpose tax financing	(560,806)	1,007,295	(446,489)	-	-
Water fund - due to other governmental entities	1,371,628	-	(122,295)	1,249,333	125,834
Water fund - JPWB loan	1,868,887	-	(208,627)	1,660,260	213,824
Water fund - 2013 specific purpose tax financing	(885,625)	2,307,674	(1,422,049)	-	-
Compensated absences	<u>248,571</u>	<u>267,313</u>	<u>(269,809)</u>	<u>246,075</u>	<u>169,585</u>
Total business-type long-term obligations	<u>8,645,708</u>	<u>3,582,282</u>	<u>(3,073,974)</u>	<u>9,154,016</u>	<u>1,127,849</u>
Total long-term obligations	<u>\$ 45,793,918</u>	<u>\$ 9,281,327</u>	<u>\$ (4,988,354)</u>	<u>\$ 50,086,891</u>	<u>\$ 2,489,187</u>

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

Note 11. Postemployment Benefits Other Than Pensions (OPEB) and Prior Period Adjustment

Plan Description:

The City of Rock Springs Retiree 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 City Council has the authority for establishing and amending this plan. This plan does not issue a separate report and the plan has no assets that are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75.

On July 1, 2017 the City implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). The accounting change adopted to

City of Rock Springs, Wyoming
Notes to the Financial Statements
For the Year Ended June 30, 2018

conform to the provisions of GASB 75 has been applied retroactively by restating the beginning net position by \$1,141,362 for the fiscal year ended June 30, 2018, which included increasing the total OPEB obligation by \$1,204,940 and recording deferred outflows of resources of \$63,578.

Benefits provided:

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 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.

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 2018, the City contributed \$0 to the plan. Plan members receiving benefits contributed \$101,024 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

Employees covered by the benefit terms:

As of the measurement date, December 31, 2017, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	18
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	216
Total plan members	<u>234</u>

Total OPEB liability:

The City's total OPEB liability of \$2,715,452 was measured as of December 31, 2017. The actuarial valuation was performed as of July 1, 2016. Update procedures were used to roll forward the total OPEB liability to December 31, 2017.

City of Rock Springs, Wyoming
Notes to the Financial Statements
For the Year Ended June 30, 2018

Actuarial assumptions and other inputs:

The OPEB liability in the actuarial valuation and subsequent roll forward was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.:

Actuarial Cost Method	Individual Entry-Age
Discount rate	3.31 % as if December 31, 2017
Inflation	2.25%
Salary increases	Fire from 2.00% to 5.00%; Law from 0.5% to 4.50%; and General Employees from 0.25% to 4.00% not including wage inflation of 2.50%.
Health care trend rates	Initial rate of 7.50% declining to an ultimate rate of 4.25% after 15 years.
Participation rates	45% for eligible retirees 55 or older at retirement; 15% for eligible retirees under the age of 55 at retirement.

In accordance with GASB Statement No. 75 for plans that do not have formal assets, the discount rate should equal the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. For the purpose of this valuation, the municipal bond rate is 3.31% as of December 31, 2017 (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The discount rate was 3.81% as of the prior measurement date, December 31, 2016.

Mortality Rates are based on the the RP-2014 Mortality Table for Healthy Annuitants, rates were multiplied by 100% for males and 88% for females. Those rates are projected on a fully generational basis with scale MP-2017.

Demographic assumptions are based on the experience study covering the five-year period ending December 31, 2016, as conducted for the Wyoming Retirement System (WRS).

Changes in the total OPEB liability:

Total OPEB liability:	
Service cost	\$ 119,597
Interest on OPEB liability	94,531
Changes of benefit terms	-
Difference between expected and actual experience	8,409
Changes in assumptions	122,105
Benefit payments	<u>(101,024)</u>
Net change in OPEB liability	243,618
Total OPEB liability - beginning	<u>2,471,834</u>
Total OPEB liability - ending	<u>\$ 2,715,452</u>

Changes of assumptions reflect a change in the discount rate from 3.81% as of December 31, 2016 to 3.31% as of December 31, 2017.

City of Rock Springs, Wyoming
Notes to the Financial Statements
For the Year Ended June 30, 2018

The benefit payments during the measurement period were determined as follows:

Age-adjusted premiums	\$ 243,111	Retiree contributions * 1.711
Retiree contributions	<u>(142,087)</u>	<u>(provided by the City)</u>
Total benefit payments	<u>\$ 101,024</u>	

The 1.711 factor equals the ratio of the expected retiree claims to the expected retiree contributions.

The underlying retiree claims were estimated using age-adjusted premiums.

Sensitivity of the total OPEB liability to changes in the discount rate:

Regarding the sensitivity of the total OPEB liability to changes in the discount rate, the following presents the City's total OPEB liability, calculated using a discount rate of 3.31%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

	1% Decrease	Current Discount Rate	1% Increase
	2.31%	3.31%	4.31%
Total OPEB liability:	\$ 2,977,763	\$ 2,715,452	\$ 2,477,050

Sensitivity of total OPEB liability to the healthcare cost trend rate assumption:

Regarding the sensitivity of the total OPEB liability to changes in the healthcare cost trend rates (initial rate of 7.50% declining to an ultimate rate of 4.25% after 15 years), the following presents the City's total OPEB liability, calculated using the assumed healthcare cost trend rates as well as what the City's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percent lower or one percent higher:

	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
Total OPEB liability:	\$ 2,364,694	\$ 2,715,452	\$ 3,136,432

OPEB expenses and deferred outflows of resources and deferred inflows of resources related to OPEB:

For the year ended June 30, 2018, the City recognized OPEB expense of \$227,463. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,550	\$ -
Changes in assumptions	109,629	-
Contributions subsequent to the measurement date	<u>66,748</u>	<u>-</u>
Total	<u>\$ 183,927</u>	<u>\$ -</u>

City of Rock Springs, Wyoming
Notes to the Financial Statements
For the Year Ended June 30, 2018

An amount of \$66,748 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ended June 30:	
2019	\$ 13,335
2020	13,335
2021	13,335
2022	13,335
2023	13,335
Thereafter	<u>50,504</u>
Total	<u><u>\$ 117,179</u></u>

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:

	Governmental Fund <u>General Fund</u>
Nonspendable:	
Inventories	\$ 399,536
Prepaid expenses	<u>185,725</u>
	<u><u>\$ 585,261</u></u>
Committed:	
Cash reserve	\$ 9,495,835
Capital replacement	6,457,895
Compensated absences/OPEB	1,575,250
General government	174,982
Public works	1,052,936
Culture and recreation	<u>15,000</u>
	<u><u>\$ 18,771,898</u></u>
Assigned:	
General government	\$ 2,530
Culture and recreation	4,832
Public safety	44,338
Public works	342
Cash carryover	<u>1,458,948</u>
	<u><u>\$ 1,510,990</u></u>

City of Rock Springs, Wyoming
Notes to the Financial Statements
For the Year Ended June 30, 2018

Note 13. Recent Pronouncements

In June 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions*. GASB Statement No. 75, which improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). The accounting change adopted to conform to the provisions of GASB 75 has been applied retroactively by restating the beginning net position. See discussion of prior period restatement in Note 11.

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement is effective for years beginning after December 15, 2019. The effect that the adoption of this statement will have on the City's financial statements has not been determined.

REQUIRED SUPPLEMENTARY INFORMATION

The City's required supplementary information includes the Budgetary Comparison Schedule – 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 Changes in Total OPEB Liability and Related Ratios, as well as the Schedule of the Proportionate Share of the Net Pension Liability and the Schedule of Pension Contributions relating to the City's retirement commitment with Wyoming Retirement System.

City of Rock Springs, Wyoming
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Taxes:				
Property taxes	\$ 1,600,000	\$ 1,600,000	\$ 2,446,659	\$ 846,659
Occupation tax	55,000	55,000	61,458	6,458
Franchise tax	600,000	600,000	738,902	138,902
Sales and use tax	15,210,450	15,210,450	20,546,778	5,336,328
Cigarette tax	150,000	150,000	147,894	(2,106)
Wholesale gas tax	675,000	675,000	747,691	72,691
Mineral severance tax	855,231	855,231	855,192	(39)
Special fuels tax	230,000	230,000	235,351	5,351
	<u>19,375,681</u>	<u>19,375,681</u>	<u>25,779,925</u>	<u>6,404,244</u>
Licenses and permits:				
Liquor licenses	79,450	79,450	80,233	783
Malt beverage and catering	3,000	3,000	6,075	3,075
Building fees and permits	220,000	220,000	273,139	53,139
Animal licenses	15,000	15,000	19,268	4,268
Contractor licenses	49,125	49,125	67,800	18,675
Road impact fees	100	100	2,040	1,940
	<u>366,675</u>	<u>366,675</u>	<u>448,555</u>	<u>81,880</u>
Inter-governmental revenue:				
Mineral royalties	985,493	985,493	984,187	(1,306)
Federal, state, and county grants	1,015,639	1,207,259	421,556	(785,703)
Supplemental local government/impact assistance funding	1,284,143	1,284,143	1,289,326	5,183
	<u>3,285,275</u>	<u>3,476,895</u>	<u>2,695,069</u>	<u>(781,826)</u>
Charges for services:				
Golf course	660,000	660,000	665,000	5,000
Civic center	175,000	175,000	166,354	(8,646)
Indoor recreation	600,000	600,000	623,652	23,652
Field usage fees	17,000	17,000	18,750	1,750
Rents and concessions	51,110	51,110	57,521	6,411
Inter-fund administrative charges	203,700	203,700	194,372	(9,328)
Special police and fire services	5,000	5,000	48,206	43,206
Maps, publications and copies	2,500	2,500	6,636	4,136
Sale of cemetery lots	5,000	5,000	26,880	21,880
Miscellaneous cemetery fees	15,000	15,000	25,550	10,550
Sale of property	-	-	11,568	11,568
Sale of materials or supplies	189,100	189,100	203,480	14,380
Animal adoption	9,500	9,500	15,590	6,090
Advertising fees	2,750	2,750	3,210	460
	<u>1,935,660</u>	<u>1,935,660</u>	<u>2,066,769</u>	<u>131,109</u>
Fines and forfeitures:				
Municipal court fees and parking fines	325,500	325,500	416,359	90,859
Animal fines	21,000	21,000	20,007	(993)
	<u>346,500</u>	<u>346,500</u>	<u>436,366</u>	<u>89,866</u>

Continued

City of Rock Springs, Wyoming
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Miscellaneous:				
Blue Cross Blue Shield	812,000	812,000	837,566	25,566
Miscellaneous reimbursements	37,000	52,632	82,758	30,126
Refund of overpayments and insurance reimbursements	5,500	127,418	146,830	19,412
Contributions and donations	700	21,351	27,677	6,326
Sundry revenues	203,200	207,973	650,160	442,187
	<u>1,058,400</u>	<u>1,221,374</u>	<u>1,744,991</u>	<u>523,617</u>
Other income:				
Interest	50,200	50,200	117,108	66,908
Transfers	1,075,000	1,279,612	279,612	(1,000,000)
	<u>1,125,200</u>	<u>1,329,812</u>	<u>396,720</u>	<u>(933,092)</u>
Total revenues	<u>27,493,391</u>	<u>28,052,597</u>	<u>33,568,395</u>	<u>5,515,798</u>

Continued

City of Rock Springs, Wyoming
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Expenditures				
General government:				
Legislative	337,325	334,996	311,208	23,788
Judicial	437,600	437,600	391,787	45,813
Finance	1,023,950	1,023,950	882,966	140,984
Municipal court	333,197	333,198	298,012	35,186
Information technology	767,744	767,744	665,251	102,493
Human resources	164,577	164,577	159,324	5,253
City buildings	375,700	407,606	291,896	115,710
Urban renewal	274,425	274,957	268,933	6,024
	<u>3,714,518</u>	<u>3,744,628</u>	<u>3,269,377</u>	<u>475,251</u>
Public safety:				
Police department	8,410,987	8,432,149	7,691,058	741,091
Animal control	318,870	318,870	313,128	5,742
Emergency management	144,704	324,324	85,370	238,954
Fire department	4,814,655	4,835,356	4,691,097	144,259
	<u>13,689,216</u>	<u>13,910,699</u>	<u>12,780,653</u>	<u>1,130,046</u>
Public works:				
Public works administration, engineering	789,584	789,584	680,383	109,201
Planning and inspection	927,463	973,643	845,667	127,976
Street department	5,842,045	5,930,236	4,192,864	1,737,372
Vehicle maintenance	629,080	632,610	592,505	40,105
Cemetery	608,747	609,661	495,659	114,002
	<u>8,796,919</u>	<u>8,935,734</u>	<u>6,807,078</u>	<u>2,128,656</u>
Culture and recreation:				
Parks and recreation	1,195,351	1,210,434	1,096,447	113,987
Golf course	1,579,455	1,852,689	1,747,963	104,726
Civic center	1,248,385	1,264,700	1,190,852	73,848
Historical museum	215,770	216,748	170,877	45,871
Indoor recreation	2,676,040	2,676,340	2,644,028	32,312
	<u>6,915,001</u>	<u>7,220,911</u>	<u>6,850,167</u>	<u>370,744</u>
Nondepartmental	<u>1,924,984</u>	<u>1,935,973</u>	<u>1,555,285</u>	<u>380,688</u>
Transfers	<u>1,075,000</u>	<u>1,279,612</u>	<u>279,612</u>	<u>1,000,000</u>
Total expenditures	<u>36,115,638</u>	<u>37,027,557</u>	<u>31,542,172</u>	<u>5,485,385</u>
Excess (deficiency) of revenues over (under) expenses	<u>\$ (8,622,247)</u>	<u>\$ (8,974,960)</u>	<u>\$ 2,026,223</u>	<u>\$ 11,001,183</u>

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

City of Rock Springs, Wyoming
Notes to the Required Supplementary Information
For the Year Ended June 30, 2018

Note 1. Budget

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

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

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

The budget is adopted according to the following schedule:

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

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	\$ 33,568,395
Differences - Budget Basis to GAAP transfers to/from the reserves fund within the General Fund	<u>(279,612)</u>
Total revenues and other financing sources as reported on the statement of revenues, expenditures, and changes in fund balance - governmental funds	<u><u>\$ 33,288,783</u></u>
Expenditures	
Actual Amounts (budgetary basis) from the schedule of revenues, expenditures and changes in fund balance - budget (budgetary basis) and actual	\$ 31,542,172
Transfers to/from the reserves fund within the General Fund	(279,612)
Differences - Encumbrances included on the budgetary basis, not included in GAAP based expenditures	<u>(1,294,961)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance - governmental funds	<u><u>\$ 29,967,599</u></u>

City of Rock Springs, Wyoming
Schedule of Changes in Total OPEB Liability and Related Ratios
For the Year Ended June 30, 2018

	<u>2018</u>
Total OPEB liability:	
Service cost	\$ 119,597
Interest on the total OPEB liability	94,531
Changes in benefit terms	-
Difference between expected and actual experience	8,409
Changes of assumptions	122,105
Benefit payments	<u>(101,024)</u>
Net change in total OPEB liability	243,618
Total OPEB liability - beginning	<u>2,471,834</u>
Total OPEB liability - ending	<u><u>2,715,452</u></u>
Covered employee payroll	\$ 15,720,540
Total OPEB liability as a percentage of covered-employee payroll	17.27%
Discount Rate	3.31%

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

** There were no changes in benefit terms between the December 31, 2016 measurement date and the December 31, 2017 measurement date.

*** Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. See the table above for the specific rate used in each period. Additionally the discount rate above decreased from 3.81% as of December 31, 2017.

**** This schedule is to be built prospectively until it contains ten years of data.

City of Rock Springs, Wyoming
Schedule of the Proportionate Share of the Net Pension Liability
For the Last Five Years

	Public Employee Pension Plan 2018	Public Employee Pension Plan 2017	Public Employee Pension Plan 2016	Public Employee Pension Plan 2015	Public Employee Pension Plan 2014
City's proportion of the net pension liability (asset)	0.4747826000%	0.499093800%	0.501718286%	0.477587152%	0.481505769%
City's proportionate share of the net pension liability (asset)	\$ 10,821,912	\$ 12,065,593	\$ 11,686,765	\$ 8,427,943	\$ 7,320,816
City's covered payroll	\$ 8,714,891	\$ 8,921,551	\$ 8,948,570	\$ 8,482,763	\$ 8,248,042
City's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	124%	135%	131%	99%	89%
Plan fiduciary net position as a percentage of the total pension liability	76.35%	73.42%	73.40%	79.08%	81.10%

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

** There were no changes in benefit terms between the December 31, 2016 measurement date and the December 31, 2017 measurement date.

*** There were changes in assumptions between the December 31, 2016 measurement date and the December 31, 2017 measurement date, for all plans with the exception of Paid Fireman's Plan A

**** This schedule is to be built prospectively until it contains ten years of data.

City of Rock Springs, Wyoming
Schedule of the Proportionate Share of the Net Pension Liability
For the Last Five Years

	<u>Paid Firemen's Pension Plan A</u> 2018	<u>Paid Firemen's Pension Plan A</u> 2017	<u>Paid Firemen's Pension Plan A</u> 2016	<u>Paid Firemen's Pension Plan A</u> 2015	<u>Paid Firemen's Pension Plan A</u> 2014
City's proportion of the net pension liability (asset)	8.5328753000%	8.468409700%	8.762495603%	8.768998174%	11.379147754%
City's proportionate share of the net pension liability (asset)	\$ 19,090,505	\$ 15,537,226	\$ 16,250,436	\$ 14,432,687	\$ 6,677,562
City's covered payroll	\$ 103,532	\$ 96,006	\$ 108,055	\$ 106,836	\$ 156,598
City's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	18439%	16184%	15039%	13509%	4264%
Plan fiduciary net position as a percentage of the total pension liability	34.28%	38.91%	40.05%	45.95%	71.55%

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

** There were no changes in benefit terms between the December 31, 2016 measurement date and the December 31, 2017 measurement date.

*** There were changes in assumptions between the December 31, 2016 measurement date and the December 31, 2017 measurement date, for all plans with the exception of Paid Fireman's Plan A

**** This schedule is to be built prospectively until it contains ten years of data.

City of Rock Springs, Wyoming
Schedule of the Proportionate Share of the Net Pension Liability
For the Last Five Years

	<u>Paid Firemen's Pension Plan B</u> 2018	<u>Paid Firemen's Pension Plan B</u> 2017	<u>Paid Firemen's Pension Plan B</u> 2016	<u>Paid Firemen's Pension Plan B</u> 2015	<u>Paid Firemen's Pension Plan B</u> 2014
City's proportion of the net pension liability (asset)	10.2151270000%	9.778981200%	10.317995317%	10.230516150%	10.334137317%
City's proportionate share of the net pension liability (asset)	\$ 4,212,189	\$ 3,086,376	\$ 3,154,686	\$ (115,054)	\$ (372,746)
City's covered payroll	\$ 2,888,906	\$ 2,750,647	\$ 2,817,952	\$ 2,679,411	\$ 2,640,437
City's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	146%	112%	112%	-4%	-14%
Plan fiduciary net position as a percentage of the total pension liability	77.98%	80.16%	79.33%	100.98%	103.45%

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

** There were no changes in benefit terms between the December 31, 2016 measurement date and the December 31, 2017 measurement date.

*** There were changes in assumptions between the December 31, 2016 measurement date and the December 31, 2017 measurement date, for all plans with the exception of Paid Fireman's Plan A

**** This schedule is to be built prospectively until it contains ten years of data.

City of Rock Springs, Wyoming
Schedule of the Proportionate Share of the Net Pension Liability
For the Last Five Years

	<u>Law Enforcement Pension Plan</u> 2018	<u>Law Enforcement Pension Plan</u> 2017	<u>Law Enforcement Pension Plan</u> 2016	<u>Law Enforcement Pension Plan</u> 2015	<u>Law Enforcement Pension Plan</u> 2014
City's proportion of the net pension liability (asset)	2.2655944000%	2.233462000%	2.268063847%	2.187755887%	2.180668097%
City's proportionate share of the net pension liability (asset)	\$ 1,949,418	\$ 1,686,083	\$ 1,703,768	\$ 644,594	\$ 398,175
City's covered payroll	\$ 3,563,211	\$ 3,494,839	\$ 3,565,201	\$ 3,355,648	\$ 3,304,528
City's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	55%	48%	48%	19%	12%
Plan fiduciary net position as a percentage of the total pension liability	87.99%	88.11%	87.49%	94.76%	96.53%

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

** There were no changes in benefit terms between the December 31, 2016 measurement date and the December 31, 2017 measurement date.

*** There were changes in assumptions between the December 31, 2016 measurement date and the December 31, 2017 measurement date, for all plans with the exception of Paid Fireman's Plan A

**** This schedule is to be built prospectively until it contains ten years of data.

City of Rock Springs, Wyoming
Schedule of Pension Contributions
For the Last Five Years

	Public Employee Pension Plan 2018	Public Employee Pension Plan 2017	Public Employee Pension Plan 2016	Public Employee Pension Plan 2015	Public Employee Pension Plan 2014
Contractually required contributions	\$ <u>682,149</u>	\$ <u>742,648</u>	\$ <u>766,999</u>	\$ <u>659,627</u>	\$ <u>595,582</u>
Contributions in relation to the contractually required contribution	\$ <u>682,149</u>	\$ <u>742,648</u>	\$ <u>766,999</u>	\$ <u>659,627</u>	\$ <u>595,582</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
City's covered payroll	\$ <u>8,149,932</u>	\$ <u>8,872,736</u>	\$ <u>9,168,118</u>	\$ <u>8,656,527</u>	\$ <u>8,346,912</u>
Contributions as a percentage of covered employee payroll	<u>8.37%</u>	<u>8.37%</u>	<u>8.37%</u>	<u>7.62%</u>	<u>7.12%</u>

* There were no changes in benefit terms between the December 31, 2016 measurement date and the December 31, 2017 measurement date.

** There were changes in assumptions between the December 31, 2016 measurement date and the December 31, 2017 measurement date, for all plans with the exception of Paid Fireman's Plan A

*** This schedule is to be built prospectively until it contains ten years of data.

City of Rock Springs, Wyoming
Schedule of Pension Contributions
For the Last Five Years

	<u>Paid Firemen's Pension Plan A</u> 2018	<u>Paid Firemen's Pension Plan A</u> 2017	<u>Paid Firemen's Pension Plan A</u> 2016	<u>Paid Firemen's Pension Plan A</u> 2015	<u>Paid Firemen's Pension Plan A</u> 2014
Contractually required contributions	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 106,466	\$ 98,256	\$ 104,704	\$ 114,724	\$ 99,310
Contributions as a percentage of covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%

* There were no changes in benefit terms between the December 31, 2016 measurement date and the December 31, 2017 measurement date.

** There were changes in assumptions between the December 31, 2016 measurement date and the December 31, 2017 measurement date, for all plans with the exception of Paid Fireman's Plan A

*** This schedule is to be built prospectively until it contains ten years of data.

City of Rock Springs, Wyoming
Schedule of Pension Contributions
For the Last Five Years

	<u>Paid Firemen's Pension Plan B 2018</u>	<u>Paid Firemen's Pension Plan B 2017</u>	<u>Paid Firemen's Pension Plan B 2016</u>	<u>Paid Firemen's Pension Plan B 2015</u>	<u>Paid Firemen's Pension Plan B 2014</u>
Contractually required contributions	\$ <u>342,616</u>	\$ <u>332,994</u>	\$ <u>341,217</u>	\$ <u>330,202</u>	\$ <u>338,748</u>
Contributions in relation to the contractually required contribution	\$ <u>342,616</u>	\$ <u>332,994</u>	\$ <u>341,217</u>	\$ <u>330,202</u>	\$ <u>338,748</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
City's covered payroll	\$ <u>2,855,136</u>	\$ <u>2,774,950</u>	\$ <u>2,843,478</u>	\$ <u>2,751,686</u>	\$ <u>2,822,902</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>12.00%</u>	<u>12.00%</u>	<u>12.00%</u>	<u>12.00%</u>	<u>12.00%</u>

* There were no changes in benefit terms between the December 31, 2016 measurement date and the December 31, 2017 measurement date.

** There were changes in assumptions between the December 31, 2016 measurement date and the December 31, 2017 measurement date, for all plans with the exception of Paid Fireman's Plan A

*** This schedule is to be built prospectively until it contains ten years of data.

City of Rock Springs, Wyoming
Schedule of Pension Contributions
For the Last Five Years

	Law Enforcement Pension Plan 2018	Law Enforcement Pension Plan 2017	Law Enforcement Pension Plan 2016	Law Enforcement Pension Plan 2015	Law Enforcement Pension Plan 2014
Contractually required contributions	\$ <u>289,679</u>	\$ <u>306,242</u>	\$ <u>307,551</u>	\$ <u>296,121</u>	\$ <u>286,699</u>
Contributions in relation to the contractually required contribution	\$ <u>289,679</u>	\$ <u>306,242</u>	\$ <u>307,551</u>	\$ <u>296,121</u>	\$ <u>286,699</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
City's covered payroll	\$ <u>3,368,360</u>	\$ <u>3,560,953</u>	\$ <u>3,576,174</u>	\$ <u>3,443,267</u>	\$ <u>3,333,707</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>8.60%</u>	<u>8.60%</u>	<u>8.60%</u>	<u>8.60%</u>	<u>8.60%</u>

* There were no changes in benefit terms between the December 31, 2016 measurement date and the December 31, 2017 measurement date.

** There were changes in assumptions between the December 31, 2016 measurement date and the December 31, 2017 measurement date, for all plans with the exception of Paid Fireman's Plan A

*** This schedule is to be built prospectively until it contains ten years of data.

HOUSING AUTHORITY

City of Rock Springs, Wyoming
Combining Statement of Net Position
Housing Authority
June 30, 2018

	Public Housing	Section 8 Vouchers	Supportive Housing	Total Housing Authority
Assets				
Current assets:				
Cash and investments	\$ 389,803	\$ 36,772	\$ 4,636	\$ 431,211
Accounts receivable (net of allowance for uncollectibles)	5,092	-	-	5,092
Inventories	7,736	-	-	7,736
Prepaid items	15,811	-	-	15,811
Total current assets:	418,442	36,772	4,636	459,850
Noncurrent assets:				
Capital assets, net of accumulated depreciation	1,630,242	-	-	1,630,242
Total assets	<u>\$ 2,048,684</u>	<u>\$ 36,772</u>	<u>\$ 4,636</u>	<u>\$ 2,090,092</u>
Liabilities				
Current liabilities				
Accounts payable	32,832	1,222	-	34,054
Customer and security deposits	40,150	-	-	40,150
Compensated absences - current	27,851	-	-	27,851
Total current liabilities	100,833	1,222	-	102,055
Noncurrent liabilities:				
Compensated absences - noncurrent	6,018	-	-	6,018
Total liabilities	<u>106,851</u>	<u>1,222</u>	<u>-</u>	<u>108,073</u>
Deferred Inflows of Resources				
Deferred Revenues	4,851	-	-	4,851
Net Position				
Net investment in capital assets	1,630,242	-	-	1,630,242
Restricted	306,740	35,550	4,636	346,926
Total net position	<u>\$ 1,936,982</u>	<u>\$ 35,550</u>	<u>\$ 4,636</u>	<u>\$ 1,977,168</u>

City of Rock Springs, Wyoming
Combining Statement of Revenues, Expenditures, and Changes in Net Position
Housing Authority
For the Year Ended June 30, 2018

	Public Housing	Section 8 Vouchers	Supportive Housing	Capital Fund	Total Housing Authority
Operating revenues:					
Tenant rental revenue	\$ 328,776	\$ -	\$ -	\$ -	\$ 328,776
Other tenant revenue	18,722	-	-	-	18,722
Total operating revenues:	347,498	-	-	-	347,498
Operating expenses:					
Personnel	438,252	32,559	-	-	470,811
Utilities	94,549	-	-	-	94,549
Postal/Freight	55	-	-	-	55
Communications	2,440	-	-	-	2,440
Office supplies and printing	3,266	-	-	-	3,266
Repairs and maintenance	68,821	-	-	-	68,821
Travel	1,770	-	-	-	1,770
Administrative costs	6,237	-	-	-	6,237
Other costs	4,385	-	-	-	4,385
Depreciation	157,578	-	-	-	157,578
Audit and legal	4,000	1,000	-	-	5,000
Consulting and collection	13,169	-	-	-	13,169
Insurance	29,376	-	-	-	29,376
Housing assistance payments	-	322,884	-	-	322,884
Total operating expenses:	823,898	356,443	-	-	1,180,341
Operating (loss)	(476,400)	(356,443)	-	-	(832,843)
Nonoperating revenues (expenses):					
HUD PHA grants	254,436	319,356	-	155,643	729,435
Investment income	908	92	-	-	1,000
Other income	3,930	4,093	-	-	8,023
Total nonoperating revenues (expenses):	259,274	323,541	-	155,643	738,458
Income (loss) before transfers	(217,126)	(32,902)	-	155,643	(94,385)
Transfers in	155,643	-	-	-	155,643
Transfers out	-	-	-	(155,643)	(155,643)
Change in net position	(61,483)	(32,902)	-	-	(94,385)
Fund balances, beginning of year	1,998,465	68,452	4,636	-	2,071,553
Fund balances, end of year	\$ 1,936,982	\$ 35,550	\$ 4,636	\$ -	\$ 1,977,168

City of Rock Springs, Wyoming
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Housing and Urban Development			
Passed through the Wyoming Business Council:			
Community Development Block Grant	14.228	FAIN# B-16-56-0001	\$ 19,362
Public Housing Capital Fund	14.872	WY06P003501-16	155,643
Public and Indian Housing	14.850	N/A	254,436
<i>Housing Voucher Cluster</i>			
Section 8 Housing Choice Vouchers	14.871	N/A	<u>319,356</u>
Total U.S. Department of Housing and Urban Development			<u>748,797</u>
U.S. Department of Transportation			
<i>Highway Safety Cluster</i>			
Passed through the Wyoming Department of Transportation and the Wyoming Association of Sheriffs and Chiefs of Police:			
National Priority Safety Programs	20.616	N/A	8,061
Passed through the Wyoming Department of Transportation and the Wyoming Association of Sheriffs and Chiefs of Police:			
State and Community Highway Safety	20.600	N/A	<u>20,190</u>
Total U.S. Department of Transportation - Highway Safety Cluster			<u>28,251</u>
U.S. Department of Homeland Security			
Passed through the Wyoming Office of Homeland Security:			
Homeland Security Grant Program	97.067	15-GPD-RR4-RR-HRT15	62,823
Homeland Security Grant Program	97.067	17-GPD-RR4-RR-HRT17	<u>1,167</u>
Total Homeland Security Grant Program			63,990
Passed through the Rock Springs-Sweetwater County Airport Board:			
Law Enforcement Officer Reimbursement Agreement Program	97.U01	HSTS02-16-H-SLR657	<u>17,249</u>
Total U.S. Department of Homeland Security			<u>81,239</u>
U.S. Department of the Interior			
Passed through the Wyoming Department of Environmental Quality:			
Abandoned Mine Land Reclamation (AMLR)	15.252	AML100037	<u>28,975</u>
U.S. Department of Agriculture			
Passed through the Wyoming State Forestry Division:			
Cooperative Forestry Assistance	10.664	13-DG-11020000-036	<u>7,000</u>
U.S. Department of Justice			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-1077	16,120
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DJ-BX-0135	<u>964</u>
Total Edward Byrne Memorial Justice Assistance Grant Program			<u>17,084</u>
Passed through the Wyoming Department of Health and the Wyoming Association of Sheriffs and Chiefs of Police:			
Enforcing Underage Drinking Laws Program	16.727	N/A	<u>18,977</u>
Total U.S. Department of Justice			<u>36,061</u>
Total Federal awards expended			<u>\$ 930,323</u>

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

City of Rock Springs, Wyoming
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, the same basis used by the City in its governmental fund financial reporting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein receivables are recorded when appropriate program expenditures are made and the City has a claim for reimbursement. The City does not sub-grant any Federal funds received. The City has elected to not use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 16, 2018.

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 City'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. 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.

McLee, Hearne & Paig, LLP

Cheyenne, Wyoming
November 16, 2018



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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 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, 2018. 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 Federal statutes, regulations, and the terms and conditions of its Federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2018.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

McGee, Hearne & Paig, LLP

Cheyenne, Wyoming
November 16, 2018

CITY OF ROCK SPRINGS, WYOMING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2018

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? ☐ Yes ☒ No
- Significant deficiency (ies) identified? ☐ Yes ☒ None Reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major Federal programs:

- Material weakness (es) identified? ☐ Yes ☒ No
- Significant deficiency (ies) identified? ☐ Yes ☒ None Reported

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

- Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516 (a)? ☐ Yes ☒ No

Identification of major Federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.871	Housing Voucher Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

CITY OF ROCK SPRINGS, WYOMING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

II. FINANCIAL STATEMENT FINDINGS

None.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

CITY OF ROCK SPRINGS, WYOMING

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2018

There were no findings for the year ended June 30, 2017.