

CITY OF ROCK SPRINGS, WYOMING

FINANCIAL AND COMPLIANCE REPORT

JUNE 30, 2007

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rock Springs, Wyoming (the "City") as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Rock Springs, Wyoming as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2007 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's discussion and analysis on pages 3 through 11 and budgetary comparison information on pages 41 through 45, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rock Springs' basic financial statements. The combining statements of nonmajor governmental funds and blended component units are presented for purposes of additional analysis and are not a required part of the basic financial statements. In addition, the accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The combining financial statements and schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mc Gee, Hearne & Paiz, LLP

Cheyenne, Wyoming
November 14, 2007

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 ending June 30, 2007. When read in conjunction with the financial statements, this section's financial highlights, overview, and analysis should assist the reader in gaining a more complete knowledge of the city's financial performance.

FINANCIAL HIGHLIGHTS

The assets of the city exceed its liabilities at the close of June 30, 2007 by \$114,217,748 (reported as net assets). Of this amount, \$55,366,040 (unrestricted net assets) may be used to meet the city's ongoing obligations to citizens and creditors. Note that the total net assets figure includes capital assets net of accumulated depreciation and related debt.

The city's total net assets increased by \$21,768,406. Of this increase, \$5,866,312 was related to the contribution of infrastructure by land developers to the City for new subdivisions. Also, general revenue increased by \$8,389,447 from last year, with most of that increase coming from tax revenue. Net assets for governmental activities increased by \$15,533,176 or 24% while net assets for business-type activities increased by \$6,235,230 or 22%.

At the close of the year, the city's governmental funds reported combined ending fund balances of \$38,326,202 an increase of \$11,870,419 or 45% from the prior year. Of this amount, \$8,551,896 is available for spending at the city's discretion (unreserved, undesignated fund balance).

At the end of the year, the unreserved, undesignated fund balance for the general fund was \$8,381,409 or 31% of total general fund expenditures.

Total long-term debt had a net increase of \$8,738,072 (102%) from the prior year. This is primarily due to the issuance of \$6,790,203 in debt for the wastewater treatment plant expansion project and the issuance of \$2,201,818 in debt for the water meter replacement project.

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

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

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

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

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

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

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

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 schedules, including related notes, are reported as required supplementary information, which begins on page 41. Also, individual fund statements and other supplementary information can be found starting on page 46 of this report.

Government-wide financial analysis

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

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

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	44.03	31.85	22.30	16.56	66.33	48.41
Capital assets	40.36	36.29	32.01	23.51	72.37	59.80
Total assets	84.39	68.14	54.31	40.07	138.70	108.21
Current liabilities	4.70	4.03	2.54	2.94	7.24	6.97
Non-current liabilities	0.56	0.51	16.68	8.29	17.24	8.80
Total liabilities	5.26	4.54	19.22	11.23	24.48	15.77
Investment in capital assets, net of related debt	40.36	36.29	17.55	17.92	57.91	54.21
Restricted	0.00	0.00	0.94	0.77	0.94	0.77
Unrestricted	38.78	27.31	16.59	10.15	55.37	37.46
Total net assets	79.14	63.60	35.08	28.84	114.22	92.44

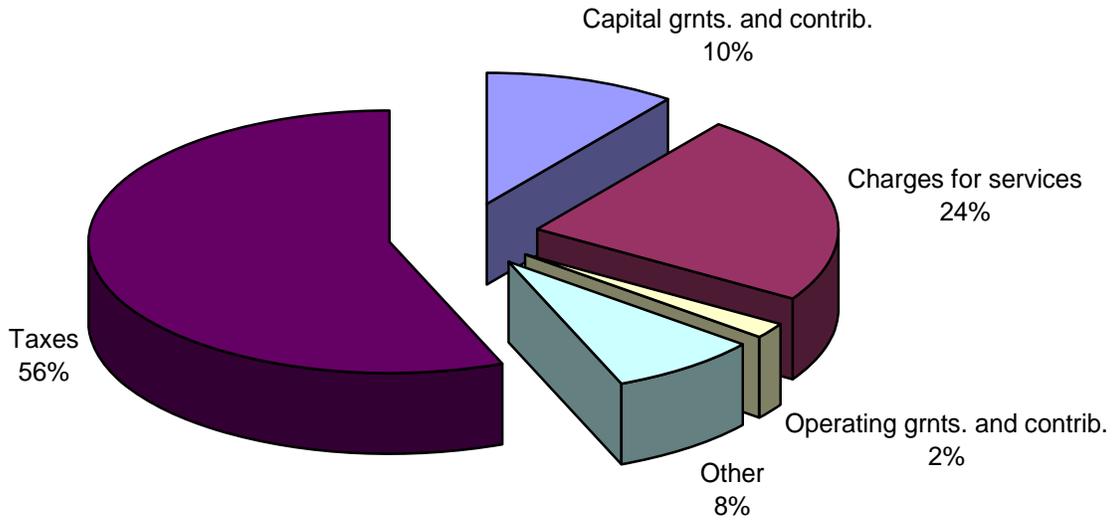
As depicted, at June 30, 2007, the city's assets exceeded liabilities by approximately \$114.22 million (net assets). 51% of this amount is represented by the investment in capital assets. Due to the nature of these assets – long-term assets which are not readily convertible to liquid assets – they are not considered to be available for spending or appropriation.

Changes in Net Assets: As taken from the Statement of Activities in the basic financial statements, the following table depicts the changes in net assets for 2007.

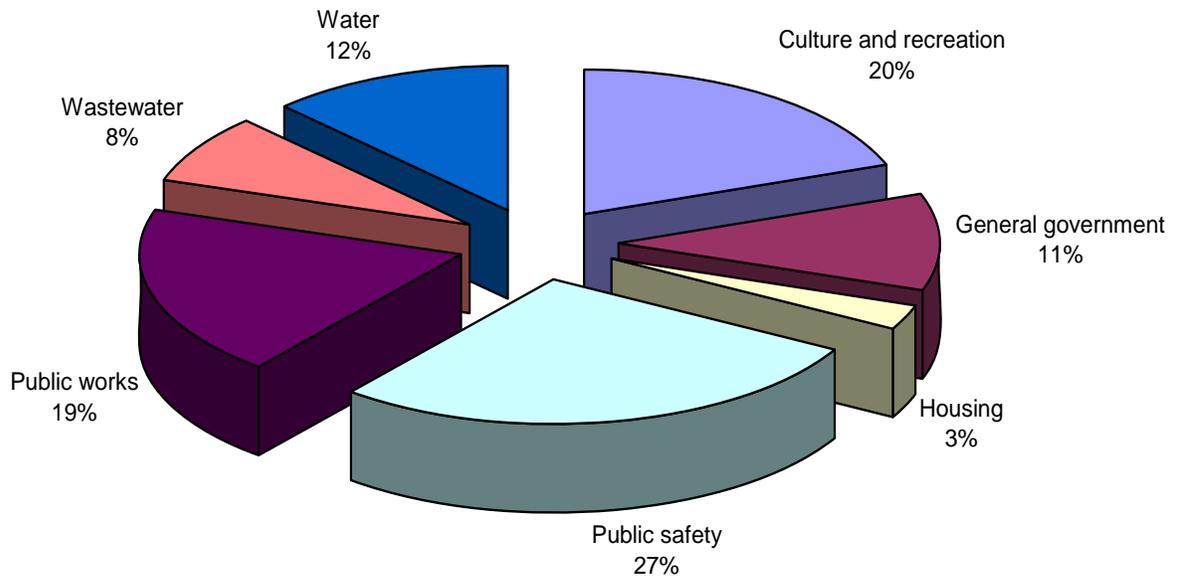
City of Rock Springs
Summary of Changes in Net Assets
(expressed in millions)

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	2.83	2.23	10.80	9.56	13.63	11.79
Operating grnts. and contrib.	0.63	1.36	0.58	0.80	1.21	2.16
Capital grnts. and contrib.	4.66	2.48	1.20	0.53	5.86	3.01
General revenues:						
Sales and use tax	26.51	20.23	1.03	-	27.54	20.23
Mineral sever. & royalties tax	1.68	1.73	-	-	1.68	1.73
Property tax	1.61	1.34	-	-	1.61	1.34
Franchise tax	0.63	0.64	-	-	0.63	0.64
Gas and special fuels tax	0.59	0.50	-	-	0.59	0.50
Special assessments and other	0.30	0.32	-	-	0.30	0.32
Supp. local govt. funding	1.33	1.59	-	-	1.33	1.59
Investment earnings	1.35	0.68	0.68	0.46	2.03	1.14
Miscellaneous	1.10	0.95	0.08	0.07	1.18	1.02
Transfers	0.03	0.00	-0.03	0.00	0.00	0.00
Total revenues	43.25	34.05	14.34	11.42	57.59	45.47
Expenses:						
General government	3.83	3.35	-	-	3.83	3.35
Public safety	9.94	9.78	-	-	9.94	9.78
Public works	6.96	8.07	-	-	6.96	8.07
Culture and recreation	6.99	6.61	-	-	6.99	6.61
Water	-	-	4.34	4.72	4.34	4.72
Wastewater	-	-	2.78	2.80	2.78	2.80
Housing	-	-	0.98	1.13	0.98	1.13
Total expenses	27.72	27.81	8.10	8.65	35.82	36.46
Change in net assets	15.53	6.24	6.24	2.77	21.77	9.01
Net assets, beg of year	63.61	57.37	28.84	26.07	92.45	83.44
Net assets, end of year	79.14	63.61	35.08	28.84	114.22	92.45

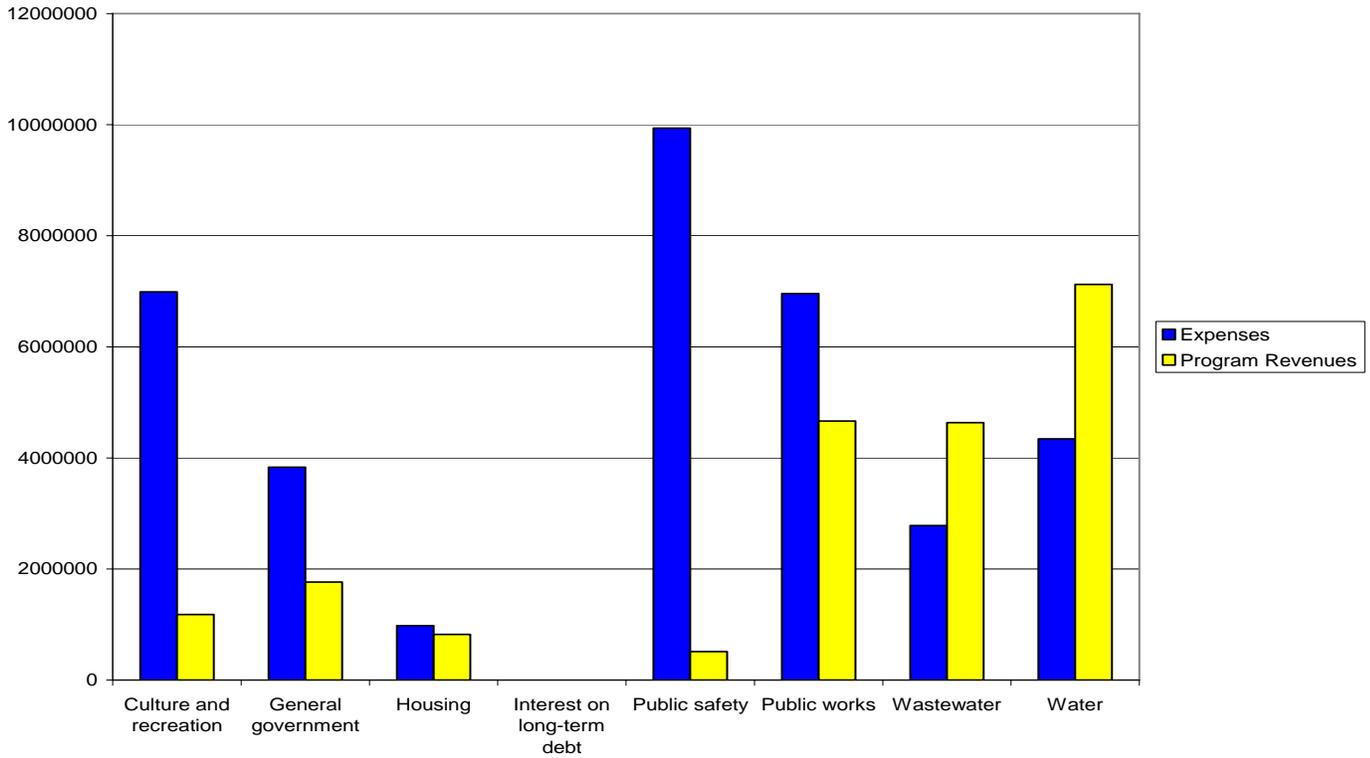
Total Government-Wide Revenues
Fiscal Year Ended June 30, 2007



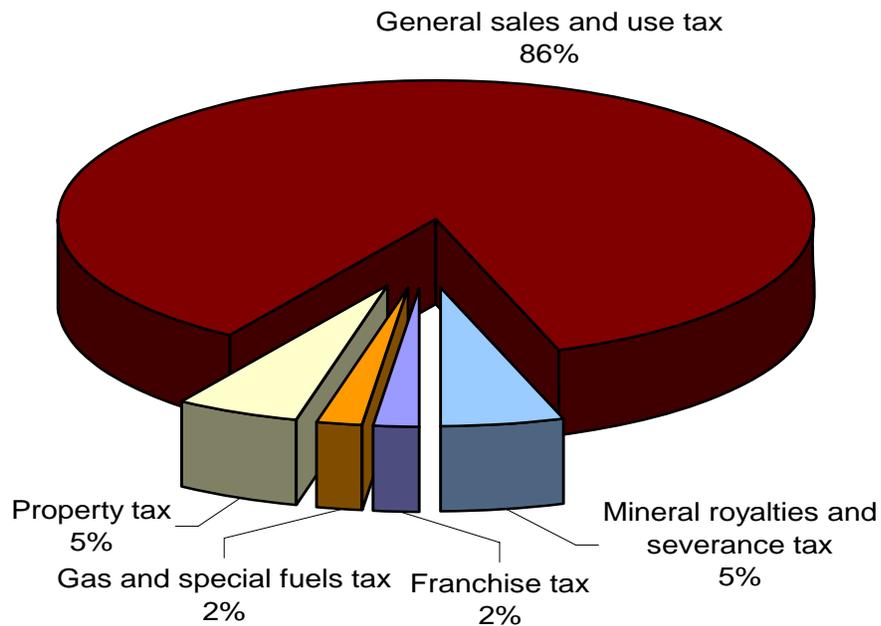
Total Government-Wide Expenses
Fiscal Year Ended June 30, 2007



Expenses and Program Revenue
Fiscal Year Ended June 30, 2007



Tax Revenue
Fiscal Year Ended June 30, 2007



Governmental activities increased the city's net assets by \$15,533,176. The key elements of this increase are as follows:

- Sales and use tax revenue comprises approximately 61% of total governmental revenues. These taxes increased by approximately \$6.28 million or 31% from the previous year. This was due to supplemental pay from the State for relief of food tax revenue lost and 6th cent capital facilities tax reimbursement revenue, neither of which was received in fiscal year 2006. Additionally, there was increased economic activity in the area which also caused an increase in sales and use tax revenue. Capital contributions increased by \$2.18 million or 88% due to acceptance of subdivision developments in the city.
- Public Safety is the largest category of governmental expenses, representing 36% of the total. Culture and Recreation represents approximately 25% of governmental expenses while general government represents approximately 14% of governmental expenses. Public works represents approximately 25% of the governmental expenses. Total expenses for the year were slightly lower than the previous year.

The business-type activities are the water and wastewater departments, and the housing authority. These activities increased net assets by \$6.24 million. Key elements of this increase are as follows:

- The wastewater fund operating revenue increased by approximately 5% due to an increase in usage and fees. Water fund operating revenue increased by approximately 20% from the prior year due to increased usage and increased fees. Operating grants of the housing authority decreased slightly from the previous year.
- Expenses for the water and wastewater funds decreased slightly from the prior year.

Financial analysis of the city's funds

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

As of the end of the current fiscal year, the city's governmental funds reported a total ending fund balances of \$38,326,202, in comparison with \$26,455,783 in ending fund balance in the prior year. \$8,551,896 of this amount is reported as unreserved, undesignated fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending. It has been committed to 1) paying contracts for goods and services to be provided at a later date and buying inventory (\$4,058,321), 2) purchasing capital assets in future periods (\$2,774,459), 3) being used in emergency or unusual situations that may arise causing need to exceed total appropriations (\$6,142,281), 4) paying compensated absences due to employees (\$937,750), and 5) funding expenditures budgeted for in prior years that, because of timing differences, will be incurred in future periods (\$15,861,495).

The general fund is the chief operating fund of the city. The unreserved, undesignated fund balance of the general fund totaled \$8,381,490 at year-end, with total fund balance equaling \$38,155,796. Unreserved, undesignated fund balance represents 31% of total general fund expenditures, while total fund balance equals 143% of total general fund expenditures.

Unrestricted net assets of the water fund and wastewater funds were \$3,645,144 and \$12,943,046, respectively. The increase in total net assets for the water fund and wastewater funds was \$1,830,724 and \$4,544,869, respectively. The water fund has restricted net assets of \$786,298 relating to assets held by the water fund for the Joint Powers Water Board. 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 \$65,129 was incurred in the water fund relating to the transfer of title of assets from the city to the Joint Powers Water Board.

The restricted net assets of the housing authority was \$153,230, which was a increase of \$128,477 from the prior year.

The city's internal service fund had a net asset balance of \$1,996,140 at year-end which is down by \$215,172 from the prior year. Much of this can be attributed to an increase in the actuarially determined claims liability.

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 2007, tax revenues exceed budgeted amounts by approximately \$9.07 million. At the beginning of the year, the budget was based on current economic conditions. Due to the activity in the local economy, sales tax revenues were \$8.45 million more than originally estimated. Licenses and permits exceeded the budget by approximately \$0.68 million. The primary reason for this difference is due to the increase in residential building permits.

For 2007, expenditures were under budget by approximately \$13.47 million. Approximately \$10.05 million of this amount was due to projects budgeted but not completed in the golf course, parks and recreation, streets department and non-departmental. These projects will be completed in the subsequent budget year.

Capital assets

At the end of the year, the city had invested nearly \$58 million in a variety of capital assets. The following schedules show the city's capital assets for the year ended June 30, 2007.

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

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	4.70	4.64	0.29	0.29	4.99	4.93
Construction in progress	1.28	1.04	16.16	7.61	17.44	8.65
Buildings/improvements	5.68	6.50	9.23	10.15	14.91	16.65
Systems improvements	-	-	0.66	0.73	0.66	0.73
Land improvements	1.46	1.30	0.09	0.09	1.55	1.39
Equipment	3.22	3.04	0.44	0.46	3.66	3.50
Infrastructure	24.02	19.77	5.14	4.18	29.16	23.95
Total	40.36	36.29	32.01	23.51	72.37	59.80

Major capital asset events during the year included:

- Construction on the wastewater treatment plant expansion progressed significantly; total CIP on the project at year end reached \$12,497,686.
- Construction began on the automated water meter read project; total CIP on the project at year end reached \$2,466,138.
- Various infrastructure for subdivisions have been developed and subsequently contributed to the city. Total contributed infrastructure equaled \$5,866,312 for the fiscal year.

Please refer to note 5 for more information on capital assets.

Long-term debt

At year-end, the city had debt outstanding of \$17,341,896. Debt consists of loans payable to the State of Wyoming and the Joint Powers Water Board for water and wastewater projects. Overall debt for the city increased by \$8,733,072, or 101% over the previous year.

Please refer to note 11 for more information on long-term debt.

Requests for Information

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF ROCK SPRINGS, WYOMING
STATEMENT OF NET ASSETS
June 30, 2007

ASSETS	Governmental Activities	Business-Type Activities	Total
Current assets:			
Cash and investments	\$ 36,699,957	\$ 19,754,711	\$ 56,454,668
Restricted cash	-	786,298	786,298
Receivables (net of allowance for uncollectibles):			
Accounts receivable	18,115	960,139	978,254
Taxes receivable	1,339,647	-	1,339,647
Accrued interest receivable	95,597	78,787	174,384
Special assessments receivable	7,677	10,224	17,901
Grants receivable	289,366	-	289,366
Loans and notes receivable	952	-	952
Internal balances	19,679	(19,679)	-
Due from other governmental entities	5,079,715	353,423	5,433,138
Inventories	482,852	341,805	824,657
Prepaid expenses	-	29,382	29,382
Total current assets	<u>44,033,557</u>	<u>22,295,090</u>	<u>66,328,647</u>
Noncurrent assets:			
Capital assets being depreciated, net	34,380,529	15,560,603	49,941,132
Capital assets not being depreciated	5,980,218	16,444,699	22,424,917
Total noncurrent assets	<u>40,360,747</u>	<u>32,005,302</u>	<u>72,366,049</u>
Total assets	<u>84,394,304</u>	<u>54,300,392</u>	<u>138,694,696</u>
LIABILITIES			
Current liabilities			
Accounts payable	2,074,983	1,381,358	3,456,341
Customer and security deposits	145,566	117,511	263,077
Compensated absences	1,153,568	146,795	1,300,363
Deferred revenue	1,179,585	5,519	1,185,104
Due to other governmental entities	-	740,601	740,601
Retainage payable	146,079	147,865	293,944
Total current liabilities	<u>4,699,781</u>	<u>2,539,649</u>	<u>7,239,430</u>
Noncurrent liabilities			
Compensated absences	555,926	80,297	636,223
Due to other governmental entities	-	16,601,295	16,601,295
Total noncurrent liabilities	<u>555,926</u>	<u>16,681,592</u>	<u>17,237,518</u>
Total liabilities	<u>5,255,707</u>	<u>19,221,241</u>	<u>24,476,948</u>
NET ASSETS			
Invested in capital assets, net of related debt	40,360,747	17,551,433	57,912,180
Restricted for:			
Joint Powers Water Board	-	786,298	786,298
Housing Authority	-	153,230	153,230
Unrestricted	38,777,850	16,588,190	55,366,040
Total net assets	<u>\$ 79,138,597</u>	<u>\$ 35,079,151</u>	<u>\$ 114,217,748</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, 2007

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Primary Government:							
Governmental activities:							
General government	\$ 3,833,601	\$ 1,135,841	\$ 628,487	\$ -	\$ (2,069,273)	\$ -	\$ (2,069,273)
Public safety	9,938,386	514,138	-	-	(9,424,248)	-	(9,424,248)
Public works	6,958,865	-	-	4,661,516	(2,297,349)	-	(2,297,349)
Culture and recreation	6,991,068	1,180,633	-	-	(5,810,435)	-	(5,810,435)
Interest on long-term debt	238	-	-	-	(238)	-	(238)
Total governmental activities	27,722,158	2,830,612	628,487	4,661,516	(19,601,543)	-	(19,601,543)
Business-type activities:							
Water	4,343,326	5,919,822	-	1,204,796	-	2,781,292	2,781,292
Wastewater	2,781,198	4,581,486	53,936	-	-	1,854,224	1,854,224
Housing	977,858	294,897	528,150	-	-	(154,811)	(154,811)
Total business-type activities	8,102,382	10,796,205	582,086	1,204,796	-	4,480,705	4,480,705
Total primary government	\$ 35,824,540	\$ 13,626,817	\$ 1,210,573	\$ 5,866,312	(19,601,543)	4,480,705	(15,120,838)
General revenues							
Taxes:							
General sales and use tax					26,506,068	1,025,780	27,531,848
Mineral severance and royalties tax					1,679,556	-	1,679,556
Property tax					1,609,123	-	1,609,123
Franchise tax					634,600	-	634,600
Gas and special fuels tax					588,310	-	588,310
Other					297,413	-	297,413
Supplemental local government funding					1,331,793	-	1,331,793
Unrestricted investment earnings					1,354,186	675,789	2,029,975
Miscellaneous					1,103,743	82,883	1,186,626
Transfers					29,927	(29,927)	-
Total general revenues and transfers					35,134,719	1,754,525	36,889,244
Change in net assets					15,533,176	6,235,230	21,768,406
Net assets - beginning					63,605,421	28,843,921	92,449,342
Net assets - ending					\$ 79,138,597	\$ 35,079,151	\$ 114,217,748

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, 2007

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and investments	\$ 34,077,990	\$ 169,454	\$ 34,247,444
Receivables (net of allowance for uncollectibles):			
Accounts receivable	18,115	-	18,115
Taxes receivable	1,339,647	-	1,339,647
Accrued interest receivable	86,970	-	86,970
Special assessments receivable	1,968	5,709	7,677
Grants receivable	289,366	-	289,366
Loans and notes receivable	-	952	952
Due from other funds	19,679	-	19,679
Due from other governmental entities	5,079,715	-	5,079,715
Inventories	482,852	-	482,852
Total assets	<u>\$ 41,396,302</u>	<u>\$ 176,115</u>	<u>\$ 41,572,417</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,609,983	\$ -	\$ 1,609,983
Customer and security deposits	145,566	-	145,566
Deferred revenue	1,338,878	5,709	1,344,587
Retainage payable	146,079	-	146,079
Total liabilities	<u>3,240,506</u>	<u>5,709</u>	<u>3,246,215</u>
Fund balances:			
Reserved	4,058,321	-	4,058,321
Unreserved, designated	25,715,985	-	25,715,985
Unreserved, undesignated			
General fund	8,381,490	-	8,381,490
Special revenue fund	-	88,906	88,906
Debt service fund	-	81,500	81,500
Total fund balances	<u>38,155,796</u>	<u>170,406</u>	<u>38,326,202</u>
Total liabilities and fund balances	<u>\$ 41,396,302</u>	<u>\$ 176,115</u>	<u>\$ 41,572,417</u>

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

**CITY OF ROCK SPRINGS, WYOMING
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2007**

Total Fund Balances - Governmental Funds \$ 38,326,202

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

Capital assets used in governmental activities are not financial resources and, therefore, not reported in the governmental funds. 40,360,747

Certain assets are not available to pay current expenditures, so they are deferred in the funds 165,002

Long term liabilities (compensated absences) are not due and payable in the current period and, therefore not reported in the funds. (1,709,494)

An internal service fund is used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service fund are included with governmental activities in the statement of net assets because they primarily benefit governmental activities. 1,996,140

Net assets of governmental activities \$ 79,138,597

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, 2007**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Taxes and special assessments	\$ 30,446,401	\$ 4,513	\$ 30,450,914
Licenses and permits	994,395	-	994,395
Inter-governmental revenue	2,867,355	-	2,867,355
Charges for services	1,329,069	-	1,329,069
Fines and forfeitures	507,148	-	507,148
Miscellaneous	1,104,263	-	1,104,263
Interest	1,236,732	1,314	1,238,046
Total revenues	38,485,363	5,827	38,491,190
Expenditures			
Current:			
General government	3,423,403	-	3,423,403
Public safety	9,335,040	-	9,335,040
Public works	4,915,417	-	4,915,417
Culture and recreation	6,032,320	-	6,032,320
Debt service:			
Principal retirement	-	5,000	5,000
Interest and fiscal charges	-	238	238
Capital outlay	2,939,280	-	2,939,280
Total expenditures	26,645,460	5,238	26,650,698
Excess of revenues over (under) expenditures	11,839,903	589	11,840,492
Other financing sources (uses)			
Transfers in	29,927	-	29,927
Net change in fund balance	11,869,830	589	11,870,419
Fund balances, beginning	26,285,966	169,817	26,455,783
Fund balances, ending	\$ 38,155,796	\$ 170,406	\$ 38,326,202

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

**CITY OF ROCK SPRINGS, WYOMING
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNEMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007**

Net Change in Fund Balances - Governmental Funds **\$ 11,870,419**

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 exceeded depreciation during the current period. 4,072,127

The statement of activities reports and increase in revenue which is not reported in the fund because it does not provide current financial resources. (42,922)

Long term liabilities (compensated absences) are not due and payable in the current period and, therefore not reported in the funds. This is the current yeare change in the liability, reported as an expense in the statement of activities. (156,276)

Repayment of debt is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net assets. This is the current yeare change in the liability, reported as an expense in the statement of activities. 5,000

An internal service fund is used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service fund is reported with governmental activities. (215,172)

Change in net assets of governmental activities **\$ 15,533,176**

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

PROPRIETARY FUND FINANCIAL STATEMENTS

CITY OF ROCK SPRINGS, WYOMING
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2007

	Business-type Activities Enterprise Funds			Total	Governmental Activities Internal Service Fund
	Water Fund	Wastewater Fund	Housing Authority		
ASSETS					
Current assets:					
Cash and investments	\$ 6,179,123	\$ 13,337,301	\$ 238,287	\$ 19,754,711	\$ 2,452,513
Restricted Cash	786,298	-	-	786,298	-
Receivables (net of allowance for uncollectibles):					
Accounts receivable	927,029	27,720	5,390	960,139	-
Accrued interest receivable	8,990	69,797	-	78,787	8,627
Special assessments receivable	-	10,224	-	10,224	-
Due from other governmental entities	-	353,423	-	353,423	-
Inventories	227,161	113,128	1,516	341,805	-
Prepaid expenses	-	-	29,382	29,382	-
Total current assets	<u>8,128,601</u>	<u>13,911,593</u>	<u>274,575</u>	<u>22,314,769</u>	<u>2,461,140</u>
Noncurrent assets:					
Capital assets, net of accumulated depreciation	3,361,158	25,455,470	3,188,674	32,005,302	-
Total assets	<u>11,489,759</u>	<u>39,367,063</u>	<u>3,463,249</u>	<u>54,320,071</u>	<u>2,461,140</u>
LIABILITIES					
Current liabilities					
Accounts payable	583,356	774,458	23,544	1,381,358	465,000
Customer and security deposits	65,652	23,807	28,052	117,511	-
Compensated absences	58,228	60,078	28,489	146,795	-
Deferred revenue	-	-	5,519	5,519	-
Due to other governmental entities	212,402	528,199	-	740,601	-
Retainage payable	59,950	87,915	-	147,865	-
Due to other funds	-	-	19,679	19,679	-
Total current liabilities	<u>979,588</u>	<u>1,474,457</u>	<u>105,283</u>	<u>2,559,328</u>	<u>465,000</u>
Noncurrent liabilities					
Compensated absences	41,946	22,289	16,062	80,297	-
Due to other governmental entities	4,877,443	11,723,852	-	16,601,295	-
Total noncurrent liabilities	<u>4,919,389</u>	<u>11,746,141</u>	<u>16,062</u>	<u>16,681,592</u>	<u>-</u>
Total liabilities	<u>5,898,977</u>	<u>13,220,598</u>	<u>121,345</u>	<u>19,240,920</u>	<u>465,000</u>
NET ASSETS					
Invested in capital assets, net of related debt	1,159,340	13,203,419	3,188,674	17,551,433	-
Restricted for Joint Powers Water Board	786,298	-	-	786,298	-
Restricted for Housing Authority	-	-	153,230	153,230	-
Unrestricted	3,645,144	12,943,046	-	16,588,190	1,996,140
Total net assets	<u>\$ 5,590,782</u>	<u>\$ 26,146,465</u>	<u>\$ 3,341,904</u>	<u>\$ 35,079,151</u>	<u>\$ 1,996,140</u>

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

**CITY OF ROCK SPRINGS, WYOMING
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2007**

	Business-type Activities Enterprise Funds			Total	Governmental
	Water Fund	Wastewater Fund	Housing Authority		Internal Service Fund
Operating revenues					
Water charges	\$ 5,919,822	\$ -	\$ -	\$ 5,919,822	\$ -
Wastewater charges	-	4,581,486	-	4,581,486	-
Tenant rental revenue	-	-	273,761	273,761	-
Other tenant revenue	-	-	21,136	21,136	-
Insurance premiums and refunds	-	-	-	-	2,177,480
Total operating revenue	5,919,822	4,581,486	294,897	10,796,205	2,177,480
Operating expenses					
Personnel	821,688	1,077,510	370,017	2,269,215	-
Water purchases	2,765,245	-	-	2,765,245	-
Utilities	175,073	257,159	95,959	528,191	-
Postal/freight	16,704	18,925	1,018	36,647	-
Communications	10,285	7,134	3,343	20,762	-
Office supplies and printing	4,338	5,661	3,302	13,301	-
Repairs and maintenance	12,510	77,432	44,042	133,984	-
Departmental supplies	255,319	163,818	-	419,137	-
Travel	16,618	22,836	731	40,185	-
Administrative costs	24,714	42,147	16,876	83,737	-
Other costs	2,872	5,399	15,988	24,259	-
Depreciation	112,726	989,303	268,840	1,370,869	-
Audit and legal expense	-	-	2,500	2,500	-
Laundry and towel service	3,321	5,262	-	8,583	-
Consulting and collection	7,944	106,994	9,961	124,899	-
Rental	48,000	-	-	48,000	-
Insurance	-	-	39,950	39,950	2,508,792
Housing assistance payments	-	-	104,450	104,450	-
Tenant service contract costs	-	-	881	881	-
Total operating expenses	4,277,357	2,779,580	977,858	8,034,795	2,508,792
Operating income (loss)	1,642,465	1,801,906	(682,961)	2,761,410	(331,312)
Nonoperating revenue (expense)					
Taxes and special assessments	-	1,025,780	-	1,025,780	-
HUD PHA grants	-	-	528,150	528,150	-
Other grants	-	53,936	-	53,936	-
Interest income	210,844	459,781	5,164	675,789	116,140
Other income	58,347	15,252	9,284	82,883	-
Loss on disposal of property and equipment	-	(1,374)	-	(1,374)	-
Interest expense	(840)	(244)	-	(1,084)	-
Capital asset contribution to JPWB	(65,129)	-	-	(65,129)	-
Total nonoperating revenue	203,222	1,553,131	542,598	2,298,951	116,140
Income (loss) before transfers	1,845,687	3,355,037	(140,363)	5,060,361	(215,172)
Capital contributions	-	1,204,796	-	1,204,796	-
Transfers in	-	-	154,405	154,405	-
Transfers out	(14,963)	(14,964)	(154,405)	(184,332)	-
Change in net assets	1,830,724	4,544,869	(140,363)	6,235,230	(215,172)
Net assets, beginning	3,760,058	21,601,596	3,482,267	28,843,921	2,211,312
Net assets, ending	\$ 5,590,782	\$ 26,146,465	\$ 3,341,904	\$ 35,079,151	\$ 1,996,140

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, 2007

	Business-type Activities Enterprise Funds			Governmental Activities	
	Water Fund	Wastewater Fund	Housing Authority	Total	Internal Service Fund
Cash Flows from Operating Activities					
Receipts from external customers and users	\$ 5,685,310	\$ 4,129,661	\$ 244,045	\$ 10,059,016	\$ -
Receipts from internal customers and users	331,687	109,659	-	441,346	2,177,480
Payments to suppliers	(3,306,458)	(1,935,670)	(364,923)	(5,607,051)	(2,423,792)
Payments to employees	(811,292)	(1,060,254)	(363,363)	(2,234,909)	-
Net cash from operating activities	1,899,247	1,243,396	(484,241)	2,658,402	(246,312)
Cash Flows from Noncapital Financing Activities					
Taxes and special assessments	-	1,025,780	-	1,025,780	-
Receipts from grants	-	53,936	528,150	582,086	-
Transfers to other funds	(14,963)	(14,964)	(154,405)	(184,332)	-
Transfers from other funds	-	-	154,405	154,405	-
Other receipts	58,347	15,252	9,284	82,883	-
Net cash from noncapital financing activities	43,384	1,080,004	537,434	1,660,822	-
Cash Flows from Capital and Related Financing Activities					
Payment for JPWB assets	(65,129)	-	-	(65,129)	-
Proceeds from loans	2,201,818	6,790,202	-	8,992,020	-
Purchase of capital assets	(2,506,584)	(5,679,166)	-	(8,185,750)	-
Principal payment on loans	(122,831)	(131,117)	-	(253,948)	-
Interest paid on loans	(840)	(244)	-	(1,084)	-
Net cash from capital and related financing activities	(493,566)	979,675	-	486,109	-
Cash Flows from Investing Activities					
Interest on investments	244,100	452,044	5,164	701,308	114,540
Net increase in cash and cash equivalents	1,693,165	3,755,119	58,357	5,506,641	(131,772)
Cash and Cash Equivalents, July 1	5,272,256	9,582,182	179,930	15,034,368	2,584,285
Cash and Cash Equivalents, June 30	\$ 6,965,421	\$ 13,337,301	\$ 238,287	\$ 20,541,009	\$ 2,452,513

Continued

**CITY OF ROCK SPRINGS, WYOMING
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2007**

	Business-type Activities Enterprise Funds			Total	Governmental
	Water Fund	Wastewater Fund	Housing Authority		Internal Service Fund
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities					
Operating income (loss)	\$ 1,642,465	\$ 1,801,906	\$ (682,961)	\$ 2,761,410	\$ (331,312)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	112,726	989,303	268,840	1,370,869	-
Change in assets and liabilities:					
Accounts receivable	97,175	6,199	893	104,267	-
Due from other governmental entities	-	(353,423)	-	(353,423)	-
Special assessment receivable	-	5,327	-	5,327	-
Prepaid expenses	-	-	(2,310)	(2,310)	-
Inventory	(1,843)	(2,225)	677	(3,391)	-
Accounts payable	26,076	(1,226,325)	(24,952)	(1,225,201)	85,000
Due to other funds	-	-	(401)	(401)	-
Customer deposits	14,689	6,091	1,096	21,876	-
Deferred revenue	-	-	(51,745)	(51,745)	-
Compensated absences	7,959	16,543	6,622	31,124	-
Net cash from operating activities	\$ 1,899,247	\$ 1,243,396	\$ (484,241)	\$ 2,658,402	\$ (246,312)
Reconciliation of Cash and Cash Equivalents to Amounts Shown on Statement of Net Assets					
Cash and investments	\$ 6,179,123	\$ 13,337,301	\$ 238,287	\$ 19,754,711	\$ 2,452,513
Restricted cash	786,298	-	-	786,298	-
	\$ 6,965,421	\$ 13,337,301	\$ 238,287	\$ 20,541,009	\$ 2,452,513
Noncash Investing, Capital and Financing Activities					
Capital contributions from property owners	\$ -	\$ 1,204,796	\$ -	\$ 1,204,796	\$ -
Capitalized interest	128,076	238,143	-	366,219	-
	\$ 128,076	\$ 1,442,939	\$ -	\$ 1,571,015	\$ -

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

NOTES TO THE FINANCIAL STATEMENTS

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

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

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

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

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

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

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

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

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

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

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

The government reports the following major governmental fund:

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

The government reports the following nonmajor governmental funds:

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

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

The government reports the follow major proprietary funds:

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

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

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

Additionally, the government reports the following fund type:

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

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

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

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

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

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

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

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

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

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

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

Loans are reported as receivables and payables and are classified as “due from other funds” or “due to other funds” on the balance sheet of the governmental fund financial statements. Interfund receivables and payables between funds within governmental activities are eliminated in the statements of net assets.

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

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

Capital assets and depreciation: 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 \$2,000 for equipment, \$15,000 for land, buildings, improvements, and land improvements, and \$25,000 for infrastructure. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

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

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

Compensated absences: Vacation leave and the portion of sick leave that will likely be paid are recognized as liabilities in the government-wide and proprietary fund financial statements. In the event of termination or retirement, an employee is reimbursed for unused accumulated vacation. Employees 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, who are eligible to collect disability pension payments, receive 25% of their unused accumulated sick leave up to 1,440 hours.

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

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

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

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

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

Property taxes receivable totaling \$1,172,044 assessed in fiscal year 2007 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 2008.

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

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

Note 2. Cash and Investments

Cash and investments and restricted cash as of June 30, 2007, as classified in the accompanying financial statements, consist of the following:

Statement of Net Assets:

	<u>Primary Government</u>
Deposits with financial institutions:	
Cash	\$ 25,993,488
Certificates of deposit	25,932,474
Investments:	
Federal National Mtg Assn Note	2,074,400
Federal Home Loan Bank Bond	2,012,243
Federal Farm Credit Bank Bond	442,063
	<u>\$ 56,454,668</u>

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

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.

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 investments are presented as follows:

<u>Category</u>	<u>Credit Rating</u>	<u>Market Value</u>
Federal National Mtg Assn Note	AAA	\$ 2,074,400
Federal Home Loan Bank Bond	AAA	\$ 2,012,243
Federal Farm Credit Bank Bond	AAA	\$ 442,063

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, 2007, the primary government had bank balances on deposit and certificates of deposit of \$51,750,037 which were fully collateralized or insured.

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, 2007, 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, which include all of the City's investments, no further disclosure regarding concentrations of credit risk is required.

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

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

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

	Primary Government			
	Market	Less Than 1 Year	1-2 Years	2-5 Years
Federal National Mtg Assn Note	\$ 2,074,400	\$ -	\$ -	\$ 2,074,400
Federal Home Loan Bank Bond	2,012,243	-	-	2,012,243
Federal Farm Credit Bank Bond	442,063	-	-	442,063
	<u>\$ 4,528,706</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,528,706</u>

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

Part of the City's payment to the Joint Powers Water Board has historically been placed in an account restricted for improvements to the City's portion of the Water System. The balance in this account, held by the Joint Powers Water Board, was \$786,298 at June 30, 2007. These funds are in the custody of and are collateralized through the Joint Powers Water Board, and are included in the accompanying financial statements as restricted cash.

Note 3. Loans and Notes Receivable

Reported in the Special Revenue Fund:

In prior years, the City received a community development block grant to make economic development loans to businesses.

At June 30, 2007, the loan balances and terms were as follows:

One 6% loan requiring monthly payments of \$193 including principal and interest	<u>\$ 952</u>
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CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

Note 4. Receivables

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

	Governmental Activities	Business-Type Activities		
	General Fund	Water Fund	Wastewater Fund	Housing Authority
Accounts receivable	\$ 20,128	\$ 930,775	\$ 28,501	\$ 25,390
Allowance for doubtful accounts	(2,013)	(3,746)	(781)	(20,000)
	<u>\$ 18,115</u>	<u>\$ 927,029</u>	<u>\$ 27,720</u>	<u>\$ 5,390</u>

The only receivables not expected to be collected within one year are \$357,549 of special assessment receivables in the general fund. These receivables have an off-setting allowance in the amount of \$355,581 for a net realizable value of \$1,968 at June 30, 2007.

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

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

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets

The following two tables summarize the changes in capital assets for governmental and business-type activities during the year ended June 30, 2007:

	Balance June 30, 2006	Additions	Deductions	Transfers	Balance June 30, 2007
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 4,635,415	\$ 61,595	\$ -	\$ -	\$ 4,697,010
Construction in progress	1,040,822	2,100,587	-	(1,858,201)	1,283,208
Total capital assets, not being depreciated	5,676,237	2,162,182	-	(1,858,201)	5,980,218
Capital assets, being depreciated:					
Buildings and improvements	23,859,134	37,285	(59,662)	-	23,836,757
Land improvements	4,958,370	-	(5,746)	342,485	5,295,109
Furnishings and equipment	10,557,407	741,436	(173,519)	227,850	11,353,174
Infrastructure	54,859,197	4,661,517	-	1,287,866	60,808,580
Total capital assets, being depreciated	94,234,108	5,440,238	(238,927)	1,858,201	101,293,620
Accumulated depreciation for:					
Buildings and improvements	(17,357,551)	(808,809)	10,097	-	(18,156,263)
Land improvements	(3,658,372)	(176,692)	642	-	(3,834,422)
Furnishings and equipment	(7,519,047)	(783,398)	170,507	-	(8,131,938)
Infrastructure	(35,086,755)	(1,703,713)	-	-	(36,790,468)
Total accumulated depreciation	(63,621,725)	(3,472,612)	181,246	-	(66,913,091)
Total capital assets, being depreciated, net	30,612,383	1,967,626	(57,681)	1,858,201	34,380,529
Governmental activities capital assets, net	\$ 36,288,620	\$ 4,129,808	\$ (57,681)	\$ -	\$ 40,360,747

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

	Balance June 30, 2006	Additions	Deductions	Transfers	Balance June 30, 2007
Business-Type Activities:					
Capital assets, not being depreciated:					
Land	\$ 288,136	\$ -	\$ -	\$ -	\$ 288,136
Construction in progress	7,605,122	8,551,441	-	-	16,156,563
Total capital assets, not being depreciated	7,893,258	8,551,441	-	-	16,444,699
Capital assets, being depreciated:					
Buildings and improvements	21,693,608	-	-	-	21,693,608
Systems improvements	1,367,944	-	-	-	1,367,944
Furnishings and equipment	2,158,083	112,929	(8,360)	-	2,262,652
Land improvements	118,309	-	-	-	118,309
Infrastructure	8,630,948	1,204,795	-	-	9,835,743
Total capital assets, being depreciated	33,968,892	1,317,724	(8,360)	-	35,278,256
Accumulated depreciation for:					
Buildings and improvements	(11,542,015)	(918,108)	-	-	(12,460,123)
Systems improvements	(638,056)	(67,305)	-	-	(705,361)
Furnishings and equipment	(1,699,982)	(127,540)	6,986	-	(1,820,536)
Land improvements	(24,934)	(7,887)	-	-	(32,821)
Infrastructure	(4,448,783)	(250,029)	-	-	(4,698,812)
Total accumulated depreciation	(18,353,770)	(1,370,869)	6,986	-	(19,717,653)
Total capital assets, being depreciated, net	15,615,122	(53,145)	(1,374)	-	15,560,603
Business-type activities capital assets, net	\$ 23,508,380	\$ 8,498,296	\$ (1,374)	\$ -	\$ 32,005,302

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

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

	Depreciation Expense
Governmental Activities:	
General government	\$ 206,123
Public safety	387,169
Public works	1,988,668
Culture and recreation	890,652
Total depreciation expense - governmental activities	\$ 3,472,612
Business-Type Activities:	
Water	\$ 112,726
Wastewater	989,303
Housing	268,840
Total depreciation expense - business-type activities	\$ 1,370,869

Note 6. Special Assessment Debt with Governmental Commitment

On October 15, 1998, the City of Rock Springs Local Improvement District No. 124 issued Local Improvement Bonds totaling \$151,000. The bonds were payable solely from assessments against property owners of the District. The City deposited funds equal to 20% of the outstanding bond obligation as security for the debt. The City pledged gasoline and cigarette taxes for these payments.

Bond activity for the year was as follows:

	Balance			Balance
	June 30, 2006	Issued	Redeemed	June 30, 2007
LID 124	\$ 5,000	\$ -	\$ (5,000)	\$ -

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

Note 7. Retirement Commitments

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

Substantially all City full-time (excluding firemen and law enforcement) employees are eligible to participate in the System. Participants who retire at age 60 with four years of credited service are entitled to a retirement benefit according to predetermined formulas and are allowed to select one of five optional methods for receiving benefits. Early retirement is allowed provided the employee has completed four years of service and attained the age of 50, but will result in a reduction of benefits based on the length of time remaining to normal retirement age. The System also provides death and disability benefits. Benefits are established by State statutes. The System issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to Wyoming Retirement System, 6101 Yellowstone Road, 5th Floor West, Cheyenne, Wyoming 82009 or by calling (307) 777-7691.

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

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

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

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

The City's contribution to the Wyoming Retirement System for the years ended June 30, 2007, 2006 and 2005 were \$731,374, \$670,495 and \$618,519, respectively, equal to the required contributions for each year.

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

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

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

Contributions to the system consist of an amount equal to 18% of the employee's salary. The City is required by a collective bargaining agreement to contribute 100% of the amount.

The City's contribution to the plan for the years ended June 30, 2007, 2006 and 2005 were \$363,875, \$345,738 and \$319,664, respectively, equal to the required contributions for each year.

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

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

Contributions to the System consist of an amount equal to 17.2% of the employee's salary. The City contributes 100% of the amount.

The City's contribution to the plan for the years ended June 30, 2007, 2006 and 2005 was \$546,460, \$529,308 and \$498,883, respectively.

Note 8. 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, 2007, the City paid \$2,765,245 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, 2007, capital assets with a cost of \$65,129 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 FINANCIAL STATEMENTS

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 Telecommunication Powers Board (JTPB) 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 JTPB 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. However, in fiscal year 2007 no transactions occurred between the JTPB and the City.

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

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

The SCIPJPB consists of seven members: one member from Sweetwater County and one member from each of the six participating cities. During the year ended June 30, 2007, the City requested \$1,255,349 in funds to finance sewer and street infrastructure projects.

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

Note 9. Contingencies and Commitments

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

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

The City and Housing Authority have purchased commercial insurance and workers' compensation coverage to minimize their risks of loss. There has been no significant reduction in coverage against these losses from year to year.

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

Employees of the City are covered by the City's medical self-insurance plan. The City's costs for this plan are reflected in the funds paying the coverage, premiums and administrative costs. The self-insurance fund is reported as an internal service fund in the accompanying financial statements. The City has a contract with a third-party administrator to process payments. The City also maintains a stop-loss policy to limit the potential for individual and aggregate claims. Management has estimated an accrual for incurred but not reported (IBNR) claims at June 30, 2007 of \$465,000. Changes in the IBNR from fiscal years 2007 and 2006 were as follows:

	At Fiscal Year-End Liability	Estimated Claims Incurred	Claim Payments	At Fiscal Year-End Liability
Fiscal Year 2005-2006	\$ 220,000	\$ 2,426,258	\$ (2,266,258)	\$ 380,000
Fiscal Year 2006-2007	\$ 380,000	\$ 2,508,792	\$ (2,423,792)	\$ 465,000

At June 30, 2007, the City was obligated for construction and other contracts as follows:

Fund:	Contract		
	Price	Paid to Date	Balance
General fund	\$ 5,734,637	\$ 2,127,466	\$ 3,607,171
Water fund	3,916,293	2,406,929	1,509,364
Sewer fund	20,908,212	14,236,876	6,671,336
	<u>\$ 30,559,142</u>	<u>\$ 18,771,271</u>	<u>\$ 11,787,871</u>

Note 10. Due to State of Wyoming

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

The *Wastewater Treatment Plant Expansion Project* loan (interest at 2.5%) was initiated during 2006 in the amount of \$3,269,377. The first payment is due on June 1, 2008 with principal and interest payments due annually on June 1, in the amount of \$645,293. The loan balance as of June 30, 2007 was \$10,059,579.

The *Headworks Project* loan (interest at 2.5%) requires annual principal and interest payments of \$93,423. The loan balance as of June 30, 2007 was \$817,644.

The *Sunset Sewer* loan (interest at 2.5%) requires annual principal and interest payments of \$32,074. The loan balance as of June 30, 2007 was \$460,364.

The *Clark Addition* loan (interest at 2.5%) requires annual principal and interest payments of \$63,711. The loan balance as of June 30, 2007 was \$914,464.

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

Annual debt service requirements to maturity are as follows:

Year ending June 30,	Total	Principal	Interest
2008	\$ 834,500	\$ 528,199	\$ 306,301
2009	834,500	541,404	293,096
2010	834,500	554,939	279,561
2011	834,501	568,813	265,688
2012	834,501	583,601	250,900
2013 - 2017	4,172,502	3,141,303	1,031,199
2018 - 2022	3,705,387	3,063,034	642,353
2023 - 2027	3,513,865	3,270,758	243,107
	\$ 15,564,256	\$ 12,252,051	\$ 3,312,205

The City has entered into agreements with the Wyoming State Loan and Investment Board and Wyoming Water Development Commission through the Joint Powers Board to provide funding for improvements to the water system. The City has agreed to reimburse the Joint Powers Board for all required payments on the notes.

The *Water Meter Replacement* loan (interest at 2.5%) was initiated during 2007 in the amount of \$2,201,818. The first payment is due on April 1, 2008 with principal and interest payments due annually on April 1, in the amount of \$141,240.

The *Lower Edgar* loan (interest at 2.5%) requires annual principal and interest payments of \$116,062. The loan balance as of June 30, 2007 was \$1,515,190.

The *Clark Addition* loan (interest at 2.5%) requires annual principal and interest payments of \$64,147. The loan balance as of June 30, 2007 was \$920,727.

The *Westside I and II* loans (interest at 7.25%) require annual principal and interest payments of \$39,674. The loan balances as of June 30, 2007 were \$452,110.

Annual debt service requirements to maturity are as follows:

Year ending June 30,	Total	Principal	Interest
2008	\$ 361,123	\$ 212,402	\$ 148,721
2009	361,123	218,039	143,084
2010	361,123	223,841	137,282
2011	361,123	229,814	131,309
2012	361,123	235,964	125,159
2013-2017	1,805,615	1,278,707	526,908
2018-2022	1,805,615	1,463,004	342,611
2023-2027	1,213,072	1,066,487	146,585
2028-2032	197,590	161,587	36,003
	\$ 6,827,507	\$ 5,089,845	\$ 1,737,662

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

Note 11. Long-Term Obligations

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

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007	Due Within One Year
Governmental Activities:					
Special assessment debt	\$ 5,000	\$ -	\$ (5,000)	\$ -	\$ -
Compensated absences	1,553,218	1,223,617	(1,067,341)	1,709,494	1,153,568
Total governmental long-term obligations	1,558,218	1,223,617	(1,072,341)	1,709,494	1,153,568
Business Type Activities:					
Wastewater fund - due to other governmental entities	5,592,966	6,790,203	(131,118)	12,252,051	528,199
Water fund - due to other governmental entities	-	2,201,818	-	2,201,818	86,195
Water-JPWB Loan	3,010,858	-	(122,831)	2,888,027	126,207
Compensated absences	195,968	192,713	(161,589)	227,092	146,795
Total business-type long-term obligations	8,799,792	9,184,734	(415,538)	17,568,988	887,396
Total long-term obligation	\$ 10,358,010	\$ 10,408,351	\$ (1,487,879)	\$ 19,278,482	\$ 2,040,964

Note 12. Reserves and Designations

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

	Governmental Fund General Fund
Reserved for inventories	\$ 482,852
Reserved for encumbrances	3,575,469
	\$ 4,058,321

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

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

	Governmental	Business-Type Funds		
	General Fund	Water Fund	Wastewater Fund	Housing Authority
Contingency reserve	\$ 6,142,281	\$ -	\$ -	\$ -
Capital replacement	2,774,459	1,290,000	6,332,647	-
Cash carryover	15,861,495	1,670,023	3,569,849	-
Compensated absences	937,750	-	-	-
	<u>\$ 25,715,985</u>	<u>\$ 2,960,023</u>	<u>\$ 9,902,496</u>	<u>\$ -</u>

REQUIRED SUPPLEMENTARY INFORMATION

The City's required supplementary information includes the budgetary comparison – general fund as described in the accompanying Notes to Required Supplementary Information following the schedules.

CITY OF ROCK SPRINGS, WYOMING
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes:				
Property taxes	\$ 1,200,000	\$ 1,200,000	\$ 1,609,123	\$ 409,123
Occupation tax	55,000	55,000	57,460	2,460
Franchise tax	540,000	540,000	634,600	94,600
Sales and use tax	16,990,000	18,053,066	26,506,069	8,453,003
Cigarette tax	235,000	235,000	235,440	440
Wholesale gas tax	390,000	390,000	367,141	(22,859)
Mineral severance tax	793,017	793,017	893,779	100,762
Special fuels tax	112,500	112,500	142,789	30,289
	<u>20,315,517</u>	<u>21,378,583</u>	<u>30,446,401</u>	<u>9,067,818</u>
Licenses and permits:				
Liquor licenses	45,000	45,000	56,015	11,015
Malt beverage and catering	700	700	850	150
Building fess and permits	200,000	231,000	806,737	575,737
Animal licenses	7,000	7,000	13,370	6,370
Contractor licenses	19,000	19,000	47,475	28,475
Road impact fees	15,000	15,000	69,948	54,948
	<u>286,700</u>	<u>317,700</u>	<u>994,395</u>	<u>676,695</u>
Inter-governmental revenue:				
Mineral Royalties	843,890	843,890	853,755	9,865
Federal, state, and county grants	673,845	5,596,706	681,807	(4,914,899)
Supplemental local government funding	1,331,598	1,331,598	1,331,793	195
	<u>2,849,333</u>	<u>7,772,194</u>	<u>2,867,355</u>	<u>(4,904,839)</u>
Charges for services:				
Golf course	510,000	510,000	610,358	100,358
Civic center	125,000	125,000	148,432	23,432
Indoor recreation	364,000	364,000	388,930	24,930
Field usage fees	2,500	2,500	7,203	4,703
Rents and concessions	18,000	18,000	25,710	7,710
Cemetery fees	12,000	12,000	23,675	11,675
Inter-fund administrative charges	107,500	107,500	115,323	7,823
Special police and fire services	2,000	2,000	6,990	4,990
Advertising fees	2,100	2,100	2,448	348
	<u>1,143,100</u>	<u>1,143,100</u>	<u>1,329,069</u>	<u>185,969</u>

Continued

CITY OF ROCK SPRINGS, WYOMING
BUDGETARY COMPARISON SCHEDULE (continued)
GENERAL FUND
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fines and forfeitures:				
Municipal court fees and parking fines	\$ 400,500	\$ 400,500	\$ 485,633	\$ 85,133
Animal fines	10,000	10,000	21,515	11,515
	<u>410,500</u>	<u>410,500</u>	<u>507,148</u>	<u>96,648</u>
Miscellaneous:				
Animal adoption	3,500	3,500	6,317	2,817
Sale of cemetery lots	10,000	10,000	30,750	20,750
Maps, publications, and copies	2,500	2,500	4,652	2,152
Sale of materials or supplies	228,600	228,600	275,694	47,094
Sale of property	-	-	2,861	2,861
Blue Cross Blue Shield	284,000	284,000	292,749	8,749
Miscellaneous reimbursements	9,000	9,000	39,705	30,705
Refund of overpayments and insurance reimb.	5,500	26,221	37,902	11,681
Contributions and donations	600	283,773	343,597	59,824
Sundry revenues	1,200	11,266	70,036	58,770
Paving assessments	135	135	135	-
	<u>545,035</u>	<u>858,995</u>	<u>1,104,398</u>	<u>245,403</u>
Other income:				
Interest	206,915	302,409	1,236,597	934,188
Transfers	725,000	725,000	779,927	54,927
	<u>931,915</u>	<u>1,027,409</u>	<u>2,016,524</u>	<u>989,115</u>
Total revenues	<u>26,482,100</u>	<u>32,908,481</u>	<u>39,265,290</u>	<u>6,356,809</u>

Continued

CITY OF ROCK SPRINGS, WYOMING
BUDGETARY COMPARISON SCHEDULE (continued)
GENERAL FUND
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures				
General government:				
Legislative	\$ 339,103	\$ 339,103	\$ 293,356	\$ 45,747
Judicial	521,851	521,851	366,527	155,324
Finance, administration	791,378	837,378	728,135	109,243
Municipal court	293,451	293,451	227,717	65,734
Data processing	450,301	472,721	294,753	177,968
City buildings	829,226	831,239	763,302	67,937
	<u>3,225,310</u>	<u>3,295,743</u>	<u>2,673,790</u>	<u>621,953</u>
Public safety:				
Police department	6,027,891	6,115,985	5,736,343	379,642
Animal control	222,576	222,576	215,161	7,415
Emergency management	162,591	237,591	127,941	109,650
Fire department	4,187,952	4,256,847	3,676,407	580,440
	<u>10,601,010</u>	<u>10,832,999</u>	<u>9,755,852</u>	<u>1,077,147</u>
Public works:				
Public works administration, engineering	1,448,554	1,909,073	899,645	1,009,428
Planning and inspection	646,952	677,952	647,475	30,477
Street department	6,434,229	12,834,921	6,922,201	5,912,720
Vehicle maintenance	455,402	455,402	401,429	53,973
Cementary	727,351	849,593	635,287	214,306
	<u>9,712,488</u>	<u>16,726,941</u>	<u>9,506,037</u>	<u>7,220,904</u>
Culture and recreation:				
Parks and recreation	2,190,168	2,282,509	1,130,682	1,151,827
Golf course	3,660,902	3,660,902	2,064,538	1,596,364
Recreation	349,751	349,751	294,697	55,054
Civic center	1,099,564	1,099,564	947,555	152,009
Depot	-	-	-	-
Historical museum	197,703	202,103	186,278	15,825
Indoor recreation	2,417,533	2,447,008	2,252,708	194,300
	<u>9,915,621</u>	<u>10,041,837</u>	<u>6,876,458</u>	<u>3,165,379</u>
Nondepartmental	1,805,444	3,544,645	2,158,848	1,385,797
	<u>1,805,444</u>	<u>3,544,645</u>	<u>2,158,848</u>	<u>1,385,797</u>
Total expenditures	<u>35,259,873</u>	<u>44,442,165</u>	<u>30,970,985</u>	<u>13,471,180</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (8,777,773)</u>	<u>\$ (11,533,684)</u>	<u>\$ 8,294,305</u>	<u>\$ (7,114,371)</u>

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

CITY OF ROCK SPRINGS, WYOMING

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2007

Note 1. Budgets

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

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

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

The budget is adopted according to the following schedule:

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

CITY OF ROCK SPRINGS, WYOMING

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2007

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	\$ 39,265,290
Differences - Budget Basis to GAAP Transfers to the reserves fund within the General Fund and between funds of the primary government	<u>(779,927)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 38,485,363</u></u>
Expenditures	
Actual Amounts (budgetary basis) from the schedule of revenues, expenditures and changes in fund balance - budget (budgetary basis) and actual	\$ 30,970,985
Transfers to the reserves fund within the General Fund	(750,000)
Differences - Encumbrances included on the budgetary basis, not included in GAAP based expenditures	<u>(3,575,525)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 26,645,460</u></u>

OTHER GOVERNMENTAL FUNDS

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

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

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

**CITY OF ROCK SPRINGS, WYOMING
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2007**

	<u>Special Revenue Fund</u>		
	<u>Economic Development Loan Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 87,954	\$ 81,500	\$ 169,454
Receivables (net of allowance for uncollectibles):			
Special assessments receivable	-	5,709	5,709
Loans and notes receivable	952	-	952
Total assets	<u>\$ 88,906</u>	<u>\$ 87,209</u>	<u>\$ 176,115</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Deferred revenue	\$ -	\$ 5,709	\$ 5,709
Total liabilities	<u>-</u>	<u>5,709</u>	<u>5,709</u>
Fund balance:			
Unreserved, undesignated	<u>88,906</u>	<u>81,500</u>	<u>170,406</u>
Total liabilities and fund balances	<u>\$ 88,906</u>	<u>\$ 87,209</u>	<u>\$ 176,115</u>

**CITY OF ROCK SPRINGS, WYOMING
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007**

	Special Revenue Fund		
	Economic		
	Development	Debt Service	
	Loan Fund	Funds	Total
Revenues			
Taxes and special assessments	\$ -	\$ 4,513	\$ 4,513
Interest	128	1,186	1,314
Total revenues	<u>128</u>	<u>5,699</u>	<u>5,827</u>
Expenditures			
Current:			
Debt service:			
Principal retirement	-	5,000	5,000
Interest and fiscal charges	-	238	238
Total expenditures	<u>-</u>	<u>5,238</u>	<u>5,238</u>
Excess of revenues over (under) expenditures	<u>128</u>	<u>461</u>	<u>589</u>
Other financing sources (uses)			
Transfer to the general fund	-	-	-
Net change in fund balance	<u>128</u>	<u>461</u>	<u>589</u>
Fund balances, beginning	<u>88,778</u>	<u>81,039</u>	<u>169,817</u>
Fund balances, ending	<u>\$ 88,906</u>	<u>\$ 81,500</u>	<u>\$ 170,406</u>

HOUSING AUTHORITY

**CITY OF ROCK SPRINGS, WYOMING
COMBINING STATEMENT OF NET ASSETS
HOUSING AUTHORITY
June 30, 2007**

	Public Housing	Section 8 New Construction	Supportive Housing	Capital Fund	Total
ASSETS					
Current assets:					
Cash and investments	\$ 232,379	\$ 4,324	\$ 1,584	\$ -	\$ 238,287
Accounts receivable (net of allowance for uncollectibles)	-	-	5,390	-	5,390
Inventories	1,516	-	-	-	1,516
Prepaid expenses	29,382	-	-	-	29,382
Total current assets	<u>263,277</u>	<u>4,324</u>	<u>6,974</u>	<u>-</u>	<u>274,575</u>
Noncurrent assets:					
Capital assets, net of accumulated depreciation	3,188,674	-	-	-	3,188,674
Total assets	<u>3,451,951</u>	<u>4,324</u>	<u>6,974</u>	<u>-</u>	<u>3,463,249</u>
LIABILITIES					
Current liabilities					
Accounts payable	23,521	-	23	-	23,544
Customer and security deposits	28,052	-	-	-	28,052
Compensated absences	28,489	-	-	-	28,489
Deferred revenue	2,194	-	-	3,325	5,519
Due to other funds	23,004	-	-	(3,325)	19,679
Total current liabilities	<u>105,260</u>	<u>-</u>	<u>23</u>	<u>-</u>	<u>105,283</u>
Noncurrent liabilities					
Compensated absences	16,062	-	-	-	16,062
Total liabilities	<u>121,322</u>	<u>-</u>	<u>23</u>	<u>-</u>	<u>121,345</u>
NET ASSETS					
Invested in capital assets, net of related debt	3,188,674	-	-	-	3,188,674
Restricted	141,955	4,324	6,951	-	153,230
Total net assets	<u>\$ 3,330,629</u>	<u>\$ 4,324</u>	<u>\$ 6,951</u>	<u>\$ -</u>	<u>\$ 3,341,904</u>

**CITY OF ROCK SPRINGS, WYOMING
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
HOUSING AUTHORITY
For the Year Ended June 30, 2007**

	Public Housing	Section 8 Vouchers	Supportive Housing	Capital Fund	Total
Operating revenues					
Tenant rental revenue	\$ 273,021	\$ -	\$ 740	\$ -	\$ 273,761
Other tenant revenue	21,136	-	-	-	21,136
Total operating revenue	294,157	-	740	-	294,897
Operating expenses					
Personnel	331,715	-	-	38,302	370,017
Utilities	95,959	-	-	-	95,959
Postal/freight	1,018	-	-	-	1,018
Communications	3,343	-	-	-	3,343
Office supplies and printing	3,302	-	-	-	3,302
Repairs and maintenance	40,673	-	-	3,369	44,042
Travel	731	-	-	-	731
Administrative costs	-	10,751	-	6,125	16,876
Other costs	15,988	-	-	-	15,988
Depreciation	268,840	-	-	-	268,840
Audit and legal expense	2,000	500	-	-	2,500
Consulting and collection	9,961	-	-	-	9,961
Insurance	39,950	-	-	-	39,950
Housing assistance payments	-	102,793	1,657	-	104,450
Tenant service contract costs	881	-	-	-	881
Total operating expenses	814,361	114,044	1,657	47,796	977,858
Operating income (loss)	(520,204)	(114,044)	(917)	(47,796)	(682,961)
Nonoperating revenue (expense)					
HUD PHA grants	220,393	105,556	-	202,201	528,150
Interest income	4,467	697	-	-	5,164
Other income	-	8,845	439	-	9,284
Total nonoperating revenue	224,860	115,098	439	202,201	542,598
Income (loss) before transfers	(295,344)	1,054	(478)	154,405	(140,363)
Transfers in	154,405	-	-	-	154,405
Transfers out	-	-	-	(154,405)	(154,405)
Change in net assets	(140,939)	1,054	(478)	-	(140,363)
Net assets, beginning	3,471,568	3,270	7,429	-	3,482,267
Net assets, ending	\$ 3,330,629	\$ 4,324	\$ 6,951	\$ -	\$ 3,341,904

CITY OF ROCK SPRINGS, WYOMING
SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
For the Year Ended June 30, 2007

	Federal CFDA Number	Expenditures
U.S. Department of Housing and Urban Development		
Public and Indian Housing	14.850	\$ 220,393
Section 8 Housing Choice Vouchers	14.871	115,853
Public Housing Capital Fund	14.872	202,201
Passed through the Wyoming Business Council:		
Community Development Block Grants/State's Program	14.228	101,009
Total U.S. Department of Housing and Urban Development		<u>639,456</u>
U.S. Department of Justice		
Local Law Enforcement Block Grant Program	16.592	<u>3,891</u>
U.S. Department of Transportation		
Passed through the Wyoming Department of Transportation:		
Alcohol Open Container Requirements	20.607	2,114
State and Community Highway Safety	20.600	5,565
Highway Planning and Construction	20.205	248,480
Total U.S. Department of Transportation		<u>256,159</u>
Environmental Protection Agency		
Passed through the Wyoming State Loan and Investment Board:		
Capitalization Grants for Clean and Drinking Water State Revolving Funds		
Water Meter Replacement/Auto Read	66.468	2,338,062
WWTP Expansion Project Loan	66.458	5,855,155
Total Environmental Protection Agency		<u>8,193,217</u>
U.S. Department of Homeland Security		
Passed through the Wyoming Office of Homeland Security:		
State Domestic Preparedness Equipment Support Program	97.004	31,756
State Homeland Security Program	97.073	45,021
Passed through the Airport Board:		
Law Enforcement Officer Reimbursement Agreement Program	97.090	52,078
Total U.S. Department of Homeland Security		<u>128,855</u>
Office of National Drug Control Policy		
High Intensity Drug Trafficking Area	None	<u>31,303</u>
National Park Service		
Passed through the State of Wyoming:		
Department of State Parks and Cultural Resources:		
Historic Preservation Fund Grants-In-Aid	15.904	<u>6,629</u>
Total Federal awards expended		<u>\$ 9,259,510</u>

CITY OF ROCK SPRINGS, WYOMING

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2007**

Significant Accounting Policies

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

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

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

COMPLIANCE AND INTERNAL CONTROL

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the City of Rock Springs (the "City") as of and for the year ended June 30, 2007, and have issued our report thereon dated November 14, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential, will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs (identified as 2007-01 and 2007-02) to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiencies described above are not material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated November 14, 2007.

This report is intended solely for the information and use of the Honorable Mayor, Members of the City Council, management, Federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

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

Cheyenne, Wyoming
November 14, 2007

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the City of Rock Springs (the "City") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2007. The City's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major Federal programs for the year ended June 30, 2007.

Internal Control over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a Federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of the Honorable Mayor, Members of the City Council, management, Federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

Mc Gee, Hearne & Paiz, LLP

Cheyenne, Wyoming
November 14, 2007

CITY OF ROCK SPRINGS, WYOMING

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007**

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

A. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ Yes X No

B. Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>	<u>Expenditures</u>
66.458	Capitalization Grants for Clean Water State Revolving Funds	\$5,855,155
66.468	Capitalization Grants for Drinking Water State Revolving Funds	\$2,338,062

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

CITY OF ROCK SPRINGS, WYOMING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2007

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

A. Significant Deficiencies in Internal Control

2007-01: Review and Approval of Journal Entries, Supporting Schedules and Calculations

The City does not have a formal policy in place to ensure all journal entries, supporting schedules and calculations having a significant impact on the financial statements are reviewed by someone other than the preparer. Therefore, non-standard journal entries may be posted without approval by an appropriate individual. In addition, supporting schedules and calculations may contain errors that are not identified during a review process. As this exposes the City to risk of financial misstatement as a result of either error or fraud, we recommend that a policy be established by the City to ensure all non-standard journal entries, supporting schedules and calculations having a significant impact on the financial statements are reviewed, approved and signed-off by someone other than the preparer.

2007-02: Accounts Payable and Expenses

The City should recognize as a liability, the cost of any goods or services received as of the date of its balance sheet. Although the City has an adequate process within the Finance Department to determine whether invoices received should be included within liabilities at year-end, we identified an instance of an unrecorded liability at year-end as the invoice was being held by another department and was not passed to the Finance Department in timely manner. We recommend that the City provide training to all departments regarding the timeliness of providing invoices to the Finance Department in order to allow the Finance Department to accurately track the City's liabilities.

B. Compliance Findings

None

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

CITY OF ROCK SPRINGS, WYOMING

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
For the Year Ended June 30, 2007

There were no Federal audit findings in the prior year.