

CITY OF ROCK SPRINGS, WYOMING

FINANCIAL AND COMPLIANCE REPORT

JUNE 30, 2012

CONTENTS

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION	1 and 2
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MANAGEMENT'S DISCUSSION AND ANALYSIS (Required Supplementary Information)	3 - 11
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of net assets	12
Statement of activities	13
Governmental Fund Financial Statements:	
Balance sheet	14
Reconciliation of the governmental funds balance sheet to the statement of net assets	15
Statement of revenues, expenditures and changes in fund balances	16
Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities	17
Proprietary Fund Financial Statements:	
Statement of net assets	18
Statement of revenues, expenses and changes in fund net assets	19
Statement of cash flows	20 and 21
Notes to Financial Statements	22 - 44
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund	45 - 47
Notes to Required Supplementary Information	48 and 49
Schedule of Funding Progress	50
SUPPLEMENTARY INFORMATION	
Combining Statements:	
Blended Component Unit:	
Housing Authority:	
Combining statement of net assets	51
Combining statement of revenues, expenses and changes in net assets	52
Schedule of Expenditures of Federal Awards	53
Note to Schedule of Expenditures of Federal Awards	54

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	55 and 56
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	57 and 58
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Schedule of Findings and Questioned Costs	59 and 60
Summary Schedule of Prior Audit Findings	61

**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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Rock Springs, Wyoming as of June 30, 2012, 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 October 31, 2012 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 and budgetary comparison as well as the schedule of funding progress information on pages 45 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements of the nonmajor blended component unit 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

McGee, Hearne & Paiz, LLP

Cheyenne, Wyoming
October 31, 2012

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

INTRODUCTION

As management of the City of Rock Springs, Wyoming, we offer the readers of the city's financial statements this narrative overview and analysis of the financial statements of the city for the year ended June 30, 2012. 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, 2012 by \$195,663,852 (reported as net assets). Of this amount, \$63,360,495 (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 \$7,678,191. A majority of the increase was related to the construction of capital assets, including some large infrastructure projects, which were partially funded by capital grants and sixth cent specific use sales and use tax proceeds. Net assets for governmental activities increased by \$5,928,511 or 5% while net assets for business-type activities increased by \$1,749,680 or 3%.

At the close of the year, the city's general fund reported an ending fund balance of \$36,385,178, an increase of \$2,715,738 or 8% from the prior year. Of this amount, \$8,677,179 is available for spending at the city's discretion (unassigned fund balance).

Total long-term debt had a net decrease of \$849,659 (6%) from the prior year. This is due to payments in debt principal made of \$563,804 and \$285,855 in the sewer and water funds, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the city's basic financial statements. The basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains additional required supplementary information (budgetary schedule and schedule of funding progress) and other supplementary information in addition 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 operating governmental fund of the city. To demonstrate legal compliance, a schedule comparing budget-to actual numbers for the General Fund is included in the required supplementary information.

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

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

Other information. The budgetary comparison schedule, including related notes, and a schedule of funding progress for the City's other post-employment benefit plan, are reported as required supplementary information, which begins on page 45. Also, individual fund statements and other supplementary information can be found starting on page 51 of this report.

Government-wide financial analysis

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

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

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	43.42	41.39	36.92	35.03	80.34	76.42
Capital assets	98.21	94.73	41.53	42.27	139.74	137.00
Total assets	141.63	136.12	78.45	77.30	220.08	213.42
Current liabilities	6.50	7.15	2.70	2.44	9.20	9.59
Non-current liabilities	1.43	1.20	13.79	14.65	15.22	15.85
Total liabilities	7.93	8.35	16.49	17.09	24.42	25.44
Investment in capital assets, net of related debt	98.21	94.73	29.82	29.88	128.03	124.61
Restricted	0.64	1.80	3.63	4.00	4.27	5.80
Unrestricted	34.85	31.24	28.51	26.33	63.36	57.57
Total net assets	133.70	127.77	61.96	60.21	195.66	187.98

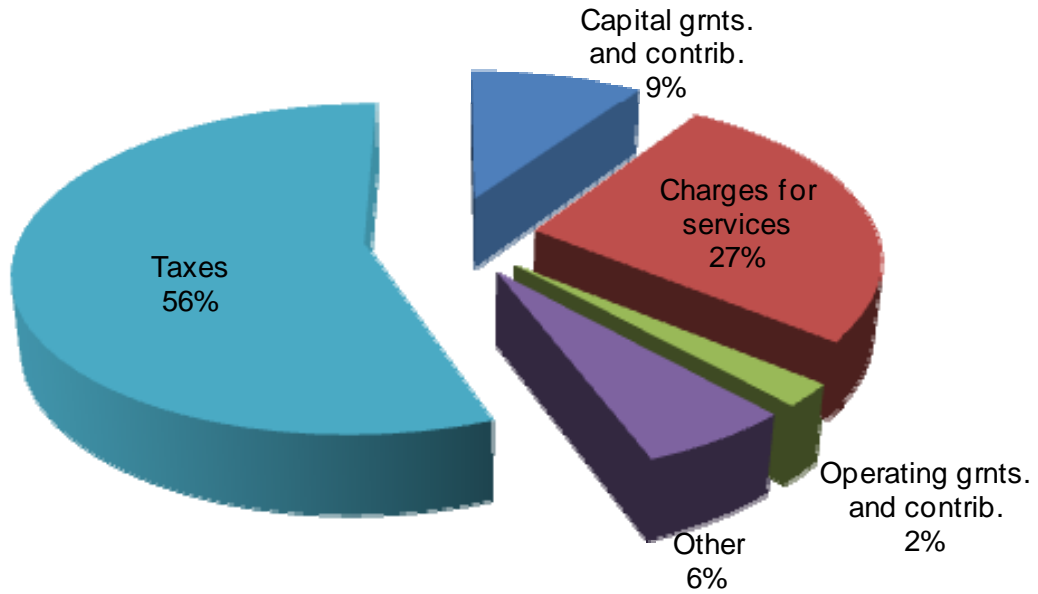
As depicted, at June 30, 2012, the city’s assets exceeded liabilities by approximately \$195.66 million (net assets). 65% of this amount is represented by the investment in capital assets, net of related debt. Due to the nature of these assets – long-term assets which are not readily convertible to liquid assets – they are not considered to be available for spending or appropriation.

Changes in net assets: As taken from the government-wide statement of activities, the following table depicts the changes in net assets for 2012.

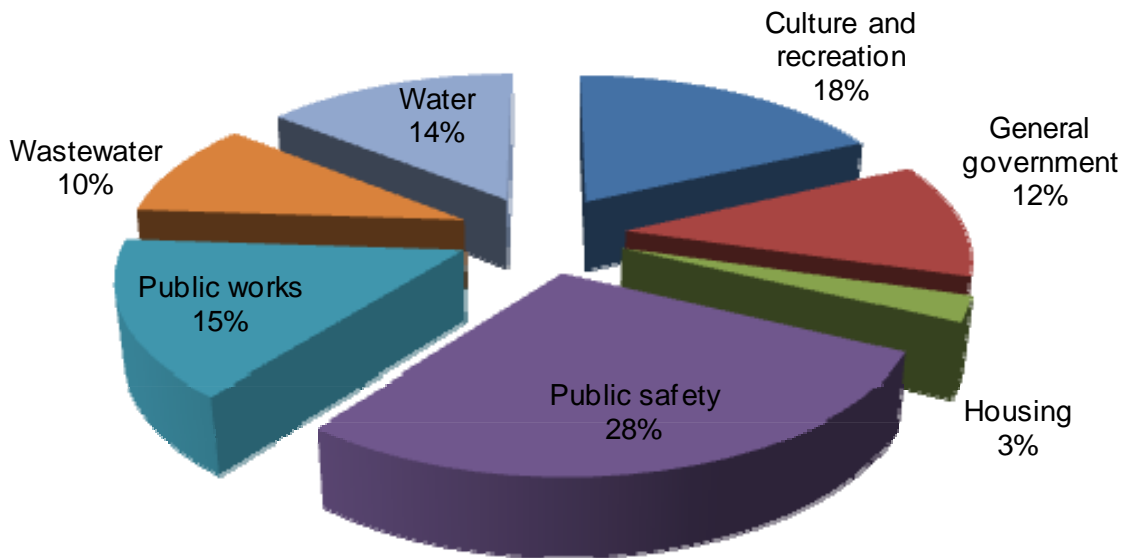
City of Rock Springs
Summary of Changes in Net Assets
(expressed in millions)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	3.18	3.07	11.31	10.99	14.49	14.06
Operating grants and contribution	0.77	0.68	0.44	0.43	1.21	1.11
Capital grants and contribution	3.91	5.95	1.28	1.44	5.19	7.39
General revenues:						
Sales and use tax	25.00	24.87	-	4.03	25.00	28.90
Mineral severance and royalties tax	1.81	1.75	-	-	1.81	1.75
Property tax	2.20	2.22	-	-	2.20	2.22
Franchise tax	0.66	0.66	-	-	0.66	0.66
Gas and special fuels tax	0.47	0.45	-	-	0.47	0.45
Other taxes	0.27	0.25	-	-	0.27	0.25
Supp. local government funding	1.69	1.29	-	-	1.69	1.29
Investment earnings	0.19	0.17	0.15	0.17	0.34	0.34
Miscellaneous	0.96	0.83	0.30	0.32	1.26	1.15
Total revenues	41.11	42.19	13.48	17.38	54.59	59.57
Expenses:						
General government	5.45	5.54	-	-	5.45	5.54
Public safety	13.32	12.01	-	-	13.32	12.01
Public works	7.29	7.19	-	-	7.29	7.19
Culture and recreation	8.42	8.01	-	-	8.42	8.01
Water	-	-	6.67	6.38	6.67	6.38
Wastewater	-	-	4.55	4.40	4.55	4.40
Housing	-	-	1.21	1.22	1.21	1.22
Total expenses	34.48	32.75	12.43	12.00	46.91	44.75
Transfers	(0.70)	-	0.70	-	-	-
Change in net assets	5.93	9.44	1.75	5.38	7.68	14.82
Net assets, beginning of year	127.77	118.33	60.21	54.83	187.98	173.16
Net assets, end of year	133.70	127.77	61.96	60.21	195.66	187.98

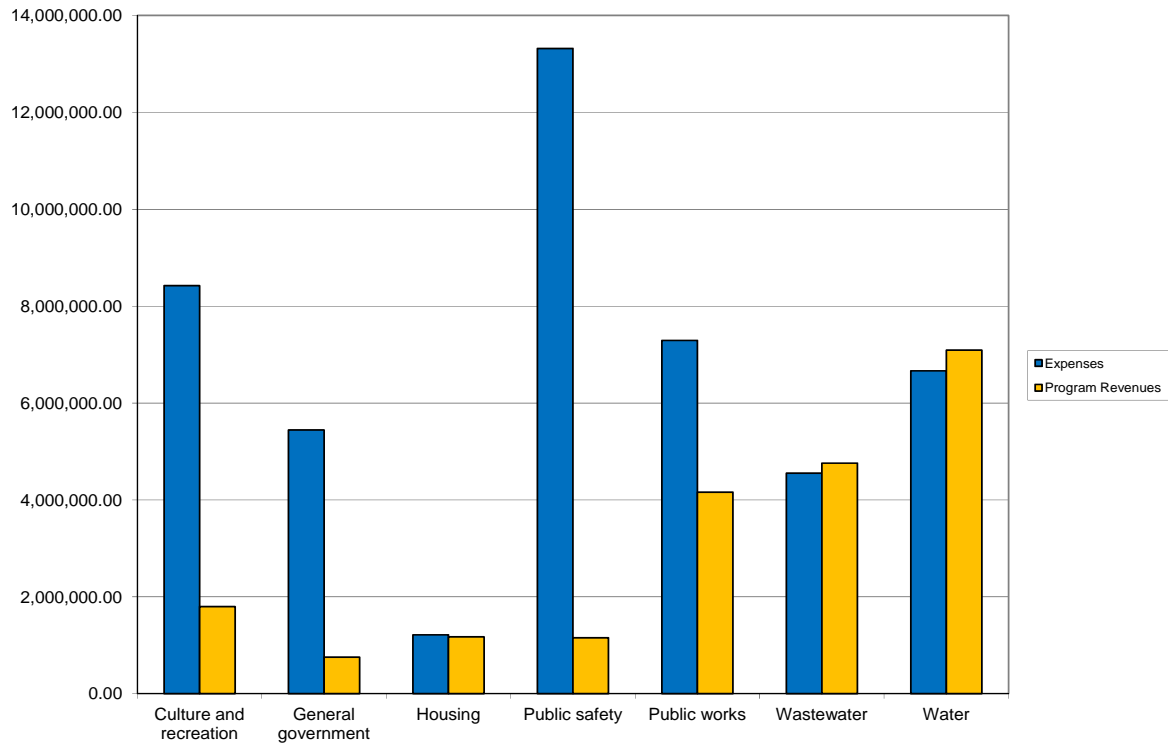
Total Government-Wide Revenues
Fiscal Year Ended June 30, 2012



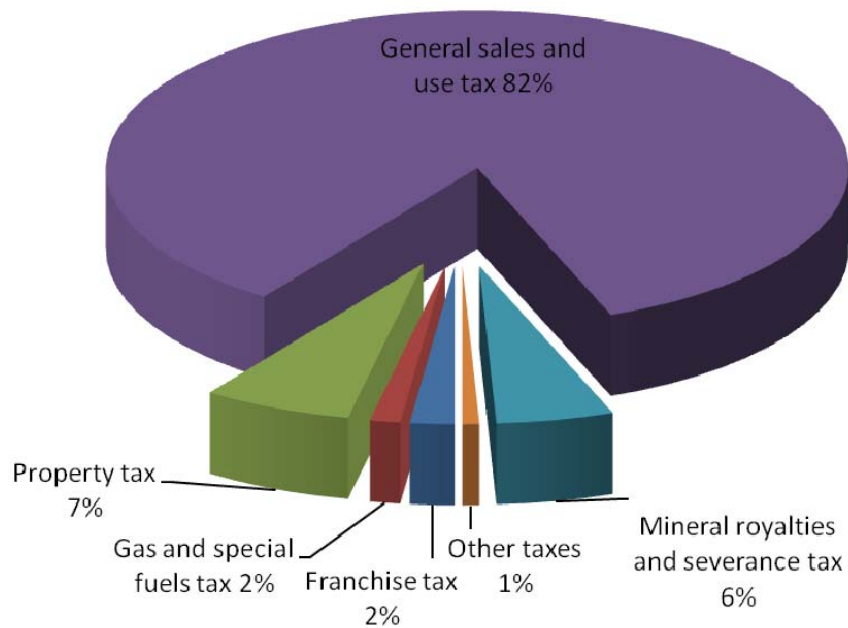
Total Government-Wide Expenses
Fiscal Year Ended June 30, 2012



**Expenses and Program Revenue
Fiscal Year Ended June 30, 2012**



**Tax Revenue
Fiscal Year Ended June 30, 2012**



Governmental activities increased the city's net assets by \$5.93 million. This change in net assets is a decrease from last year's change in net assets by approximately 37%. Key elements of the change in net assets include:

- Sales and use tax revenue comprises approximately 61% of total governmental activities revenues. These taxes increased by approximately \$0.13 million or 1% from the previous year. This was largely due to an increase in economic activity and size of the population after the census.
- Public Safety is the largest category of governmental expenses, representing 39% of the total. Culture and Recreation represents approximately 24% of governmental expenses while public works represents approximately 21% of governmental expenses. Total expenses for the year were \$1.73 million higher this year compared to the prior year.

The business-type activities include the water, wastewater, and the housing authority funds. These activities increased net assets by \$1.75 million. This change in net assets is a decrease from last year's change in net assets by approximately 67%. Key elements of the change in net assets include:

- The water fund charges for services increased by approximately 7% due to an increase in usage late in the year. Wastewater fund charges for services decreased by approximately 2% from the prior year. Overall housing authority revenue decreased approximately 4% from the prior year.
- Total expenses were relatively similar to last year's expenses. Expenses were \$.43 million higher this year compared to the prior year.
- Total non-operating revenue decreased approximately 93% due to the decrease in tax revenue within the Wastewater fund of \$4.03 million.

Financial analysis of the city's funds

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

The general fund is the chief operating fund of the city. As of the end of the current fiscal year, the city's general fund reported a total ending fund balance of \$36,385,178 in comparison with \$33,369,440 in ending fund balance in the prior year. \$8,677,179 of this amount is reported as unassigned fund balance, which is available for spending at the government's discretion. Unassigned fund balance represents 24% of total general fund expenditures, while total fund balance equals 99% of total general fund expenditures. The remainder of fund balance is nonspendable, restricted, assigned, or committed to indicate that it is not available for new spending. These amounts are not available because of 1) buying inventory, and paying expenses in advance (\$721,618), 2) restrictions for 1% specific purpose sales and use tax projects (\$636,824), 3) being used in emergency or unusual situations that may arise causing need to exceed total appropriations (\$7,566,004), 4) purchasing capital assets in future periods (\$3,724,897), 5) paying compensated absences and post-employment benefits other than pensions due to employees (\$1,275,250), 6) encumbered by the City Council or other authorized city official (\$2,292,514), or 6) cash carried over from prior periods (\$11,490,892).

Unrestricted net assets of the water fund and wastewater funds were \$9,214,339 and \$19,295,315, respectively. The increase in total net assets for the water fund and wastewater funds was \$1,189,722 and \$598,888, respectively. The water fund has restricted net assets of \$841,233 relating to assets held by the Joint Powers Water Board for water system repair expenses. Also, the water fund, by agreement, is required to give the Joint Powers Water Board any water related infrastructure assets constructed by the city. An expense of \$1,309,767 was incurred in the water fund relating to the transfer of title of assets from the city to the Joint Powers Water Board. The water and wastewater funds have restricted net assets of \$555,387 and \$2,020,867, respectively, relating to 1% specific purpose sales and use tax projects.

The restricted net assets balance for the housing authority was \$216,488, which was a decrease of \$6,690 from the prior year.

The city's internal service fund had a net asset balance of \$1,787,789 at year-end which is a decrease of \$174,062 from the prior year. Much of this can be attributed to a continued increase in insurance claims.

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 2012, budgeted tax revenues exceeded actual tax revenues by approximately \$6.59 million. Actual federal, state, and county grant revenue recognized was \$1.76 million less than what was budgeted for. This was due to the timing of projects expended that are applicable for reimbursements for grants and for grants budgeted for, but not received.

For 2012, expenditures were under budget by approximately \$10.52 million. Most of this amount was due to projects budgeted but not completed in various departments. Most of these projects should be completed in the subsequent budget year.

Capital assets

At the end of the year, the city owned capital assets valued at approximately \$139.75 million. The following schedules show the city's capital assets for the year ended June 30, 2012.

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

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land/easements/art	6.87	6.66	0.43	0.43	7.30	7.09
Construction in progress	9.70	14.70	0.77	3.56	10.47	18.26
Buildings/improvements	25.64	21.74	20.28	21.37	45.92	43.11
Systems improvements	-	-	2.39	2.60	2.39	2.60
Land improvements	7.70	7.87	0.64	0.05	8.34	7.92
Equipment	3.56	4.01	0.65	0.54	4.21	4.55
Infrastructure	44.57	39.57	16.38	13.72	60.95	53.29
Depreciable easements	0.17	0.18	-	-	0.17	0.18
Total	98.21	94.73	41.54	42.27	139.75	137.00

Major capital asset events during the year included:

- Construction finished on the theater renovation at a total capitalizable cost of \$1,924,740.
- Construction finished on the City Hall/Police Department HVAC at a final cost of \$2,334,976.
- Construction finished on the Bitter Creek phase 1 renovations totaling \$4,141,877.
- Construction finished on the Blairtown improvements at a final cost of \$1,024,997.
- The 2008 miscellaneous sewer rehab project completed at a final capitalizable cost of \$3,067,558.
- Two subdivisions were contributed to the City this year.

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

Long-term debt

At year-end, the city had debt outstanding of \$14,551,553. Debt consists of loans payable to the State of Wyoming and the Joint Powers Water Board for water and wastewater projects. Overall debt for the city decreased by \$849,659 or 6%, over the previous year.

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

Requests for Information

This financial report is designed to provide citizens, customers, investors, creditors and others with a general overview of the city's finances and to demonstrate the city's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the City of Rock Springs, Lisa M. 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, 2012

ASSETS	Governmental Activities	Business-Type Activities	Total
Current assets:			
Cash and investments	\$ 38,697,351	\$ 31,761,451	\$ 70,458,802
Restricted cash	-	841,233	841,233
Receivables (net of allowance for uncollectibles):			
Accounts receivable	26,246	1,299,962	1,326,208
Taxes receivable	1,702,963	-	1,702,963
Accrued interest receivable	26,100	13,694	39,794
Special assessments receivable	-	1,906	1,906
Grants receivable	840,520	56,619	897,139
Internal balances	(2,585,601)	2,585,601	-
Due from other governmental entities	3,991,687	-	3,991,687
Inventories	438,993	344,129	783,122
Prepaid expenses	282,625	13,564	296,189
Total current assets	<u>43,420,884</u>	<u>36,918,159</u>	<u>80,339,043</u>
Noncurrent assets:			
Capital assets being depreciated, net	81,635,752	40,331,715	121,967,467
Capital assets not being depreciated	16,578,218	1,200,037	17,778,255
Total noncurrent assets	<u>98,213,970</u>	<u>41,531,752</u>	<u>139,745,722</u>
Total assets	<u>141,634,854</u>	<u>78,449,911</u>	<u>220,084,765</u>
LIABILITIES			
Current liabilities			
Accounts payable	2,590,411	1,377,427	3,967,838
Customer and security deposits	147,034	219,455	366,489
Compensated absences	1,428,363	147,065	1,575,428
Deferred revenue	1,527,830	2,645	1,530,475
Due to other governmental entities	-	849,674	849,674
Retainage payable	806,947	102,358	909,305
Total current liabilities	<u>6,500,585</u>	<u>2,698,624</u>	<u>9,199,209</u>
Noncurrent liabilities			
Compensated absences	621,639	87,191	708,830
Net OPEB obligation	810,995	-	810,995
Due to other governmental entities	-	13,701,879	13,701,879
Total noncurrent liabilities	<u>1,432,634</u>	<u>13,789,070</u>	<u>15,221,704</u>
Total liabilities	<u>7,933,219</u>	<u>16,487,694</u>	<u>24,420,913</u>
NET ASSETS			
Invested in capital assets, net of related debt	98,213,970	29,818,588	128,032,558
Restricted for:			
Joint Powers Water Board	-	841,233	841,233
Housing Authority	-	216,488	216,488
1% specific purpose sales and use tax projects	636,824	2,576,254	3,213,078
Unrestricted	34,850,841	28,509,654	63,360,495
Total net assets	<u>\$ 133,701,635</u>	<u>\$ 61,962,217</u>	<u>\$ 195,663,852</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, 2012

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	\$ 5,444,089	\$ 289,474	\$ 120,987	\$ 344,196	\$ (4,689,432)	\$ -	\$ (4,689,432)
Public safety	13,320,092	530,940	623,999	-	(12,165,153)	-	(12,165,153)
Public works	7,293,281	568,857	24,847	3,564,943	(3,134,634)	-	(3,134,634)
Culture and recreation	8,422,403	1,799,124	-	-	(6,623,279)	-	(6,623,279)
Total governmental activities	<u>34,479,865</u>	<u>3,188,395</u>	<u>769,833</u>	<u>3,909,139</u>	<u>(26,612,498)</u>	<u>-</u>	<u>(26,612,498)</u>
Business-type activities:							
Water	6,665,187	6,520,750	-	570,037	-	425,600	425,600
Wastewater	4,552,271	4,489,467	-	270,515	-	207,711	207,711
Housing	1,213,883	291,128	443,103	438,376	-	(41,276)	(41,276)
Total business-type activities	<u>12,431,341</u>	<u>11,301,345</u>	<u>443,103</u>	<u>1,278,928</u>	<u>-</u>	<u>592,035</u>	<u>592,035</u>
Total primary government	<u>\$ 46,911,206</u>	<u>\$ 14,489,740</u>	<u>\$ 1,212,936</u>	<u>\$ 5,188,067</u>	<u>(26,612,498)</u>	<u>592,035</u>	<u>(26,020,463)</u>
General revenues							
Taxes:							
General sales and use tax					24,997,255	-	24,997,255
Mineral severance and royalties tax					1,805,364	-	1,805,364
Property tax					2,202,623	-	2,202,623
Franchise tax					664,161	-	664,161
Gas and special fuels tax					465,121	-	465,121
Other taxes					268,193	-	268,193
Supplemental local government funding					1,685,418	-	1,685,418
Unrestricted investment earnings					188,699	152,755	341,454
Miscellaneous					964,175	304,890	1,269,065
Transfers					(700,000)	700,000	-
Total general revenues and transfers					<u>32,541,009</u>	<u>1,157,645</u>	<u>33,698,654</u>
Change in net assets					<u>5,928,511</u>	<u>1,749,680</u>	<u>7,678,191</u>
Net assets - beginning					<u>127,773,124</u>	<u>60,212,537</u>	<u>187,985,661</u>
Net assets - ending					<u>\$ 133,701,635</u>	<u>\$ 61,962,217</u>	<u>\$ 195,663,852</u>

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

GOVERNMENT FUND FINANCIAL STATEMENTS

CITY OF ROCK SPRINGS, WYOMING
BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2012

	General Fund
ASSETS	
Cash and investments	\$ 36,462,927
Receivables (net of allowance for uncollectibles):	
Accounts receivable	26,246
Taxes receivable	1,702,963
Accrued interest receivable	22,510
Grants receivable	840,520
Due from other funds	6,548
Due from other governmental entities	3,991,687
Inventories	438,993
Prepaid expenses	282,625
Total assets	<u>\$ 43,775,019</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 2,140,186
Customer and security deposits	147,034
Due to other funds	2,592,149
Deferred revenue	1,703,525
Retainage payable	806,947
Total liabilities	<u>7,389,841</u>
Fund balance:	
Nonspendable	721,618
Restricted for 1% specific purpose sales and use tax projects	636,824
Committed	14,572,955
Assigned	11,776,602
Unassigned	8,677,179
Total fund balance	<u>36,385,178</u>
Total liabilities and fund balance	<u>\$ 43,775,019</u>

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

CITY OF ROCK SPRINGS, WYOMING
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2012

Total Fund Balances - Governmental Fund \$ 36,385,178

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 98,213,970

Certain assets are not available to pay current expenditures, so they are deferred in the funds 175,695

Long-term liabilities (compensated absences and net OPEB obligation) are not due and payable in the current period and, therefore, not reported in the funds (2,860,997)

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 1,787,789

Net assets of governmental activities \$ 133,701,635

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

**CITY OF ROCK SPRINGS, WYOMING
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
For the Year Ended June 30, 2012**

	General Fund
Revenues	
Taxes and special assessments	\$ 29,445,439
Licenses and permits	688,132
Inter-governmental revenue	6,516,823
Charges for services	2,026,060
Fines and forfeitures	473,891
Miscellaneous	964,175
Interest	177,972
Total revenues	<u>40,292,492</u>
Expenditures	
Current:	
General government	4,417,495
Public safety	12,901,668
Public works	5,484,961
Culture and recreation	6,943,344
Capital outlay	7,129,286
Total expenditures	<u>36,876,754</u>
Excess of revenues over expenditures	3,415,738
Other Financing Sources (Uses)	
Transfers (to) from other funds	<u>(700,000)</u>
Net change in fund balance	2,715,738
Fund balances, beginning	<u>33,669,440</u>
Fund balances, ending	<u>\$ 36,385,178</u>

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

CITY OF ROCK SPRINGS, WYOMING
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

Net Change in Fund Balances - Governmental Fund \$ 2,715,738

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital purchases/capital contributions exceeded depreciation/loss on disposal during the current period 3,484,872

The statement of activities reports an increase in the change of revenue which is not reported in the fund because it does not provide current financial resources 130,611

Long-term liabilities (compensated absences and net OPEB obligation) are not due and payable in the current period and, therefore, not reported in the funds. This is the current year change in the liability, reported as an expense in the statement of activities (228,648)

An internal service fund is used by management to charge the costs of certain activities to individual funds. The net expense of the internal service fund is reported with governmental activities (174,062)

Change in net assets of governmental activities \$ 5,928,511

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, 2012

	Business-Type Activities Enterprise Funds			Total	Governmental
	Water Fund	Wastewater Fund	Nonmajor - Housing Authority		Internal Service Fund
ASSETS					
Current assets:					
Cash and investments	\$ 11,927,690	\$ 19,525,382	\$ 308,379	\$ 31,761,451	\$ 2,234,424
Restricted cash	841,233	-	-	841,233	-
Receivables (net of allowance for uncollectibles):					
Accounts receivable	1,239,172	58,895	1,895	1,299,962	-
Accrued interest receivable	3,847	9,847	-	13,694	3,590
Special assessments receivable	-	1,906	-	1,906	-
Grants receivable	50,071	-	6,548	56,619	-
Due from other funds	555,387	2,020,867	29,267	2,605,521	-
Inventories	231,496	111,766	867	344,129	-
Prepaid expenses	-	-	13,564	13,564	-
Total current assets	14,848,896	21,728,663	360,520	36,938,079	2,238,014
Noncurrent assets:					
Capital assets, net of accumulated depreciation	2,508,990	36,145,360	2,877,402	41,531,752	-
Total assets	17,357,886	57,874,023	3,237,922	78,469,831	2,238,014
LIABILITIES					
Current liabilities:					
Accounts payable	1,120,262	209,289	47,876	1,377,427	450,225
Customer and security deposits	119,149	66,829	33,477	219,455	-
Compensated absences	58,895	59,198	28,972	147,065	-
Due to other governmental entities	292,985	556,689	-	849,674	-
Retainage payable	45,847	56,511	-	102,358	-
Due to other funds	-	-	19,920	19,920	-
Deferred revenue	-	-	2,645	2,645	-
Total current liabilities	1,637,138	948,516	132,890	2,718,544	450,225
Noncurrent liabilities:					
Compensated absences	55,395	20,654	11,142	87,191	-
Due to other governmental entities	4,491,132	9,210,747	-	13,701,879	-
Total noncurrent liabilities	4,546,527	9,231,401	11,142	13,789,070	-
Total liabilities	6,183,665	10,179,917	144,032	16,507,614	450,225
NET ASSETS					
Invested in capital assets, net of related debt	563,262	26,377,924	2,877,402	29,818,588	-
Restricted for Joint Powers Water Board	841,233	-	-	841,233	-
Restricted for Housing Authority	-	-	216,488	216,488	-
Restricted for 1% specific purpose sales and use tax projects	555,387	2,020,867	-	2,576,254	-
Unrestricted	9,214,339	19,295,315	-	28,509,654	1,787,789
Total net assets	\$ 11,174,221	\$ 47,694,106	\$ 3,093,890	\$ 61,962,217	\$ 1,787,789

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, 2012

	Business-Type Activities Enterprise Funds			Total	Governmental
	Water Fund	Wastewater Fund	Nonmajor - Housing Authority		Internal Service Fund
Operating revenues:					
Water charges	\$ 6,520,750	\$ -	\$ -	\$ 6,520,750	\$ -
Wastewater charges	-	4,489,467	-	4,489,467	-
Tenant rental revenue	-	-	264,926	264,926	-
Other tenant revenue	-	-	26,202	26,202	-
Insurance premiums and refunds	-	-	-	-	2,987,703
Total operating revenue	6,520,750	4,489,467	291,128	11,301,345	2,987,703
Operating expenses:					
Personnel	864,989	1,256,003	488,384	2,609,376	-
Water purchases	3,354,255	-	-	3,354,255	-
Utilities	187,755	340,760	106,289	634,804	-
Postal/freight	19,973	23,371	1,828	45,172	-
Communications	8,259	6,969	2,329	17,557	-
Office supplies and printing	4,214	7,230	5,670	17,114	-
Repairs and maintenance	106,124	281,802	101,009	488,935	-
Departmental supplies	257,682	312,834	-	570,516	-
Travel	22,085	33,704	281	56,070	-
Administrative costs	36,235	55,324	6,900	98,459	-
Other costs	8,860	4,747	12,358	25,965	-
Depreciation	251,048	1,844,578	297,888	2,393,514	-
Audit and legal	-	-	2,500	2,500	-
Laundry and towel service	2,890	6,348	-	9,238	-
Consulting and collection	109,424	173,882	6,151	289,457	-
Rental	48,000	-	-	48,000	-
Insurance	-	-	23,956	23,956	3,172,492
Housing assistance payments	-	-	157,742	157,742	-
Tenant service contract costs	-	-	598	598	-
Total operating expenses	5,281,793	4,347,552	1,213,883	10,843,228	3,172,492
Operating income (loss)	1,238,957	141,915	(922,755)	458,117	(184,789)
Nonoperating revenue (expense):					
HUD PHA grants	-	-	881,479	881,479	-
Other grants	570,037	-	-	570,037	-
Interest income	30,946	120,761	1,048	152,755	10,727
Other income	33,176	270,416	1,298	304,890	-
Interest expense	(73,627)	(204,719)	-	(278,346)	-
Capital asset contribution to JPWB	(1,309,767)	-	-	(1,309,767)	-
Total nonoperating revenue (expense)	(749,235)	186,458	883,825	321,048	10,727
Income (loss) before transfers	489,722	328,373	(38,930)	779,165	(174,062)
Capital contributions	-	270,515	-	270,515	-
Transfers in	700,000	-	839,763	1,539,763	-
Transfers out	-	-	(839,763)	(839,763)	-
Change in net assets	1,189,722	598,888	(38,930)	1,749,680	(174,062)
Net assets, beginning	9,984,499	47,095,218	3,132,820	60,212,537	1,961,851
Net assets, ending	\$ 11,174,221	\$ 47,694,106	\$ 3,093,890	\$ 61,962,217	\$ 1,787,789

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, 2012

	Business-Type Activities Enterprise Funds			Total	Governmental
	Water Fund	Wastewater Fund	Nonmajor - Housing Authority		Internal Service Fund
Cash Flows from Operating Activities					
Receipts from external customers and users	\$ 5,765,225	\$ 4,467,359	\$ 293,862	\$ 10,526,446	\$ -
Receipts from internal customers and users	399,463	146,767	-	546,230	2,987,703
Payments to suppliers	(4,034,753)	(1,297,021)	(417,018)	(5,748,792)	(3,217,465)
Payments to employees	(853,692)	(1,256,810)	(493,811)	(2,604,313)	-
Net cash from operating activities	1,276,243	2,060,295	(616,967)	2,719,571	(229,762)
Cash Flows from Noncapital Financing Activities					
Taxes and special assessments	-	912,420	-	912,420	-
Receipts from grants	524,126	-	936,374	1,460,500	-
Other	177,789	270,416	1,298	449,503	-
Net cash from noncapital financing activities	701,915	1,182,836	937,672	2,822,423	-
Cash Flows from Capital and Related Financing Activities					
Payment for JPWB assets	(981,574)	-	-	(981,574)	-
Purchase of capital assets	(5,962)	(1,242,468)	(356,066)	(1,604,496)	-
Principal payment on loans	(285,855)	(563,804)	-	(849,659)	-
Interest paid on loans	(127,324)	(191,215)	-	(318,539)	-
Net cash from capital and related financing activities	(1,400,715)	(1,997,487)	(356,066)	(3,754,268)	-
Cash Flows from Investing Activities					
Interest on investments	27,921	132,938	1,048	161,907	7,904
Net increase (decrease) in cash and cash equivalents	605,364	1,378,582	(34,313)	1,949,633	(221,858)
Cash and Investments, July 1	12,163,559	18,146,800	342,692	30,653,051	2,456,282
Cash and Investments, June 30	\$ 12,768,923	\$ 19,525,382	\$ 308,379	\$ 32,602,684	\$ 2,234,424

Continued

CITY OF ROCK SPRINGS, WYOMING
STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
For the Year Ended June 30, 2012

	Business-Type Activities				Governmental
	Enterprise Funds				Activities
	Water	Wastewater	Nonmajor -		Internal
	Fund	Fund	Housing	Total	Service
			Authority		Fund
Reconciliation of Operating Income (Loss)					
to Net Cash from Operating Activities					
Operating income (loss)	\$ 1,238,957	\$ 141,915	\$ (922,755)	\$ 458,117	\$ (184,789)
Adjustments to reconcile operating income					
(loss) to net cash from operating activities:					
Depreciation	251,048	1,844,578	297,888	2,393,514	-
Change in assets and liabilities:					
Accounts receivable	(356,062)	123,714	2,734	(229,614)	-
Due from other funds	-	-	(10,107)	(10,107)	-
Special assessments receivable	-	945	-	945	-
Prepaid expenses	-	-	1,345	1,345	-
Inventory	(10,456)	(11,286)	651	(21,091)	-
Accounts payable	135,929	(16,052)	19,882	139,759	(44,973)
Retainage payable	-	-	(957)	(957)	-
Due to other funds	-	(34,867)	(13,980)	(48,847)	-
Customer deposits	5,727	10,848	3,852	20,427	-
Deferred revenue	-	-	-	-	-
Compensated absences accrued expenses	11,100	500	4,480	16,080	-
Net cash from operating activities	\$ 1,276,243	\$ 2,060,295	\$ (616,967)	\$ 2,719,571	\$ (229,762)
 Schedule of Noncash Transactions					
Capitalized interest	\$ -	\$ 47,049	\$ -	\$ 47,049	\$ -

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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

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

The government reports the following major governmental fund:

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

The government reports the follow major proprietary funds:

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

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

The government reports the following nonmajor proprietary funds:

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

Additionally, the government reports the following fund type:

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

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.

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

Reconciliations of government-wide and fund financial statements: Governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting, while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. As a result, there are important differences between the assets, 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).

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

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

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

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

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

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

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

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

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

Inventories of consumable supplies/prepaid items: All inventories are carried at cost on the first-in, first-out method. Inventories of the governmental fund types are recorded as expenditures when used. Reported inventories and prepayments in the general fund are reflected in the category nonspendable fund balance which indicates that these amounts are not in a spendable form.

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

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

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

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

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

All long-term 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.

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 \$1,529,830, assessed in fiscal year 2012, 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 2013.

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

Fund balance/net assets: Restrictions of net assets/fund balance are limited to outside third-party restrictions. Commitments of fund balance represent amounts that can only be used for specific purposes whose constraints are imposed by the Mayor and City Council through formal resolutions. Assignments of fund balance represent amounts that the City intends to be used for specific purposes whose constraints are imposed by the Mayor and City Council or through an agreement with an authorized representative of the City as specified in chapter 1, article 5 of the City of Rock Springs ordinances. If more than one type of resource is available to spend, the order of spending will be restricted first, then committed funds, next assigned funds, and finally unassigned funds. For nongovernmental fund types and government-wide activities, restricted resources will be spent before nonrestricted resources when both are available to spend.

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash and Investments

Cash and investments and restricted cash as of June 30, 2012, as classified in the accompanying financial statements, consist of the following:

Statement of Net Assets:

	<u>Primary Government</u>
Deposits with financial institutions:	
Cash/money market funds	\$ 48,099,237
Certificates of deposit	11,677,924
Investments:	
Ally Bank Midvale UT CD	249,778
American Express Centrn CD	246,577
Carolina Premier Bank CD	244,448
Citibank SLC CD	241,541
Citibank National Las Vegas CD	240,745
Compass Bank Birmingham AL CD	245,866
Discover Bank CD	240,000
Federal Farm Credit Bank	1,001,370
Federal Home Loan Mortgage Corp.	1,989,036
Federal National Mortgage Association	2,149,762
Federal Home Loan Mortgage Corp. Step Coupon	1,199,716
Federal National Mortgage Association Step Callable	686,094
Federal National Mortgage Association Step Coupon	1,560,094
GE Cap Final Inc Retail CD	245,209
GE Money Bank Draper UT CD	242,346
Goldman Sach Bank NY CD	251,602
Home Savings Bank CD	244,891
Medallion Bank UT CD	243,799
	<u>\$ 71,300,035</u>

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

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

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

Category	Credit Rating	Market Value
Ally Bank Midvale UT CD	Not rated	\$ 249,778
American Express Centrn CD	Not rated	246,577
Carolina Premier Bank CD	Not rated	244,448
Citibank SLC CD	Not rated	241,541
Citibank National Las Vegas CD	Not rated	240,745
Compass Bank Birmingham AL CD	Not rated	245,866
Discover Bank CD	Not rated	240,000
Federal Farm Credit Bank	AAA	1,001,370
Federal Home Loan Mortgage Corp.	AAA	1,989,036
Federal National Mortgage Association	AAA	2,149,762
Federal Home Loan Mortgage Corp. Step Coupon	AAA	1,199,716
Federal National Mortgage Association Step Callable	AAA	686,094
Federal National Mortgage Association Step Coupon	AAA	1,560,094
GE Cap Final Inc Retail CD	Not rated	245,209
GE Money Bank Draper UT CD	Not rated	242,346
Goldman Sach Bank NY CD	Not rated	251,602
Home Savings Bank CD	Not rated	244,891
Medallion Bank UT CD	Not rated	243,799

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, 2012, the primary government had bank balances on deposit and certificates of deposit, including accrued interest of \$59,219,133.

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, 2012, all investment securities were held by the City's custodian and registered in the City's name.

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

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

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

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

	Primary Government				
	Market	Less Than 1 Year	1-2 Years	2-5 Years	Greater than 5 Years
Ally Bank Midvale UT CD	\$ 249,778	\$ -	\$ -	\$ 249,778	\$ -
American Express Centrn CD	246,577	-	246,577	-	-
Carolina Premier Bank CD	244,448	-	244,448	-	-
Citibank SLC CD	241,541	-	241,541	-	-
Citibank National Las Vegas CD	240,745	240,745	-	-	-
Compass Bank Birmingham AL CD	245,866	245,866	-	-	-
Discover Bank CD	240,000	-	-	240,000	-
Federal Farm Credit Bank	1,001,370	-	-	1,001,370	-
Federal Home Loan Mortgage Corp.	1,989,036	-	-	1,989,036	-
Federal National Mortgage Association	2,149,762	-	-	2,149,762	-
Federal Home Loan Mortgage Corp. Step Coupon	1,199,716	-	-	1,199,716	-
Federal National Mortgage Association Step Callable	686,094	-	-	686,094	-
Federal National Mortgage Association Step Coupon	1,560,094	-	-	1,560,094	-
GE Cap Final Inc Retail CD	245,209	-	-	245,209	-
GE Money Bank Draper UT CD	242,346	242,346	-	-	-
Goldman Sach Bank NY CD	251,602	-	-	251,602	-
Home Savings Bank CD	244,891	-	-	244,891	-
Medallion Bank UT CD	243,799	-	243,799	-	-
	<u>\$11,522,874</u>	<u>\$ 728,957</u>	<u>\$ 976,365</u>	<u>\$ 9,817,552</u>	<u>\$ -</u>

Highly sensitive securities: The City holds investments that are classified as "highly sensitive." These securities, because of their specific type and structure, are rate sensitive as market conditions change. Step-up bonds are structured so that the bonds, at strategic times during their life, will step-up to a higher interest rate if they are not called. The portfolio holds \$3,445,904 or 30% of the securities in step-up structured bonds.

Part of the City's payment to the Joint Powers Water Board has historically been placed in an account restricted for improvements to the City's portion of the Water System. The balance in this account, held by the Joint Powers Water Board, was \$841,233 at June 30, 2012. These funds are in the custody of and are collateralized through the Joint Powers Water Board, and are included in the accompanying financial statements as restricted cash.

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

Note 3. Receivables

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

	Governmental	Business-Type Activities		
	General Fund	Water Fund	Wastewater Fund	Housing Authority
Accounts receivable	\$ 26,546	\$ 1,250,172	\$ 59,895	\$ 2,895
Allowance for doubtful accounts	(300)	(11,000)	(1,000)	(1,000)
	<u>\$ 26,246</u>	<u>\$ 1,239,172</u>	<u>\$ 58,895</u>	<u>\$ 1,895</u>

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

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

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

Note 4. Capital Assets

The following two tables summarize the changes in capital assets for governmental and business-type activities during the year ended June 30, 2012:

	Balance June 30, 2011	Additions	Deductions	Transfers	Balance June 30, 2012
Governmental Activities:					
Capital assets, not being depreciated:					
Land/easements/art	\$ 6,657,250	\$ 222,340	\$ -	\$ -	\$ 6,879,590
Construction in progress	14,695,861	5,524,896	-	(10,522,129)	9,698,628
Total capital assets, not being depreciated	21,353,111	5,747,236	-	(10,522,129)	16,578,218
Capital assets, being depreciated:					
Buildings and improvements	44,208,319	106,590	-	5,302,899	49,617,808
Land improvements	12,950,091	276,413	-	-	13,226,504
Furnishings and equipment	14,517,409	569,388	(416,537)	-	14,670,260
Easements	193,771	-	-	-	193,771
Infrastructure	83,386,422	1,103,893	-	5,219,230	89,709,545
Total capital assets, being depreciated	155,256,012	2,056,284	(416,537)	10,522,129	167,417,888
Accumulated depreciation for:					
Buildings and improvements	(22,465,543)	(1,508,846)	-	-	(23,974,389)
Land improvements	(5,084,755)	(446,358)	-	-	(5,531,113)
Furnishings and equipment	(10,508,864)	(1,011,623)	409,622	-	(11,110,865)
Easements	(15,146)	(6,856)	-	-	(22,002)
Infrastructure	(43,805,717)	(1,338,050)	-	-	(45,143,767)
Total accumulated depreciation	(81,880,025)	(4,311,733)	409,622	-	(85,782,136)
Total capital assets, being depreciated, net	73,375,987	(2,255,449)	(6,915)	10,522,129	81,635,752
Governmental activities capital assets, net	\$ 94,729,098	\$ 3,491,787	\$ (6,915)	\$ -	\$ 98,213,970

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

	Balance June 30, 2011	Additions	Deductions	Transfers	Balance June 30, 2012
Business-Type Activities:					
Capital assets, not being depreciated:					
Land	\$ 428,875	\$ -	\$ -	\$ -	\$ 428,875
Construction in progress	3,564,839	873,252	(60,500)	(3,606,429)	771,162
Total capital assets, not being depreciated	3,993,714	873,252	(60,500)	(3,606,429)	1,200,037
Capital assets, being depreciated:					
Buildings and improvements	38,770,677	28,959	-	176,393	38,976,029
Systems improvements	4,102,884	-	-	-	4,102,884
Furnishings and equipment	2,701,108	311,097	(229,858)	-	2,782,347
Land improvements	118,309	236,689	-	362,478	717,476
Infrastructure	20,249,128	270,515	-	3,067,558	23,587,201
Total capital assets, being depreciated	65,942,106	847,260	(229,858)	3,606,429	70,165,937
Accumulated depreciation for:					
Buildings and improvements	(17,401,038)	(1,298,012)	-	-	(18,699,050)
Systems improvements	(1,507,711)	(204,053)	-	-	(1,711,764)
Furnishings and equipment	(2,162,691)	(204,486)	229,858	-	(2,137,319)
Land improvements	(64,367)	(9,888)	-	-	(74,255)
Infrastructure	(6,534,759)	(677,075)	-	-	(7,211,834)
Total accumulated depreciation	(27,670,566)	(2,393,514)	229,858	-	(29,834,222)
Total capital assets, being depreciated, net	38,271,540	(1,546,254)	-	3,606,429	40,331,715
Business-type activities capital assets, net	\$ 42,265,254	\$ (673,002)	\$ (60,500)	\$ -	\$ 41,531,752

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	\$ 706,971
Public safety	421,552
Public works	1,774,366
Culture and recreation	1,408,844
Total depreciation expense - governmental activities	\$ 4,311,733
Business-Type Activities:	
Water	\$ 251,048
Wastewater	1,844,578
Housing	297,888
Total depreciation expense - business-type activities	\$ 2,393,514

Note 5. Interfund Receivables, Payables and Transfers

The composition of due to/from other funds as of June 30, 2012 are as follows:

	Due From	Due To
Governmental Funds:		
General fund	\$ -	\$ 2,585,601
Proprietary funds:		
Water fund	555,387	-
Wastewater fund	2,020,867	-
Housing authority	9,347	-
	\$ 2,585,601	\$ 2,585,601

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

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

Interfund transfers for the year ended June 30, 2012 are as follows:

	Transfers In	Transfer Out
General fund	\$ -	\$ 700,000
Water fund	700,000	-
	<u>\$ 700,000</u>	<u>\$ 700,000</u>

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

During the year ended June 30, 2012, the City made transfers from the general fund in the amount of \$700,000 to the Water fund for a construction project.

Note 6. Retirement Commitments

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

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

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

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

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

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

Contributions to the System consist of an amount equal to 14.12% of the employee's salary. The City is required by State statute to contribute 7.12% of the amount and, as permitted by statute, also contributes the employee's 7.00%.

The City's contribution to the Wyoming Retirement System for the years ended June 30, 2012, 2011 and 2010 were \$1,134,921, \$1,082,567 and \$906,687, respectively, equal to the required contributions for each year.

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

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

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

The City's and employees' combined contributions to the plan for the years ended June 30, 2012, 2011 and 2010 were \$430,746, \$437,432 and \$433,462, respectively, equal to the required contributions for each year.

Law enforcement pension: The City participates in the State of Wyoming Law Enforcement Pension, a statewide cost-sharing multiple-employer public employee retirement system.

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

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

The City's contribution to the plan for the years ended June 30, 2012, 2011 and 2010 was \$640,495, \$674,584 and \$673,399, respectively.

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

Note 7. Joint Ventures

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

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

The participating cities are responsible for the maintenance, operation, staffing, rate setting, and billing for each distribution system as well as construction of storage facilities. The cities lease these facilities from the Board on a year-to-year basis subject to annual appropriations by the cities. During the year ended June 30, 2012, the City paid \$3,354,255 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, 2012, capital assets with a cost of \$1,309,767 were transferred.

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

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

The JPTB consists of six members: three members from Rock Springs and three members from Green River. The participating cities have agreed to fund the creation of a fiber optic telecommunication system and to reimburse the Board for internet bandwidth costs. In fiscal year 2012, the City paid the JPTB \$23,760 for internet bandwidth.

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

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

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

The Board consists of nine members; three members from each of the entities. The participating entities have agreed to fund the Board at a prorated cost to the participating agencies as follows: City of Rock Springs, 43%, City of Green River, 32%, and Sweetwater County, 25%. In fiscal year 2012, the City paid the Board \$1,429,252.

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

Note 8. Contingencies and Commitments

At various times, claims and lawsuits are pending against the City. These claims and lawsuits are, in the opinion of management, ordinary routine matters incidental to the normal business conducted by the City. City management and legal counsel are of the opinion that such proceedings are substantially covered by insurance and the City's liability, if any, arising from such claims will not have a materially adverse effect on its financial statements. Under the terms of Federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. City management believes disallowances, if any, would not be significant to the City's financial statements.

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

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

Employees of the City are covered by the City's medical self-insurance plan. The City's costs for this plan are reflected in the funds paying the coverage, premiums and administrative costs. The self-insurance fund is reported as an internal service fund in the accompanying financial statements. The City has a contract with a third-party administrator to process payments. The City also maintains a stop-loss policy to limit the potential for individual and aggregate claims. Management has estimated an accrual for incurred but not reported (IBNR) claims at June 30, 2012 of \$450,225. Changes in the IBNR from fiscal years 2012 and 2011 were as follows:

	At Fiscal Year-End Liability	Estimated Claims Incurred	Claim Payments	At Fiscal Year-End Liability
Fiscal Year 2010-2011	\$ 320,189	\$ 3,029,119	\$ (2,854,110)	\$ 495,198
Fiscal Year 2011-2012	\$ 495,198	\$ 3,034,934	\$ (3,079,907)	\$ 450,225

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

At June 30, 2012, the City was obligated for construction and other contracts as follows:

Fund:	Contract Price	Paid to Date	Balance
General fund	\$ 14,003,985	\$ 11,008,211	\$ 2,995,774
Sewer fund	8,280,885	716,539	7,564,346
Water fund	1,138,292	867,919	270,373
	\$ 23,423,162	\$ 12,592,669	\$ 10,830,493

Note 9. Due to State of Wyoming

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

The *Wastewater Treatment Plant Expansion Project* loan (original loan \$11,000,000, interest at 2.5%) requires annual principal and interest payments of \$705,618. The loan balance as of June 30, 2012 was \$8,717,658. The loan is secured by the pledge of the City's rights, title, and interest in and to the revenues received from the water system user fees.

The *Sunset Sewer* loan (original loan \$500,000, interest at 2.5%) requires annual principal and interest payments of \$32,074. The loan balance as of June 30, 2012 was \$352,041. The loan is secured by the pledge of the City's rights, title, and interest in and to revenues received in the operations of the Wastewater Fund.

The *Clark Addition* loan (original loan \$993,198, interest at 2.5%) requires annual principal and interest payments of \$63,711. The loan balance as of June 30, 2012 was \$697,737. The loan is secured by the pledge of the City's rights, title, and interest in and to revenues received in the operations of the Wastewater Fund.

Annual debt service requirements to maturity are as follows:

Year ending June 30, 2012	Total	Principal	Interest
2013	\$ 801,403	\$ 556,689	\$ 244,714
2014	801,403	570,607	230,796
2015	801,403	584,872	216,531
2016	801,403	599,493	201,910
2017	801,403	614,481	186,922
2018 - 2022	4,007,014	3,310,660	696,354
2023 - 2027	3,794,335	3,530,634	263,701
	\$ 11,808,364	\$ 9,767,436	\$ 2,040,928

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

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

The *Water Meter Replacement* loan (original loan \$2,449,830, interest at 2.5%) requires annual principal and interest payments of \$157,150. The loan balance as of June 30, 2012 was \$1,945,728. The loan is secured by the pledge and assignment of revenues from the City's Water Fund.

The *Lower Edgar* loan (original loan \$1,738,481, interest at 2.5%) requires annual principal and interest payments of \$116,062. The loan balance as of June 30, 2012 was \$1,104,238. The loan is secured by the pledge and assignment of revenues from the City's Water Fund.

The *Clark Addition* loan (original loan \$1,000,000, interest at 2.5%) requires annual principal and interest payments of \$64,147. The loan balance as of June 30, 2012 was \$704,540. The loan is secured by the pledge and assignment of revenues from the City's Water Fund.

The *Gobel/O'Donnell Water Line* loan (original loan \$1,171,045, interest at 2.5%) requires annual principal and interest payments of \$74,876. The loan balance as of June 30, 2012 was \$1,029,611. The loan is secured by the pledge and assignment of revenues from the City's Water Fund.

Annual debt service requirements to maturity are as follows:

Year ending June 30, 2012	Total	Principal	Interest
2013	\$ 412,235	\$ 292,985	\$ 119,250
2014	412,235	300,292	111,943
2015	412,235	307,782	104,453
2016	412,235	315,459	96,776
2017	412,235	323,327	88,908
2018 - 2022	2,061,176	1,741,704	319,472
2023 - 2027	1,468,632	1,358,176	110,456
2028 - 2029	149,754	144,392	5,362
	<u>\$ 5,740,737</u>	<u>\$ 4,784,117</u>	<u>\$ 956,620</u>

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

Note 10. Long-Term Obligations

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

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Due Within One Year
Governmental Activities:					
Compensated absences	\$ 2,079,276	\$ 1,847,598	\$ (1,876,872)	\$ 2,050,002	\$ 1,428,363
Net OPEB obligation	553,073	257,922	-	810,995	-
Total governmental long-term obligations	2,632,349	2,105,520	(1,876,872)	2,860,997	1,428,363
Business Type Activities:					
Wastewater fund - due to other governmental entities	10,331,240	-	(563,804)	9,767,436	556,689
Water fund - due to other governmental entities	2,051,588	-	(105,860)	1,945,728	108,507
Water-JPWB loan	3,018,384	-	(179,995)	2,838,389	184,478
Compensated absences	218,176	247,064	(230,984)	234,256	147,065
Total business-type long-term obligations	15,619,388	247,064	(1,080,643)	14,785,809	996,739
Total long-term obligations	\$ 18,251,737	\$ 2,352,584	\$ (2,957,515)	\$ 17,646,806	\$ 2,425,102

Note 11. Other Post-Employment Retirement Benefits

A. Plan Description

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

1. Any City employee who retires in good standing after 10 or more years of employment and is a minimum of 55 years old, provided that the retiree pays the required contributions.
2. Any City employee who retires in good standing after 20 or more years of employment regardless of age, provided the retiree pays the required contributions.
3. Any City employee who retires from such employment while in good standing after eight or more years of employment and after attaining the age of 75 years, provided that the employee applies for and uses the City health coverage plan as a supplemental coverage with Medicare being the primary coverage and that the retired employee pays the necessary contributions.

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

4. All Mayors and Council members who served two or more terms in office and who participated in the City health coverage plan prior to retiring from office, provided they pay the necessary contributions.

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

B. Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City Council. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2012, the City contributed \$0 to the plan. Plan members receiving benefits contributed \$132,954 or 100% of the total premiums, through their required contribution of \$623.82 (\$632.75 for Post-Medicare) per month for retiree-only coverage and \$623.82 (\$632.75 for Post-Medicare) per month for spouse coverage.

C. Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 391,848
Interest on net OPEB obligation	18,251
Adjustment to annual required contribution	(19,223)
Annual OPEB cost	<u>390,876</u>
Contributions made	<u>(132,954)</u>
Increase in net OPEB obligation	257,922
Net OPEB obligation, beginning of year	<u>553,073</u>
Net OPEB obligation, end of year	<u><u>\$ 810,995</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 237,248	38.3%	\$ 304,701
June 30, 2011	379,899	34.6%	553,073
June 30, 2012	390,876	34.0%	810,995

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

D. *Funded Status and Funding Progress*

As of July 1, 2010, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$3,713,385, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,713,385. For the fiscal year ended June 30, 2012, the covered payroll (annual payroll of active employees covered by the plan) was \$14,366,022, and the ratio of the UAAL to the covered payroll was 25.8%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. *Actuarial Methods and Assumptions*

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

In the July 1, 2010 actuarial valuation, the projected unit credit actuarial cost method was used. The amortization method used was level percentage of pay, and the amortization period is an open period of 30 years. The actuarial assumptions included a 3.3% discount rate, a 3.0% salary growth rate, and an annual healthcare cost trend rate of 6.5% per year pre and post Medicare eligible, grading to a rate of 4.7% over 72 years. Both rates included a 2.75% inflation assumption. 60% of future retired participants were projected to opt for health care coverage, and 100% of current retired participants were projected to continue coverage. 40% of future retirees who opted for healthcare were projected to cover a spouse.

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

Note 12. Fund Balance Classifications

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

	Governmental Fund <u>General Fund</u>
Nonspendable:	
Inventories	\$ 438,993
Prepaid expenses	282,625
	<u>\$ 721,618</u>
Committed:	
Cash reserve	\$ 7,566,004
Capital replacement	3,724,897
Compensated absences/OPEB	1,275,250
General government	318,115
Culture and recreation	59,628
Public safety	872
Public works	1,628,189
	<u>\$ 14,572,955</u>
Assigned:	
General government	\$ 67,153
Culture and recreation	158,656
Public safety	37,150
Public works	22,751
Cash carryover	11,490,892
	<u>\$ 11,776,602</u>

Note 13. Recent Pronouncements

In June 2012, the Governmental Accounting Standards Board issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which replaces GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*, for most government pensions. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI).

GASB Statement No. 68 is effective for years beginning after June 15, 2014 with the effects of changes made to comply with this statement reported as adjustments to prior periods. The effect that the adoption of GASB Statement No. 68 will have on the City's financial statements has not been determined.

REQUIRED SUPPLEMENTARY INFORMATION

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

CITY OF ROCK SPRINGS, WYOMING
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes:				
Property taxes	\$ 1,600,000	\$ 1,600,000	\$ 2,202,623	\$ 602,623
Occupation tax	55,000	55,000	64,175	9,175
Franchise tax	540,000	540,000	664,161	124,161
Sales and use tax	19,225,000	19,225,000	24,997,255	5,772,255
Cigarette tax	165,000	165,000	204,018	39,018
Wholesale gas tax	310,000	310,000	335,763	25,763
Mineral severance tax	857,956	857,956	845,353	(12,603)
Special fuels tax	102,500	102,500	132,091	29,591
	<u>22,855,456</u>	<u>22,855,456</u>	<u>29,445,439</u>	<u>6,589,983</u>
Licenses and permits:				
Liquor licenses	50,134	50,134	63,457	13,323
Malt beverage and catering	3,000	3,000	5,150	2,150
Building fees and permits	450,000	450,000	537,457	87,457
Animal licenses	11,000	11,000	24,348	13,348
Contractor licenses	53,225	53,225	56,450	3,225
Road impact fees	100	100	1,270	1,170
	<u>567,459</u>	<u>567,459</u>	<u>688,132</u>	<u>120,673</u>
Inter-governmental revenue:				
Mineral royalties	956,724	956,724	960,011	3,287
Federal, state, and county grants	5,611,308	5,627,308	3,871,394	(1,755,914)
Supplemental local government funding	1,685,418	1,685,418	1,685,418	-
	<u>8,253,450</u>	<u>8,269,450</u>	<u>6,516,823</u>	<u>(1,752,627)</u>
Charges for services:				
Golf course	680,000	680,000	724,656	44,656
Civic center	135,000	135,000	141,167	6,167
Indoor recreation	485,500	485,500	602,444	116,944
Field usage fees	7,000	7,000	12,675	5,675
Rents and concessions	25,000	25,000	77,154	52,154
Inter-fund administrative charges	120,000	120,000	143,947	23,947
Special police and fire services	2,000	2,000	21,850	19,850
Maps, publications and copies	2,000	2,000	3,070	1,070
Sale of cemetery lots	7,000	7,000	8,800	1,800
Miscellaneous cemetery fees	15,000	15,000	22,600	7,600
Sale of property	-	-	9,854	9,854
Sale of materials or supplies	244,600	244,600	243,762	(838)
Animal adoption	7,500	7,500	10,851	3,351
Advertising fees	3,230	3,230	3,230	-
	<u>1,733,830</u>	<u>1,733,830</u>	<u>2,026,060</u>	<u>292,230</u>

Continued

CITY OF ROCK SPRINGS, WYOMING
BUDGETARY COMPARISON SCHEDULE (continued)
GENERAL FUND
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Fines and forfeitures:				
Municipal court fees and parking fines	\$ 501,000	\$ 501,000	\$ 449,213	\$ (51,787)
Animal fines	17,000	17,000	24,678	7,678
	<u>518,000</u>	<u>518,000</u>	<u>473,891</u>	<u>(44,109)</u>
Miscellaneous:				
Blue Cross Blue Shield	522,000	522,000	515,962	(6,038)
Miscellaneous reimbursements	39,574	42,907	117,910	75,003
Refund of overpayments and insurance reimbursement	5,000	6,527	273,780	267,253
Contributions and donations	600	17,373	18,656	1,283
Sundry revenues	1,200	2,648	37,867	35,219
	<u>568,374</u>	<u>591,455</u>	<u>964,175</u>	<u>372,720</u>
Other income:				
Interest	50,250	50,250	177,972	127,722
Transfers	159,000	186,375	1,861,375	1,675,000
	<u>209,250</u>	<u>236,625</u>	<u>2,039,347</u>	<u>1,802,722</u>
Total revenues	<u>34,705,819</u>	<u>34,772,275</u>	<u>42,153,867</u>	<u>7,381,592</u>

Continued

CITY OF ROCK SPRINGS, WYOMING
BUDGETARY COMPARISON SCHEDULE (continued)
GENERAL FUND
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures				
General government:				
Legislative	\$ 465,842	\$ 555,842	\$ 311,691	\$ 244,151
Judicial	565,126	565,126	488,228	76,898
Finance, administration	980,853	980,853	864,378	116,475
Municipal court	424,701	424,701	329,710	94,991
Data processing	986,351	986,351	884,267	102,084
City buildings	958,312	958,312	648,331	309,981
Urban renewal	1,594,896	1,606,896	1,164,088	442,808
	<u>5,976,081</u>	<u>6,078,081</u>	<u>4,690,693</u>	<u>1,387,388</u>
Public safety:				
Police department	9,274,719	9,277,919	8,481,157	796,762
Animal control	338,371	376,871	369,239	7,632
Emergency management	180,003	180,003	177,486	2,517
Fire department	5,355,308	5,380,502	4,624,422	756,080
	<u>15,148,401</u>	<u>15,215,295</u>	<u>13,652,304</u>	<u>1,562,991</u>
Public works:				
Public works administration, engineering	3,760,379	3,860,379	3,214,107	646,272
Planning and inspection	974,491	1,004,491	883,422	121,069
Street department	12,707,459	12,734,834	7,957,825	4,777,009
Vehicle maintenance	646,577	646,577	505,467	141,110
Cemetery	755,044	755,044	656,156	98,888
	<u>18,843,950</u>	<u>19,001,325</u>	<u>13,216,977</u>	<u>5,784,348</u>
Culture and recreation:				
Parks and recreation	1,838,096	1,854,450	1,453,873	400,577
Golf course	2,312,407	2,312,407	1,849,271	463,136
Recreation	414,451	414,451	380,050	34,401
Civic center	1,097,168	1,097,168	958,469	138,699
Historical museum	329,219	329,219	306,769	22,450
Indoor recreation	3,102,111	3,102,111	2,817,778	284,333
	<u>9,093,452</u>	<u>9,109,806</u>	<u>7,766,210</u>	<u>1,343,596</u>
Nondepartmental	<u>1,919,239</u>	<u>2,479,572</u>	<u>2,035,095</u>	<u>444,477</u>
Transfers	<u>159,000</u>	<u>886,375</u>	<u>886,375</u>	<u>-</u>
Total expenditures	<u>51,140,123</u>	<u>52,770,454</u>	<u>42,247,654</u>	<u>10,522,800</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (16,434,304)</u>	<u>\$ (17,998,179)</u>	<u>\$ (93,787)</u>	<u>\$ 17,904,392</u>

CITY OF ROCK SPRINGS, WYOMING

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2012

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, 2012**

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	\$ 42,153,867
Differences - Budget Basis to GAAP	
Transfers to the reserves fund within the General Fund	<u>(1,861,375)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 40,292,492</u>
Expenditures	
Actual Amounts (budgetary basis) from the schedule of revenues, expenditures and changes in fund balance - budget (budgetary basis) and actual	\$ 42,247,654
Transfers to the reserves fund within the General Fund	(1,861,375)
Differences - Encumbrances included on the budgetary basis, not included in GAAP based expenditures	<u>(2,809,525)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 37,576,754</u>

CITY OF ROCK SPRINGS, WYOMING

**SCHEDULE OF FUNDING PROGRESS
For the Year Ended June 30, 2012**

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
June 30, 2012	July 1, 2010	\$ -	\$3,713,385	\$3,713,385	0%	\$14,366,022	25.8%
June 30, 2011	July 1, 2010	\$ -	\$3,713,385	\$3,713,385	0%	\$14,509,520	25.6%
June 30, 2010	July 1, 2008	\$ -	\$2,372,750	\$2,372,750	0%	\$14,392,208	16.5%
June 30, 2009	July 1, 2008	\$ -	\$2,372,750	\$2,372,750	0%	\$13,792,412	17.2%

HOUSING AUTHORITY

CITY OF ROCK SPRINGS, WYOMING
COMBINING STATEMENT OF NET ASSETS
HOUSING AUTHORITY
June 30, 2012

ASSETS	Public Housing	Section 8 Vouchers	Supportive Housing	Capital Fund	HPRP/ARRA	Total
Current assets:						
Cash and investments	\$ 249,409	\$ 56,125	\$ 2,845	\$ -	\$ -	\$ 308,379
Accounts receivable (net of allowance for uncollectibles)	1,720	-	175	-	-	1,895
Grants receivable	-	-	-	-	6,548	6,548
Inventories	867	-	-	-	-	867
Prepaid expenses	13,564	-	-	-	-	13,564
Total current assets	265,560	56,125	3,020	-	6,548	331,253
Noncurrent assets:						
Capital assets, net of accumulated depreciation	2,877,402	-	-	-	-	2,877,402
Total assets	3,142,962	56,125	3,020	-	6,548	3,208,655
LIABILITIES						
Current liabilities:						
Accounts payable	47,804	-	72	-	-	47,876
Customer and security deposits	33,477	-	-	-	-	33,477
Compensated absences	28,972	-	-	-	-	28,972
Due to (from) other funds	(29,267)	13,372	-	-	6,548	(9,347)
Retainage payable	-	-	-	-	-	-
Deferred revenue	2,645	-	-	-	-	2,645
Total current liabilities	83,631	13,372	72	-	6,548	103,623
Noncurrent liabilities:						
Compensated absences	11,142	-	-	-	-	11,142
Total liabilities	94,773	13,372	72	-	6,548	114,765
NET ASSETS						
Invested in capital assets, net of related debt	2,877,402	-	-	-	-	2,877,402
Restricted	170,787	42,753	2,948	-	-	216,488
Total net assets	\$ 3,048,189	\$ 42,753	\$ 2,948	\$ -	\$ -	\$ 3,093,890

CITY OF ROCK SPRINGS, WYOMING
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
HOUSING AUTHORITY
For the Year Ended June 30, 2012

	Public Housing	Section 8 Vouchers	Supportive Housing	Capital Fund	HPRP/ ARRA	Total
Operating revenues:						
Tenant rental revenue	\$ 264,226	\$ -	\$ 700	\$ -	\$ -	\$ 264,926
Other tenant revenue	26,202	-	-	-	-	26,202
Total operating revenue	<u>290,428</u>	<u>-</u>	<u>700</u>	<u>-</u>	<u>-</u>	<u>291,128</u>
Operating expenses:						
Personnel	459,119	13,371	-	-	15,894	488,384
Utilities	106,289	-	-	-	-	106,289
Postal/freight	1,828	-	-	-	-	1,828
Communications	2,329	-	-	-	-	2,329
Office supplies and printing	5,670	-	-	-	-	5,670
Repairs and maintenance	101,014	-	-	-	(5)	101,009
Travel	281	-	-	-	-	281
Administrative costs	6,900	-	-	-	-	6,900
Other costs	12,358	-	-	-	-	12,358
Depreciation	297,888	-	-	-	-	297,888
Audit and legal	2,000	500	-	-	-	2,500
Consulting and collection	6,151	-	-	-	-	6,151
Insurance	23,956	-	-	-	-	23,956
Housing assistance payments	-	121,411	902	-	35,429	157,742
Tenant service contract costs	598	-	-	-	-	598
Total operating expenses	<u>1,026,381</u>	<u>135,282</u>	<u>902</u>	<u>-</u>	<u>51,318</u>	<u>1,213,883</u>
Operating (loss)	<u>(735,953)</u>	<u>(135,282)</u>	<u>(202)</u>	<u>-</u>	<u>(51,318)</u>	<u>(922,755)</u>
Nonoperating revenues (expenses):						
HUD PHA grants	252,729	139,051	-	437,856	51,843	881,479
Interest income	927	121	-	-	-	1,048
Other income (loss)	-	4,274	(2,976)	-	-	1,298
Total nonoperating revenue (expense)	<u>253,656</u>	<u>143,446</u>	<u>(2,976)</u>	<u>437,856</u>	<u>51,843</u>	<u>883,825</u>
Income (loss) before transfers	(482,297)	8,164	(3,178)	437,856	525	(38,930)
Transfers in	839,763	-	-	-	-	839,763
Transfers out	-	-	-	(839,242)	(521)	(839,763)
Change in net assets	<u>357,466</u>	<u>8,164</u>	<u>(3,178)</u>	<u>(401,386)</u>	<u>4</u>	<u>(38,930)</u>
Net assets, beginning	<u>2,690,723</u>	<u>34,589</u>	<u>6,126</u>	<u>401,386</u>	<u>(4)</u>	<u>3,132,820</u>
Net assets, ending	<u>\$ 3,048,189</u>	<u>\$ 42,753</u>	<u>\$ 2,948</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,093,890</u>

CITY OF ROCK SPRINGS, WYOMING
SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
For the Year Ended June 30, 2012

	Federal CFDA Number	Expenditures
U.S. Department of Housing and Urban Development		
CFP Cluster:		
Public Housing Capital Fund	14.872	\$ 437,856
Public Housing Capital Fund Stimulus Recovery Act Funded	14.885-ARRA	<u>520</u>
		438,376
Public and Indian Housing	14.850	252,729
Section 8 Housing Choice Vouchers	14.871	139,051
Passed through the Wyoming Business Council:		
Community Development Block Grant	14.228	5,571
Homelessness Prevention and Rapid Re-Housing Program, Recovery Act	14.257-ARRA	<u>44,775</u>
Total U.S. Department of Housing and Urban Development		<u><u>880,502</u></u>
U.S. Department of Transportation		
Passed through the Wyoming Department of Transportation:		
State and Community Highway Safety	20.600	<u>15,350</u>
U.S. Department of Interior		
Passed through the Wyoming Department of Environmental Quality:		
Abandoned Mine Land Reclamation (AMLR) Program - Bitter Creek Clean Up Project	15.252	<u>1,832,529</u>
U.S. Department of Homeland Security		
Passed through the Wyoming Office of Homeland Security:		
Homeland Security Grant Program	97.067	184,091
Passed through the Rock Springs-Sweetwater County Airport Board:		
Law Enforcement Officer Reimbursement Agreement Program	97.090	<u>51,059</u>
Total U.S. Department of Homeland Security		<u><u>235,150</u></u>
U.S. Department of Energy		
Passed through the Wyoming Business Council:		
State Energy Program	81.041-ARRA	121,855
Energy Efficiency and Conservation Block Grant, Recovery Act	81.128-ARRA	<u>4,072</u>
Total U.S. Department of Energy		<u><u>125,927</u></u>
U.S. Department of Justice		
JAG Program Cluster:		
Edward Byrne Memorial Justice Assistance Grant Program, Recovery Act	16.804-ARRA	170,604
Edward Byrne Memorial Justice Assistance Grant Program	16.738	<u>130,784</u>
		301,388
Passed through the Wyoming Association of Sheriffs and Chiefs of Police:		
Enforcing Underage Drinking Laws Program	16.727	<u>29,475</u>
Total U.S. Department of Justice		<u><u>330,863</u></u>
Total Federal awards expended		<u><u>\$ 3,420,321</u></u>

CITY OF ROCK SPRINGS, WYOMING

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2012

Significant Accounting Policies

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

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

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

COMPLIANCE AND INTERNAL CONTROL

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rock Springs, Wyoming (the "City") as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 31, 2012. 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

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 2012-01, that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

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

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

Cheyenne, Wyoming
October 31, 2012

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

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

Compliance

We have audited the compliance of the City of Rock Springs, Wyoming (the "City") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2012. The City's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2012.

Internal Control over Compliance

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

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

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

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

Mc Gee, Hearne & Paiz, LLP

Cheyenne, Wyoming
October 31, 2012

CITY OF ROCK SPRINGS, WYOMING

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012**

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>
15.252	Abandoned Mine Land Reclamation (AMLR) Program – Bitter Creek Clean Up Project	\$1,832,529
81.041-ARRA	State Energy Program	121,855
16.738; 16.804-ARRA	JAG Program Cluster	301,388

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

CITY OF ROCK SPRINGS, WYOMING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2012

II. FINANCIAL STATEMENT FINDINGS

2012-01: Accrual of Accounts Payable

Condition: Of ten payments tested that were made subsequent to year end, two included amounts that should have been accrued in accounts payable as of year end but were not. Both instances were for construction in progress billings where a portion of the service period was before year end and a portion was after year end. The aggregate amount of the portion of the service period relating to before year end was approximately \$707,000. Neither instance had an income effect.

Criteria: Generally accepted accounting principles (GAAP) require that government-wide and proprietary fund financial statements are reported on the accrual basis of accounting, which requires that construction in progress expenditures be accrued in the year in which the service was provided by the contractor.

Cause: The City processes a high volume of invoices each month, and its process for identifying invoices that potentially need to be accrued in the previous year did not detect these invoices.

Effect: Financial statements that are not correctly stated in accordance with GAAP can be misleading to users.

Recommendation: We recommend the City consider modifying its process of identifying invoices for potential accrual to prevent these types of misstatements. Such modifications could include more closely scrutinizing invoices of larger amounts and potentially less scrutiny of very small amounts for this purpose.

Auditee Response: The City sends out letters to contractors before fiscal year end asking them to invoice the City for work performed up to June 30th so staff can more easily determine what portion of the expenditures are to be included in the proper period. Staff also reviews invoices to determine the fiscal year in which the expenditures belong. In order to strengthen internal controls, the City will send additional reminders to contractors and those responsible for administration of contracts to facilitate invoicing promptly for work performed before fiscal year end. Staff will also perform more in-depth reviews of large invoices submitted after year end.

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, 2012**

There were no Federal audit findings in the prior year.