

**CITY OF ROCK SPRINGS, WYOMING**

**FINANCIAL AND COMPLIANCE REPORT**

**JUNE 30, 2016**

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## **INDEPENDENT AUDITOR'S REPORT**

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rock Springs, Wyoming (the "City"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 – 11, Budgetary Comparison Schedule – General Fund on pages 50-52, Notes to Required Supplementary Information on pages 53 and 54, Schedule of OPEB Funding Progress on page 55, Schedule of the Proportionate Share of the Net Pension Liability on page 56, and Schedule of Pension Contributions on page 57, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements of the nonmajor blended component unit and schedule of expenditures of Federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Cheyenne, Wyoming  
November 10, 2016

# 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, 2016. When read in conjunction with the financial statements, this section's financial highlights, overview, and analysis should assist the reader in gaining a more complete knowledge of the city's financial performance.

### FINANCIAL HIGHLIGHTS

The assets and deferred outflows of resources of the city exceed its liabilities and deferred inflows of resources at the close of June 30, 2016 by \$183,522,924, (reported as net position). Of this amount, \$39,669,507 (unrestricted net position) may be used to meet the city's ongoing obligations to citizens and creditors. Note that the total net position figure includes net investment in capital assets of \$142,192,699.

The city's total net position decreased by \$2,868,677. Net position for governmental activities decreased by \$2,319,391 or 2.0% while net position for business-type activities decreased by \$549,286 or 0.8%.

At the close of the year, the city's general fund reported an ending fund balance of \$33,649,376, a decrease of \$1,864,116 or 5.2% from the prior year. Of this amount, \$9,630,626 is available for spending at the city's discretion (unassigned fund balance).

Total long-term obligations had a net increase of \$8,426,856 (21.8%) from the prior year. This is primarily due to an increase of the city's net pension obligation.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

**Other information.** The budgetary comparison schedule, including related notes, a schedule of funding progress for the City's other post-employment benefit plan, a schedule of the proportionate share of the net pension liability and a schedule of pension contributions are reported as required supplementary information, which begins on page 50. Also, individual fund statements and other supplementary information can be found starting on page 58 of this report.

## Government-wide financial analysis

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

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Current and other assets</b>	41.85	43.51	36.42	34.58	78.27	78.09
<b>Capital assets</b>	104.55	101.46	46.33	48.60	150.88	150.06
<b>Total assets</b>	146.40	144.97	82.75	83.18	229.15	228.15
<b>Deferred outflows of resources</b>	8.81	2.69	-	-	8.81	2.69
<b>Current liabilities</b>	4.59	4.42	3.22	2.22	7.81	6.64
<b>Non-current liabilities</b>	34.64	25.21	9.95	10.83	44.59	36.04
<b>Total liabilities</b>	39.23	29.63	13.17	13.05	52.40	42.68
<b>Deferred inflows of resources</b>	2.02	1.76	-	-	2.02	1.76
<b>Net investment in capital assets</b>	104.55	101.46	37.64	39.22	142.19	140.68
<b>Restricted</b>	0.40	0.35	1.26	1.22	1.66	1.57
<b>Unrestricted</b>	9.00	14.45	30.67	29.68	39.67	44.14
<b>Total net position</b>	113.95	116.26	69.57	70.12	183.52	186.39

As depicted, at June 30, 2016, the city's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by approximately \$183.52 million (net position). 77% of this amount is represented by the net investment in capital assets. Due to the nature of these assets – long-term assets which are not readily convertible to liquid assets – they are not considered to be available for spending or appropriation.

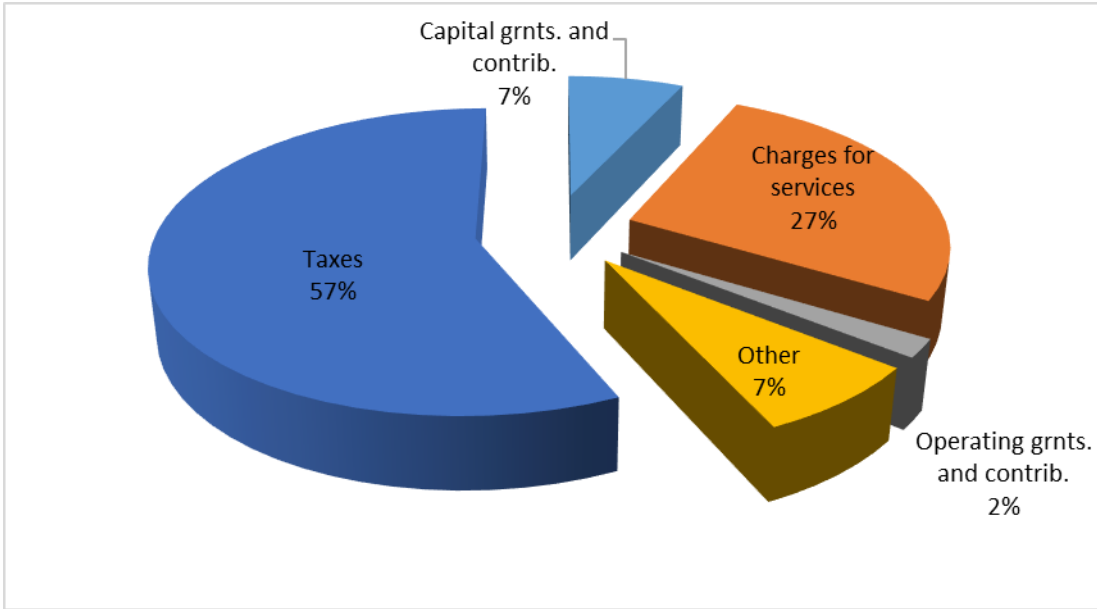
**Changes in net position:** As taken from the government-wide statement of activities, the following table depicts the changes in net position for 2016

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

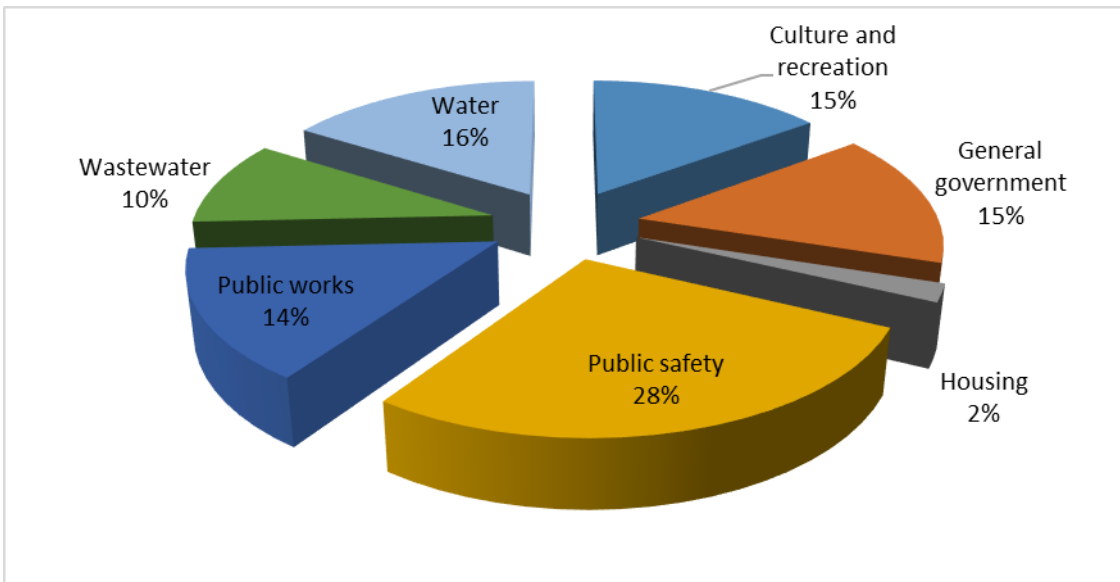
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	3.03	3.14	10.98	11.42	14.01	14.56
Operating grants and contribution	0.38	0.39	0.64	0.51	1.02	0.90
Capital grants and contribution	2.37	2.24	1.25	0.54	3.62	2.78
<b>General revenues:</b>						
Sales and use tax	21.97	22.50	1.68	4.53	23.65	27.03
Mineral severance and royalties tax	1.84	1.85	-	-	1.84	1.85
Property tax	2.40	2.37	-	-	2.40	2.37
Franchise tax	0.74	0.73	-	-	0.74	0.73
Gas and special fuels tax	0.91	0.93	-	-	0.91	0.93
Other taxes	0.23	0.24	-	-	0.23	0.24
Supp. local govt funding/impact asst.	1.96	2.03	-	-	1.96	2.03
Investment earnings	0.16	0.14	0.15	0.10	0.31	0.24
Miscellaneous	1.55	1.20	0.12	0.11	1.67	1.31
Transfers	0.04	-	(0.04)	-	-	-
<b>Total revenues</b>	<b>37.58</b>	<b>37.76</b>	<b>14.78</b>	<b>17.21</b>	<b>52.36</b>	<b>54.97</b>
<b>Expenses:</b>						
<b>General government</b>	<b>8.33</b>	<b>6.11</b>	<b>-</b>	<b>-</b>	<b>8.33</b>	<b>6.11</b>
Public safety	15.28	20.58	-	-	15.28	20.58
Public works	8.07	9.21	-	-	8.07	9.21
Culture and recreation	8.22	8.38	-	-	8.22	8.38
Water	-	-	8.88	6.40	8.88	6.40
Wastewater	-	-	5.33	5.11	5.33	5.11
Housing	-	-	1.12	1.21	1.12	1.21
<b>Total expenses</b>	<b>39.90</b>	<b>44.28</b>	<b>15.33</b>	<b>12.72</b>	<b>55.23</b>	<b>57.00</b>
<b>Change in net position</b>	<b>(2.32)</b>	<b>(6.52)</b>	<b>(0.55)</b>	<b>4.50</b>	<b>(2.87)</b>	<b>(2.02)</b>
<b>Net position, beginning of year</b>	<b>116.27</b>	<b>135.69</b>	<b>70.12</b>	<b>65.62</b>	<b>186.39</b>	<b>201.31</b>
<b>Prior period adjustment</b>	<b>-</b>	<b>(12.90)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(12.90)</b>
<b>Net position, end of year</b>	<b>113.95</b>	<b>116.27</b>	<b>69.57</b>	<b>70.12</b>	<b>183.52</b>	<b>186.39</b>



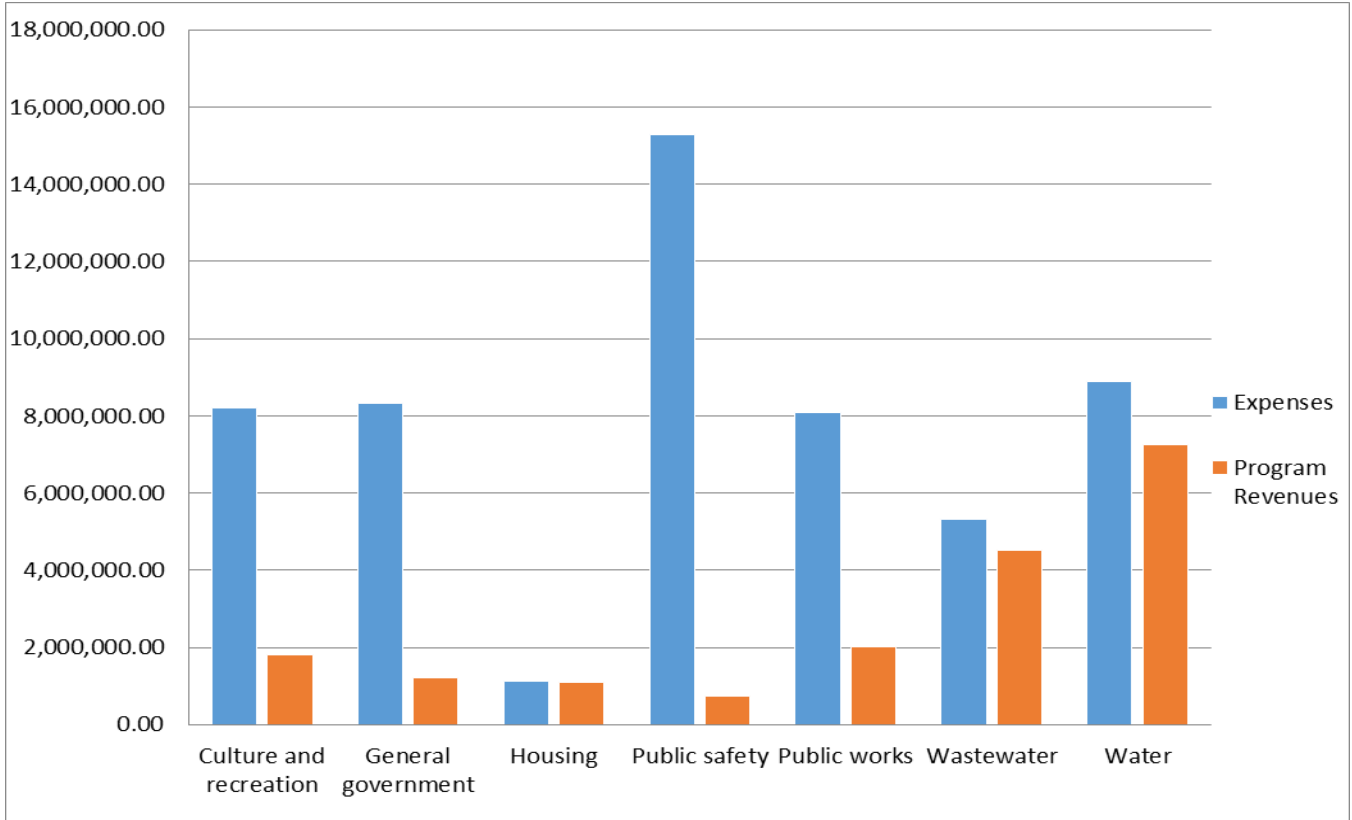
**Total Government-Wide Revenues  
Fiscal Year Ended June 30, 2016**



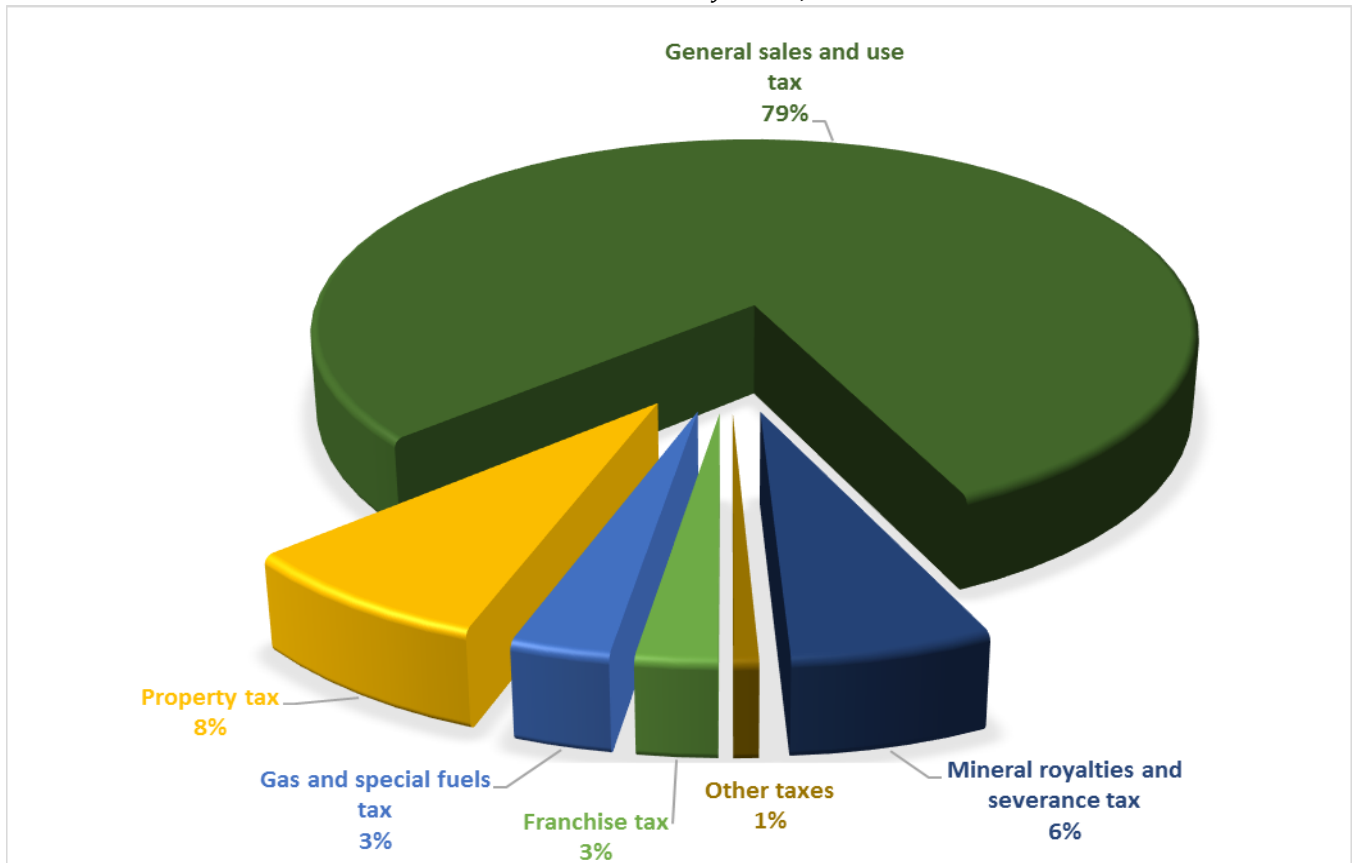
**Total Government-Wide Expenses  
Fiscal Year Ended June 30, 2016**



**Expenses and Program Revenue  
Fiscal Year Ended June 30, 2016**



**Tax Revenue  
Fiscal Year Ended June 30, 2016**



Governmental activities decreased the city's net position by \$2.32 million. This change in net position is an increase from last year's change in net position of approximately \$4.20 million. Key elements of the change in net position include:

- Sales and use tax revenue comprises approximately 58% of total governmental activities revenues. These taxes decreased by approximately \$0.53 million or 2.35% from the previous year.
- Public safety is the largest category of governmental expenses, representing 38% of the total. General government represents approximately 21% of governmental expenses. Total public safety expenses for the year were \$5.30 million lower this year compared to the prior year.

The business-type activities include the water, wastewater, and the housing authority funds. These activities decreased net position by \$0.55 million. This change in net position is a decrease from last year's change in net position by approximately 112%. Key elements of the change in net position include:

- General sales and use tax decreased by 63% from the prior year. The water fund charges for services decreased by approximately 3.5% from the prior year. Wastewater fund charges for services decreased by approximately 4.5% from the prior year. Overall housing authority program revenue increased approximately 12.4% from the prior year.
- Total business-type activity operating expenses increased by 21% compared to the prior year.

### **Financial analysis of the city's funds**

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

The general fund is the chief operating fund of the city. As of the end of the current fiscal year, the city's general fund reported a total ending fund balance of \$33,649,376 in comparison with \$35,513,492 in ending fund balance in the prior year. \$9,630,626 of this amount is reported as unassigned fund balance, which is available for spending at the government's discretion. Unassigned fund balance represents 25% of total general fund expenditures, while total fund balance equals 85.7% of total general fund expenditures. The remainder of fund balance is nonspendable, restricted, assigned, or committed to indicate that it is not available for new spending. These amounts are not available because of 1) buying inventory, and paying expenditures in advance (\$684,544), 2) restrictions for 2007 1% specific purpose sales and use tax projects (\$398,673), 3) being used in emergency or unusual situations that may arise causing need to exceed total appropriations (\$9,495,835), 4) purchasing capital assets in future periods (\$7,236,203), 5) paying compensated absences and post-employment benefits other than pensions due to employees (\$1,425,250), 6) encumbered by the City Council or other authorized city official (\$3,628,021), or 6) cash carried over from prior periods (\$1,150,225).

Unrestricted net position of the water fund and wastewater funds were \$12,542,652 and \$18,123,988, respectively. The increase in total net position for the water fund was \$127,322, and the decrease in the wastewater fund was \$636,251. The water fund has restricted net position of \$851,830 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 \$3,810,884 was incurred in the water fund relating to the transfer of title of assets from the city to the Joint Powers Water Board.

The restricted net position balance for the housing authority was \$410,215, which was an increase of \$81,232 from the prior year.

The city's internal service fund had a net position balance of \$3,184,001 at year-end which is a decrease of \$43,533 from the prior year. This can be attributed to a continued increase in insurance premiums.

### **General Fund budgetary highlights**

The differences between the original budget and the final amounts represent changes made by the council as additional facts and information became available. Several factors lead to these modifications. They include: economic factors, emergency purchases, and other factors.

For 2016, actual tax revenues exceeded budgeted tax revenues by \$884,522. Actual federal, state, and county grant revenue recognized was \$964,046 less than what was budgeted for. This was due to the timing of projects expended that are applicable for reimbursements for grants and for grants budgeted for, but not received and the timing of the collections of the specific purpose tax.

For 2016, expenditures were under budget by approximately \$7.73 million. Most of this amount was due to projects budgeted but not completed in various departments. Most of these projects should be completed in the subsequent budget year.

### **Capital assets**

At the end of the year, the city owned capital assets valued at approximately \$150.88 million. The following schedules show the city's capital assets for the year ended June 30, 2016.

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land/easements/art	7.63	7.53	0.56	0.56	8.19	8.09
Construction in progress	5.63	1.56	0.12	0.09	5.75	1.65
Buildings/improvements	22.60	23.44	24.98	26.17	47.58	49.61
Systems improvements	-	-	1.63	1.81	1.63	1.81
Land improvements	8.89	9.21	0.55	0.59	9.44	9.80
Equipment	3.07	3.39	0.88	1.03	3.95	4.42
Infrastructure	56.58	56.18	17.61	18.35	74.19	74.53
Depreciable easements	0.15	0.15	-	-	0.15	0.15
<b>Total</b>	<b>104.55</b>	<b>101.46</b>	<b>46.33</b>	<b>48.60</b>	<b>150.88</b>	<b>150.06</b>

Major capital asset events during the year included:

- The College Drive/Stagecoach Blvd Widening Project was renovation was completed at a cost of \$2,558,957.
- The vehicle maintenance shop expansion was completed at a cost of \$156,683.

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

**Long-term obligations**

At year-end, the city had long-term obligations outstanding of \$47,009,231. This primarily consists of loans payable to the State of Wyoming (\$10,756,769) for water and wastewater projects, and the net pension obligation of \$32,795,655. Overall long-term obligations for the city increased by \$8,426,856 or 22%, over the previous year.

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

**Requests for Information**

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

# **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**CITY OF ROCK SPRINGS, WYOMING**  
**STATEMENT OF NET POSITION**  
**June 30, 2016**

<b>ASSETS</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
Current assets:			
Cash and investments	\$ 34,987,999	\$ 34,045,278	\$ 69,033,277
Restricted cash	-	851,830	851,830
Receivables (net of allowance for uncollectibles):			
Accounts receivable	12,230	988,657	1,000,887
Taxes receivable	2,679,851	91,685	2,771,536
Accrued interest receivable	38,487	16,265	54,752
Grants receivable	426,661	-	426,661
Due from other governmental entities	3,016,778	-	3,016,778
Inventories	441,519	412,851	854,370
Prepaid expenses	243,025	12,525	255,550
Total current assets	<u>41,846,550</u>	<u>36,419,091</u>	<u>78,265,641</u>
Noncurrent assets:			
Capital assets being depreciated, net	91,291,850	45,649,196	136,941,046
Capital assets not being depreciated	13,256,585	679,393	13,935,978
Total noncurrent assets	<u>104,548,435</u>	<u>46,328,589</u>	<u>150,877,024</u>
Total assets	<u>146,394,985</u>	<u>82,747,680</u>	<u>229,142,665</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension contributions	8,809,204	-	8,809,204
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	2,180,555	1,627,748	3,808,303
Customer and security deposits	313,510	181,497	495,007
Compensated absences	1,544,597	159,676	1,704,273
Due to other governmental entities	-	912,125	912,125
Retainage payable	553,037	343,594	896,631
Total current liabilities	<u>4,591,699</u>	<u>3,224,640</u>	<u>7,816,339</u>
Noncurrent liabilities			
Compensated absences	677,765	101,736	779,501
Net OPEB obligation	1,170,385	-	1,170,385
Net pension obligation	32,795,655	-	32,795,655
Due to other governmental entities	-	9,844,644	9,844,644
Total noncurrent liabilities	<u>34,643,805</u>	<u>9,946,380</u>	<u>44,590,185</u>
Total liabilities	<u>39,235,504</u>	<u>13,171,020</u>	<u>52,406,524</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue	1,740,713	3,711	1,744,424
Pension contributions	277,997	-	277,997
Total deferred inflows of resources	<u>2,018,710</u>	<u>3,711</u>	<u>2,022,421</u>
<b>NET POSITION</b>			
Net investment in capital assets	104,548,435	37,644,264	142,192,699
Restricted for:			
Joint Powers Water Board	-	851,830	851,830
Housing Authority	-	410,215	410,215
2007 1% specific purpose sales and use tax projects	398,673	-	398,673
Unrestricted	9,002,867	30,666,640	39,669,507
Total net position	<u>\$ 113,949,975</u>	<u>\$ 69,572,949</u>	<u>\$ 183,522,924</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, 2016

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>Primary Government:</b>							
Governmental activities:							
General government	\$ 8,330,789	\$ 326,413	\$ 90,660	\$ 800,000	\$ (7,113,716)	\$ -	\$ (7,113,716)
Public safety	15,282,729	514,472	229,883	-	(14,538,374)	-	(14,538,374)
Public works	8,072,299	384,337	58,456	1,568,258	(6,061,248)	-	(6,061,248)
Culture and recreation	8,217,638	1,799,930	-	-	(6,417,708)	-	(6,417,708)
Total governmental activities	39,903,455	3,025,152	378,999	2,368,258	(34,131,046)	-	(34,131,046)
Business-type activities:							
Water	8,876,095	6,114,805	-	1,141,136	-	(1,620,154)	(1,620,154)
Wastewater	5,332,382	4,529,254	-	-	-	(803,128)	(803,128)
Housing	1,122,350	331,631	640,685	108,797	-	(41,237)	(41,237)
Total business-type activities	15,330,827	10,975,690	640,685	1,249,933	-	(2,464,519)	(2,464,519)
Total primary government	\$ 55,234,282	\$ 14,000,842	\$ 1,019,684	\$ 3,618,191	(34,131,046)	(2,464,519)	(36,595,565)
General revenues							
Taxes:							
General sales and use tax					21,967,094	1,681,256	23,648,350
Mineral severance and royalties tax					1,842,024	-	1,842,024
Property tax					2,405,073	-	2,405,073
Franchise tax					741,508	-	741,508
Gas and special fuels tax					905,137	-	905,137
Other taxes					233,777	-	233,777
Supplemental local government/impact assistance funding					1,964,857	-	1,964,857
Unrestricted investment earnings					155,324	154,052	309,376
Miscellaneous					1,553,787	122,999	1,676,786
Transfers					43,074	(43,074)	-
Total general revenues and transfers					31,811,655	1,915,233	33,726,888
Change in net position					(2,319,391)	(549,286)	(2,868,677)
Net position - beginning					116,269,366	70,122,235	186,391,601
Net position - ending					\$ 113,949,975	\$ 69,572,949	\$ 183,522,924

*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, 2016**

	<b>General Fund</b>
	<hr/>
<b>ASSETS</b>	
Cash and investments	\$ 31,461,815
Receivables (net of allowance for uncollectibles):	
Accounts receivable	12,230
Taxes receivable	2,537,736
Accrued interest receivable	35,346
Grants receivable	426,661
Due from other governmental entities	3,016,778
Inventories	441,519
Prepaid expenses	243,025
Total assets	<hr/> <hr/> \$ 38,175,110
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	
Liabilities:	
Accounts payable	\$ 1,835,231
Customer and security deposits	313,510
Retainage payable	553,037
Total liabilities	<hr/> 2,701,778
 Deferred inflows of resources:	
Deferred revenue	<hr/> 1,823,956
 Fund balance:	
Nonspendable	684,544
Restricted for 2007 1% specific purpose sales and use tax projects	398,673
Committed	21,581,594
Assigned	1,353,939
Unassigned	9,630,626
Total fund balance	<hr/> 33,649,376
Total liabilities, deferred inflows of resources, and fund balance	<hr/> <hr/> \$ 38,175,110

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

**CITY OF ROCK SPRINGS, WYOMING  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
June 30, 2016**

**Total Fund Balances - Governmental Fund** \$ 33,649,376

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

Capital assets used in governmental activities are not financial resources and, therefore, not reported in the governmental funds 104,548,435

Certain assets are not available to pay current expenditures, so they are deferred in the fund 83,243

Long-term liabilities and related items (compensated absences, net OPEB obligation, net pension obligation, and the 2013 specific purpose tax financing arrangement) are not due and payable in the current period and, therefore, not reported in the funds (36,046,287)

Pension related inflows and outflows do not provide current financial resources and, therefore, are not reported in the fund 8,531,207

An internal service fund is used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service fund are included with governmental activities in the statement of net position because they primarily benefit governmental activities 3,184,001

**Net position of governmental activities** \$ 113,949,975

*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 BALANCE  
GOVERNMENTAL FUND  
For the Year Ended June 30, 2016**

	<b>General Fund</b>
<b>Revenues</b>	
Taxes and special assessments	\$ 27,108,222
Licenses and permits	501,824
Inter-governmental revenue	5,676,897
Charges for services	2,052,062
Fines and forfeitures	471,266
Miscellaneous	1,553,787
Investment income	147,673
<b>Total revenues</b>	<u>37,511,731</u>
<b>Expenditures</b>	
Current:	
General government	6,049,328
Public safety	12,810,797
Public works	5,576,715
Culture and recreation	7,366,640
Capital outlay	7,460,375
<b>Total expenditures</b>	<u>39,263,855</u>
<b>Excess (deficiency) of revenues over expenditures</b>	(1,752,124)
<b>Other financing sources (uses)</b>	
Transfers In	43,074
Net reimbursement from the 2013 Specific Tax Joint Powers Board	<u>(155,066)</u>
<b>Net change in fund balance</b>	(1,864,116)
Fund balances, beginning	<u>35,513,492</u>
Fund balances, ending	<u>\$ 33,649,376</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, 2016**

**Net Change in Fund Balances - Governmental Fund** \$ (1,864,116)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital purchases/capital contributions is greater (less) than depreciation/loss on disposal during the current period 3,087,426

The statement of activities reports a decrease in the change of revenue which is not reported in the fund because it does not provide current financial resources (3,154)

Long-term liabilities and related items (compensated absences, net OPEB obligation, net pension obligation, and the 2013 specific purpose tax financing arrangement) are not due and payable in the current period and, therefore, not reported in the funds. This is the current year change in the liability, reported as an expense in the statement of activities (9,386,761)

The change in the pension related inflows and outflows are not reported in the governmental fund. This is the net effect of the change in these balances in the statement of net position 5,890,747

An internal service fund is used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities (43,533)

**Change in net position of governmental activities** \$ (2,319,391)

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

# **PROPRIETARY FUND FINANCIAL STATEMENTS**

**CITY OF ROCK SPRINGS, WYOMING**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2016**

	Business-Type Activities			Total	Governmental
	Enterprise Funds				Activities
	Water	Wastewater	Nonmajor -		Internal
Fund	Fund	Housing		Service	
			Authority		Fund
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 15,159,977	\$ 18,382,400	\$ 502,901	34,045,278	\$ 3,526,184
Restricted cash	851,830	-	-	851,830	-
Receivables (net of allowance for uncollectibles):					
Accounts receivable	936,340	46,430	5,887	988,657	-
Taxes receivable	73,155	18,530	-	91,685	-
Accrued interest receivable	5,315	10,950	-	16,265	3,141
Inventories	286,420	122,833	3,598	412,851	-
Prepaid expenses	-	-	12,525	12,525	-
Total current assets	17,313,037	18,581,143	524,911	36,419,091	3,529,325
Noncurrent assets:					
Capital assets, net of accumulated depreciation	1,979,234	42,527,222	1,822,133	46,328,589	-
Total assets	19,292,271	61,108,365	2,347,044	82,747,680	3,529,325
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	1,292,656	301,675	33,417	1,627,748	345,324
Customer and security deposits	89,953	51,195	40,349	181,497	-
Compensated absences	54,337	76,500	28,839	159,676	-
Due to other governmental entities	323,327	588,798	-	912,125	-
Retainage payable	343,594	-	-	343,594	-
Total current liabilities	2,103,867	1,018,168	102,605	3,224,640	345,324
Noncurrent liabilities:					
Compensated absences	65,571	27,785	8,380	101,736	-
Due to other governmental entities	3,239,411	6,605,233	-	9,844,644	-
Total noncurrent liabilities	3,304,982	6,633,018	8,380	9,946,380	-
Total liabilities	5,408,849	7,651,186	110,985	13,171,020	345,324
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred revenue	-	-	3,711	3,711	-
<b>NET POSITION</b>					
Net investment in capital assets	488,940	35,333,191	1,822,133	37,644,264	-
Restricted for Joint Powers Water Board	851,830	-	-	851,830	-
Restricted for Housing Authority	-	-	410,215	410,215	-
Unrestricted	12,542,652	18,123,988	-	30,666,640	3,184,001
Total net position	\$ 13,883,422	\$ 53,457,179	\$ 2,232,348	\$ 69,572,949	\$ 3,184,001

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

**CITY OF ROCK SPRINGS, WYOMING**  
**STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2016**

	Business-Type Activities Enterprise Funds			Total	Governmental
	Water Fund	Wastewater Fund	Nonmajor - Housing Authority		Internal Service Fund
Operating revenues:					
Water charges	\$ 6,114,805	\$ -	\$ -	\$ 6,114,805	\$ -
Wastewater charges	-	4,529,254	-	4,529,254	-
Tenant rental revenue	-	-	317,319	317,319	-
Other tenant revenue	-	-	14,312	14,312	-
Insurance premiums and refunds	-	-	-	-	3,649,381
Total operating revenue	6,114,805	4,529,254	331,631	10,975,690	3,649,381
Operating expenses:					
Personnel	1,023,395	1,528,300	413,629	2,965,324	-
Water purchases	2,986,761	-	-	2,986,761	-
Utilities	237,718	689,983	91,189	1,018,890	-
Postal/freight	24,697	25,248	970	50,915	-
Communications	9,005	5,890	2,745	17,640	-
Office supplies and printing	5,152	5,991	3,663	14,806	-
Repairs and maintenance	10,757	330,891	98,005	439,653	-
Departmental supplies	308,330	293,530	-	601,860	-
Travel	13,554	27,745	3,353	44,652	-
Administrative costs	36,621	62,773	6,900	106,294	-
Other costs	3,552	4,327	13,925	21,804	-
Depreciation	246,288	2,086,603	151,944	2,484,835	-
Audit and legal	-	-	5,000	5,000	-
Laundry and towel service	1,553	7,068	-	8,621	-
Consulting and collection	14,187	35,119	1,745	51,051	-
Rental	48,000	-	-	48,000	-
Insurance	-	38,889	22,855	61,744	3,700,565
Housing assistance payments	-	-	308,394	308,394	-
Total operating expenses	4,969,570	5,142,357	1,124,317	11,236,244	3,700,565
Operating income (loss)	1,145,235	(613,103)	(792,686)	(260,554)	(51,184)
Nonoperating revenue (expense):					
Taxes	1,652,196	29,060	-	1,681,256	-
HUD PHA grants	-	-	747,448	747,448	-
Other grants	1,141,136	-	-	1,141,136	-
Investment income	41,028	112,144	880	154,052	7,651
Other income	54,252	68,747	2,034	125,033	-
Gain (loss) on disposal of property	-	-	1,967	1,967	-
Interest expense	(95,641)	(190,025)	-	(285,666)	-
Capital asset contribution to JPWB	(3,810,884)	-	-	(3,810,884)	-
Total nonoperating revenue (expense)	(1,017,913)	19,926	752,329	(245,658)	7,651
Income (loss) before transfers	127,322	(593,177)	(40,357)	(506,212)	(43,533)
Transfers in	-	-	108,797	108,797	-
Transfers out	-	(43,074)	(108,797)	(151,871)	-
Change in net position	127,322	(636,251)	(40,357)	(549,286)	(43,533)
Net position, beginning	13,756,100	54,093,430	2,272,705	70,122,235	3,227,534
Net position, ending	\$ 13,883,422	\$ 53,457,179	\$ 2,232,348	\$ 69,572,949	\$ 3,184,001

*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, 2016**

	Business-Type Activities Enterprise Funds			Governmental	
	Water Fund	Wastewater Fund	Nonmajor - Housing Authority	Internal Service Fund	
			Total		
<b>Cash Flows from Operating Activities</b>					
Receipts from external customers and users	\$ 5,621,257	\$ 4,278,264	\$ 329,589	\$ 10,229,110	\$ -
Receipts from internal customers and users	406,043	262,466	-	668,509	3,649,381
Payments to suppliers	(3,691,727)	(1,480,067)	(578,747)	(5,750,541)	(3,605,970)
Payments to employees	(1,001,697)	(1,514,424)	(402,950)	(2,919,071)	-
Net cash from operating activities	1,333,876	1,546,239	(652,108)	2,228,007	43,411
<b>Cash Flows from Noncapital Financing Activities</b>					
Taxes and special assessments	1,592,194	11,976	-	1,604,170	-
Receipts from grants	1,141,136	-	747,440	1,888,576	-
Other	54,252	68,747	2,034	125,033	-
Net cash from noncapital financing activities	2,787,582	80,723	749,474	3,617,779	-
<b>Cash Flows from Capital and Related Financing Activities</b>					
Payment for JPWB assets	(2,873,929)	-	-	(2,873,929)	-
Purchase of capital assets	(15,902)	(151,537)	(30,355)	(197,794)	-
Proceeds from sale of capital assets	-	-	1,967	1,967	-
Principal payment on loans	(316,330)	(575,991)	-	(892,321)	-
Interest paid on loans	(97,617)	(191,691)	-	(289,308)	-
Net cash from capital and related financing activities	(3,303,778)	(919,219)	(28,388)	(4,251,385)	-
<b>Cash Flows from Investing Activities</b>					
Investment Income	40,168	110,146	880	151,194	7,638
Net increase (decrease) in cash and cash equivalents	857,848	817,889	69,858	1,745,595	51,049
Cash and Investments, July 1	15,153,959	17,564,511	433,043	33,151,513	3,475,135
Cash and Investments, June 30	\$ 16,011,807	\$ 18,382,400	\$ 502,901	\$ 34,897,108	\$ 3,526,184

Continued

**CITY OF ROCK SPRINGS, WYOMING**  
**STATEMENT OF CASH FLOWS (Continued)**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2016**

	Business-Type Activities Enterprise Funds			Total	Governmental
	Water Fund	Wastewater Fund	Nonmajor - Housing Authority		Internal Service Fund
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>					
Operating income (loss)	\$ 1,145,235	\$ (613,103)	\$ (792,686)	\$ (260,554)	\$ (51,184)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	246,288	2,086,603	151,944	2,484,835	-
Change in assets and liabilities:					
Accounts receivable	(87,505)	11,476	(2,042)	(78,071)	-
Prepaid expenses	-	-	148	148	-
Inventory	7,406	(34,165)	(1,824)	(28,583)	-
Accounts payable	248	87,822	(19,767)	68,303	94,595
Customer deposits	(540)	(2,657)	2,299	(898)	-
Compensated absences accrued expenses	18,901	10,263	9,820	38,984	-
Retainage Payable	3,843	-	-	3,843	-
<b>Net cash from operating activities</b>	<b>\$ 1,333,876</b>	<b>\$ 1,546,239</b>	<b>\$ (652,108)</b>	<b>\$ 2,228,007</b>	<b>\$ 43,411</b>
<b>Schedule of Noncash Transactions</b>					
Capitalized interest	\$ -	\$ 2,649	\$ -	\$ 2,649	\$ -

*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

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### Note 1. Summary of Significant Accounting Policies

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

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity as amended by GASB Statements Nos. 39 and 61*, entities over which the City has significant operational or financial relationships such as boards, commissions and authorities are considered component units. Component units are either discretely presented or blended. Discrete presentation entails reporting component unit financial data in columns separate from the financial data of the primary government (the City). Blended requires the component unit’s balances and transactions be reported with the balances and transactions of the City.

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

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

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

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

# CITY OF ROCK SPRINGS, WYOMING

## NOTES TO FINANCIAL STATEMENTS

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

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

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

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The government reports the following nonmajor proprietary funds:

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

Additionally, the government reports the following fund type:

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

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

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

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

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

# CITY OF ROCK SPRINGS, WYOMING

## NOTES TO FINANCIAL STATEMENTS

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

Cash and investments: Cash consists of demand deposit accounts, money market accounts and petty cash. Investments are carried at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

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

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

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

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

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

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

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

**CITY OF ROCK SPRINGS, WYOMING**

**NOTES TO FINANCIAL STATEMENTS**

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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

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

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

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

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

Property taxes receivable totaling \$1,740,713, assessed in fiscal year 2016, 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 2017.

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

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

Defined benefit pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wyoming Retirement System (WRS) and additions to/deductions from the WRS's fiduciary net position have been determined on the same basis as they are reported by the

# CITY OF ROCK SPRINGS, WYOMING

## NOTES TO FINANCIAL STATEMENTS

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WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### Note 2. Cash and Investments

Cash and investments and restricted cash as of June 30, 2016, as classified in the accompanying financial statements, consist of the following:

#### Statement of Net Position:

	<u>Primary Government</u>
Deposits with financial institutions:	
Cash/money market funds	\$ 35,723,695
Certificates of deposit held at banks	24,280,956
Investments:	
American Express Centron CD	245,740
BMW Bank North America UT CD	251,515
Cit Bank SLC CD	246,108
Discover Bank CD	241,530
Federal Farm Credit Bank	1,764,311
Federal Home Loan Bank	1,112,914
Federal National Mtg Assn	500,051
FHLB	1,503,986
FHLB Callable	275,011
FHLMC	1,791,776
FICO Strips	497,425
Financing Corp Cpn FICO Strips	298,248
FNMA Stripped	157,614
FNMA Callable	500,310
GE Cap Retail Bk Draper UT CD	246,849
Goldman Sachs Bank NY CD	247,068
	<u><u>\$ 69,885,107</u></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

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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
American Express Centron CD	Not rated	\$ 245,740
BMW Bank North America UT CD	Not rated	251,515
Cit Bank SLC CD	Not rated	246,108
Discover Bank CD	Not rated	241,530
Federal Farm Credit Bank	AAA	1,764,311
Federal Home Loan Bank	AAA	1,112,914
Federal National Mtg Assn	AAA	500,051
FHLB	AAA	1,503,986
FHLB Callable	AAA	275,011
FHLMC	AAA	1,791,776
FICO Strips	AAA	497,425
Financing Corp Cpn FICO Strips	AAA	298,248
FNMA Stripped	AAA	157,614
FNMA Callable	AAA	500,310
GE Cap Retail Bk Draper UT CD	Not rated	246,849
Goldman Sachs Bank NY CD	Not rated	247,068

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, 2016, the primary government had bank balances on deposit and certificates of deposit, including accrued interest of \$57,751,906.

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, 2016, 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

# CITY OF ROCK SPRINGS, WYOMING

## NOTES TO FINANCIAL STATEMENTS

certificates of deposit that are insured by Federal depository insurance, which include all of the City's investments, no further disclosure regarding concentrations of credit risk is required.

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

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

	Primary Government				
	Market	Less Than 1 Year	1-2 Years	2-5 Years	Greater than 5 Years
American Express Centron CD	\$ 245,740	\$ -	\$ -	\$ 245,740	\$ -
BMW Bank North America UT CD	251,515	-	-	251,515	-
Cit Bank SLC CD	246,108	246,108	-	-	-
Discover Bank CD	241,530	241,530	-	-	-
Federal Farm Credit Bank	1,764,311	761,740	500,142	502,429	-
Federal Home Loan Bank	1,112,914	-	-	1,112,914	-
Federal National Mtg Assn	500,051	-	500,051	-	-
FHLB	1,503,986	-	-	1,503,986	-
FHLB Callable	275,011	-	-	275,011	-
FHLMC	1,791,776	-	-	1,791,776	-
FICO Strips	497,425	497,425	-	-	-
Financing Corp Cpn FICO Strips	298,248	298,248	-	-	-
FNMA Stripped	157,614	157,614	-	-	-
FNMA Callable	500,310	500,310	-	-	-
GE Cap Retail Bk Draper UT CD	246,849	246,849	-	-	-
Goldman Sachs Bank NY CD	247,068	247,068	-	-	-
	<u>\$ 9,880,456</u>	<u>\$ 3,196,892</u>	<u>\$ 1,000,193</u>	<u>\$ 5,683,371</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 \$2,784,763 or 28% 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 \$851,830 at June 30, 2016. 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

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Fair value of investments: The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. The City had recurring fair-value measurement as of June 30, 2016 of negotiable certificates of deposit and United States Government agencies bonds in the amount of \$9,880,456. These investments are all classified as observable inputs other than quoted market prices which is level 2 of the fair value hierarchy as defined by GASB statement no. 72. All of the investments are valued using quoted prices for similar investments in active markets.

### Note 3. Receivables

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

	Governmental Activities	Business-Type Activities		
	General Fund	Water Fund	Wastewater Fund	Housing Authority
Accounts receivable	\$ 12,530	\$ 947,340	\$ 47,430	\$ 5,887
Allowance for doubtful accounts	(300)	(11,000)	(1,000)	-
	<u>\$ 12,230</u>	<u>\$ 936,340</u>	<u>\$ 46,430</u>	<u>\$ 5,887</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, 2016:

	Balance June 30, 2015	Additions	Deductions	Transfers	Balance June 30, 2016
Governmental Activities:					
Capital assets, not being depreciated:					
Land/easements/art	\$ 7,531,547	\$ 97,293	\$ -	\$ -	\$ 7,628,840
Construction in progress	1,555,887	6,630,815	-	(2,558,957)	5,627,745
<b>Total capital assets, not being depreciated</b>	<b>9,087,434</b>	<b>6,728,108</b>	<b>-</b>	<b>(2,558,957)</b>	<b>13,256,585</b>
Capital assets, being depreciated:					
Buildings and improvements	50,259,986	156,682	-	-	50,416,668
Land improvements	15,839,939	68,200	-	-	15,908,139
Furnishings and equipment	16,317,322	533,489	(235,699)	(50,487)	16,564,625
Easements	193,771	-	-	-	193,771
Infrastructure	107,096,587	-	-	2,558,957	109,655,544
<b>Total capital assets, being depreciated</b>	<b>189,707,605</b>	<b>758,371</b>	<b>(235,699)</b>	<b>2,508,470</b>	<b>192,738,747</b>
Accumulated depreciation for:					
Buildings and improvements	(26,819,478)	(993,956)	-	-	(27,813,434)
Land improvements	(6,625,103)	(393,439)	-	-	(7,018,542)
Furnishings and equipment	(12,932,525)	(837,976)	229,919	50,487	(13,490,095)
Easements	(42,569)	(6,855)	-	-	(49,424)
Infrastructure	(50,914,355)	(2,161,047)	-	-	(53,075,402)
<b>Total accumulated depreciation</b>	<b>(97,334,030)</b>	<b>(4,393,273)</b>	<b>229,919</b>	<b>50,487</b>	<b>(101,446,897)</b>
<b>Total capital assets, being depreciated, net</b>	<b>92,373,575</b>	<b>(3,634,902)</b>	<b>(5,780)</b>	<b>2,558,957</b>	<b>91,291,850</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 101,461,009</b>	<b>\$ 3,093,206</b>	<b>\$ (5,780)</b>	<b>\$ -</b>	<b>\$ 104,548,435</b>

# CITY OF ROCK SPRINGS, WYOMING

## NOTES TO FINANCIAL STATEMENTS

	Balance June 30, 2015	Additions	Deductions	Transfers	Balance June 30, 2016
Business-Type Activities:					
Capital assets, not being depreciated:					
Land	\$ 556,872	\$ 3	\$ -	\$ -	\$ 556,875
Construction in progress	92,038	30,480	-	-	122,518
<b>Total capital assets, not being depreciated</b>	<b>648,910</b>	<b>30,483</b>	<b>-</b>	<b>-</b>	<b>679,393</b>
Capital assets, being depreciated:					
Buildings and improvements	49,085,874	78,199	-	-	49,164,073
Systems improvements	4,102,885	-	-	-	4,102,885
Furnishings and equipment	2,945,923	107,031	(60,095)	50,487	3,043,346
Land improvements	758,677	-	-	-	758,677
Infrastructure	27,668,307	-	-	-	27,668,307
<b>Total capital assets, being depreciated</b>	<b>84,561,666</b>	<b>185,230</b>	<b>(60,095)</b>	<b>50,487</b>	<b>84,737,288</b>
Accumulated depreciation for:					
Buildings and improvements	(22,920,829)	(1,266,461)	-	-	(24,187,290)
Systems improvements	(2,289,026)	(183,348)	-	-	(2,472,374)
Furnishings and equipment	(1,919,923)	(250,752)	60,095	(50,487)	(2,161,067)
Land improvements	(172,790)	(34,600)	-	-	(207,390)
Infrastructure	(9,310,297)	(749,674)	-	-	(10,059,971)
<b>Total accumulated depreciation</b>	<b>(36,612,865)</b>	<b>(2,484,835)</b>	<b>60,095</b>	<b>(50,487)</b>	<b>(39,088,092)</b>
<b>Total capital assets, being depreciated, net</b>	<b>47,948,801</b>	<b>(2,299,605)</b>	<b>-</b>	<b>-</b>	<b>45,649,196</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 48,597,711</b>	<b>\$ (2,269,122)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 46,328,589</b>

# CITY OF ROCK SPRINGS, WYOMING

## NOTES TO FINANCIAL STATEMENTS

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

	Depreciation Expense
Governmental Activities:	
General government	\$ 807,967
Public safety	317,487
Public works	2,470,147
Culture and recreation	797,672
<b>Total depreciation expense - governmental activities</b>	<b>\$ 4,393,273</b>
Business-Type Activities:	
Water	\$ 246,288
Wastewater	2,086,603
Housing	151,944
<b>Total depreciation expense - business-type activities</b>	<b>\$ 2,484,835</b>

### Note 5. Interfund Transfers

Interfund transfers for the year ended June 30, 2016 are as follows:

	Transfers In	Transfer Out
General Fund	\$ 43,074	\$ -
Wastewater Fund	-	43,074
Public Housing Fund	108,797	-
Capital Fund	-	108,797
	<b>\$ 151,871</b>	<b>\$ 151,871</b>

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, 2016, the City made transfers from the capital fund in the amount of \$108,797 to the Public Housing fund for money relating to HUD capital grant funding. The City also made transfers from the Wastewater Fund to the General Fund for the remainder of the 2007 1% specific purpose sales and use tax projects proceeds that were used for General Fund projects instead of Wastewater Fund projects.



# CITY OF ROCK SPRINGS, WYOMING

## NOTES TO FINANCIAL STATEMENTS

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### Note 6. Retirement Commitments

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

#### Public employees pension:

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

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

Contributions to the System consist of an amount equal to 16.62% of the employee's salary. The City is required by State statute to contribute 8.37% of the amount and, as permitted by statute, also contributes the employees' 8.25%. The city's and employees' combined contributions to the plan for the years ended June 30, 2016, 2015, 2014 were \$1,523,002, \$1,377,571, and \$1,215,934, respectively

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

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

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

Surviving spouse or other qualified dependents receive benefits based on 50% of the member's final actual salary. On the death of a member, inactive member, retired member, or survivor, the excess of the

## CITY OF ROCK SPRINGS, WYOMING

### NOTES TO FINANCIAL STATEMENTS

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accumulated member contributions over all pension payments made are payable as a death benefit to the next qualified beneficiary.

Contributions to the system consist of an amount equal to 21.245% of the employee's salary. The City is required by State statute to contribute 12% of the amount and, as permitted by statute, also contributes the employee's 6%. An additional 3.245% is contributed by the employee. The city's and employees' combined contributions to the plan for the years ended June 30, 2016, 2015, 2014 were \$511,826, \$497,256, and \$484,404, respectively.

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

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

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

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

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

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

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

Contributions to the system consist of an amount equal to 17.2% of the employee's salary. The City is required by State statute to contribute 8.6% of the amount and, as permitted by statute, also contributes the employee's 8.6%. The city's and employees' combined contributions to the plan for the years ended June 30, 2016, 2015, 2014 were \$615,102, \$592,379, and \$573,397, respectively.

# CITY OF ROCK SPRINGS, WYOMING

## NOTES TO FINANCIAL STATEMENTS

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions: At June 30, 2016, the City reported a liability of \$32,795,655 for its proportionate share of the net pension liability. This net pension obligation was comprised of \$11,686,765 for the Public Employees Pension Plan, \$16,250,436 for the Firemen’s Pension Plan A, \$3,154,686 for the Firemen’s Pension Plan B, and \$1,703,768 for the Law Enforcement Pension Plan. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. The City’s proportion of the net pension liability was based on the relationship of the City’s total contributions to the plan for the year ended December 31, 2015 to the contributions of all participating employers for the same period. The table below summarizes the City’s share of the net position liability at December 31, 2015 and December 31, 2014.

Pension Plan	December 31, 2015 Proportion	December 31, 2014 Proportion
Public Employees Pension Plan	0.501718286%	0.477587152%
Paid Firemen’s Pension Plan A	8.762495603%	8.768998174%
Paid Firemen’s Pension Plan B	10.317995317%	10.230516150%
Law Enforcement Pension Plan	2.268063847%	2.187755887%

For the year ended June 30, 2016 the City recognized pension expense of \$3,514,717 comprised of \$1,332,860 for the Public Employees Pension Plan, \$1,087,161 for the Firemen’s Pension Plan A, \$723,699 for the Firemen’s Pension Plan B, and \$370,997 for the Law Enforcement Pension Plan. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Total Deferred Outflows of Resources	Total Deferred Inflows of Resources
Net Difference between projected and actual earnings on pension investments	\$5,911,067	\$ -
Changes in proportionate share of contributions	339,487	30,758
Differences in expected and actual experience	41,764	247,239
Change in assumptions	1,832,381	-
Contributions subsequent to the measurement date	684,505	-
Total	\$8,809,204	277,997

## CITY OF ROCK SPRINGS, WYOMING

### NOTES TO FINANCIAL STATEMENTS

The deferred outflows of resources for the net difference between projected and actual earnings on pension investment were \$2,835,726, \$997,397, \$1,041,676, and \$1,036,268 for the Public Employees Pension Plan, Firemen's Pension Plan A, Firemen's Pension Plan B, and Law Enforcement Pension Plan, respectively. The deferred outflows (inflows) of resources for the changes in proportionate share of contributions were \$317,030 and (\$29,892); \$0; \$2,880 and (\$866); and \$19,577 for the Public Employees Pension Plan, Firemen's Pension Plan A, Firemen's Pension Plan B, and Law Enforcement Pension Plan, respectively. The deferred outflows (inflows) for differences in expected and actual experience were \$(247,239), \$0, \$10,910, and \$30,854 for the Public Employees Pension Plan, Firemen's Pension Plan A, Firemen's Pension Plan B, and Law Enforcement Pension Plan, respectively.

\$1,832,381 reported as deferred outflows of resources for Firemen's Pension Plan B related to a change in actuarial assumption by the Wyoming Retirement System. Amounts of \$376,671, \$163,022, and \$144,812 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date for the Public Employees Pension Plan, Firemen's Pension Plan B Plan, and Law Enforcement Pension Plan, respectively, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	Public Employees Pension Plan	Paid Firemen's Pension Plan A	Paid Firemen's Pension Plan B	Law Enforcement Pension Plan	Total
2016	\$ 761,231	\$ 266,025	\$ 526,752	\$ 288,027	\$ 1,842,035
2017	761,231	266,025	526,752	288,027	1,842,035
2018	773,798	266,025	526,752	287,979	1,854,554
2019	579,365	199,322	461,564	222,666	1,462,917
2020	-	-	250,035	-	250,035
2021	-	-	595,126	-	595,126
Total	\$ 2,875,625	\$ 997,397	\$ 2,886,981	\$ 1,086,699	\$ 7,846,702

Actuarial assumptions: The total pension liability in the January 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

# CITY OF ROCK SPRINGS, WYOMING

## NOTES TO FINANCIAL STATEMENTS

Actuarial Assumption	Public Employees Pension Plan	Paid Firemen's Plan A	Paid Firemen's Plan B	Law Enforcement Pension Plan
Inflation	3.25%	3.25%	3.25%	3.25%
Salary increases	4.25% to 6.00%	4.25% to 6.00%	4.25% to 6.00%	4.25% to 6.00%
Investment rate of return	7.75%	7.75%	7.75%	7.75%
Cost of living adjustment	-	3.00%	-	-

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	15.00%	.87%
Equity	59.00%	5.13%
Marketable Alternatives	15.50%	4.75%
Private Markets	8.00%	5.84%
Cash	<u>2.50%</u>	.25%
Total	<u>100.00%</u>	

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

Discount rate: The discount rate used to measure the total pension liability was 7.75%, 4.250%, 6.517%, and 7.750% for the Public Employees Pension Plan, Paid Firemen's Plan A, Paid Firemen's Plan B, and Law Enforcement Pension Plan, respectively. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the current contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## CITY OF ROCK SPRINGS, WYOMING

### NOTES TO FINANCIAL STATEMENTS

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

	1% Decrease	Current Discount	1% Increase
Public Employees Pension Plan proportionate share of the net pension liability	6.750% \$ 16,778,058	7.750% \$ 11,686,765	8.750% \$ 7,382,524
Paid Firemen's Plan A proportionate share of the net pension liability	3.250% \$ 20,317,276	4.250% \$ 16,250,436	5.250% \$ 12,987,876
Paid Firemen's Plan B proportionate share of the net pension liability	5.517% \$ 5,416,251	6.517% \$ 3,154,686	7.517% \$ 1,285,270
Law Enforcement Pension Plan proportionate share of the net pension liability	6.750% \$ 3,456,909	7.750% \$ 1,703,768	8.750% \$ 255,079

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

# CITY OF ROCK SPRINGS, WYOMING

## NOTES TO FINANCIAL STATEMENTS

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### 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, 2016, the City paid \$2,986,761 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, 2016, capital assets with a cost of \$3,810,884, 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 2016, the City paid the JPTB \$20,520 for internet bandwidth.

The financial transactions of the JPTB are not included in these financial statements. However, additional financial information of the JPTB may be obtained by contacting the Board President, David Halter, at P.O. Box 668, Green River, Wyoming 82935.

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

# CITY OF ROCK SPRINGS, WYOMING

## NOTES TO FINANCIAL STATEMENTS

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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 2016, the City paid the Board \$1,213,745.

The financial transactions of the Board are not included in these financial statements. However, additional financial information of the Board may be obtained by contacting the Executive Director, Robin Etienne, at P.O. Box 129, Green River, WY 82935.

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

Fiscal Year	Lease Payments
2017	5,574,322
2018	6,409,794
2019	3,548,491
Total	15,532,607

The City of Rock Spring's share of the collections remitted to the trustee by Sweetwater County was \$5,887,667 and \$6,653,523, for the years ended June 30, 2016 and 2015, respectively. For the year ended June 30, 2016, the tax revenue was allocated as follows: \$4,206,410 to the general fund; \$1,652,197 to the water fund; and \$29,060 to the wastewater fund. The proceeds were allocated as follows for the year ended June 30, 2015: \$2,122,279 to the general fund; \$1,999,637 to the water fund; and \$2,531,607 to the wastewater fund

The Board consists of seven members: one member from Sweetwater County and one member from each of the six participating entities. The financial transactions of the Board are not included in these financial statements. However, additional financial information of the Board may be obtained by contacting the Rock Springs Board Member, Clark Stith, at the City of Rock Springs, 212 D Street, Rock Springs, WY 82901.



# CITY OF ROCK SPRINGS, WYOMING

## NOTES TO FINANCIAL STATEMENTS

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### 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, 2016 of \$345,324. Changes in the IBNR from fiscal years 2016 and 2015 were as follows:

	At Fiscal Year-End Liability	Estimated Claims Incurred	Claim Payments	At Fiscal Year-End Liability
Fiscal Year 2014-2015	\$ 300,532	\$ 2,790,072	\$ (2,839,875)	\$ 250,729
Fiscal Year 2015-2016	\$ 250,729	\$ 3,399,300	\$ (3,304,705)	\$ 345,324

# CITY OF ROCK SPRINGS, WYOMING

## NOTES TO FINANCIAL STATEMENTS

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At June 30, 2016, the City was obligated for construction and other commitments as follows:

Governmental activities:	Encumbered
General government	\$ 167,098
Public safety	1,158,818
Public works	2,229,966
Culture and recreation	72,139
Total governmental activities	<u>\$ 3,628,021</u>
Business-type activities:	
Wastewater	\$ 552,908
Water	9,858,514
Total business-type activities	<u>\$ 10,411,422</u>

Note 9. Due to State of Wyoming

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

The *Wastewater Treatment Plant Expansion Project* loan (original loan \$11,000,000, interest at 2.5%) requires annual principal and interest payments of \$705,618. The loan balance as of June 30, 2016 was \$6,687,278. The loan is secured by the pledge of the City's rights, title, and interest in and to the revenues received from the water system user fees.

The *Clark Addition* loan (original loan \$993,198, interest at 2.5%) requires annual principal and interest payments of \$63,711. The loan balance as of June 30, 2016 was \$506,753. The loan is secured by the pledge of the City's rights, title, and interest in and to revenues received in the operations of the Wastewater Fund.

Annual debt service requirements to maturity are as follows:

Year ending June 30:	Total	Principal	Interest
2017	\$ 769,329	588,798	180,531
2018	769,329	603,518	165,811
2019	769,329	618,606	150,723
2020	769,329	634,072	135,257
2021	769,329	649,923	119,406
2022 - 2026	3,781,858	3,436,828	345,030
2027	679,496	662,286	17,210
	<u>\$ 8,307,999</u>	<u>\$ 7,194,031</u>	<u>\$ 1,113,968</u>

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

# CITY OF ROCK SPRINGS, WYOMING

## NOTES TO FINANCIAL STATEMENTS

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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, 2016 was \$1,490,294. 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, 2016 was \$736,924. 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, 2016 was \$511,308. 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, 2016 was \$824,212. The loan is secured by the pledge and assignment of revenues from the City's Water Fund.

Annual debt service requirements to maturity are as follows:

	Total	Principal	Interest
Year ending June 30:			
2017	\$ 412,235	323,327	88,908
2018	412,235	331,392	80,843
2019	412,235	339,657	72,578
2020	412,237	348,130	64,107
2021	412,236	356,813	55,423
2022 - 2026	1,666,509	1,500,972	165,537
2027 - 2029	376,919	362,447	14,472
	<u>\$ 4,104,606</u>	<u>\$ 3,562,738</u>	<u>\$ 541,868</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, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
<b>Governmental Activities:</b>					
Compensated absences	\$ 2,184,218	\$ 1,955,293	\$ (1,917,149)	\$ 2,222,362	\$ 1,544,597
2013 specific purpose tax financing	12,951	4,051,344	(4,206,410)	(142,115)	-
Net pension obligation	23,390,170	9,405,485	-	32,795,655	-
Net OPEB obligation	1,072,187	98,198	-	1,170,385	-
<b>Total governmental long-term obligations</b>	<b>26,659,526</b>	<b>15,510,320</b>	<b>(6,123,559)</b>	<b>36,046,287</b>	<b>1,544,597</b>
<b>Business Type Activities:</b>					
Wastewater fund - due to other governmental entities	7,770,023	-	(575,992)	7,194,031	588,798
Wastewater- 2013 specific purpose tax financing	251	27,833	(29,060)	(976)	-
Water fund - due to other governmental entities	1,608,014	-	(117,720)	1,490,294	119,771
Water-JPWB loan	2,271,054	-	(198,610)	2,072,444	203,556
Water- 2013 specific purpose tax financing	51,079	1,546,856	(1,652,196)	(54,261)	-
Compensated absences	222,428	257,024	(218,040)	261,412	159,676
<b>Total business-type long-term obligations</b>	<b>11,922,849</b>	<b>1,831,713</b>	<b>(2,791,618)</b>	<b>10,962,944</b>	<b>1,071,801</b>
<b>Total long-term obligations</b>	<b>\$ 38,582,375</b>	<b>\$ 17,342,033</b>	<b>\$ (8,915,177)</b>	<b>\$ 47,009,231</b>	<b>\$ 2,616,398</b>

See note 7 for additional information regarding the 2013 specific purpose tax financing. The June 30, 2016 receivables arising from the 2013 specific purpose tax financing arrangement are recorded as taxes receivable.

### 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.

**CITY OF ROCK SPRINGS, WYOMING**

**NOTES TO FINANCIAL STATEMENTS**

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- 3. Any City employee who retires from such employment while in good standing after eight or more years of employment and after attaining the age of 75 years, provided that the employee applies for and uses the City health coverage plan as a supplemental coverage with Medicare being the primary coverage and that the retired employee pays the necessary contributions.
- 4. All Mayors and Council members who served two or more terms in office and who participated in the City health coverage plan prior to retiring from office, provided they pay the necessary contributions.

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 2016, the City contributed \$0 to the plan. Plan members receiving benefits contributed \$77,517 or 100% of the total premiums, through their required contribution of \$671.45. (\$681.06 for Post-Medicare) per month for retiree-only coverage and \$671.45 (\$681.06 for Post-Medicare) per month for spouse coverage.

*C. Annual OPEB Cost and Net OPEB Obligation*

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

Annual required contribution	\$ 174,608
Interest on net OPEB obligation	42,887
Adjustment to annual required contribution	(41,780)
Annual OPEB cost	<u>175,715</u>
Net estimated employer contributions	<u>(77,517)</u>
Increase in net OPEB obligation	98,198
Net OPEB obligation, beginning of year	<u>1,072,187</u>
Net OPEB obligation, end of year	<u><u>\$ 1,170,385</u></u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years were as follows:

# CITY OF ROCK SPRINGS, WYOMING

## NOTES TO FINANCIAL STATEMENTS

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Fiscal Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$149,323	51.4%	\$974,219
June 30, 2015	\$170,529	42.6%	\$1,072,187
June 30, 2016	\$175,715	44.1%	\$1,170,385

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

As of July 1, 2014, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$1,765,352, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,765,352. For the fiscal year ended June 30, 2016, the covered payroll (annual payroll of active employees covered by the plan) was \$15,692,475, and the ratio of the UAAL to the covered payroll was 11.2%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### E. *Actuarial Methods and Assumptions*

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

In the July 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The amortization method used was level percentage of pay, and the amortization period is an open period of 30 years. The actuarial assumptions included a 4.0% discount rate, a 3.0% salary growth rate, and an annual healthcare cost trend rate of 7.5% per year pre and post Medicare eligible, grading to a rate of 4.5% after 12 years. Both rates included a 3.0% inflation assumption. 45% of future retired participants age 55 or over or 15% under age 55 were projected to opt for health care coverage, and 100% of current retired participants were projected to continue coverage. 35% of future retirees who opted for healthcare were projected to cover a spouse.

# CITY OF ROCK SPRINGS, WYOMING

## NOTES TO FINANCIAL STATEMENTS

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### 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
	General Fund
Nonspendable:	
Inventories	\$ 441,519
Prepaid expenses	243,025
	<u>684,544</u>
Committed:	
Cash reserve	\$ 9,495,835
Capital replacement	7,236,203
Compensated absences/OPEB	1,425,250
General government	164,558
Public safety	1,117,074
Public works	2,142,674
Culture and recreation	-
	<u>\$ 21,581,594</u>
Assigned:	
General government	\$ 2,540
Culture and recreation	72,139
Public safety	41,744
Public works	87,292
Cash carryover	1,150,225
	<u>\$ 1,353,940</u>

### Note 13. Recent Pronouncements

#### *Adopted:*

In March 2016, the GASB issued GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The statement is effective for years beginning after June 15, 2017. Management has elected to adopt this statement for the fiscal year ended June 30, 2016. The impact of adopting this statement is reflected in the financial statements. In February 2015, the GASB issued GASB Statement No. 72, *Fair Value Measurement and Application*. The statement is effective for years beginning after June 15, 2015. The impact of adopting this statement is reflected in the financial statements.

#### *Not yet adopted:*

In June 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The statement is effective for years beginning after June 15, 2017. The effect that the adoption of this statement will have on the City's financial statements has not been determined. In January 2016, the GASB issued GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*. The statement is effective for years beginning after June 15, 2016. The effect that the adoption of this statement will have on the City's financial statements has not been determined.

## REQUIRED SUPPLEMENTARY INFORMATION

The City's required supplementary information includes the budgetary comparison – general fund as described in the accompanying Notes to Required Supplementary Information following the schedule. Also included in the required supplementary information is the Schedule of Funding Progress for the City's OPEB, as well as the Schedule of the Proportionate Share of the Net Pension Liability and the Schedule of Pension Contributions relating to the City's retirement commitment with Wyoming Retirement System.



**CITY OF ROCK SPRINGS, WYOMING**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes:				
Property taxes	\$ 1,600,000	\$ 1,600,000	\$ 2,405,073	805,073
Occupation tax	55,000	55,000	65,370	10,370
Franchise tax	540,000	540,000	741,508	201,508
Sales and use tax	22,300,180	22,300,180	21,967,094	(333,086)
Cigarette tax	155,000	155,000	168,407	13,407
Wholesale gas tax	550,000	550,000	679,136	129,136
Mineral severance tax	870,520	870,520	855,633	(14,887)
Special fuels tax	153,000	153,000	226,001	73,001
	<u>26,223,700</u>	<u>26,223,700</u>	<u>27,108,222</u>	<u>884,522</u>
Licenses and permits:				
Liquor licenses	79,269	79,269	78,103	(1,166)
Malt beverage and catering	3,500	3,500	5,000	1,500
Building fees and permits	250,000	250,000	327,437	77,437
Animal licenses	20,125	20,125	18,179	(1,946)
Contractor licenses	60,000	60,000	73,105	13,105
Road impact fees	100	100	-	(100)
	<u>412,994</u>	<u>412,994</u>	<u>501,824</u>	<u>88,830</u>
Inter-governmental revenue:				
Mineral royalties	988,267	988,267	986,391	(1,876)
Federal, state, and county grants	3,379,679	3,689,695	2,725,649	(964,046)
Supplemental local government/impact assistance funding	1,641,305	1,641,305	1,964,857	323,552
	<u>6,009,251</u>	<u>6,319,267</u>	<u>5,676,897</u>	<u>(642,370)</u>
Charges for services:				
Golf course	700,000	700,000	661,012	(38,988)
Civic center	185,000	185,000	207,206	22,206
Indoor recreation	630,000	630,000	653,979	23,979
Field usage fees	13,000	13,000	11,610	(1,390)
Rents and concessions	50,500	50,500	58,646	8,146
Inter-fund administrative charges	147,260	150,260	150,393	133
Special police and fire services	2,000	2,000	12,170	10,170
Maps, publications and copies	2,000	2,000	5,883	3,883
Sale of cemetery lots	5,000	5,000	36,900	31,900
Miscellaneous cemetery fees	15,000	15,000	20,000	5,000
Sale of property	233,000	238,198	218,606	(19,592)
Sale of materials or supplies	100	100	-	(100)
Animal adoption	7,500	7,500	12,907	5,407
Advertising fees	2,585	2,585	2,750	165
	<u>1,992,945</u>	<u>2,001,143</u>	<u>2,052,062</u>	<u>50,919</u>

Continued

**CITY OF ROCK SPRINGS, WYOMING**  
**BUDGETARY COMPARISON SCHEDULE (continued)**  
**GENERAL FUND**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fines and forfeitures:				
Municipal court fees and parking fines	\$ 345,000	\$ 345,000	\$ 443,580	\$ 98,580
Animal fines	20,000	20,000	27,686	7,686
	<u>365,000</u>	<u>365,000</u>	<u>471,266</u>	<u>106,266</u>
Miscellaneous:				
Blue Cross Blue Shield	636,000	636,000	770,754	134,754
Miscellaneous reimbursements	378,856	415,715	415,061	(654)
Refund of overpayments and insurance reimbursement	5,000	5,000	14,117	9,117
Contributions and donations	700	23,397	26,122	2,725
Sundry revenues	11,200	14,200	327,733	313,533
	<u>1,031,756</u>	<u>1,094,312</u>	<u>1,553,787</u>	<u>459,475</u>
Other income:				
Interest	50,200	50,200	147,673	97,473
Transfers	680,689	680,689	493,074	(187,615)
	<u>730,889</u>	<u>730,889</u>	<u>640,747</u>	<u>(90,142)</u>
<b>Total revenues</b>	<u>36,766,535</u>	<u>37,147,305</u>	<u>38,004,805</u>	<u>857,500</u>

Continued

**CITY OF ROCK SPRINGS, WYOMING**  
**BUDGETARY COMPARISON SCHEDULE (continued)**  
**GENERAL FUND**  
**For the Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
General government:				
Legislative	\$ 362,200	\$ 362,200	\$ 277,006	85,194
Judicial	577,651	577,651	550,679	26,972
Finance	1,083,802	1,083,802	993,792	90,010
Municipal court	392,876	392,876	310,112	82,764
Information technology	867,453	867,453	582,305	285,148
Human Resources	184,953	184,953	166,556	18,397
City buildings	452,026	457,026	323,168	133,858
Urban renewal	326,529	329,529	308,261	21,268
	<u>4,247,490</u>	<u>4,255,490</u>	<u>3,511,879</u>	<u>743,611</u>
Public safety:				
Police department	9,093,395	9,192,921	8,147,573	1,045,348
Animal control	381,754	381,754	308,794	72,960
Emergency management	139,024	339,712	69,319	270,393
Fire department	6,242,374	6,242,374	5,797,282	445,092
	<u>15,856,547</u>	<u>16,156,761</u>	<u>14,322,968</u>	<u>1,833,793</u>
Public works:				
Public works administration, engineering	930,570	930,570	720,229	210,341
Planning and inspection	1,130,945	1,133,945	1,082,659	51,286
Street department	14,548,062	14,485,048	11,684,527	2,800,521
Vehicle maintenance	768,451	768,451	752,177	16,274
Cemetery	873,046	947,919	818,368	129,551
	<u>18,251,074</u>	<u>18,265,933</u>	<u>15,057,960</u>	<u>3,207,973</u>
Culture and recreation:				
Parks and recreation	1,524,666	1,562,666	1,362,132	200,534
Golf course	1,837,514	1,842,311	1,595,411	246,900
Civic center	1,613,838	1,631,738	1,468,277	163,461
Historical museum	226,607	226,607	201,609	24,998
Indoor recreation	3,060,815	3,060,815	2,901,433	159,382
	<u>8,263,440</u>	<u>8,324,137</u>	<u>7,528,862</u>	<u>795,275</u>
Nondepartmental	3,466,293	3,463,293	2,920,207	543,086
Transfers	605,689	605,689	-	605,689
<b>Total expenditures</b>	<u>50,690,533</u>	<u>51,071,303</u>	<u>43,341,876</u>	<u>7,729,427</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>\$ (13,923,998)</u>	<u>\$ (13,923,998)</u>	<u>\$ (5,337,071)</u>	<u>\$ 8,586,927</u>

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

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

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2016**

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#### Note 1. Budgets

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

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

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

The budget is adopted according to the following schedule:

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

**CITY OF ROCK SPRINGS, WYOMING**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2016**

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

	<u>General Fund</u>
<b>Revenues</b>	
Actual Amounts (budgetary basis) from the schedule of revenues, expenditures and changes in fund balance - budget (budgetary basis) and actual	\$ 38,004,805
Differences - Budget Basis to GAAP Transfers to the reserves fund within the General Fund	<u>(450,000)</u>
Total revenues and other financing sources as reported on the statement of revenues, expenditures, and changes in fund balance - governmental funds	<u>\$ 37,554,805</u>
<b>Expenditures</b>	
Actual Amounts (budgetary basis) from the schedule of revenues, expenditures and changes in fund balance - budget (budgetary basis) and actual	\$ 43,341,876
Transfers to the reserves fund within the General Fund	(450,000)
Differences - Encumbrances included on the budgetary basis, not included in GAAP based expenditures	<u>(3,628,021)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance - governmental funds	<u>\$ 39,263,855</u>

**CITY OF ROCK SPRINGS, WYOMING**

**SCHEDULE OF OPEB FUNDING PROGRESS  
For the Year Ended June 30, 2016**

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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, 2016	July 1, 2014	\$ -	\$1,765,352	\$1,765,352	0%	\$15,692,475	11.2%
June 30, 2015	July 1, 2014	\$ -	\$1,765,352	\$1,765,352	0%	\$14,966,204	11.8%
June 30, 2014	July 1, 2012	\$ -	\$1,597,566	\$1,597,566	0%	\$14,620,831	10.9%
June 30, 2013	July 1, 2012	\$ -	\$1,597,566	\$1,597,566	0%	\$14,268,655	11.2%
June 30, 2012	July 1, 2010	\$ -	\$3,713,385	\$3,713,385	0%	\$14,366,022	25.8%
June 30, 2011	July 1, 2010	\$ -	\$3,713,385	\$3,713,385	0%	\$14,509,520	25.6%
June 30, 2010	July 1, 2008	\$ -	\$2,372,750	\$2,372,750	0%	\$14,392,208	16.5%
June 30, 2009	July 1, 2008	\$ -	\$2,372,750	\$2,372,750	0%	\$13,792,412	17.2%

**CITY OF ROCK SPRINGS, WYOMING**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
For the Year Ended June 30, 2016**

	Public Employee Pension Plan	Public Employee Pension Plan	Public Employee Pension Plan	Paid Firemen's Plan A	Paid Firemen's Plan A	Paid Firemen's Plan A
	2016	2015	2014	2016	2015	2014
City's proportion of the net pension liability (asset)	0.501718286%	0.477587152%	0.481505769%	8.762495603%	8.768998174%	11.379147754%
City's proportionate share of the net pension liability (asset)	11,686,765	8,427,943	7,320,816	16,250,436	14,432,687	6,677,562
City's covered payroll	8,948,570	8,482,763	8,248,042	108,055	106,836	156,598
City's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	131%	99%	89%	15039%	13509%	4264%
Plan fiduciary net position as a percentage of the total pension liability	73.40%	79.08%	81.10%	40.05%	45.95%	71.55%
	Paid Firemen's Plan B	Paid Firemen's Plan B	Paid Firemen's Plan B	Law Enforcement Pension Plan	Law Enforcement Pension Plan	Law Enforcement Pension Plan
	2016	2015	2014	2016	2015	2014
City's proportion of the net pension liability (asset)	10.317995317%	10.230516150%	10.334137317%	2.268063847%	2.187755887%	2.180668097%
City's proportionate share of the net pension liability (asset)	3,154,686	(115,054)	(372,746)	1,703,168	644,594	398,175
City's covered payroll	2,817,952	2,679,411	2,640,437	3,565,201	3,355,648	3,304,528
City's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	112%	-4%	-14%	48%	19%	12%
Plan fiduciary net position as a percentage of the total pension liability	79.33%	100.98%	103.45%	87.49%	94.76%	96.53%
* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.						
** There were no changes in benefit terms between the December 31, 2014 measurement date and the December 31, 2015 measurement date.						
*** There were no changes in assumptions between the December 31, 2014 measurement date and the December 31, 2015 measurement date, with the exception of changes in assumptions for the Paid Fireman's Plans A & B						

**CITY OF ROCK SPRINGS, WYOMING**

**SCHEDULE OF PENSION CONTRIBUTIONS  
For the Year Ended June 30, 2016**

	Public Employee Pension Plan	Public Employee Pension Plan	Public Employee Pension Plan	Paid Firemen's Plan A	Paid Firemen's Plan A	Paid Firemen's Plan A
	2016	2015	2014	2016	2016	2016
Contractually required contribution	766,999	659,627	595,582	-	-	-
Contributions in relation to the contractually required contribution	766,999	659,627	595,582	-	-	-
Contribution deficiency (excess)	-	-	-	-	-	-
City's covered employee payroll	9,168,118	8,656,527	8,364,912	104,704	114,724	99,310
Contributions as a percentage of covered employee payroll	8.37%	7.62%	7.12%	0.00%	0.00%	0.00%
	Paid Firemen's Plan B	Paid Firemen's Plan B	Paid Firemen's Plan B	Law Enforcement Pension Plan	Law Enforcement Pension Plan	Law Enforcement Pension Plan
	2016	2015	2014	2016	2015	2014
Contractually required contribution	341,217	330,202	338,748	307,551	296,121	286,699
Contributions in relation to the contractually required contribution	341,217	330,202	338,748	307,551	296,121	286,699
Contribution deficiency (excess)	-	-	-	-	-	-
City's covered employee payroll	2,843,478	2,751,686	2,822,902	3,576,174	3,443,267	3,333,707
Contributions as a percentage of covered employee payroll	12.00%	12.00%	12.00%	8.60%	8.60%	8.60%
* There were no changes in benefit terms between the December 31, 2014 measurement date and the December 31, 2015 measurement date.						
** There were no changes in assumptions between the December 31, 2014 measurement date and the December 31, 2015 measurement date, with the exception of changes in assumptions for the Paid Fireman's Plans A & B						



# HOUSING AUTHORITY

**CITY OF ROCK SPRINGS, WYOMING**  
**COMBINING STATEMENT OF NET POSITION**  
**HOUSING AUTHORITY**  
**June 30, 2016**

<b>ASSETS</b>	<b>Public Housing</b>	<b>Section 8 Vouchers</b>	<b>Supportive Housing</b>	<b>Total</b>
<b>Current assets:</b>				
Cash and investments	\$ 424,439	\$ 73,826	\$ 4,636	\$ 502,901
Accounts receivable (net of allowance for uncollectibles)	4,871	1,016	-	5,887
Inventories	3,598	-	-	3,598
Prepaid expenses	12,525	-	-	12,525
Total current assets	445,433	74,842	4,636	524,911
<b>Noncurrent assets:</b>				
Capital assets, net of accumulated depreciation	1,822,133	-	-	1,822,133
Total assets	2,267,566	74,842	4,636	2,347,044
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable	33,284	133	-	33,417
Customer and security deposits	40,349	-	-	40,349
Compensated absences	28,839	-	-	28,839
Total current liabilities	102,472	133	-	102,605
<b>Noncurrent liabilities:</b>				
Compensated absences	8,380	-	-	8,380
Total liabilities	110,852	133	-	110,985
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Revenues	3,711	-	-	3,711
<b>NET POSITION</b>				
Net investment in capital assets	1,822,133	-	-	1,822,133
Restricted	330,870	74,709	4,636	410,215
Total net position	\$ 2,153,003	\$ 74,709	\$ 4,636	\$ 2,232,348

**CITY OF ROCK SPRINGS, WYOMING**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET POSITION**  
**HOUSING AUTHORITY**  
**For the Year Ended June 30, 2016**

	<b>Public Housing</b>	<b>Section 8 Vouchers</b>	<b>Supportive Housing</b>	<b>Capital Fund</b>	<b>Total</b>
Operating revenues:					
Tenant rental revenue	\$ 317,319	\$ -	\$ -	\$ -	\$ 317,319
Other tenant revenue	14,312	-	-	-	14,312
Total operating revenue	<u>331,631</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>331,631</u>
Operating expenses:					
Personnel	381,434	32,195	-	-	413,629
Utilities	91,189	-	-	-	91,189
Postal/freight	970	-	-	-	970
Communications	2,745	-	-	-	2,745
Office supplies and printing	3,663	-	-	-	3,663
Repairs and maintenance	98,005	-	-	-	98,005
Travel	3,353	-	-	-	3,353
Administrative costs	6,900	-	-	-	6,900
Other costs	13,925	-	-	-	13,925
Depreciation	151,944	-	-	-	151,944
Audit and legal	4,000	1,000	-	-	5,000
Consulting and collection	1,745	-	-	-	1,745
Insurance	22,855	-	-	-	22,855
Housing assistance payments	-	308,394	-	-	308,394
Total operating expenses	<u>782,728</u>	<u>341,589</u>	<u>-</u>	<u>-</u>	<u>1,124,317</u>
Operating (loss)	<u>(451,097)</u>	<u>(341,589)</u>	<u>-</u>	<u>-</u>	<u>(792,686)</u>
Nonoperating revenues (expenses):					
HUD PHA grants	259,946	378,705	-	108,797	747,448
Investment income	777	103	-	-	880
Other income (loss)	-	2,034	-	-	2,034
Gain (loss) on disposal of property	1,967	-	-	-	1,967
Total nonoperating revenue (expense)	<u>262,690</u>	<u>380,842</u>	<u>-</u>	<u>108,797</u>	<u>752,329</u>
Income (loss) before transfers	(188,407)	39,253	-	108,797	(40,357)
Transfers in	108,797	-	-	-	108,797
Transfers out	-	-	-	(108,797)	(108,797)
Change in net position	<u>(79,610)</u>	<u>39,253</u>	<u>-</u>	<u>-</u>	<u>(40,357)</u>
Net position, beginning	<u>2,232,613</u>	<u>35,456</u>	<u>4,636</u>	<u>-</u>	<u>2,272,705</u>
Net position, ending	<u>\$ 2,153,003</u>	<u>\$ 74,709</u>	<u>\$ 4,636</u>	<u>\$ -</u>	<u>\$ 2,232,348</u>

**CITY OF ROCK SPRINGS, WYOMING  
SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS  
For the Year Ended June 30, 2016**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. Department of Housing and Urban Development</b>			
Public Housing Capital Fund	14.872	WY06P003501-14	\$ 30,356
Public Housing Capital Fund	14.872	WY06P003501-15	78,441
Public and Indian Housing	14.850	WY003-00000115D	259,946
Section 8 Housing Choice Vouchers	14.871	N/A	378,706
Passed through the Wyoming Business Council: Rock Springs Visitor Complex	14.228	B-15-DC-56-000	300,000
<b>Total U.S. Department of Housing and Urban Development</b>			<u>1,047,449</u>
<b>U.S. Department of Transportation</b>			
Passed through the Wyoming Department of Transportation and the Wyoming Association of Sheriffs and Chiefs of Police: 2015 State and Community Highway Safety - DUI/OP HVE	20.616	N/A	2,602
Passed through the Wyoming Department of Transportation and the Wyoming Association of Sheriffs and Chiefs of Police: 2016 State and Community Highway Safety - DUI/OP HVE	20.616	N/A	8,897
Passed through the Wyoming Department of Transportation and the Wyoming Association of Sheriffs and Chiefs of Police: 2016 State and Community Highway Safety - Radars	20.600	N/A	4,018
<b>Total U.S. Department of Transportation</b>			<u>15,517</u>
<b>U.S. Department of Agriculture</b>			
Passed through the Wyoming State Forestry Division Cooperative Forestry Assistance	10.664	12-DG-11020000-031	10,000
<b>U.S. Department of Homeland Security</b>			
Passed through the Wyoming Office of Homeland Security: Homeland Security Grant Program	97.067	14-GPD-RR4-RR-HRT14	99,322
Passed through the Wyoming Office of Homeland Security: Homeland Security Grant Program	97.067	15-GPD-RR4-RR-HRT15	1,867
Passed through the Wyoming Office of Homeland Security: Homeland Security Grant Program	97.067	14-GPD-ROC-LP-HLE14	19,239
Passed through the Rock Springs-Sweetwater County Airport Board: Law Enforcement Officer Reimbursement Agreement Program	97.090	PREQ 04-LEF-256	18,330
<b>Total U.S. Department of Homeland Security</b>			<u>138,758</u>
<b>U.S. Department of Justice</b>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-1115	17,239
Passed through the Wyoming Department of Health and the Wyoming Association of Sheriffs and Chiefs of Police: Enforcing Underage Drinking Laws Program	16.727	N/A	11,533
<b>Total U.S. Department of Justice</b>			<u>28,772</u>
<b>Total Federal awards expended</b>			<u>\$ 1,240,496</u>

**CITY OF ROCK SPRINGS, WYOMING**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2016**

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***Note 1. Basis of Presentation***

The Schedule includes the federal award activity of the City under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

***Note 2. Summary of Significant Accounting Policies***

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, the same basis used by the City in its governmental fund financial reporting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein receivables are recorded when appropriate program expenditures are made and the City has a claim for reimbursement. The City has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

## COMPLIANCE AND INTERNAL CONTROL

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rock Springs, Wyoming (the "City") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 10, 2016.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

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

Cheyenne, Wyoming  
November 10, 2016



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

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

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

We have audited the City of Rock Springs, Wyoming's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major Federal programs for the year ended June 30, 2016. The City's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the City's compliance.

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

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2016.

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

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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



Cheyenne, Wyoming  
November 10, 2016

CITY OF ROCK SPRINGS, WYOMING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2016

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I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

A. Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes  X  No

B. Federal Awards

Internal control over major Federal programs:

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

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

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

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grants

- Dollar threshold used to distinguish between Type A and Type B programs:  \$ 750,000
- Auditee qualified as low-risk auditee?  X  Yes \_\_\_\_\_ No

**CITY OF ROCK SPRINGS, WYOMING**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2016**

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**II. FINANCIAL STATEMENT FINDINGS**

None.

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None.

**CITY OF ROCK SPRINGS, WYOMING**

**SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS  
For the Year Ended June 30, 2016**

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There were no Federal audit findings in the prior year.