

**CITY OF ROCK SPRINGS, WYOMING**

**FINANCIAL AND COMPLIANCE REPORT**

**JUNE 30, 2017**

# CONTENTS

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INDEPENDENT AUDITOR'S REPORT	1 and 2
MANAGEMENT'S DISCUSSION AND ANALYSIS (Required Supplementary Information)	3 - 11
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of net position	12
Statement of activities	13
Governmental Fund Financial Statements:	
Balance sheet	14
Reconciliation of the governmental fund balance sheet to the statement of net position	15
Statement of revenues, expenditures and changes in fund balance	16
Reconciliation of the statement of revenues, expenditures and changes in fund balance of governmental fund to the statement of activities	17
Proprietary Fund Financial Statements:	
Statement of net position	18
Statement of revenues, expenses and changes in fund net position	19
Statement of cash flows	20 and 21
Notes to Financial Statements	22 - 49
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund	50 - 52
Notes to Required Supplementary Information	53 and 54
Schedule of OPEB Funding Progress	55
Schedule of the Proportionate Share of the Net Pension Liability	56 and 57
Schedule of Pension Contributions	58 and 59
SUPPLEMENTARY INFORMATION	
Combining Statements:	
Blended Component Unit:	
Housing Authority:	
Combining statement of net position	60
Combining statement of revenues, expenses and changes in fund net position	61
Schedule of Expenditures of Federal Awards	62
Notes to Schedule of Expenditures of Federal Awards	63
<hr/>	
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 <i>GOVERNMENT AUDITING STANDARDS</i>	64 and 65
<hr/>	
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	66 and 67
<hr/>	
Schedule of Findings and Questioned Costs	68 and 69
Summary Schedule of Prior Federal Audit Findings	70

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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, 2017, 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, 2017, 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 through 11, Budgetary Comparison Schedule – General Fund on pages 50 through 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 pages 56 and 57, and Schedule of Pension Contributions on pages 58 and 59, 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 15, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Cheyenne, Wyoming  
November 15, 2017

# 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, 2017. 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, 2017 by \$177,239,085, (reported as net position). Of this amount, \$21,183,483 (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 \$142,742,810.

The city's total net position decreased by \$6,283,839. Net position for governmental activities decreased by \$7,318,449 or 6.4% and net position for business-type activities increased by \$1,034,610 or 1.5%.

At the close of the year, the city's general fund reported an ending fund balance of \$30,161,647, a decrease of \$3,487,729 or 10.3% from the prior year. Of this amount, \$9,594,467 is available for spending at the city's discretion (unassigned fund balance).

Total long-term obligations had a net decrease of \$2,420,253 (5.1%) from the prior year. This is primarily due to a decrease of the city's net pension obligation and 2013 specific purpose tax financing 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 60 of this report.

## Government-wide financial analysis

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

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Current and other assets</b>	37.78	41.85	36.62	36.42	74.40	78.27
<b>Capital assets</b>	102.59	104.55	48.13	46.33	150.72	150.88
<b>Total assets</b>	140.37	146.40	84.75	82.75	225.12	229.15
<b>Deferred outflows of resources</b>	7.15	8.81	-	-	7.15	8.81
<b>Current liabilities</b>	3.93	4.59	5.14	3.22	9.07	7.81
<b>Non-current liabilities</b>	34.44	34.64	8.99	9.95	43.43	44.59
<b>Total liabilities</b>	38.37	39.23	14.13	13.17	52.50	52.40
<b>Deferred inflows of resources</b>	2.52	2.02	-	-	2.52	2.02
<b>Net investment in capital assets</b>	102.59	104.55	40.15	37.64	142.74	142.19
<b>Restricted</b>	0.40	0.40	12.92	1.26	13.32	1.66
<b>Unrestricted</b>	3.64	9.00	17.54	30.67	21.18	39.67
<b>Total net position</b>	106.63	113.95	70.61	69.57	177.24	183.52

As depicted, at June 30, 2017, the city's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by approximately \$177.24 million (net position). 80.5% 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.

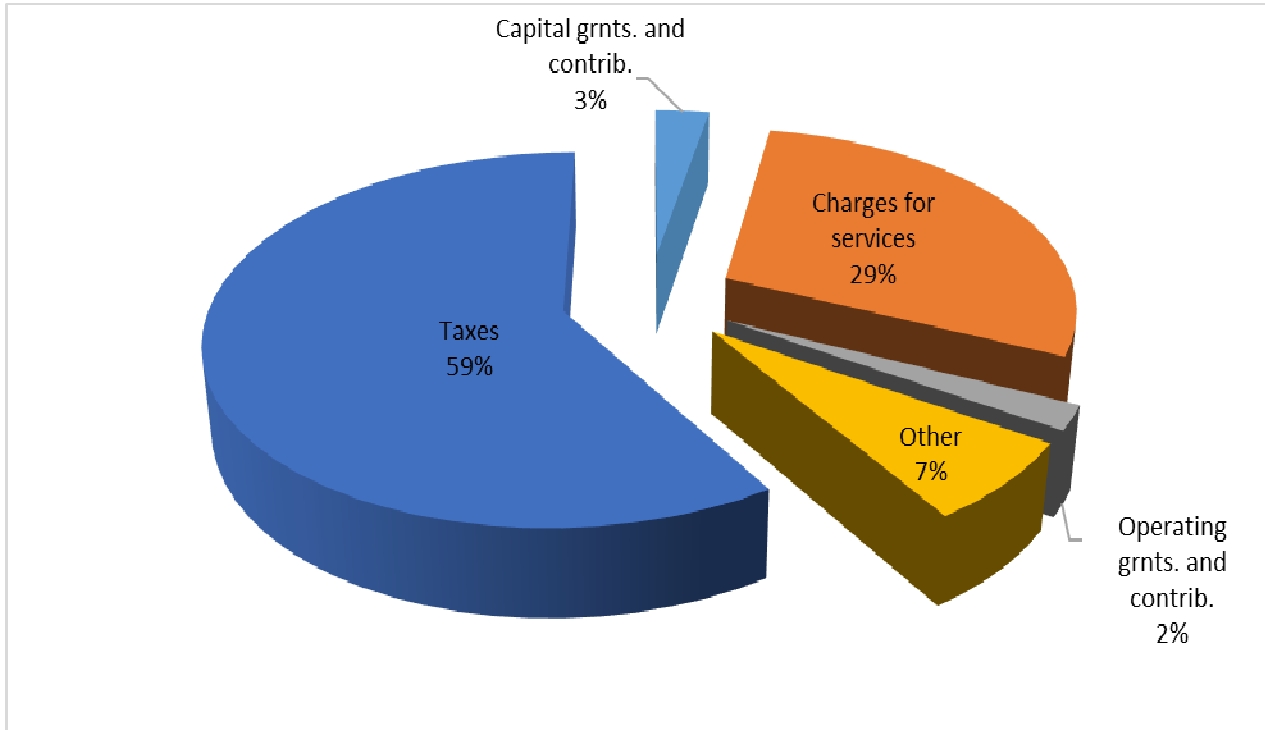
**Changes in net position:** As taken from the government-wide statement of activities, the following table depicts the changes in net position for 2017

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

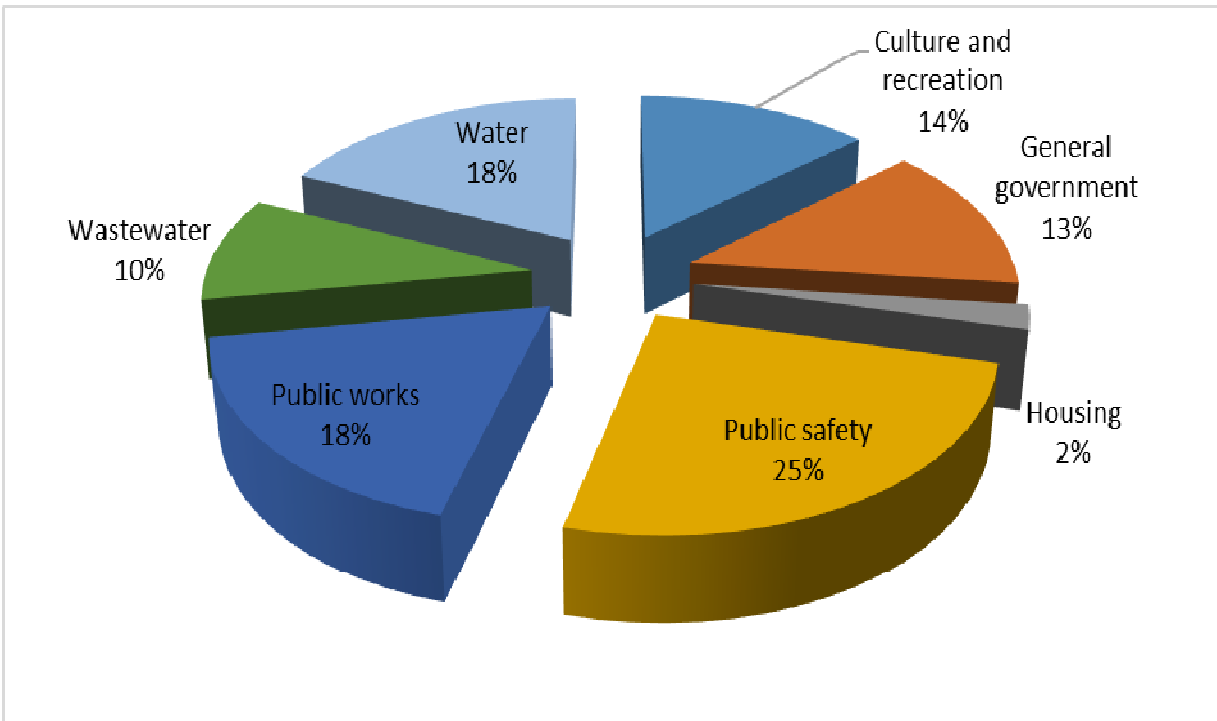
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	2017	2016	2017	2016	2017	2016
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	2.91	3.03	10.96	10.98	13.87	14.01
Operating grants and contribution	0.42	0.38	0.60	0.64	1.02	1.02
Capital grants and contribution	1.18	2.37	0.21	1.25	1.39	3.62
<b>General revenues:</b>						
Sales and use tax	16.75	21.97	5.18	1.68	21.93	23.65
Mineral severance and royalties tax	1.84	1.84	-	-	1.84	1.84
Property tax	2.40	2.40	-	-	2.40	2.40
Franchise tax	0.74	0.74	-	-	0.74	0.74
Gas and special fuels tax	1.02	0.91	-	-	1.02	0.91
Other taxes	0.22	0.23	-	-	0.22	0.23
Supp. local govt funding/impact asst.	1.28	1.96	-	-	1.28	1.96
Investment earnings	0.11	0.16	0.11	0.15	0.22	0.31
Miscellaneous	1.68	1.55	0.12	0.12	1.80	1.67
Transfers	-	0.04	-	(0.04)	-	-
<b>Total revenues</b>	<b>30.55</b>	<b>37.58</b>	<b>17.18</b>	<b>14.78</b>	<b>47.73</b>	<b>52.36</b>
<b>Expenses:</b>						
General government	7.20	8.33	-	-	7.20	8.33
Public safety	13.50	15.28	-	-	13.50	15.28
Public works	9.87	8.07	-	-	9.87	8.07
Culture and recreation	7.30	8.22	-	-	7.30	8.22
Water	-	-	9.80	8.88	9.80	8.88
Wastewater	-	-	5.15	5.33	5.15	5.33
Housing	-	-	1.19	1.12	1.19	1.12
<b>Total expenses</b>	<b>37.87</b>	<b>39.90</b>	<b>16.14</b>	<b>15.33</b>	<b>54.01</b>	<b>55.23</b>
<b>Change in net position</b>	<b>(7.32)</b>	<b>(2.32)</b>	<b>1.04</b>	<b>(0.55)</b>	<b>(6.28)</b>	<b>(2.87)</b>
Net position, beginning of year	113.95	116.27	69.57	70.12	183.52	186.39
Net position, end of year	106.63	113.95	70.61	69.57	177.24	183.52



**Total Government-Wide Revenues  
Fiscal Year Ended June 30, 2017**



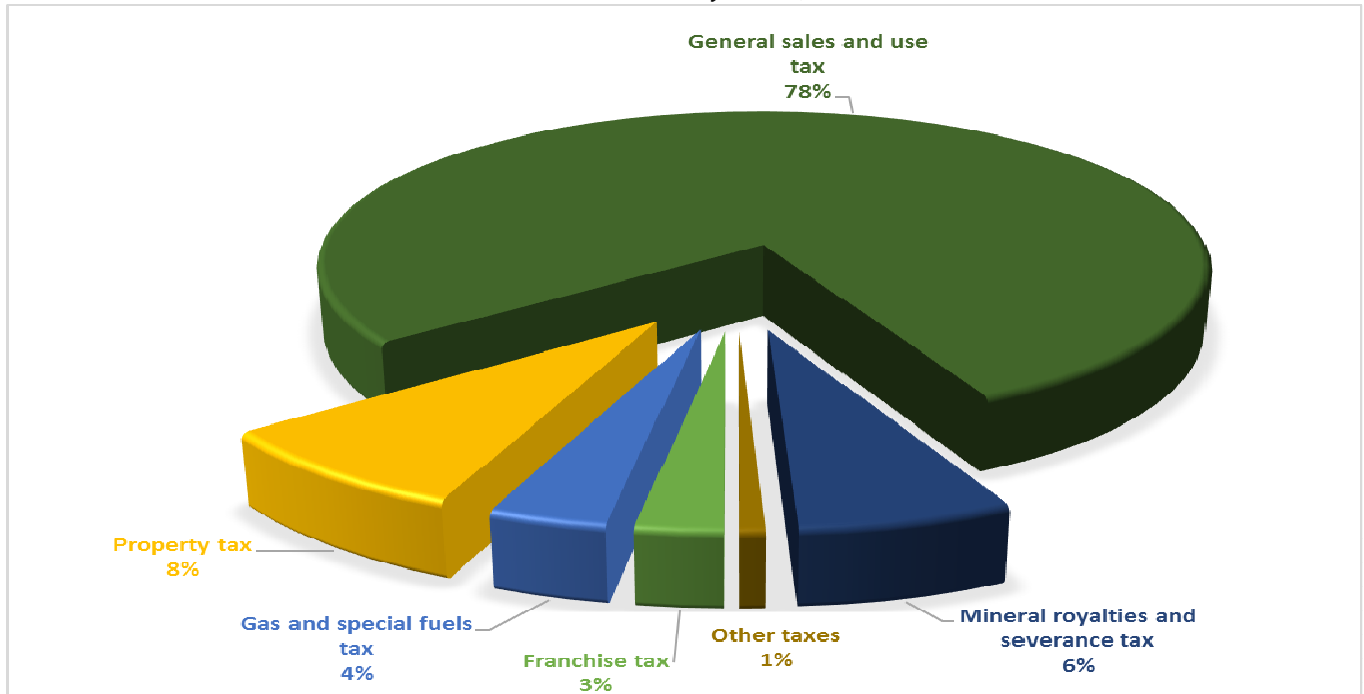
**Total Government-Wide Expenses  
Fiscal Year Ended June 30, 2017**



**Expenses and Program Revenue  
Fiscal Year Ended June 30, 2017**



**Tax Revenue  
Fiscal Year Ended June 30, 2017**



Governmental activities decreased the city's net position by \$7.32 million. This change in net position is an decrease from last year's change in net position of approximately \$5.0 million. Key elements of the change in net position include:

- Sales and use tax revenue comprises approximately 55% of total governmental activities revenues. These taxes decreased by approximately \$5.22 million or 24% from the previous year.
- Public safety is the largest category of governmental expenses, representing 36% of the total. General government represents approximately 19% of governmental expenses. Total public safety expenses for the year were \$1.78 million lower this year compared to the prior year.

The business-type activities include the water, wastewater, and the housing authority funds. These activities increased net position by \$1.04 million. This change in net position is an increase from last year's change in net position by approximately 289%. Key elements of the change in net position include:

- General sales and use tax increased by 208% from the prior year. Capital grants and contributions decreased by \$1.04 million. Water fund charges decreased by 0.6%. Wastewater fund charges for services decreased by approximately 0.3% from the prior year. Overall housing authority program revenue decreased approximately 5.1% from the prior year.
- Total business-type activity operating expenses increased by 5% 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 \$30,161,647 in comparison with \$33,649,376 in ending fund balance in the prior year. \$9,594,467 of this amount is reported as unassigned fund balance, which is available for spending at the government's discretion. Unassigned fund balance represents 29% of total general fund expenditures, while total fund balance equals 89.7% 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 (\$624,284), 2) restrictions for 2007 1% specific purpose sales and use tax projects (\$399,487), 3) being used in emergency or unusual situations that may arise causing need to exceed total appropriations (\$9,495,835), 4) purchasing capital assets in future periods (\$6,661,371), 5) paying compensated absences and post-employment benefits other than pensions due to employees (\$1,500,250), 6) encumbered by the City Council or other authorized city official (\$885,974), or 6) cash carried over from prior periods (\$999,978).

Unrestricted net position of the water fund and wastewater funds were \$9,210,505 and \$8,333,361, respectively. The decrease in total net position for the water fund was \$539,069, and the increase in the wastewater fund was \$1,734,474. The water fund has restricted net position of \$855,072 relating to assets held by the Joint Powers Water Board for water system repair expenses and 2,790,000 for future system improvements and repairs. The wastewater fund had restricted net position of 8,930,971 for future system improvements and repairs. Also, the water fund, by agreement, is required to give the Joint Powers Water Board any water related infrastructure assets constructed by the city. An expense of \$3,798,371 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 \$337,262, which was a decrease of \$72,953 from the prior year.

The city's internal service fund had a net position balance of \$3,338,966 at year-end which is an increase of \$154,965 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 2017, actual tax revenues exceeded budgeted tax revenues by \$1,587,965. Actual federal, state, and county grant revenue recognized was \$442,341 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 2017, expenditures were under budget by approximately \$4.89 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 \$150.72 million. The following schedules show the city's capital assets for the year ended June 30, 2017.

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land/easements/art	7.48	7.63	0.56	0.56	8.04	8.19
Construction in progress	0.99	5.63	3.55	0.12	4.54	5.75
Buildings/improvements	21.69	22.60	23.91	24.98	45.60	47.58
Systems improvements	-	-	1.45	1.63	1.45	1.63
Land improvements	8.50	8.89	0.52	0.55	9.02	9.44
Equipment	3.68	3.07	0.77	0.88	4.45	3.95
Infrastructure	60.11	56.58	17.37	17.61	77.48	74.19
Depreciable easements	0.14	0.15	-	-	0.14	0.15
Total	102.59	104.55	48.13	46.33	150.72	150.88

Major capital asset events during the year included:

- The 2014 storm sewer improvements were completed with a capitalized cost of \$5,183,402.
- Gunsight Estates Phase 2 was accepted at an approximate cost of \$744,608.
- Building improvements were added in Public Housing at a cost of \$57,264.

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 \$44,588,978. This primarily consists of loans payable to the State of Wyoming (\$9,843,568) for water and wastewater projects, and the net pension obligation of \$32,375,278. Overall long-term obligations for the city decreased by \$2,420,253 or 5%, over the previous year.

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

**Requests for Information**

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

# **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**CITY OF ROCK SPRINGS, WYOMING**  
**STATEMENT OF NET POSITION**  
**June 30, 2017**

<b>ASSETS</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
Current assets:			
Cash and investments	\$ 31,452,910	\$ 29,812,504	\$ 61,265,414
Restricted cash	-	855,072	855,072
Receivables (net of allowance for uncollectibles):			
Accounts receivable	6,768	1,078,918	1,085,686
Taxes receivable	1,963,254	4,499,456	6,462,710
Accrued interest receivable	49,918	14,260	64,178
Grants receivable	107,755	-	107,755
Internal balances	8,058	(8,058)	-
Due from other governmental entities	3,568,998	-	3,568,998
Inventories	381,259	350,508	731,767
Prepaid expenses	243,025	14,849	257,874
Total current assets	<u>37,781,945</u>	<u>36,617,509</u>	<u>74,399,454</u>
Noncurrent assets:			
Capital assets being depreciated, net	94,117,709	44,021,838	138,139,547
Capital assets not being depreciated	8,474,713	4,103,231	12,577,944
Total noncurrent assets	<u>102,592,422</u>	<u>48,125,069</u>	<u>150,717,491</u>
Total assets	<u>140,374,367</u>	<u>84,742,578</u>	<u>225,116,945</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension contributions	7,150,276	-	7,150,276
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	1,981,588	3,304,357	5,285,945
Customer and security deposits	338,357	151,409	489,766
Compensated absences	1,500,940	163,807	1,664,747
Due to other governmental entities	-	934,910	934,910
Retainage payable	110,991	583,040	694,031
Total current liabilities	<u>3,931,876</u>	<u>5,137,523</u>	<u>9,069,399</u>
Noncurrent liabilities			
Compensated absences	800,158	84,764	884,922
Net OPEB obligation	1,266,894	-	1,266,894
Net pension obligation	32,375,278	-	32,375,278
Due to other governmental entities	-	8,908,658	8,908,658
Total noncurrent liabilities	<u>34,442,330</u>	<u>8,993,422</u>	<u>43,435,752</u>
Total liabilities	<u>38,374,206</u>	<u>14,130,945</u>	<u>52,505,151</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned/Unavailable revenue	1,770,105	4,074	1,774,179
Pension contributions	748,806	-	748,806
Total deferred inflows of resources	<u>2,518,911</u>	<u>4,074</u>	<u>2,522,985</u>
<b>NET POSITION</b>			
Net investment in capital assets	102,592,422	40,150,388	142,742,810
Restricted for:			
Joint Powers Water Board	-	855,072	855,072
Housing Authority	-	337,262	337,262
2007 1% specific purpose sales and use tax projects	399,487	-	399,487
Depreciation Fund	-	11,720,971	11,720,971
Unrestricted	3,639,617	17,543,866	21,183,483
Total net position	<u>\$ 106,631,526</u>	<u>\$ 70,607,559</u>	<u>\$ 177,239,085</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, 2017

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	\$ 7,202,263	\$ 382,278	\$ 103,878	\$ 4,548	\$ (6,711,559)	\$ -	\$ (6,711,559)
Public safety	13,497,327	453,309	213,738	-	(12,830,280)	-	(12,830,280)
Public works	9,865,379	355,518	100,026	1,173,112	(8,236,723)	-	(8,236,723)
Culture and recreation	7,302,951	1,715,379	-	-	(5,587,572)	-	(5,587,572)
Total governmental activities	<u>37,867,920</u>	<u>2,906,484</u>	<u>417,642</u>	<u>1,177,660</u>	<u>(33,366,134)</u>	<u>-</u>	<u>(33,366,134)</u>
Business-type activities:							
Water	9,801,039	6,078,058	-	-	-	(3,722,981)	(3,722,981)
Wastewater	5,148,603	4,512,637	-	143,276	-	(492,690)	(492,690)
Housing	1,188,251	363,165	592,020	70,911	-	(162,155)	(162,155)
Total business-type activities	<u>16,137,893</u>	<u>10,953,860</u>	<u>592,020</u>	<u>214,187</u>	<u>-</u>	<u>(4,377,826)</u>	<u>(4,377,826)</u>
Total primary government	<u>\$ 54,005,813</u>	<u>\$ 13,860,344</u>	<u>\$ 1,009,662</u>	<u>\$ 1,391,847</u>	<u>(33,366,134)</u>	<u>(4,377,826)</u>	<u>(37,743,960)</u>
General revenues							
Taxes:							
General sales and use tax					16,754,764	5,178,669	21,933,433
Mineral severance and royalties tax					1,839,987	-	1,839,987
Property tax					2,395,375	-	2,395,375
Franchise tax					735,641	-	735,641
Gas and special fuels tax					1,022,219	-	1,022,219
Other taxes					221,118	-	221,118
Supplemental local government/impact assistance funding					1,284,143	-	1,284,143
Unrestricted investment earnings					114,125	112,805	226,930
Miscellaneous					1,680,313	120,962	1,801,275
Total general revenues and transfers					<u>26,047,685</u>	<u>5,412,436</u>	<u>31,460,121</u>
Change in net position					<u>(7,318,449)</u>	<u>1,034,610</u>	<u>(6,283,839)</u>
Net position - beginning					113,949,975	69,572,949	183,522,924
Net position - ending					<u>\$ 106,631,526</u>	<u>\$ 70,607,559</u>	<u>\$ 177,239,085</u>

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



# **GOVERNMENT FUND FINANCIAL STATEMENTS**

**CITY OF ROCK SPRINGS, WYOMING  
BALANCE SHEET  
GOVERNMENTAL FUND  
June 30, 2017**

	<b>General Fund</b>
<b>ASSETS</b>	
Cash and investments	\$ 27,766,669
Receivables (net of allowance for uncollectibles):	
Accounts receivable	6,768
Taxes receivable	1,963,254
Accrued interest receivable	46,790
Grants receivable	107,755
Due from other funds	8,058
Due from other governmental entities	3,568,998
Inventories	381,259
Prepaid expenses	243,025
Total assets	<u>\$ 34,092,576</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	
Liabilities:	
Accounts payable	\$ 1,631,185
Customer and security deposits	338,357
Retainage payable	110,991
Total liabilities	<u>2,080,533</u>
Deferred inflows of resources:	
Unavailable revenue	<u>1,850,396</u>
Fund balance:	
Nonspendable	624,284
Restricted for 2007 1% specific purpose sales and use tax projects	399,487
Committed	18,344,969
Assigned	1,198,440
Unassigned	9,594,467
Total fund balance	<u>30,161,647</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 34,092,576</u>

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

**CITY OF ROCK SPRINGS, WYOMING  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
June 30, 2017**

**Total Fund Balances - Governmental Fund** \$ 30,161,647

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 102,592,422

Certain assets are not available to pay current expenditures, so they are deferred in the fund 80,291

Long-term liabilities and related items (compensated absences, net OPEB obligation, and net pension obligation) and payable in the current period and, therefore, not reported in the funds (35,943,270)

Pension related inflows and outflows do not provide current financial resources and, therefore, are not reported in the fund 6,401,470

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 3,338,966

**Net position of governmental activities** \$ 106,631,526

*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, 2017**

	<b>General Fund</b>
<b>Revenues</b>	
Taxes and special assessments	\$ 21,981,434
Licenses and permits	484,805
Inter-governmental revenue	3,253,235
Charges for services	2,079,795
Fines and forfeitures	413,916
Miscellaneous	1,680,313
Investment income	106,090
<b>Total revenues</b>	<u>29,999,588</u>
<b>Expenditures</b>	
Current:	
General government	5,040,879
Public safety	12,593,544
Public works	7,325,005
Culture and recreation	6,527,725
Capital outlay	2,142,279
<b>Total expenditures</b>	<u>33,629,432</u>
<b>Excess (deficiency) of revenues over expenditures</b>	(3,629,844)
<b>Other financing sources (uses)</b>	
Net reimbursement from the 2013 Specific Tax Joint Powers Board	<u>142,115</u>
<b>Net change in fund balance</b>	(3,487,729)
Fund balances, beginning	<u>33,649,376</u>
Fund balances, ending	<u><u>\$ 30,161,647</u></u>

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

**CITY OF ROCK SPRINGS, WYOMING  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2017**

**Net Change in Fund Balances - Governmental Fund** \$ (3,487,729)

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 (1,956,013)

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 (2,952)

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 103,017

The change in the pension related inflows and outflows are not reported in the governmental fund. This is the net effect of the change in these balances in the statement of net position (2,129,737)

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 154,965

**Change in net position of governmental activities** \$ (7,318,449)

*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, 2017**

	Business-Type Activities				Governmental
	Enterprise Funds			Total	Activities
	Water Fund	Wastewater Fund	Nonmajor - Housing Authority		Internal Service Fund
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 12,049,886	\$ 17,330,321	\$ 432,297	29,812,504	\$ 3,686,241
Restricted cash	855,072	-	-	855,072	-
Receivables (net of allowance for uncollectibles):					
Accounts receivable	1,019,432	52,753	6,733	1,078,918	-
Taxes receivable	2,972,398	1,527,058	-	4,499,456	-
Accrued interest receivable	4,415	9,845	-	14,260	-
Due from other funds	-	-	2,838	2,838	3,128
Inventories	233,092	114,188	3,228	350,508	-
Prepaid expenses	-	-	14,849	14,849	-
Total current assets	17,134,295	19,034,165	459,945	36,628,405	3,689,369
Noncurrent assets:					
Capital assets, net of accumulated depreciation	1,860,403	44,530,375	1,734,291	48,125,069	-
Total assets	18,994,698	63,564,540	2,194,236	84,753,474	3,689,369
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	1,907,656	1,368,167	28,534	3,304,357	350,403
Customer and security deposits	72,571	38,883	39,955	151,409	-
Compensated absences	68,893	66,805	28,109	163,807	-
Due to other governmental entities	331,392	603,518	-	934,910	-
Due to other funds	-	-	10,896	10,896	-
Retainage payable	312,163	270,877	-	583,040	-
Total current liabilities	2,692,675	2,348,250	107,494	5,148,419	350,403
Noncurrent liabilities:					
Compensated absences	48,547	25,102	11,115	84,764	-
Due to other governmental entities	2,909,123	5,999,535	-	8,908,658	-
Total noncurrent liabilities	2,957,670	6,024,637	11,115	8,993,422	-
Total liabilities	5,650,345	8,372,887	118,609	14,141,841	350,403
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unearned revenue	-	-	4,074	4,074	-
<b>NET POSITION</b>					
Net investment in capital assets	488,776	37,927,321	1,734,291	40,150,388	-
Restricted for Joint Powers Water Board	855,072	-	-	855,072	-
Restricted for Housing Authority	-	-	337,262	337,262	-
Depreciation Fund	2,790,000	8,930,971	-	11,720,971	-
Unrestricted	9,210,505	8,333,361	-	17,543,866	3,338,966
Total net position	\$ 13,344,353	\$ 55,191,653	\$ 2,071,553	\$ 70,607,559	\$ 3,338,966

*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, 2017**

	Business-Type Activities Enterprise Funds			Total	Governmental
	Water Fund	Wastewater Fund	Nonmajor - Housing Authority		Internal Service Fund
Operating revenues:					
Water charges	\$ 6,078,058	\$ -	\$ -	\$ 6,078,058	\$ -
Wastewater charges	-	4,512,637	-	4,512,637	-
Tenant rental revenue	-	-	341,806	341,806	-
Other tenant revenue	-	-	21,734	21,734	-
Insurance premiums and refunds	-	-	-	-	3,676,039
Total operating revenue	6,078,058	4,512,637	363,540	10,954,235	3,676,039
Operating expenses:					
Personnel	998,777	1,504,730	497,301	3,000,808	-
Water purchases	3,073,920	-	-	3,073,920	-
Utilities	195,725	650,275	90,765	936,765	-
Postal/freight	25,097	25,101	1,477	51,675	-
Communications	8,917	6,117	2,571	17,605	-
Office supplies and printing	3,897	4,381	3,030	11,308	-
Repairs and maintenance	39,275	265,651	72,238	377,164	-
Departmental supplies	1,141,481	333,481	-	1,474,962	-
Travel	13,914	31,147	748	45,809	-
Administrative costs	63,913	91,228	6,725	161,866	-
Other costs	5,832	4,046	9,023	18,901	-
Depreciation	252,507	2,056,585	153,357	2,462,449	-
Audit and legal	-	-	5,000	5,000	-
Laundry and towel service	1,931	7,512	-	9,443	-
Consulting and collection	42,539	23,733	9,911	76,183	-
Rental	48,000	-	-	48,000	-
Insurance	-	40,790	26,281	67,071	3,529,109
Housing assistance payments	-	-	309,824	309,824	-
Total operating expenses	5,915,725	5,044,777	1,188,251	12,148,753	3,529,109
Operating income (loss)	162,333	(532,140)	(824,711)	(1,194,518)	146,930
Nonoperating revenue (expense):					
Taxes	3,094,722	2,083,947	-	5,178,669	-
HUD PHA grants	-	-	659,022	659,022	-
Other grants	-	-	-	-	-
Investment income	43,415	68,405	985	112,805	8,035
Other income	45,775	74,812	3,909	124,496	-
Gain (loss) on disposal of property	-	-	-	-	-
Interest expense	(86,943)	(103,826)	-	(190,769)	-
Capital asset contribution to JPWB	(3,798,371)	-	-	(3,798,371)	-
Total nonoperating revenue (expense)	(701,402)	2,123,338	663,916	2,085,852	8,035
Income (loss) before transfers	(539,069)	1,591,198	(160,795)	891,334	154,965
Capital contributions	-	143,276	-	143,276	-
Transfers in	-	-	70,911	70,911	-
Transfers out	-	-	(70,911)	(70,911)	-
Change in net position	(539,069)	1,734,474	(160,795)	1,034,610	154,965
Net position, beginning	13,883,422	53,457,179	2,232,348	69,572,949	3,184,001
Net position, ending	\$ 13,344,353	\$ 55,191,653	\$ 2,071,553	\$ 70,607,559	\$ 3,338,966

*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, 2017**

	Business-Type Activities Enterprise Funds			Governmental Activities	
	Water Fund	Wastewater Fund	Nonmajor - Housing Authority	Total	Internal Service Fund
<b>Cash Flows from Operating Activities</b>					
Receipts from external customers and users	\$ 5,611,356	\$ 4,274,800	\$ 362,694	\$ 10,248,850	\$ -
Receipts from internal customers and users	383,610	231,514	-	615,124	3,676,039
Payments to suppliers	(4,584,497)	(1,375,334)	(544,974)	(6,504,805)	(3,524,030)
Payments to employees	(1,001,243)	(1,520,745)	(487,088)	(3,009,076)	-
Net cash from operating activities	409,226	1,610,235	(669,368)	1,350,093	152,009
<b>Cash Flows from Noncapital Financing Activities</b>					
Taxes and special assessments	195,479	575,419	-	770,898	-
Receipts from grants	-	-	659,385	659,385	-
Other	45,775	74,812	3,909	124,496	-
Net cash from noncapital financing activities	241,254	650,231	663,294	1,554,779	-
<b>Cash Flows from Capital and Related Financing Activities</b>					
Payment for JPWB assets	(3,241,981)	-	-	(3,241,981)	-
Purchase of capital assets	(146,156)	(2,685,389)	(65,515)	(2,897,060)	-
Principal payment on loans	(322,223)	(590,978)	-	(913,201)	-
Interest paid on loans	(91,284)	(105,688)	-	(196,972)	-
Net cash from capital and related financing activities	(3,801,644)	(3,382,055)	(65,515)	(7,249,214)	-
<b>Cash Flows from Investing Activities</b>					
Investment Income	44,315	69,510	985	114,810	8,048
Net increase (decrease) in cash and cash equivalents	(3,106,849)	(1,052,079)	(70,604)	(4,229,532)	160,057
Cash and Investments, July 1	16,011,807	18,382,400	502,901	34,897,108	3,526,184
Cash and Investments, June 30	\$ 12,904,958	\$ 17,330,321	\$ 432,297	\$ 30,667,576	\$ 3,686,241

Continued

**CITY OF ROCK SPRINGS, WYOMING**  
**STATEMENT OF CASH FLOWS (Continued)**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2017**

	<b>Business-Type Activities Enterprise Funds</b>				<b>Governmental Activities</b>
	<b>Water Fund</b>	<b>Wastewater Fund</b>	<b>Nonmajor - Housing Authority</b>	<b>Total</b>	<b>Internal Service Fund</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>					
Operating income (loss)	\$ 162,333	\$ (532,140)	\$ (824,711)	\$ (1,194,518)	\$ 146,930
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	252,507	2,056,585	153,357	2,462,449	-
Change in assets and liabilities:					
Accounts receivable	(83,092)	(6,323)	(846)	(90,261)	-
Due from other funds	-	-	(2,838)	(2,838)	-
Prepaid expenses	-	-	(2,324)	(2,324)	-
Inventory	53,328	8,645	370	62,343	-
Accounts payable	47,843	108,158	(4,883)	151,118	5,079
Due to other funds	-	-	10,896	10,896	-
Customer deposits	(17,382)	(12,312)	(394)	(30,088)	-
Compensated absences accrued expenses	(2,468)	(12,378)	2,005	(12,841)	-
Retainage Payable	(3,843)	-	-	(3,843)	-
<b>Net cash from operating activities</b>	<b>\$ 409,226</b>	<b>\$ 1,610,235</b>	<b>\$ (669,368)</b>	<b>\$ 1,350,093</b>	<b>\$ 152,009</b>
<b>Schedule of Noncash Transactions</b>					
Capitalized interest	\$ -	\$ 73,752	\$ -	\$ 73,752	\$ -

*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 unit. The effect of interfund activity has been removed from these statements.

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

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

# 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 \$1,770,105, assessed in fiscal year 2017, 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 2018.

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

# 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, 2017, 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	\$ 29,306,079
Certificates of deposit held at banks	23,673,578
Investments:	
Ally Bank Midvale	\$ 245,475
American Express Centron CD	242,536
BMW Bank North America UT CD	248,210
Capital One Bank USA	248,240
Federal Farm Credit Bank	500,058
Federal Home Ln Mtg Corp Call	1,662,773
Federal Home Loan Bank	1,495,357
Federal Home Loan Mtg	500,830
Federal National Mtg Assn	496,516
FFCB	499,822
FHLMC	502,223
FHLMC Step Cpn-Qrtly Call	606,224
FNMA	499,036
FNMA Callable	498,020
FNMA Stripped	158,666
GE Cap Retail Bank - Draper UT	243,175
Goldman Sachs Bank USA	247,382
Sallie Mae Bank Murray	246,286
	<u>\$ 62,120,486</u>

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

## CITY OF ROCK SPRINGS, WYOMING

### NOTES TO FINANCIAL STATEMENTS

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deposits to be collateralized at 120% of the amount invested including accrued interest, based on the market value of the collateral.

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

Category	Credit Rating	Market Value
Ally Bank Midvale	Not rated	\$ 245,475
American Express Centron CD	Not rated	242,536
BMW Bank North America UT CD	Not rated	248,210
Capital One Bank USA	Not rated	248,240
Federal Farm Credit Bank	AAA	500,058
Federal Home Ln Mtg Corp Call	AAA	1,662,773
Federal Home Loan Bank	AAA	1,495,357
Federal Home Loan Mtg	AAA	500,830
Federal National Mtg Assn	AAA	496,516
FFCB	AAA	499,822
FHLMC	AAA	502,223
FHLMC Step Cpn-Qrtly Call	AAA	606,224
FNMA	AAA	499,036
FNMA Callable	AAA	498,020
FNMA Stripped	AAA	158,666
GE Cap Retail Bank - Draper UT	Not rated	243,175
Goldman Sachs Bank USA	Not rated	247,382
Sallie Mae Bank Murray	Not rated	246,286

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, 2017, the primary government had bank balances on deposit and certificates of deposit, including accrued interest of \$54,899,951.

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, 2017, all investment securities were held by the City's custodian and registered in the City's name.

# CITY OF ROCK SPRINGS, WYOMING

## NOTES TO FINANCIAL STATEMENTS

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

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

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

	Primary Government				
	Market	Less Than 1 Year	1-2 Years	2-5 Years	Greater than 5 Years
Ally Bank Midvale	\$ 245,475	\$ -	\$ 245,475	\$ -	\$ -
American Express Centron CD	242,536	-	242,536	-	-
BMW Bank North America UT CD	248,210	-	248,210	-	-
Capital One Bank USA	248,240	-	-	248,240	-
Federal Farm Credit Bank	500,058	-	-	500,058	-
Federal Home Ln Mtg Corp Call	1,662,773	-	-	1,662,773	-
Federal Home Loan Bank	1,495,357	-	500,341	995,016	-
Federal Home Loan Mtg	500,830	-	-	-	500,830
Federal National Mtg Assn	496,516	496,516	-	-	-
FFCB	499,822	499,822	-	-	-
FHLMC	502,223	-	-	502,223	-
FHLMC Step Cpn-Qrtly Call	606,224	-	-	606,224	-
FNMA	499,036	499,036	-	-	-
FNMA Callable	498,020	-	-	498,020	-
FNMA Stripped	158,666	158,666	-	-	-
GE Cap Retail Bank - Draper UT	243,175	243,175	-	-	-
Goldman Sachs Bank USA	247,382	-	-	247,382	-
Sallie Mae Bank Murray	246,286	-	-	246,286	-
	<u>\$ 9,140,829</u>	<u>\$ 1,897,215</u>	<u>\$ 1,236,562</u>	<u>\$ 5,506,222</u>	<u>\$ 500,830</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 \$2,268,997 or 25% 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

# CITY OF ROCK SPRINGS, WYOMING

## NOTES TO FINANCIAL STATEMENTS

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by the Joint Powers Water Board, was \$855,072 at June 30, 2017. 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.

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, 2017 of negotiable certificates of deposit and United States Government agencies bonds in the amount of \$9,140,829. 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	Business-Type Activities		
	Activities	Water	Wastewater	Housing
	General	Fund	Fund	Authority
	Fund			
Accounts receivable	\$ 7,068	\$ 1,030,432	\$ 53,753	\$ 6,733
Allowance for doubtful accounts	(300)	(11,000)	(1,000)	-
	<u>\$ 6,768</u>	<u>\$ 1,019,432</u>	<u>\$ 52,753</u>	<u>\$ 6,733</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, 2017:

	Balance June 30, 2016	Additions	Deductions	Transfers	Balance June 30, 2017
Governmental Activities:					
Capital assets, not being depreciated:					
Land/easements/art	\$ 7,628,840	\$ 15,500	\$ (160,999)	\$ -	\$ 7,483,341
Construction in progress	5,627,745	547,029	-	(5,183,402)	991,372
<b>Total capital assets, not being depreciated</b>	<b>13,256,585</b>	<b>562,529</b>	<b>(160,999)</b>	<b>(5,183,402)</b>	<b>8,474,713</b>
Capital assets, being depreciated:					
Buildings and improvements	50,416,668	91,025	-	-	50,507,693
Land improvements	15,908,139	-	-	-	15,908,139
Furnishings and equipment	16,564,625	1,504,225	(525,432)	-	17,543,418
Easements	193,771	-	-	-	193,771
Infrastructure	109,655,544	601,332	-	5,183,402	115,440,278
<b>Total capital assets, being depreciated</b>	<b>192,738,747</b>	<b>2,196,582</b>	<b>(525,432)</b>	<b>5,183,402</b>	<b>199,593,299</b>
Accumulated depreciation for:					
Buildings and improvements	(27,813,434)	(1,001,453)	-	-	(28,814,887)
Land improvements	(7,018,542)	(394,137)	-	-	(7,412,679)
Furnishings and equipment	(13,490,095)	(888,500)	518,374	-	(13,860,221)
Easements	(49,424)	(6,855)	-	-	(56,279)
Infrastructure	(53,075,402)	(2,256,122)	-	-	(55,331,524)
<b>Total accumulated depreciation</b>	<b>(101,446,897)</b>	<b>(4,547,067)</b>	<b>518,374</b>	<b>-</b>	<b>(105,475,590)</b>
<b>Total capital assets, being depreciated, net</b>	<b>91,291,850</b>	<b>(2,350,485)</b>	<b>(7,058)</b>	<b>5,183,402</b>	<b>94,117,709</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 104,548,435</b>	<b>\$ (1,787,956)</b>	<b>\$ (168,057)</b>	<b>\$ -</b>	<b>\$ 102,592,422</b>

# CITY OF ROCK SPRINGS, WYOMING

## NOTES TO FINANCIAL STATEMENTS

	Balance June 30, 2016	Additions	Deductions	Transfers	Balance June 30, 2017
Business-Type Activities:					
Capital assets, not being depreciated:					
Land	\$ 556,875	\$ -	\$ -	\$ -	\$ 556,875
Construction in progress	122,518	3,423,838	-	-	3,546,356
<b>Total capital assets, not being depreciated</b>	<b>679,393</b>	<b>3,423,838</b>	<b>-</b>	<b>-</b>	<b>4,103,231</b>
Capital assets, being depreciated:					
Buildings and improvements	49,164,073	193,649	-	-	49,357,722
Systems improvements	4,102,885	-	-	-	4,102,885
Furnishings and equipment	3,043,346	123,138	-	(152,054)	3,014,430
Land improvements	758,677	-	-	-	758,677
Infrastructure	27,668,307	518,304	-	-	28,186,611
<b>Total capital assets, being depreciated</b>	<b>84,737,288</b>	<b>835,091</b>	<b>-</b>	<b>(152,054)</b>	<b>85,420,325</b>
Accumulated depreciation for:					
Buildings and improvements	(24,187,290)	(1,256,670)	-	-	(25,443,960)
Systems improvements	(2,472,374)	(183,346)	-	-	(2,655,720)
Furnishings and equipment	(2,161,067)	(234,178)	-	152,054	(2,243,191)
Land improvements	(207,390)	(34,601)	-	-	(241,991)
Infrastructure	(10,059,971)	(753,654)	-	-	(10,813,625)
<b>Total accumulated depreciation</b>	<b>(39,088,092)</b>	<b>(2,462,449)</b>	<b>-</b>	<b>152,054</b>	<b>(41,398,487)</b>
<b>Total capital assets, being depreciated, net</b>	<b>45,649,196</b>	<b>(1,627,358)</b>	<b>-</b>	<b>-</b>	<b>44,021,838</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 46,328,589</b>	<b>\$ 1,796,480</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 48,125,069</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	\$ 791,726
Public safety	410,211
Public works	2,558,231
Culture and recreation	786,899
<b>Total depreciation expense - governmental activities</b>	<b>\$ 4,547,067</b>
Business-Type Activities:	
Water	\$ 252,507
Wastewater	2,056,585
Housing	153,357
<b>Total depreciation expense - business-type activities</b>	<b>\$ 2,462,449</b>

### Note 5. Interfund Transfers

Interfund transfers for the year ended June 30, 2017 are as follows:

	Transfers In	Transfer Out
Public Housing Fund	70,911	-
Capital Fund	-	70,911
	<b>\$ 70,911</b>	<b>\$ 70,911</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, 2017, the City made transfers from the capital fund in the amount of \$70,911 to the Public Housing fund for money relating to HUD capital grant funding.



# 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, 2017, 2016, 2015 were \$1,438,906, \$1,523,002, and \$1,377,571, 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, 2017, 2016, 2015 were \$490,238, \$511,826, and \$497,256, 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, 2017 2016, 2015, were \$612,484, \$615,102, and \$592,379, 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, 2017, the City reported a liability of \$32,375,278 for its proportionate share of the net pension liability. This net pension obligation was comprised of \$12,065,593 for the Public Employees Pension Plan, \$15,537,226 for the Firemen's Pension Plan A, \$3,086,376 for the Firemen's Pension Plan B, and \$1,686,083, for the Law Enforcement Pension Plan. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017. The City's proportion of the net pension liability was based on the relationship of the City's total contributions to the plan for the year ended December 31, 2016 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, 2016 and December 31, 2015.

Pension Plan	December 31, 2016 Proportion	December 31, 2015 Proportion
Public Employees Pension Plan	0.499093800%	0.501718286%
Paid Firemen's Pension Plan A	8.468409700%	8.762495603%
Paid Firemen's Pension Plan B	9.778981200%	10.317995317%
Law Enforcement Pension Plan	2.233462000%	2.268063847%

For the year ended June 30, 2017 the City recognized pension expense of \$1,709,360 comprised of \$1,227,459 for the Public Employees Pension Plan, \$(504,995) for the Firemen's Pension Plan A, \$689,106 for the Firemen's Pension Plan B, and \$297,790 for the Law Enforcement Pension Plan. At June 30, 2017, 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	\$ 4,643,805	\$ -
Changes in proportionate share of contributions	225,136	226,065
Differences in expected and actual experience	32,348	394,446
Change in assumptions	1,584,135	128,295
Contributions subsequent to the measurement date	664,852	-
<b>Total</b>	<b>\$ 7,150,276</b>	<b>\$ 748,806</b>

# 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 \$2,225,493, \$789,181, \$818,195, and \$810,936 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 \$208,219 and (\$60,338); \$0; \$2,451 and (\$145,077); as well as \$14,466 and (\$20,650) 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 \$(324,293), \$0, \$9,432, and (\$8,025); as well as \$22,916 and (\$62,128) for the Public Employees Pension Plan, Firemen’s Pension Plan A, Firemen’s Pension Plan B, and Law Enforcement Pension Plan, respectively.

\$1,584,135 and \$(128,295) reported as deferred outflows (inflows) of resources for Firemen’s Pension Plan B related to a change in actuarial assumption by the Wyoming Retirement System. Amounts of \$354,585, \$159,770; as well as, \$150,497 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Public Employees Pension Plan	Paid Firemen's Pension Plan A	Paid Firemen's Pension Plan B	Law Enforcement Pension Plan	Total
Year Ended June 30:					
2018	\$ 724,212	\$ 280,477	\$ 500,249	\$ 279,021	\$ 1,783,959
2019	736,779	280,477	500,249	290,303	1,807,808
2020	552,619	213,775	435,061	188,424	1,389,879
2021	35,471	14,452	223,533	7,792	281,248
2022	-	-	210,224	-	210,224
2023-2025	-	-	263,500	-	263,500
Total	\$ 2,049,081	\$ 789,181	\$ 2,132,816	\$ 765,540	\$ 5,736,618

## CITY OF ROCK SPRINGS, WYOMING

### NOTES TO FINANCIAL STATEMENTS

Actuarial assumptions: The total pension liability in the January 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Assumption	Public Employees Pension Plan	Paid Firemen's 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%	4.25% to 7.00%	4.75% to 8.00%
Investment rate of return	7.75%	7.75%	7.75%	7.75%
Payroll growth rate	4.25%	3.25%	4.25%	4.25%
Cost of living adjustment	0.00%	0.00%	0.00%	0.00%

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

Asset Class	Target Allocation	Long-Term Expected Real Geometric Rate of Return	Long-Term Expected Real Arithmetic Rate of Return
Fixed Income	20.00%	1.43%	1.95%
Equity	45.00%	5.72%	7.73%
Marketable Alternatives	17.50%	3.03%	3.73%
Private Markets	17.50%	5.84%	7.14%
Cash	0.00%	(0.20%)	(0.00%)
Total	100.00%	4.76%	6.38%

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.

## CITY OF ROCK SPRINGS, WYOMING

### NOTES TO FINANCIAL STATEMENTS

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Discount rate: The discount rate used to measure the total pension liability was 7.75% for the Public Employees Pension Plan, Paid Firemen's Plan A, Paid Firemen's Plan B, and Law Enforcement Pension Plan. 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.

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:

	Decrease	Discount	Increase
Public Employees Pension Plan			
proportionate share of the	6.750%	7.750%	8.750%
net pension liability	\$ 17,330,222	\$ 12,065,593	\$ 7,643,808
Paid Firemen's Plan A			
proportionate share of the	6.750%	7.750%	8.750%
net pension liability	\$ 19,227,562	\$ 15,537,226	\$ 12,560,663
Paid Firemen's Plan B			
proportionate share of the	6.750%	7.750%	8.750%
net pension liability	\$ 5,358,507	\$ 3,086,376	\$ 1,207,257
Law Enforcement Pension Plan			
proportionate share of the	6.750%	7.750%	8.750%
net pension liability	\$ 3,501,195	\$ 1,686,083	\$ 187,161

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, 2017, the City paid \$3,073,920 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, 2017, capital assets with a cost of \$3,798,371, 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 2017, the City paid the JPTB \$25,080 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 2017, the City paid the Board \$1,213,744.

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
2018	6,409,794
2019	3,548,491
Total	9,958,285

The City of Rock Spring's share of the collections remitted to the trustee by Sweetwater County was \$5,226,720 and \$5,887,667, for the years ended June 30, 2017 and 2016, respectively. For the year ended June 30, 2017, the tax revenue was allocated as follows: \$48,052 to the general fund; \$3,094,722 to the water fund; and \$2,083,945 to the wastewater fund. The proceeds were allocated as follows for the year ended June 30, 2016: \$4,206,410 to the general fund; \$1,652,197 to the water fund; and \$29,060 to the wastewater fund.

The Board consists of seven members: one member from Sweetwater County and one member from each of the six participating entities. The financial transactions of the Board are not included in these financial statements. However, additional financial information of the Board may be obtained by contacting the Rock Springs Board Member, Billy Shalata, at 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, 2017 of \$350,043. Changes in the IBNR from fiscal years 2017 and 2016 were as follows:

	At Fiscal Year-End Liability	Estimated Claims Incurred	Claim Payments	At Fiscal Year-End Liability
Fiscal Year 2015-2016	\$ 250,729	\$ 3,399,300	\$ (3,304,705)	\$ 345,324
Fiscal Year 2016-2017	\$ 345,324	\$ 3,430,862	\$ (3,425,783)	\$ 350,403

# CITY OF ROCK SPRINGS, WYOMING

## NOTES TO FINANCIAL STATEMENTS

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At June 30, 2017, the City was obligated for construction and other commitments as follows:

Governmental activities:	Encumbered
General government	\$ 116,491
Public safety	85,817
Public works	638,945
Culture and recreation	44,722
Total governmental activities	<u>\$ 885,975</u>
Business-type activities:	
Wastewater	\$ 7,797,224
Water	4,614,326
Total business-type activities	<u>\$ 12,411,550</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, 2017 was \$6,148,383. 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, 2017 was \$454,670. 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
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	769,329	666,171	103,158
2023 - 2027	3,689,846	3,430,763	259,083
	<u>\$ 7,536,491</u>	<u>\$ 6,603,053</u>	<u>\$ 933,438</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, 2017 was \$1,371,627. 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, 2017 was \$639,284. 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, 2017 was \$459,944. 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, 2017 was \$769,660. 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:			
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	412,235	365,712	46,523
2023 - 2027	1,464,877	1,354,420	110,457
2028 - 2029	149,753	144,391	5,362
	<u>\$ 3,675,808</u>	<u>\$ 3,240,515</u>	<u>\$ 435,293</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, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
<b>Governmental Activities:</b>					
Compensated absences	\$ 2,222,362	\$ 1,811,282	\$ (1,732,546)	\$ 2,301,098	\$ 1,500,940
2013 specific purpose tax financing	(142,115)	190,167	(48,052)	-	-
Net pension obligation	32,795,655	-	(420,377)	32,375,278	-
Net OPEB obligation	1,170,385	96,509	-	1,266,894	-
<b>Total governmental long-term obligations</b>	<b>36,046,287</b>	<b>2,097,958</b>	<b>(2,200,975)</b>	<b>35,943,270</b>	<b>1,500,940</b>
<b>Business Type Activities:</b>					
Wastewater fund - due to other governmental entities	7,194,031	-	(590,978)	6,603,053	603,518
Wastewater- 2013 specific purpose tax financing	(976)	1,524,115	(2,083,945)	(560,806)	-
Water fund - due to other governmental entities	1,490,294	-	(118,666)	1,371,628	122,765
Water-JPWB loan	2,072,444	-	(203,557)	1,868,887	208,627
Water- 2013 specific purpose tax financing	(54,261)	2,263,358	(3,094,722)	(885,625)	-
Compensated absences	261,412	283,303	(296,144)	248,571	163,807
<b>Total business-type long-term obligations</b>	<b>10,962,944</b>	<b>4,070,776</b>	<b>(6,388,012)</b>	<b>8,645,708</b>	<b>1,098,717</b>
<b>Total long-term obligations</b>	<b>\$ 47,009,231</b>	<b>\$ 6,168,734</b>	<b>\$ (8,588,987)</b>	<b>\$ 44,588,978</b>	<b>\$ 2,599,657</b>

See note 7 for additional information regarding the 2013 specific purpose tax financing. The June 30, 2017 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 2017, the City contributed \$0 to the plan. Plan members receiving benefits contributed \$100,613 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	\$ 197,289
Interest on net OPEB obligation	43,889
Adjustment to annual required contribution	(44,056)
Annual OPEB cost	<u>197,122</u>
Net estimated employer contributions	<u>(100,613)</u>
Increase in net OPEB obligation	96,509
Net OPEB obligation, beginning of year	<u>1,170,385</u>
Net OPEB obligation, end of year	<u><u>\$ 1,266,894</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 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, 2015	\$170,529	42.6%	\$1,072,187
June 30, 2016	\$175,715	44.1%	\$1,170,385
June 30, 2017	\$197,122	51.0%	\$1,266,894

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

As of July 1, 2016, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$1,985,550, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,985,550. For the fiscal year ended June 30, 2017, the covered payroll (annual payroll of active employees covered by the plan) was \$15,005,267, and the ratio of the UAAL to the covered payroll was 13.2%. 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, 2016 actuarial valuation, the projected unit credit actuarial cost method was used. The amortization method used was level percentage of pay, and the amortization period is an open period of 30 years. The actuarial assumptions included a 3.75% 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 4.25% after 15 years. Both rates included a 2.5% 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 <u>General Fund</u>
Nonspendable:	
Inventories	\$ 381,259
Prepaid expenses	243,025
	<u>\$ 624,284</u>
Committed:	
Cash reserve	\$ 9,495,835
Capital replacement	6,661,371
Compensated absences/OPEB	1,500,250
General government	79,625
Public safety	38,688
Public works	569,200
Culture and recreation	-
	<u>\$ 18,344,969</u>
Assigned:	
General government	\$ 36,866
Culture and recreation	44,722
Public safety	47,129
Public works	69,745
Cash carryover	999,978
	<u>\$ 1,198,440</u>

### Note 13. Recent Pronouncements

*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.

## 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, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes:				
Property taxes	\$ 1,600,000	\$ 1,600,000	\$ 2,395,375	795,375
Occupation tax	55,000	55,000	61,305	6,305
Franchise tax	600,000	600,000	735,641	135,641
Sales and use tax	16,271,074	16,271,074	16,754,764	483,690
Cigarette tax	160,000	160,000	159,813	(187)
Wholesale gas tax	650,000	650,000	779,636	129,636
Mineral severance tax	853,395	853,395	855,365	1,970
Special fuels tax	204,000	204,000	239,535	35,535
	<u>20,393,469</u>	<u>20,393,469</u>	<u>21,981,434</u>	<u>1,587,965</u>
Licenses and permits:				
Liquor licenses	71,936	71,936	89,156	17,220
Malt beverage and catering	3,500	3,500	5,875	2,375
Building fees and permits	250,000	250,000	307,493	57,493
Animal licenses	20,050	20,050	16,781	(3,269)
Contractor licenses	58,000	58,000	65,500	7,500
Road impact fees	100	100	-	(100)
	<u>403,586</u>	<u>403,586</u>	<u>484,805</u>	<u>81,219</u>
Inter-governmental revenue:				
Mineral royalties	988,266	988,266	984,622	(3,644)
Federal, state, and county grants	1,416,083	1,426,811	984,470	(442,341)
Supplemental local government/impact assistance funding	1,285,090	1,285,090	1,284,143	(947)
	<u>3,689,439</u>	<u>3,700,167</u>	<u>3,253,235</u>	<u>(446,932)</u>
Charges for services:				
Golf course	625,000	625,000	636,440	11,440
Civic center	175,000	175,000	179,299	4,299
Indoor recreation	630,000	630,000	627,457	(2,543)
Field usage fees	12,000	12,000	14,680	2,680
Rents and concessions	42,000	42,000	56,335	14,335
Inter-fund administrative charges	203,400	203,400	203,141	(259)
Special police and fire services	2,000	2,000	12,817	10,817
Maps, publications and copies	2,000	2,000	4,588	2,588
Sale of cemetery lots	5,000	5,000	24,825	19,825
Miscellaneous cemetery fees	15,000	15,000	23,200	8,200
Sale of property	197,750	197,750	283,688	85,938
Sale of materials or supplies	100	100	10	(90)
Animal adoption	7,500	7,500	9,920	2,420
Advertising fees	2,500	2,500	3,395	895
	<u>1,919,250</u>	<u>1,919,250</u>	<u>2,079,795</u>	<u>160,545</u>

Continued

**CITY OF ROCK SPRINGS, WYOMING**  
**BUDGETARY COMPARISON SCHEDULE (continued)**  
**GENERAL FUND**  
**For the Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Fines and forfeitures:				
Municipal court fees and parking fines	\$ 345,000	\$ 345,000	\$ 390,252	\$ 45,252
Animal fines	20,000	20,000	23,664	3,664
	<u>365,000</u>	<u>365,000</u>	<u>413,916</u>	<u>48,916</u>
Miscellaneous:				
Blue Cross Blue Shield	712,000	712,000	779,758	67,758
Miscellaneous reimbursements	93,850	130,515	108,907	(21,608)
Refund of overpayments and insurance reimbursement	5,000	319,992	334,921	14,929
Contributions and donations	700	1,450	1,363	(87)
Sundry revenues	104,200	110,596	455,364	344,768
	<u>915,750</u>	<u>1,274,553</u>	<u>1,680,313</u>	<u>405,760</u>
Other income:				
Interest	50,200	50,200	106,090	55,890
Transfers	840,689	840,689	652,142	(188,547)
	<u>890,889</u>	<u>890,889</u>	<u>758,232</u>	<u>(132,657)</u>
<b>Total revenues</b>	<u>28,577,383</u>	<u>28,946,914</u>	<u>30,651,730</u>	<u>1,704,816</u>

Continued

**CITY OF ROCK SPRINGS, WYOMING**  
**BUDGETARY COMPARISON SCHEDULE (continued)**  
**GENERAL FUND**  
**For the Year Ended June 30, 2017**

	<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	\$ 355,143	\$ 356,523	\$ 303,442	53,081
Judicial	573,351	573,351	551,750	21,601
Finance	1,086,427	1,086,427	902,095	184,332
Municipal court	336,751	336,751	304,706	32,045
Information technology	770,546	770,546	617,930	152,616
Human Resources	167,918	167,918	151,118	16,800
City buildings	404,151	404,151	269,179	134,972
Urban renewal	321,268	325,416	300,704	24,712
	<u>4,015,554</u>	<u>4,021,082</u>	<u>3,400,924</u>	<u>620,158</u>
Public safety:				
Police department	8,676,231	8,692,543	7,858,819	833,724
Animal control	346,624	370,608	318,762	51,846
Emergency management	197,620	197,620	116,286	81,334
Fire department	5,990,678	5,990,818	5,558,488	432,330
	<u>15,211,153</u>	<u>15,251,589</u>	<u>13,852,355</u>	<u>1,399,234</u>
Public works:				
Public works administration, engineering	842,887	842,887	615,532	227,355
Planning and inspection	1,007,502	1,010,332	916,782	93,550
Street department	7,265,291	7,271,911	6,057,473	1,214,438
Vehicle maintenance	609,481	621,481	598,559	22,922
Cemetery	677,286	677,286	557,142	120,144
	<u>10,402,447</u>	<u>10,423,898</u>	<u>8,745,488</u>	<u>1,678,410</u>
Culture and recreation:				
Parks and recreation	1,323,181	1,351,327	1,147,422	203,905
Golf course	1,634,752	1,635,656	1,513,003	122,653
Civic center	1,507,122	1,507,122	1,158,722	348,400
Historical museum	221,149	221,150	182,800	38,350
Indoor recreation	2,753,776	2,753,776	2,604,701	149,075
	<u>7,439,980</u>	<u>7,469,031</u>	<u>6,606,648</u>	<u>862,383</u>
Nondepartmental	<u>2,035,336</u>	<u>2,316,893</u>	<u>2,006,793</u>	<u>310,100</u>
Transfers	<u>160,000</u>	<u>577,142</u>	<u>555,341</u>	<u>21,801</u>
<b>Total expenditures</b>	<u>39,264,470</u>	<u>40,059,636</u>	<u>35,167,549</u>	<u>4,892,087</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>\$ (10,687,087)</u>	<u>\$ (11,112,722)</u>	<u>\$ (4,515,819)</u>	<u>\$ 6,596,903</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, 2017**

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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, 2017**

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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	\$ 30,651,730
Differences - Budget Basis to GAAP Transfers to/from the reserves fund within the General Fund	<u>(652,142)</u>
Total revenues and other financing sources as reported on the statement of revenues, expenditures, and changes in fund balance - governmental funds	<u>\$ 29,999,588</u>
<b>Expenditures</b>	
Actual Amounts (budgetary basis) from the schedule of revenues, expenditures and changes in fund balance - budget (budgetary basis) and actual	\$ 35,167,549
Transfers to/from the reserves fund within the General Fund	(652,142)
Differences - Encumbrances included on the budgetary basis, not included in GAAP based expenditures	<u>(885,975)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance - governmental funds	<u>\$ 33,629,432</u>

**CITY OF ROCK SPRINGS, WYOMING**

**SCHEDULE OF OPEB FUNDING PROGRESS  
For the Year Ended June 30, 2017**

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, 2017	July 1, 2016	\$ -	\$1,985,550	\$1,985,550	0%	\$15,005,267	13.2%
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 Last Four Fiscal Years**

	Public Employee Pension Plan	Public Employee Pension Plan	Public Employee Pension Plan	Public Employee Pension Plan
	2017	2016	2015	2014
City's proportion of the net pension liability (asset)	0.499093800%	0.501718286%	0.477587152%	0.481505769%
City's proportionate share of the net pension liability (asset)	12,065,593	11,686,765	8,427,943	7,320,816
City's covered payroll	8,921,551	8,948,570	8,482,763	8,248,042
City's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	135%	131%	99%	89%
Plan fiduciary net position as a percentage of the total pension liability	73.42%	73.40%	79.08%	81.10%
	Paid Firemen's Plan A	Paid Firemen's Plan A	Paid Firemen's Plan A	Paid Firemen's Plan A
	2017	2016	2015	2014
City's proportion of the net pension liability (asset)	8.468409700%	8.762495603%	8.768998174%	11.379147754%
City's proportionate share of the net pension liability (asset)	15,537,226	16,250,436	14,432,687	6,677,562
City's covered payroll	96,006	108,055	106,836	156,598
City's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	16184%	15039%	13509%	4264%
Plan fiduciary net position as a percentage of the total pension liability	38.91%	40.05%	45.95%	71.55%

**CITY OF ROCK SPRINGS, WYOMING**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
For the Last Four Fiscal Years**

	Paid Firemen's Plan B	Paid Firemen's Plan B	Paid Firemen's Plan B	Paid Firemen's Plan B
	2017	2016	2015	2014
City's proportion of the net pension liability (asset)	9.778981200%	10.317995317%	10.230516150%	10.334137317%
City's proportionate share of the net pension liability (asset)	3,086,376	3,154,686	(115,054)	(372,746)
City's covered payroll	2,750,647	2,817,952	2,679,411	2,640,437
City's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	112%	112%	-4%	-14%
Plan fiduciary net position as a percentage of the total pension liability	80.16%	79.33%	100.98%	103.45%
	Law Enforcement Pension Plan	Law Enforcement Pension Plan	Law Enforcement Pension Plan	Law Enforcement Pension Plan
	2017	2016	2015	2014
City's proportion of the net pension liability (asset)	2.233462000%	2.268063847%	2.187755887%	2.180668097%
City's proportionate share of the net pension liability (asset)	1,686,083	1,703,768	644,594	398,175
City's covered payroll	3,494,839	3,565,201	3,355,648	3,304,528
City's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	48%	48%	19%	12%
Plan fiduciary net position as a percentage of the total pension liability	88.11%	87.49%	94.76%	96.53%

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

\*\* There were no changes in benefit terms between the December 31, 2015 measurement date and the December 31, 2016 measurement date.

\*\*\* There were no changes in assumptions between the December 31, 2015 measurement date and the December 31, 2016 measurement date, with the exception of changes in assumptions for the Paid Fireman's Plan B

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



**CITY OF ROCK SPRINGS, WYOMING**

**SCHEDULE OF PENSION CONTRIBUTIONS  
For the Last Four Fiscal Years**

	Public Employee Pension Plan	Public Employee Pension Plan	Public Employee Pension Plan	Public Employee Pension Plan
	2017	2016	2015	2014
Contractually required contribution	742,648	766,999	659,627	595,582
Contributions in relation to the contractually required contribution	742,648	766,999	659,627	595,582
Contribution deficiency (excess)	-	-	-	-
City's covered payroll	8,872,736	9,168,118	8,656,527	8,346,912
Contributions as a percentage of covered employee payroll	8.37%	8.37%	7.62%	7.12%
	Paid Firemen's Plan A	Paid Firemen's Plan A	Paid Firemen's Plan A	Paid Firemen's Plan A
	2017	2016	2015	2014
Contractually required contribution	-	-	-	-
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	-	-	-	-
City's covered payroll	98,256	104,704	114,724	99,310
Contributions as a percentage of covered employee payroll	0.00%	0.00%	0.00%	0.00%

**CITY OF ROCK SPRINGS, WYOMING**

**SCHEDULE OF PENSION CONTRIBUTIONS  
For the Last Four Fiscal Years**

	Paid Firemen's Plan B 2017	Paid Firemen's Plan B 2016	Paid Firemen's Plan B 2015	Paid Firemen's Plan B 2014
Contractually required contribution	332,994	341,217	330,202	338,748
Contributions in relation to the contractually required contribution	332,994	341,217	330,202	338,748
Contribution deficiency (excess)	-	-	-	-
City's covered payroll	2,774,950	2,843,478	2,751,686	2,822,902
Contributions as a percentage of covered employee payroll	12.00%	12.00%	12.00%	12.00%
	Law Enforcement Pension Plan 2017	Law Enforcement Pension Plan 2016	Law Enforcement Pension Plan 2015	Law Enforcement Pension Plan 2014
Contractually required contribution	306,242	307,551	296,121	286,699
Contributions in relation to the contractually required contribution	306,242	307,551	296,121	286,699
Contribution deficiency (excess)	-	-	-	-
City's covered payroll	3,560,953	3,576,174	3,443,267	3,333,707
Contributions as a percentage of covered employee payroll	8.60%	8.60%	8.60%	8.60%

\* There were no changes in benefit terms between the December 31, 2015 measurement date and the December 31, 2016 measurement date.

\*\* There were no changes in assumptions between the December 31, 2015 measurement date and the December 31, 2016 measurement date, with the exception of changes in assumptions for the Paid Fireman's Plan B

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

# HOUSING AUTHORITY

**CITY OF ROCK SPRINGS, WYOMING**  
**COMBINING STATEMENT OF NET POSITION**  
**HOUSING AUTHORITY**  
**June 30, 2017**

<b>ASSETS</b>	<b>Public Housing</b>	<b>Section 8 Vouchers</b>	<b>Supportive Housing</b>	<b>Total</b>
Current assets:				
Cash and investments	\$ 356,019	\$ 71,642	\$ 4,636	\$ 432,297
Accounts receivable (net of allowance for uncollectibles)	6,733	-	-	6,733
Due from other funds	2,838	-	-	2,838
Inventories	3,228	-	-	3,228
Prepaid expenses	14,849	-	-	14,849
<b>Total current assets</b>	<b>383,667</b>	<b>71,642</b>	<b>4,636</b>	<b>459,945</b>
Noncurrent assets:				
Capital assets, net of accumulated depreciation	1,734,291	-	-	1,734,291
<b>Total assets</b>	<b>2,117,958</b>	<b>71,642</b>	<b>4,636</b>	<b>2,194,236</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	28,182	352	-	28,534
Customer and security deposits	39,955	-	-	39,955
Compensated absences	28,109	-	-	28,109
Due to other funds	8,058	2,838	-	10,896
<b>Total current liabilities</b>	<b>104,304</b>	<b>3,190</b>	<b>-</b>	<b>107,494</b>
Noncurrent liabilities:				
Compensated absences	11,115	-	-	11,115
<b>Total liabilities</b>	<b>115,419</b>	<b>3,190</b>	<b>-</b>	<b>118,609</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Revenues	4,074	-	-	4,074
<b>NET POSITION</b>				
Net investment in capital assets	1,734,291	-	-	1,734,291
Restricted	264,174	68,452	4,636	337,262
<b>Total net position</b>	<b>\$ 1,998,465</b>	<b>\$ 68,452</b>	<b>\$ 4,636</b>	<b>\$ 2,071,553</b>

**CITY OF ROCK SPRINGS, WYOMING**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET POSITION**  
**HOUSING AUTHORITY**  
**For the Year Ended June 30, 2017**

	<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	\$ 341,806	\$ -	\$ -	\$ -	\$ 341,806
Other tenant revenue	21,359	-	-	-	21,359
Total operating revenue	<u>363,165</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>363,165</u>
Operating expenses:					
Personnel	463,949	33,352	-	-	497,301
Utilities	90,765	-	-	-	90,765
Postal/freight	1,477	-	-	-	1,477
Communications	2,571	-	-	-	2,571
Office supplies and printing	3,030	-	-	-	3,030
Repairs and maintenance	72,238	-	-	-	72,238
Travel	748	-	-	-	748
Administrative costs	6,725	-	-	-	6,725
Other costs	9,023	-	-	-	9,023
Depreciation	153,357	-	-	-	153,357
Audit and legal	4,000	1,000	-	-	5,000
Consulting and collection	9,911	-	-	-	9,911
Insurance	26,281	-	-	-	26,281
Housing assistance payments	-	309,824	-	-	309,824
Total operating expenses	<u>844,075</u>	<u>344,176</u>	<u>-</u>	<u>-</u>	<u>1,188,251</u>
Operating (loss)	<u>(480,910)</u>	<u>(344,176)</u>	<u>-</u>	<u>-</u>	<u>(825,086)</u>
Nonoperating revenues (expenses):					
HUD PHA grants	254,246	333,865	-	70,911	659,022
Investment income	840	145	-	-	985
Other income (loss)	375	3,909	-	-	4,284
Gain (loss) on disposal of property	-	-	-	-	-
Total nonoperating revenue (expense)	<u>255,461</u>	<u>337,919</u>	<u>-</u>	<u>70,911</u>	<u>664,291</u>
Income (loss) before transfers	(225,449)	(6,257)	-	70,911	(160,795)
Transfers in	70,911	-	-	-	70,911
Transfers out	-	-	-	(70,911)	(70,911)
Change in net position	<u>(154,538)</u>	<u>(6,257)</u>	<u>-</u>	<u>-</u>	<u>(160,795)</u>
Net position, beginning	<u>2,153,003</u>	<u>74,709</u>	<u>4,636</u>	<u>-</u>	<u>2,232,348</u>
Net position, ending	<u>\$ 1,998,465</u>	<u>\$ 68,452</u>	<u>\$ 4,636</u>	<u>\$ -</u>	<u>\$ 2,071,553</u>

**CITY OF ROCK SPRINGS, WYOMING  
SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS  
For the Year Ended June 30, 2017**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster 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	WY06P003501-15	70,911
Public and Indian Housing	14.850	WY003-00000115D	254,246
<i>Housing Voucher Cluster</i>			
Section 8 Housing Choice Vouchers	14.871	N/A	333,865
			<u>333,865</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>659,022</u>
<b>U.S. Department of Transportation</b>			
<i>Highway Safety Cluster</i>			
Passed through the Wyoming Department of Transportation and the Wyoming Association of Sheriffs and Chiefs of Police: 2016 National Priority Safety Programs - DUI/OP HVE	20.616	N/A	4,905
Passed through the Wyoming Department of Transportation and the Wyoming Association of Sheriffs and Chiefs of Police: 2017 State and Community Highway Safety - Radars	20.600	N/A	14,043
<b>Total U.S. Department of Transportation - Highway Safety Cluster</b>			<u>18,948</u>
<b>U.S. Department of Homeland Security</b>			
Passed through the Wyoming Office of Homeland Security: Homeland Security Grant Program	97.067	15-GPD-RR4-RR-HRT15	111,217
Passed through the Rock Springs-Sweetwater County Airport Board: Law Enforcement Officer Reimbursement Agreement Program	97.090	PREQ 04-LEF-256	16,562
<b>Total U.S. Department of Homeland Security</b>			<u>127,779</u>
<b>U.S. Department of Justice</b>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-1115	4,776
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-1077	17,011
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DJ-BX-0135	13,531
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	12,025
<b>Total U.S. Department of Justice</b>			<u>47,343</u>
<b>Total Federal awards expended</b>			<u>\$ 853,092</u>

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

## CITY OF ROCK SPRINGS, WYOMING

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2017

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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, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

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

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

## COMPLIANCE AND INTERNAL CONTROL



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rock Springs, Wyoming (the "City") as of and for the year ended June 30, 2017, 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 15, 2017.

**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 style.

Cheyenne, Wyoming  
November 15, 2017

**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, 2017. 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, 2017.

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

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

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

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

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

*McGee, Hearne & Paig, LLP*

Cheyenne, Wyoming  
November 15, 2017

**CITY OF ROCK SPRINGS, WYOMING**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2017**

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**I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS**

*Financial Statements*

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?  Yes  No

*Federal Awards*

Internal control over major Federal programs:

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

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

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

Identification of major Federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.850	Public and Indian Housing

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

Auditee qualified as low-risk auditee?  Yes  No

**CITY OF ROCK SPRINGS, WYOMING**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2017**

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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, 2017**

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There were no Federal audit findings in the prior year.