

CITY OF ROCK SPRINGS, WYOMING

FINANCIAL AND COMPLIANCE REPORT

JUNE 30, 2009

CONTENTS

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION	1 and 2
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MANAGEMENT'S DISCUSSION AND ANALYSIS (Required Supplementary Information)	3 - 11
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BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of net assets	12
Statement of activities	13
Governmental Fund Financial Statements:	
Balance sheet	14
Reconciliation of the governmental funds balance sheet to the statement of net assets	15
Statement of revenues, expenditures and changes in fund balances	16
Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities	17
Proprietary Fund Financial Statements:	
Statement of net assets	18
Statement of revenues, expenses and changes in fund net assets	19
Statement of cash flows	20 and 21
Notes to Financial Statements	22 - 42
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund	43 - 45
Notes to Required Supplementary Information	46 and 47
Schedule of Funding Progress	48
SUPPLEMENTARY INFORMATION	
Combining Statements:	
Nonmajor Governmental Funds:	
Combining balance sheet	49
Combining statement of revenues, expenditures and changes in fund balances	50
Blended Component Unit:	
Housing Authority:	
Combining statement of net assets	51
Combining statement of revenues, expenses and changes in net assets	52
Schedule of Expenditures of Federal Awards	53
Note to Schedule of Expenditures of Federal Awards	54

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

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rock Springs, Wyoming (the "City") as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Rock Springs, Wyoming as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2009 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's discussion and analysis on pages 3 through 11 and budgetary comparison as well as the schedule of funding progress information on pages 43 through 48, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

Mc Gee, Hearne & Paiz, LLP

Cheyenne, Wyoming
November 5, 2009

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

INTRODUCTION

As management of the City of Rock Springs, Wyoming, we offer the readers of the city's financial statements this narrative overview and analysis of the financial statements of the city for the year ending June 30, 2009. When read in conjunction with the financial statements, this section's financial highlights, overview, and analysis should assist the reader in gaining a more complete knowledge of the city's financial performance.

FINANCIAL HIGHLIGHTS

The assets of the city exceed its liabilities at the close of June 30, 2009 by \$159,228,555 (reported as net assets). Of this amount, \$64,159,601 (unrestricted net assets) may be used to meet the city's ongoing obligations to citizens and creditors. Note that the total net assets figure includes capital assets net of accumulated depreciation and related debt.

The city's total net assets increased by \$22,827,230. Of this increase, \$5,307,943 was related to the contribution of capital assets by outside parties to the city. Also, general revenue increased by \$1,698,853 from last year, with most of that increase coming from 6th cent specific purpose tax revenue. Net assets for governmental activities increased by \$16,906,763 or 18% while net assets for business-type activities increased by \$5,920,467 or 14%.

At the close of the year, the city's governmental funds reported combined ending fund balances of \$41,514,494, a decrease of \$2,815,233 or 6% from the prior year. Of this amount, \$6,768,550 is available for spending at the city's discretion (unreserved, undesignated fund balance).

At the end of the year, the unreserved fund balance for the general fund was \$6,591,161 or 14% of total general fund expenditures.

Total long-term debt had a net decrease of \$760,929 (4%) from the prior year. This is due to payments in debt principal made of \$579,139 and \$323,895 in the sewer and water funds, respectively, offset with the issuance of \$142,105 in debt for the Gobel/O'Donnell Water Line project.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

Other information. The budgetary comparison schedule, including related notes and a schedule of funding progress for the City's other post-employment benefit plan, are reported as required supplementary information, which begins on page 43. Also, individual fund statements and other supplementary information can be found starting on page 49 of this report.

Government-wide financial analysis

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

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

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	51.63	53.09	29.22	26.56	80.85	79.65
Capital assets	68.10	48.11	39.92	37.91	108.02	86.02
Total assets	119.73	101.20	69.14	64.47	188.87	165.67
Current liabilities	8.74	7.33	2.81	3.29	11.55	10.62
Non-current liabilities	0.79	0.57	17.30	18.08	18.09	18.65
Total liabilities	9.53	7.90	20.11	21.37	29.64	29.27
Investment in capital assets, net of related debt	68.10	48.11	25.61	22.83	93.71	70.94
Restricted	0.00	0.00	1.36	1.20	1.36	1.20
Unrestricted	42.10	45.19	22.06	19.07	64.16	64.26
Total net assets	110.20	93.30	49.03	43.10	159.23	136.40

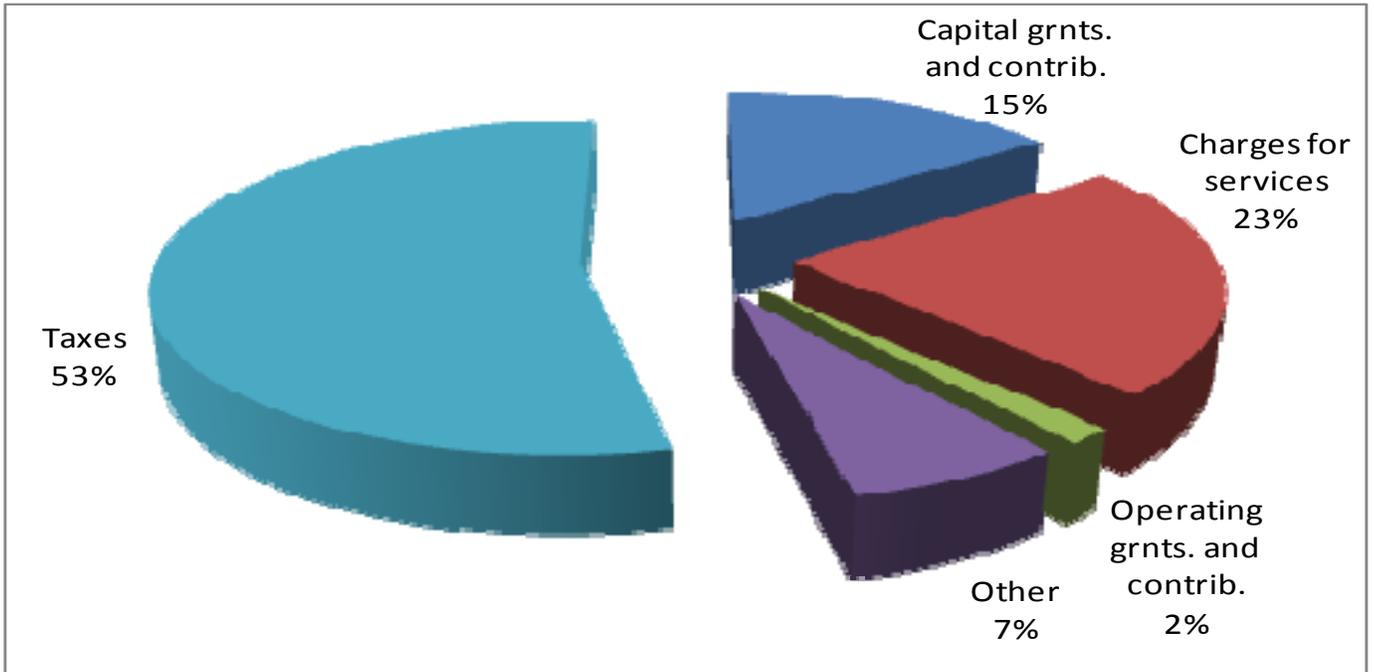
As depicted, at June 30, 2009, the city's assets exceeded liabilities by approximately \$159.23 million (net assets). 59% of this amount is represented by the investment in capital assets, net of related debt. Due to the nature of these assets – long-term assets which are not readily convertible to liquid assets – they are not considered to be available for spending or appropriation.

Changes in Net Assets: As taken from the government-wide statement of activities, the following table depicts the changes in net assets for 2009.

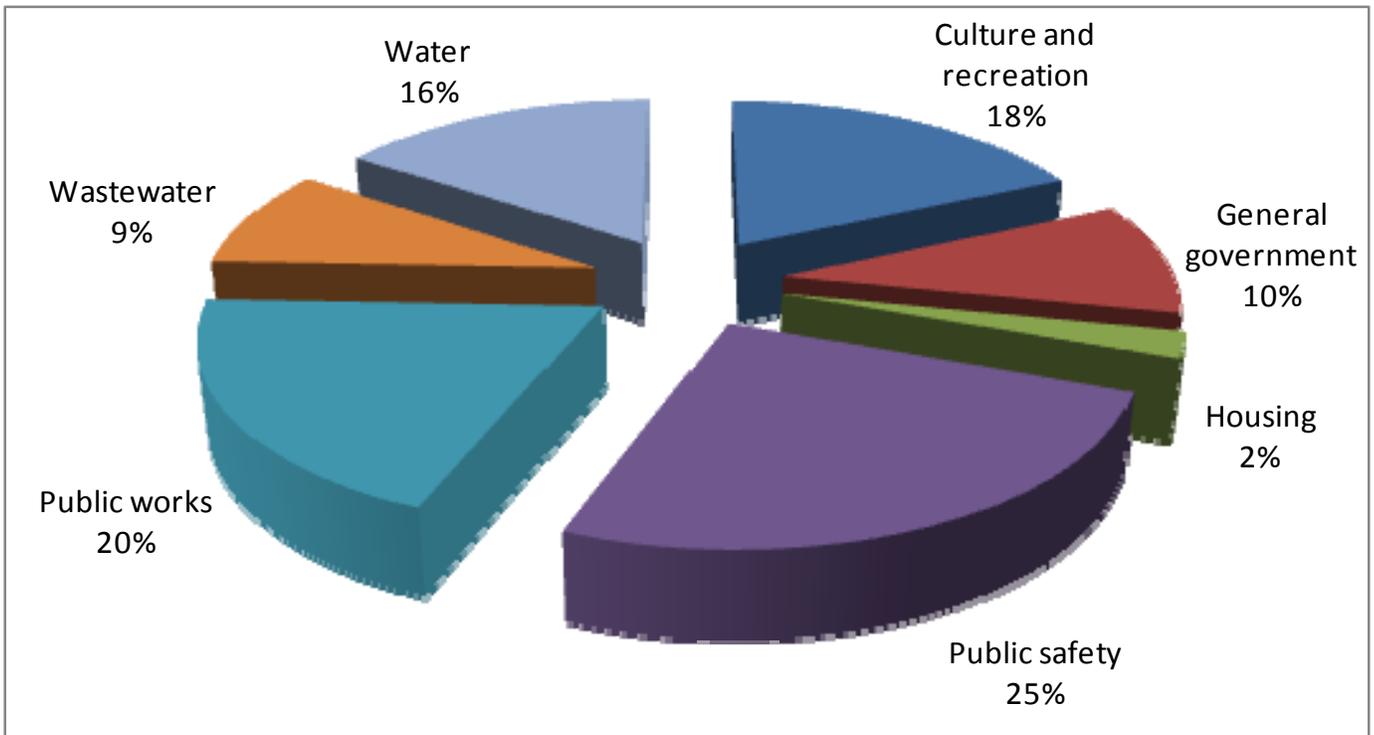
City of Rock Springs
Summary of Changes in Net Assets
(expressed in millions)

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	2.95	3.06	12.39	12.31	15.34	15.37
Operating grants and contrib.	0.39	2.86	0.66	0.57	1.05	3.43
Capital grants and contrib.	9.25	3.61	1.06	0.63	10.31	4.24
General revenues:						
Sales and use tax	28.03	24.09	2.99	4.59	31.02	28.68
Mineral sever. & royalties tax	1.54	1.70	-	-	1.54	1.70
Property tax	2.20	1.92	-	-	2.20	1.92
Franchise tax	0.65	0.64	-	-	0.65	0.64
Gas and special fuels tax	0.47	0.55	-	-	0.47	0.55
Other taxes	0.28	0.29	-	-	0.28	0.29
Supp. local govt. funding	1.98	2.01	-	-	1.98	2.01
Investment earnings	0.76	1.72	0.40	0.65	1.16	2.37
Miscellaneous	1.18	0.96	0.39	0.05	1.57	1.01
Transfers	-	-	-	-	-	-
Total revenues	49.68	43.41	17.89	18.80	67.57	62.21
Expenses:						
General government	4.46	3.98	-	-	4.46	3.98
Public safety	11.37	10.42	-	-	11.37	10.42
Public works	8.78	7.51	-	-	8.78	7.51
Culture and recreation	8.17	7.34	-	-	8.17	7.34
Water	-	-	6.97	6.59	6.97	6.59
Wastewater	-	-	3.95	3.23	3.95	3.23
Housing	-	-	1.04	0.96	1.04	0.96
Total expenses	32.78	29.25	11.96	10.78	44.74	40.03
Change in net assets	16.90	14.16	5.93	8.02	22.83	22.18
Net assets, beg of year	93.30	79.14	43.10	35.08	136.40	114.22
Net assets, end of year	110.20	93.30	49.03	43.10	159.23	136.40

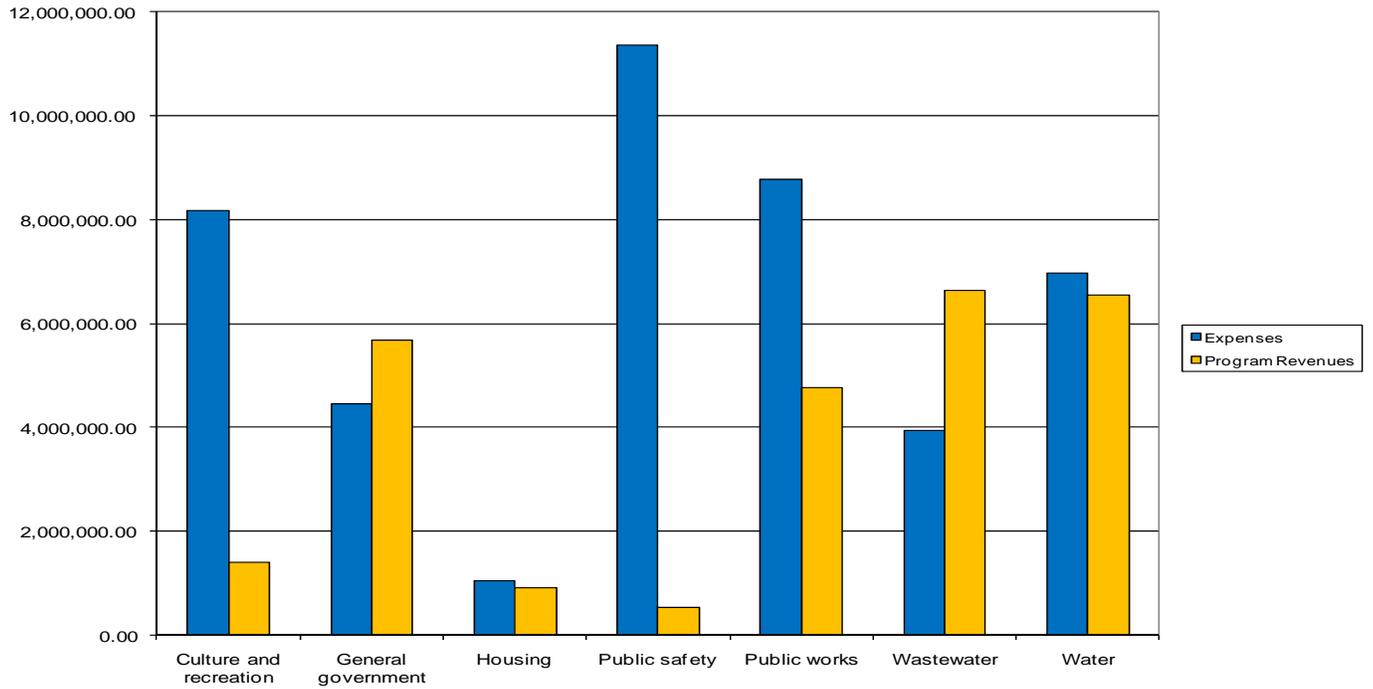
**Total Government-Wide Revenues
Fiscal Year Ended June 30, 2009**



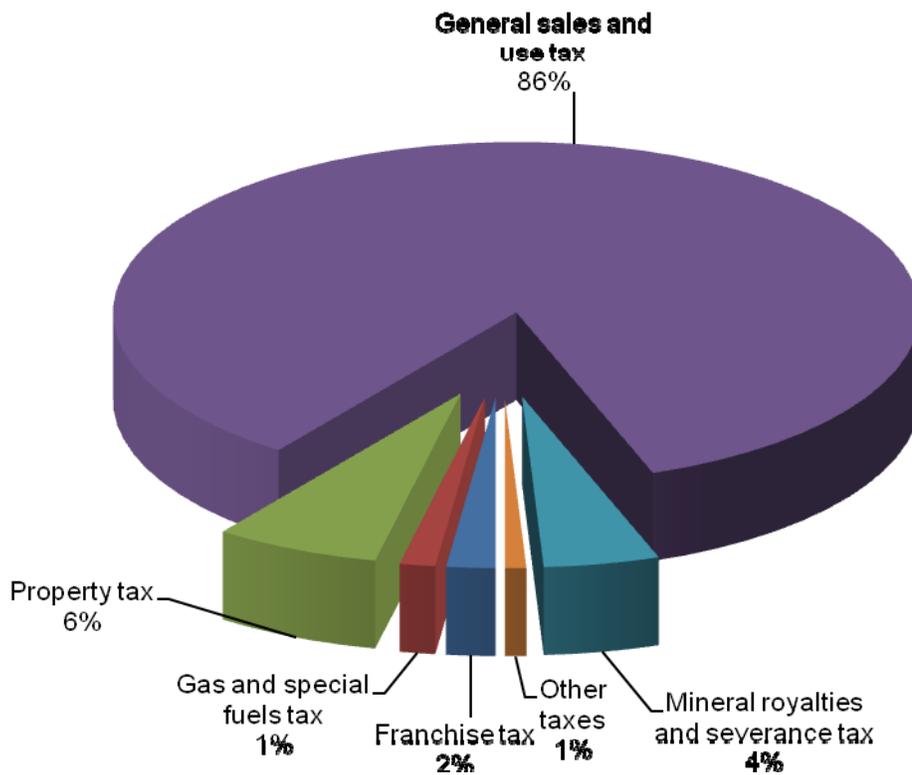
**Total Government-Wide Expenses
Fiscal Year Ended June 30, 2009**



**Expenses and Program Revenue
Fiscal Year Ended June 30, 2009**



**Tax Revenue
Fiscal Year Ended June 30, 2009**



Governmental activities increased the city's net assets by \$16.91 million. The key elements of this increase are as follows:

- Sales and use tax revenue comprises approximately 56% of total governmental revenues. These taxes increased by approximately \$3.94 million or 16% from the previous year. This was due to the City receiving 6th cent sales and use tax funds for reimbursement for qualifying 6th cent expenses. Capital contributions increased by \$0.64 million or 18% due to the completion of some large scale subdivision developments in the city.
- Public Safety is the largest category of governmental expenses, representing 35% of the total. Culture and Recreation represents approximately 25% of governmental expenses while general government represents approximately 14% of governmental expenses. Public works represents approximately 27% of the governmental expenses. Total expenses for the year were \$3.53 million higher this year compared to the prior year. Much of this increase was due to an increase in non-capitalizable repair and maintenance expenses, supplies expenses, and personnel expenses.

The business-type activities include the water, wastewater, and the housing authority funds. These activities increased net assets by \$5.93 million. Key elements of this increase are as follows:

- The wastewater fund charges for services increased by approximately 7% due to slight increase in usage. Water fund charges for services decreased by approximately 4% from the prior year due to a slight decrease in usage. Operating grants of the housing authority fund increased slightly from the previous year. Taxes revenue related to 6th cent sales and use tax reimbursements for water projects decreased by 35% from the prior year.
- Total expenses for the year were \$1.18 million higher this year compared to the prior year. Much of this increase was due to an increase in interest expense paid on the loan with the State for the construction of the wastewater treatment plant and for depreciation expense for the plant.

Financial analysis of the city's funds

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

As of the end of the current fiscal year, the city's governmental funds reported a total ending fund balance of \$41,514,494 in comparison with \$44,329,727, in ending fund balance in the prior year. \$6,768,550 of this amount is reported as unreserved, undesignated fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending. It has been committed to 1) paying contracts for goods and services to be provided at a later date and buying inventory (\$23,245,811), 2) purchasing capital assets in future periods (\$4,109,594), 3) being used in emergency or unusual situations that may arise causing need to exceed total appropriations (\$6,302,789), and 4) paying compensated absences due to employees (\$1,087,750).

The general fund is the chief operating fund of the city. The unreserved, undesignated fund balance of the general fund totaled \$6,591,161 at year-end, with total fund balance equaling \$41,337,105. Unreserved, undesignated fund balance represents 14% of total general fund expenditures, while total fund balance equals 85% of total general fund expenditures.

Unrestricted net assets of the water fund and wastewater funds were \$6,057,046 and \$15,999,561, respectively. The increase in total net assets for the water fund and wastewater funds was \$1,344,418 and \$4,689,611, respectively. The water fund has restricted net assets of \$830,391 relating to assets held by the Joint Powers Water Board for water system repair expenses. Also, the water fund, by agreement, is required to give the Joint Powers Water Board any water related infrastructure assets constructed by the city. An expense of \$1,797,118 was incurred in the water fund relating to the transfer of title of assets from the city to the Joint Powers Water Board.

The restricted net assets balance for the housing authority was \$524,646, which was an increase of \$146,255 from the prior year.

The city's internal service fund had a net asset balance of \$2,758,746 at year-end which is an increase of \$172,903 from the prior year. Much of this can be attributed to an increase in insurance premiums and refunds received.

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 2009, tax revenues exceed budgeted amounts by approximately \$0.31 million. At the beginning of the year, the budget was based on current economic conditions. Due to the activity in the local economy, sales tax revenues were \$6.20 million more than originally estimated. Actual federal, state, and county grant revenue recognized was \$6.98 million less than what was budgeted for. This was due to the timing of projects expended that are applicable for reimbursements for grants.

For 2009, expenditures were under budget by approximately \$9.58 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 had invested/received over \$108 million in a variety of capital assets. The following schedules show the city's capital assets for the year ended June 30, 2009.

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

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	5.22	4.90	0.43	0.29	5.65	5.19
Construction in progress	11.93	7.32	2.98	6.37	14.91	13.69
Buildings/improvements	14.24	5.37	20.66	21.73	34.90	27.10
Systems improvements	-	-	3.00	3.21	3.00	3.21
Land improvements	3.63	1.57	0.07	0.08	3.70	1.65
Equipment	4.81	3.25	0.73	0.74	5.54	3.99
Infrastructure	28.27	25.70	12.05	5.49	40.32	31.19
Total	68.10	48.11	39.92	37.91	108.02	86.02

Major capital asset events during the year included:

- Construction finished on the new Senior Center and the YWCA expansion at a total cost for both projects of \$9,475,674.
- Construction finished on various sewer line and other sewer related projects totaling \$6,017,223.
- Various infrastructure for subdivisions have been contributed to the city. Total contributed assets equaled \$5,307,943 for the fiscal year.

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

Long-term debt

At year-end, the city had debt outstanding of \$18,107,120. Debt consists of loans payable to the State of Wyoming and the Joint Powers Water Board for water and wastewater projects. Overall debt for the city decreased by \$760,929, or 4%, over the previous year.

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

Requests for Information

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF ROCK SPRINGS, WYOMING
STATEMENT OF NET ASSETS
June 30, 2009

ASSETS	Governmental Activities	Business-Type Activities	Total
Current assets:			
Cash and investments	\$ 42,387,508	\$ 26,032,685	\$ 68,420,193
Restricted cash	-	830,391	830,391
Receivables (net of allowance for uncollectibles):			
Accounts receivable	2,619	972,801	975,420
Taxes receivable	1,722,650	-	1,722,650
Accrued interest receivable	44,960	9,694	54,654
Special assessments receivable	10,476	4,580	15,056
Grants receivable	895,157	44,685	939,842
Internal balances	3,375	(3,375)	-
Due from other governmental entities	6,076,193	968,852	7,045,045
Inventories	482,850	334,666	817,516
Prepaid expenses	-	23,944	23,944
Total current assets	<u>51,625,788</u>	<u>29,218,923</u>	<u>80,844,711</u>
Noncurrent assets:			
Capital assets being depreciated, net	50,944,840	36,505,432	87,450,272
Capital assets not being depreciated	17,155,989	3,411,600	20,567,589
Total noncurrent assets	<u>68,100,829</u>	<u>39,917,032</u>	<u>108,017,861</u>
Total assets	<u>119,726,617</u>	<u>69,135,955</u>	<u>188,862,572</u>
LIABILITIES			
Current liabilities			
Accounts payable	4,882,745	1,606,420	6,489,165
Customer and security deposits	120,403	159,645	280,048
Compensated absences	1,450,352	132,778	1,583,130
Deferred revenue	1,564,899	3,474	1,568,373
Due to other governmental entities	-	873,661	873,661
Retainage payable	717,000	34,463	751,463
Total current liabilities	<u>8,735,399</u>	<u>2,810,441</u>	<u>11,545,840</u>
Noncurrent liabilities			
Compensated absences	629,017	67,323	696,340
Net OPEB obligation	158,378	-	158,378
Due to other governmental entities	-	17,233,459	17,233,459
Total noncurrent liabilities	<u>787,395</u>	<u>17,300,782</u>	<u>18,088,177</u>
Total liabilities	<u>9,522,794</u>	<u>20,111,223</u>	<u>29,634,017</u>
NET ASSETS			
Invested in capital assets, net of related debt	68,100,829	25,613,088	93,713,917
Restricted for:			
Joint Powers Water Board	-	830,391	830,391
Housing Authority	-	524,646	524,646
Unrestricted	42,102,994	22,056,607	64,159,601
Total net assets	<u>\$ 110,203,823</u>	<u>\$ 49,024,732</u>	<u>\$ 159,228,555</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, 2009

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Primary Government:							
Governmental activities:							
General government	\$ 4,462,258	\$ 1,002,751	\$ 160,506	\$ 4,507,888	\$ 1,208,887	\$ -	\$ 1,208,887
Public safety	11,368,052	537,959	211,454	-	(10,618,639)	-	(10,618,639)
Public works	8,777,946	-	22,037	4,740,787	(4,015,122)	-	(4,015,122)
Culture and recreation	8,171,506	1,407,387	-	-	(6,764,119)	-	(6,764,119)
Total governmental activities	<u>32,779,762</u>	<u>2,948,097</u>	<u>393,997</u>	<u>9,248,675</u>	<u>(20,188,993)</u>	<u>-</u>	<u>(20,188,993)</u>
Business-type activities:							
Water	6,972,187	6,497,765	42,000	-	-	(432,422)	(432,422)
Wastewater	3,945,588	5,573,179	11,343	1,063,295	-	2,702,229	2,702,229
Housing	1,043,506	320,728	602,717	-	-	(120,061)	(120,061)
Total business-type activities	<u>11,961,281</u>	<u>12,391,672</u>	<u>656,060</u>	<u>1,063,295</u>	<u>-</u>	<u>2,149,746</u>	<u>2,149,746</u>
Total primary government	<u>\$ 44,741,043</u>	<u>\$ 15,339,769</u>	<u>\$ 1,050,057</u>	<u>\$ 10,311,970</u>	<u>(20,188,993)</u>	<u>2,149,746</u>	<u>(18,039,247)</u>
General revenues							
Taxes:							
General sales and use tax					28,025,576	2,989,513	31,015,089
Mineral severance and royalties tax					1,540,253	-	1,540,253
Property tax					2,202,492	-	2,202,492
Franchise tax					652,471	-	652,471
Gas and special fuels tax					472,648	-	472,648
Other					283,971	-	283,971
Supplemental local government funding					1,982,400	-	1,982,400
Unrestricted investment earnings					763,623	400,836	1,164,459
Miscellaneous					1,175,089	377,605	1,552,694
Transfers					(2,767)	2,767	-
Total general revenues					<u>37,095,756</u>	<u>3,770,721</u>	<u>40,866,477</u>
Change in net assets					<u>16,906,763</u>	<u>5,920,467</u>	<u>22,827,230</u>
Net assets - beginning					<u>93,297,060</u>	<u>43,104,265</u>	<u>136,401,325</u>
Net assets - ending					<u>\$ 110,203,823</u>	<u>\$ 49,024,732</u>	<u>\$ 159,228,555</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 FUNDS
June 30, 2009

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and investments	\$ 39,076,612	\$ 177,389	\$ 39,254,001
Receivables (net of allowance for uncollectibles):			
Accounts receivable	2,619	-	2,619
Taxes receivable	1,722,650	-	1,722,650
Accrued interest receivable	39,397	-	39,397
Special assessments receivable	-	10,476	10,476
Grants receivable	895,157	-	895,157
Due from other funds	3,375	-	3,375
Due from other governmental entities	6,076,193	-	6,076,193
Inventories	482,850	-	482,850
Total assets	<u>\$ 48,298,853</u>	<u>\$ 187,865</u>	<u>\$ 48,486,718</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 4,502,421	\$ -	\$ 4,502,421
Customer and security deposits	120,403	-	120,403
Deferred revenue	1,621,924	10,476	1,632,400
Retainage payable	717,000	-	717,000
Total liabilities	<u>6,961,748</u>	<u>10,476</u>	<u>6,972,224</u>
Fund balance:			
Reserved	23,245,811	-	23,245,811
Unreserved, designated	11,500,133	-	11,500,133
Unreserved, undesignated			
General fund	6,591,161	-	6,591,161
Special revenue fund	-	88,926	88,926
Debt service fund	-	88,463	88,463
Total fund balances	<u>41,337,105</u>	<u>177,389</u>	<u>41,514,494</u>
Total liabilities and fund balances	<u>\$ 48,298,853</u>	<u>\$ 187,865</u>	<u>\$ 48,486,718</u>

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

**CITY OF ROCK SPRINGS, WYOMING
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2009**

Total Fund Balances - Governmental Funds \$ 41,514,494

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

Capital assets used in governmental activities are not financial resources and, therefore, not reported in the governmental funds. 68,100,829

Certain assets are not available to pay current expenditures, so they are deferred in the funds. 67,501

Long term liabilities (compensated absences and net OPEB obligation) are not due and payable in the current period and, therefore, not reported in the funds. (2,237,747)

An internal service fund is used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service fund are included with governmental activities in the statement of net assets because they primarily benefit governmental activities. 2,758,746

Net assets of governmental activities \$ 110,203,823

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

**CITY OF ROCK SPRINGS, WYOMING
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Taxes and special assessments	\$ 32,425,281	\$ 2,712	\$ 32,427,993
Licenses and permits	847,068	-	847,068
Inter-governmental revenue	8,227,908	-	8,227,908
Charges for services	1,583,020	-	1,583,020
Fines and forfeitures	518,009	-	518,009
Miscellaneous	1,235,034	-	1,235,034
Interest	721,842	793	722,635
Total revenues	45,558,162	3,505	45,561,667
Expenditures			
Current:			
General government	4,053,157	-	4,053,157
Public safety	10,929,630	-	10,929,630
Public works	6,382,731	-	6,382,731
Culture and recreation	7,157,480	-	7,157,480
Capital outlay	19,853,902	-	19,853,902
Total expenditures	48,376,900	-	48,376,900
Excess of revenues over expenditures	(2,818,738)	3,505	(2,815,233)
Net change in fund balance	(2,818,738)	3,505	(2,815,233)
Fund balances, beginning	44,155,843	173,884	44,329,727
Fund balances, ending	\$ 41,337,105	\$ 177,389	\$ 41,514,494

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 FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009**

Net Change in Fund Balances - Governmental Funds **\$ (2,815,233)**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital purchases/capital contributions exceeded depreciation/loss on disposal during the current period. 19,989,372

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. (98,066)

Long term liabilities (compensated absences and net OPEB obligation) are not due and payable in the current period and, therefore, not reported in the funds. This is the current year change in the liability, reported as an expense in the statement of activities. (342,213)

An internal service fund is used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service fund is reported with governmental activities. 172,903

Change in net assets of governmental activities **\$ 16,906,763**

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

PROPRIETARY FUND FINANCIAL STATEMENTS

CITY OF ROCK SPRINGS, WYOMING
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2009

	Business-type Activities Enterprise Funds			Total	Governmental Activities Internal Service Fund
	Water Fund	Wastewater Fund	Housing Authority		
ASSETS					
Current assets:					
Cash and investments	\$ 9,583,734	\$ 15,857,182	\$ 591,769	\$ 26,032,685	\$ 3,133,507
Restricted cash	830,391	-	-	830,391	-
Receivables (net of allowance for uncollectibles):					
Accounts receivable	912,239	58,499	2,063	972,801	-
Accrued interest receivable	1,714	7,980	-	9,694	5,563
Special assessments receivable	-	4,580	-	4,580	-
Grants receivable	42,000	2,685	-	44,685	-
Due from other governmental entities	-	968,852	-	968,852	-
Inventories	222,584	110,348	1,734	334,666	-
Prepaid expenses	-	-	23,944	23,944	-
Total current assets	11,592,662	17,010,126	619,510	29,222,298	3,139,070
Noncurrent assets:					
Capital assets, net of accumulated depreciation	3,239,613	34,017,143	2,660,276	39,917,032	-
Total assets	14,832,275	51,027,269	3,279,786	69,139,330	3,139,070
LIABILITIES					
Current liabilities:					
Accounts payable	700,629	872,516	33,275	1,606,420	380,324
Customer and security deposits	92,411	38,084	29,150	159,645	-
Compensated absences	54,956	51,969	25,853	132,778	-
Due to other governmental entities	280,043	593,618	-	873,661	-
Retainage payable	8,214	26,249	-	34,463	-
Due to other funds	-	3,375	-	3,375	-
Deferred revenue	-	-	3,474	3,474	-
Total current liabilities	1,136,253	1,585,811	91,752	2,813,816	380,324
Noncurrent liabilities:					
Compensated absences	45,839	18,372	3,112	67,323	-
Due to other governmental entities	5,778,758	11,454,701	-	17,233,459	-
Total noncurrent liabilities	5,824,597	11,473,073	3,112	17,300,782	-
Total liabilities	6,960,850	13,058,884	94,864	20,114,598	380,324
NET ASSETS					
Invested in capital assets, net of related debt	983,988	21,968,824	2,660,276	25,613,088	-
Restricted for Joint Powers Water Board	830,391	-	-	830,391	-
Restricted for Housing Authority	-	-	524,646	524,646	-
Unrestricted	6,057,046	15,999,561	-	22,056,607	2,758,746
Total net assets	\$ 7,871,425	\$ 37,968,385	\$ 3,184,922	\$ 49,024,732	\$ 2,758,746

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

CITY OF ROCK SPRINGS, WYOMING
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2009

	Business-type Activities			Total	Governmental
	Enterprise Funds				Internal Service
	Water Fund	Wastewater Fund	Housing Authority		Fund
Operating revenues:					
Water charges	\$ 6,497,765	\$ -	\$ -	\$ 6,497,765	\$ -
Wastewater charges	-	5,573,179	-	5,573,179	-
Tenant rental revenue	-	-	304,395	304,395	-
Other tenant revenue	-	-	16,333	16,333	-
Insurance premiums and refunds	-	-	-	-	2,571,064
Total operating revenue	6,497,765	5,573,179	320,728	12,391,672	2,571,064
Operating expenses:					
Personnel	856,699	1,154,455	417,933	2,429,087	-
Water purchases	3,183,486	-	-	3,183,486	-
Utilities	182,876	356,064	96,338	635,278	-
Postal/freight	19,311	21,610	1,395	42,316	-
Communications	10,351	6,799	2,756	19,906	-
Office supplies and printing	3,990	6,213	4,405	14,608	-
Repairs and maintenance	92,967	120,335	64,128	277,430	-
Departmental supplies	281,502	285,087	-	566,589	-
Travel	19,381	26,545	397	46,323	-
Administrative costs	30,348	56,187	6,300	92,835	-
Other costs	6,664	4,709	15,504	26,877	-
Depreciation	265,057	1,640,535	269,555	2,175,147	-
Audit and legal expense	-	-	2,500	2,500	-
Laundry and towel service	2,098	4,640	-	6,738	-
Consulting and collection	634	63,296	4,718	68,648	-
Rental	44,000	-	-	44,000	-
Insurance	-	-	41,415	41,415	2,439,149
Housing assistance payments	-	-	114,694	114,694	-
Tenant service contract costs	-	-	1,468	1,468	-
Total operating expenses	4,999,364	3,746,475	1,043,506	9,789,345	2,439,149
Operating income (loss)	1,498,401	1,826,704	(722,778)	2,602,327	131,915
Nonoperating revenue (expense):					
Taxes and special assessments	-	2,989,513	-	2,989,513	-
HUD PHA grants	-	-	602,717	602,717	-
Other grants	42,000	11,343	-	53,343	-
Interest income	139,191	255,790	5,855	400,836	40,988
Other income	339,743	37,218	644	377,605	-
(Loss) on disposal of property	-	(939)	-	(939)	-
Interest expense	(175,705)	(198,174)	-	(373,879)	-
Capital asset contribution to JPWB	(1,797,118)	-	-	(1,797,118)	-
Total nonoperating revenue (expense)	(1,451,889)	3,094,751	609,216	2,252,078	40,988
Income (loss) before transfers	46,512	4,921,455	(113,562)	4,854,405	172,903
Capital contributions	-	1,066,062	-	1,066,062	-
Transfers in	1,297,906	-	171,706	1,469,612	-
Transfers out	-	(1,297,906)	(171,706)	(1,469,612)	-
Change in net assets	1,344,418	4,689,611	(113,562)	5,920,467	172,903
Net assets, beginning	6,527,007	33,278,774	3,298,484	43,104,265	2,585,843
Net assets, ending	\$ 7,871,425	\$ 37,968,385	\$ 3,184,922	\$ 49,024,732	\$ 2,758,746

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, 2009

	Business-type Activities Enterprise Funds			Governmental Activities	
	Water Fund	Wastewater Fund	Housing Authority	Total	Internal Service Fund
Cash Flows from Operating Activities					
Receipts from external customers and users	\$ 6,038,896	\$ 5,390,157	\$ 322,567	\$ 11,751,620	\$ -
Receipts from internal customers and users	444,128	186,409	-	630,537	2,571,064
Payments to suppliers	(3,849,084)	(918,561)	(335,342)	(5,102,987)	(2,338,825)
Payments to employees	(850,712)	(1,183,028)	(425,527)	(2,459,267)	-
Net cash from operating activities	1,783,228	3,474,977	(438,302)	4,819,903	232,239
Cash Flows from Noncapital Financing Activities					
Taxes and special assessments	-	2,587,059	-	2,587,059	-
Receipts from grants	-	8,658	602,717	611,375	-
Other	339,743	37,218	644	377,605	-
Net cash from noncapital financing activities	339,743	2,632,935	603,361	3,576,039	-
Cash Flows from Capital and Related Financing Activities					
Payment for JPWB assets	(515,928)	-	-	(515,928)	-
Proceeds from loans	142,105	-	-	142,105	-
Purchase of capital assets	(250,417)	(4,725,221)	(9,738)	(4,985,376)	-
Principal payment on loans	(323,895)	(579,139)	-	(903,034)	-
Interest paid on loans	(175,705)	(198,174)	-	(373,879)	-
Net cash from capital and related financing activities	(1,123,840)	(5,502,534)	(9,738)	(6,636,112)	-
Cash Flows from Investing Activities					
Interest on investments	142,233	313,251	5,855	461,339	39,438
Net increase in cash and cash equivalents	1,141,364	918,629	161,176	2,221,169	271,677
Cash and Investments, July 1	9,272,761	14,938,553	430,593	24,641,907	2,861,830
Cash and Investments, June 30	\$ 10,414,125	\$ 15,857,182	\$ 591,769	\$ 26,863,076	\$ 3,133,507

Continued

CITY OF ROCK SPRINGS, WYOMING
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2009

	Business-type Activities Enterprise Funds			Total	Governmental
	Water Fund	Wastewater Fund	Housing Authority		Internal Service Fund
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities					
Operating income (loss)	\$ 1,498,401	\$ 1,826,704	\$ (722,778)	\$ 2,602,327	\$ 131,915
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	265,057	1,640,535	269,555	2,175,147	-
Change in assets and liabilities:					
Accounts receivable	(14,741)	2,266	886	(11,589)	-
Special assessment receivable	-	1,121	-	1,121	-
Prepaid expenses	-	-	1,992	1,992	-
Inventory	(21,682)	(15,245)	(2)	(36,929)	-
Accounts payable	43,061	15,525	9,130	67,716	100,324
Due to other funds	-	2,268	(2,500)	(232)	-
Customer deposits	7,298	10,605	(610)	17,293	-
Deferred revenue	-	-	953	953	-
Compensated absences accrued expenses	5,834	(8,802)	5,072	2,104	-
Net cash from operating activities	\$ 1,783,228	\$ 3,474,977	\$ (438,302)	\$ 4,819,903	\$ 232,239
 Schedule of noncash transactions:					
Capitalized interest	\$ -	\$ 115,743	\$ -	\$ 115,743	\$ -

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

NOTES TO THE FINANCIAL STATEMENTS

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

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

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

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

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

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

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

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

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

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

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

The government reports the following major governmental fund:

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

The government reports the following nonmajor governmental funds:

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

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

The government reports the follow major proprietary funds:

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

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

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

Additionally, the government reports the following fund type:

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

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

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

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

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

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

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

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

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

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

The government-wide financial statements and the fund financial statements for proprietary funds include capital assets. Capital assets include property, plant, equipment and infrastructure assets, e.g. roads, bridges, curbs, and gutters, streets and sidewalks, drainage systems and lighting systems. The City defines capital assets as assets with an initial, individual cost of more than \$2,000 for equipment, \$15,000 for land, buildings, improvements, and land improvements, and \$25,000 for infrastructure. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

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

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

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

Property taxes receivable totaling \$1,554,423 assessed in fiscal year 2009 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 2010.

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

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

Note 2. Cash and Investments

Cash and investments and restricted cash as of June 30, 2009, as classified in the accompanying financial statements, consist of the following:

Statement of Net Assets:

	<u>Primary Government</u>
Deposits with financial institutions:	
Cash/Money Market Funds	\$ 23,325,372
Certificates of deposit	34,983,447
Investments:	
Federal Home Loan Bank	502,190
Federal Home Loan Mtg Corp	6,168,676
Federal National Mtg Assn	3,025,797
FICO Strip Coupon	414,711
	<u>\$ 68,420,193</u>

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

Investments authorized by the City's investment policy: The City follows the guidelines set forth in Wyoming State Statute 9-4-831 as it relates to the investment of public funds. The City's investment policy requires investments to comply with State statutes, which generally allows the City to invest in U.S., state and local government securities and accounts of any bank and savings associations which are federally insured or secured by a pledge of assets including bonds, debentures and other securities in which the State Treasurer may by law invest. All investments made during the year were made within these statutory limits. The City's investment policy does not contain any specific provisions intended to limit the City's exposure to interest rate risk, credit risk or concentration of credit risk. However, in regards to custodial credit risk, the City's investment policy does require all deposits and certificates of deposits to be collateralized at 120% of the amount invested including accrued interest, based on the lower of cost or 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
Federal Home Loan Bank	AAA	\$ 502,190
Federal Home Loan Mtg Corp	AAA	\$ 4,569,805
Federal Home Loan Mtg Corp	A	\$ 1,598,871
Federal National Mtg Assn	AAA	\$ 425,000
Federal National Mtg Assn	A	\$ 2,600,797
FICO Strip Coupon	Not Rated	\$ 414,711

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, 2009, the primary government had bank balances on deposit and certificates of deposit, including accrued interest of \$57,770,258.

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, 2009, 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, 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
Federal Home Loan Bank	\$ 502,190	\$ -	\$ -	\$ 502,190	\$ -
Federal Home Loan Mtg Corp	6,168,676	-	4,176,681	1,991,995	-
Federal National Mtg Assn	3,025,797	425,000	950,895	1,649,902	-
FICO Strip Coupon	414,711	-	-	414,711	-
	<u>\$ 10,111,374</u>	<u>\$ 425,000</u>	<u>\$ 5,127,576</u>	<u>\$ 4,558,798</u>	<u>\$ -</u>

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

Part of the City's payment to the Joint Powers Water Board has historically been placed in an account restricted for improvements to the City's portion of the Water System. The balance in this account, held by the Joint Powers Water Board, was \$830,391 at June 30, 2009. These funds are in the custody of and are collateralized through the Joint Powers Water Board, and are included in the accompanying financial statements as restricted cash.

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

Note 3. Receivables

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

	Governmental Activities	Business-Type Activities		
	General Fund	Water Fund	Wastewater Fund	Housing Authority
Accounts receivable	\$ 2,910	\$ 915,903	\$ 60,308	\$ 4,863
Allowance for doubtful accounts	(291)	(3,664)	(1,809)	(2,800)
	\$ 2,619	\$ 912,239	\$ 58,499	\$ 2,063

The only receivables not expected to be collected within one year are \$357,691 of special assessment receivables in the general fund. These receivables have an off-setting allowance in the amount of \$357,691 for a net realizable value of \$0 at June 30, 2009.

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, 2009:

	Balance June 30, 2008	Additions	Deductions	Transfers	Balance June 30, 2009
Governmental Activities:					
Capital assets, not being depreciated:					
Land and art	\$ 4,895,289	\$ 330,516	\$ -	\$ -	\$ 5,225,805
Construction in progress	7,328,216	16,591,435	-	(11,989,467)	11,930,184
Total capital assets, not being depreciated	12,223,505	16,921,951	-	(11,989,467)	17,155,989
Capital assets, being depreciated:					
Buildings and improvements	24,339,264	257,756	-	9,475,674	34,072,694
Land improvements	5,593,523	212,211	-	2,059,974	7,865,708
Furnishings and equipment	11,925,400	2,602,983	(637,973)	(25,476)	13,864,934
Infrastructure	64,358,494	4,103,648	-	453,819	68,915,961
Total capital assets, being depreciated	106,216,681	7,176,598	(637,973)	11,963,991	124,719,297
Accumulated depreciation for:					
Buildings and improvements	(18,972,486)	(859,174)	-	-	(19,831,660)
Land improvements	(4,027,546)	(211,882)	-	-	(4,239,428)
Furnishings and equipment	(8,668,529)	(1,037,207)	627,591	22,709	(9,055,436)
Infrastructure	(38,660,168)	(1,987,765)	-	-	(40,647,933)
Total accumulated depreciation	(70,328,729)	(4,096,028)	627,591	22,709	(73,774,457)
Total capital assets, being depreciated, net	35,887,952	3,080,570	(10,382)	11,986,700	50,944,840
Governmental activities capital assets, net	\$ 48,111,457	\$ 20,002,521	\$ (10,382)	\$ (2,767)	\$ 68,100,829

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

	Balance June 30, 2008	Additions	Deductions	Transfers	Balance June 30, 2009
Business-Type Activities:					
Capital assets, not being depreciated:					
Land	\$ 288,136	\$ 140,739	\$ -	\$ -	\$ 428,875
Construction in progress	6,374,887	2,625,061	-	(6,017,223)	2,982,725
Total capital assets, not being depreciated	6,663,023	2,765,800	-	(6,017,223)	3,411,600
Capital assets, being depreciated:					
Buildings and improvements	35,305,899	98,380	-	181,123	35,585,402
Systems improvements	4,102,884	-	-	-	4,102,884
Furnishings and equipment	2,423,635	166,814	(81,872)	25,476	2,534,053
Land improvements	118,309	-	-	-	118,309
Infrastructure	10,469,911	1,146,385	-	5,836,100	17,452,396
Total capital assets, being depreciated	52,420,638	1,411,579	(81,872)	6,042,699	59,793,044
Accumulated depreciation for:					
Buildings and improvements	(13,576,508)	(1,358,407)	-	-	(14,934,915)
Systems improvements	(895,552)	(204,052)	-	-	(1,099,604)
Furnishings and equipment	(1,678,497)	(194,965)	80,933	(22,709)	(1,815,238)
Land improvements	(40,708)	(7,884)	-	-	(48,592)
Infrastructure	(4,979,424)	(409,839)	-	-	(5,389,263)
Total accumulated depreciation	(21,170,689)	(2,175,147)	80,933	(22,709)	(23,287,612)
Total capital assets, being depreciated, net	31,249,949	(763,568)	(939)	6,019,990	36,505,432
Business-type activities capital assets, net	\$ 37,912,972	\$ 2,002,232	\$ (939)	\$ 2,767	\$ 39,917,032

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

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

	<u>Depreciation Expense</u>
Governmental Activities:	
General government	\$ 302,829
Public safety	461,768
Public works	2,362,865
Culture and recreation	968,566
Total depreciation expense - governmental activities	<u><u>\$ 4,096,028</u></u>
Business-Type Activities:	
Water	\$ 265,057
Wastewater	1,640,535
Housing	269,555
Total depreciation expense - business-type activities	<u><u>\$ 2,175,147</u></u>

Note 5. Retirement Commitments

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

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

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

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

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

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

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

The City's contribution to the Wyoming Retirement System for the years ended June 30, 2009, 2008 and 2007 were \$867,643, \$796,346 and \$731,374, respectively, equal to the required contributions for each year.

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

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

Contributions to the system consist of an amount equal to 20.5% of the employee's salary. The City is required by State statute to contribute 12% of the amount and, as permitted by statute, also contributes the employee's 6%. As of July 1, 2008, an additional 2.5% is contributed by the employee.

The City's and employee's combined contribution to the plan for the years ended June 30, 2009, 2008 and 2007 were \$427,934, \$392,667 and \$363,875, respectively, equal to the required contributions for each year.

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

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

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

The City's contribution to the plan for the years ended June 30, 2009, 2008 and 2007 was \$637,597, \$593,712 and \$546,460, respectively.

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

Note 6. 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, 2009, the City paid \$3,183,486 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, 2009, capital assets with a cost of \$1,797,118 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 2009, the City paid the JPTB \$17,334 for internet bandwidth.

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

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

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

The Board consists of seven members: one member from Sweetwater County and one member from each of the six participating cities. During the year ended June 30, 2009, the City recorded 1% specific purpose sales and use tax revenues of \$5,957,124 to finance various sewer and streets infrastructure projects.

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, Carl R. Demshar, Jr., at the City of Rock Springs, 212 D Street, Rock Springs, WY 82901.

Note 7. Contingencies and Commitments

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

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

The City and Housing Authority have purchased commercial insurance and workers' compensation coverage to minimize their risks of loss. 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, 2009 of \$380,324. Changes in the IBNR from fiscal years 2009 and 2008 were as follows:

	At Fiscal Year-End Liability	Estimated Claims Incurred	Claim Payments	At Fiscal Year-End Liability
Fiscal Year 2007-2008	\$ 465,000	\$ 1,811,178	\$ (1,996,178)	\$ 280,000
Fiscal Year 2008-2009	\$ 280,000	\$ 2,100,559	\$ (2,000,235)	\$ 380,324

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

At June 30, 2009, the City was obligated for construction and other contracts as follows:

Fund:	Contract Price	Paid to Date	Balance
General fund	\$ 34,054,872	\$ 10,342,533	\$ 23,712,339
Water fund	510,486	150,833	359,653
Sewer fund	22,116,957	15,510,370	6,606,587
Housing fund	7,900	4,034	3,866
	<u>\$ 56,690,215</u>	<u>\$ 26,007,770</u>	<u>\$ 30,682,445</u>

Note 8. Due to State of Wyoming

The wastewater fund has four 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, 2009 was \$10,127,998. The loan is secured by the pledge of the City's rights, title, and interest in and to the revenues received from the Wastewater system user fees.

The *Headworks Project* loan (original loan \$1,092,200, interest at 2.5%) requires annual principal and interest payments of \$93,423. The loan balance as of June 30, 2009 was \$669,856. The loan is secured by the pledge of the City's rights, title, and interest in and to revenues received in the operations of the Wastewater Fund.

The *Sunset Sewer* loan (original loan \$500,000, interest at 2.5%) requires annual principal and interest payments of \$32,074. The loan balance as of June 30, 2009 was \$418,720. The loan is secured by the pledge of the City's rights, title, and interest in and to revenues received in the operations of the Wastewater Fund.

The *Clark Addition* loan (original loan \$993,198, interest at 2.5%) requires annual principal and interest payments of \$63,711. The loan balance as of June 30, 2009 was \$831,745. 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.

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

Annual debt service requirements to maturity are as follows:

Year ending June 30,	Total	Principal	Interest
2010	\$ 894,826	\$ 593,618	\$ 301,208
2011	894,826	608,458	286,368
2012	894,826	623,670	271,156
2013	894,826	639,261	255,565
2014	894,826	655,243	239,583
2015 - 2019	4,287,283	3,341,095	946,188
2020 - 2024	4,007,014	3,478,262	528,752
2025 - 2027	2,212,641	2,108,712	103,929
	<u>\$ 14,981,068</u>	<u>\$ 12,048,319</u>	<u>\$ 2,932,749</u>

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

The *Water Meter Replacement* loan (original loan \$2,449,830, interest at 2.5%) requires annual principal and interest payments of \$157,150. The loan balance as of June 30, 2009 was \$2,255,625. 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, 2009 was \$1,356,871. 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, 2009 was \$837,441. The loan is secured by the pledge and assignment of revenues from the City's Water Fund.

The *Westside I and II* loans (original loan \$480,195, interest at 7.25%) require annual principal and interest payments of \$39,674. The loan balances as of June 30, 2009 were \$437,819. The loan is secured by the pledge and assignment of revenues from the City's Water Fund.

The *Gobel/O'Donnell Water Line* loan (interest at 2.5%) was initiated during 2008 in the amount of \$1,500,000. Advances on loan during the year ended June 30, 2009 were \$142,105. The loan balance as of June 30, 2009 was \$1,171,045. The first payment is due December 1, 2009. Principal and interest payments due annually are estimated at \$74,876 based on loan advances at June 30, 2009. Principal and interest payments are estimated at \$96,221 when all loan advances have occurred. The loan is secured by the pledge and assignment of revenues from the City's Water Fund.

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

Annual debt service requirements to maturity are as follows:

Year ending June 30,	Total	Principal	Interest
2010	\$ 464,961	\$ 280,043	\$ 184,918
2011	451,909	287,405	164,504
2012	451,909	294,978	156,931
2013	451,909	302,770	149,139
2014	451,909	310,787	141,122
2015 - 2019	2,259,543	1,682,667	576,876
2020 - 2024	2,143,482	1,805,915	337,567
2025 - 2029	1,108,346	990,594	117,752
2030 - 2032	118,241	103,642	14,599
	<u>\$ 7,902,209</u>	<u>\$ 6,058,801</u>	<u>\$ 1,843,408</u>

Note 9. Long-Term Obligations

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

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009	Due Within One Year
Governmental Activities:					
Compensated absences	\$ 1,895,534	\$ 1,824,228	\$ (1,640,393)	\$ 2,079,369	\$ 1,450,352
Net OPEB obligation	-	158,378	-	158,378	-
Total governmental long-term obligations	<u>1,895,534</u>	<u>1,982,606</u>	<u>(1,640,393)</u>	<u>2,237,747</u>	<u>1,450,352</u>
Business Type Activities:					
Wastewater fund - due to other governmental entities	12,627,458	-	(579,139)	12,048,319	593,618
Water fund - due to other governmental entities	2,449,830	-	(194,205)	2,255,625	100,759
Water-JPWB loan	3,790,761	142,105	(129,690)	3,803,176	179,284
Compensated absences	197,997	233,111	(231,007)	200,101	132,778
Total business-type long-term obligations	<u>19,066,046</u>	<u>375,216</u>	<u>(1,134,041)</u>	<u>18,307,221</u>	<u>1,006,439</u>
Total long-term obligations	<u>\$ 20,961,580</u>	<u>\$ 2,357,822</u>	<u>\$ (2,774,434)</u>	<u>\$ 20,544,968</u>	<u>\$ 2,456,791</u>

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Post-Employment Retirement Benefits

A. Plan Description

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

1. Any City employee who retires in good standing after 10 or more years of employment and is a minimum of 55 years old, provided that the retiree pays the required contributions.
2. Any City employee who retires in good standing after 20 or more years of employment regardless of age, provided the retiree pays the required contributions.
3. Any City employee who retires from such employment while in good standing after 8 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 2009, the City contributed \$0 to the plan. Plan members receiving benefits contributed \$79,149, or approximately 100% of the total premiums, through their required contribution of \$459.93 (\$466.37 for Post-Medicare) per month for retiree-only coverage and \$472.73 (\$466.37 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 to:

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

Annual required contribution	\$ 237,527
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>237,527</u>
Contributions made	<u>79,149</u>
Increase in net OPEB obligation	158,378
Net OPEB obligation—beginning of year	<u>-</u>
Net OPEB obligation—end of year	<u><u>\$ 158,378</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2007	-	-	-
June 30, 2008	-	-	-
June 30, 2009	\$ 237,527	33.3%	\$ 158,378

D. *Funded Status and Funding Progress*

As of July 1, 2008, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$2,372,750, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,372,750. The covered payroll (annual payroll of active employees covered by the plan) was \$13,792,412, and the ratio of the UAAL to the covered payroll was 17.2%. 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, 2008 actuarial valuation, the projected unit credit actuarial cost method was used. The amortization method used was level percentage of pay, and the

CITY OF ROCK SPRINGS, WYOMING

NOTES TO FINANCIAL STATEMENTS

amortization period is an open period of 30 years. The actuarial assumptions included a 3.3% discount rate, a 3.0% salary growth rate, and an annual healthcare cost trend rate of 8.7% per year pre and post Medicare eligible, grading to a rate of 4.5% over 58 years. Both rates included a 2.5% inflation assumption. 50% of future retired participants were projected to opt for health care coverage, and 100% of current retired participants were projected to continue coverage. 40% of future retirees who opted for healthcare were projected to cover a spouse.

Note 11. Reserves and Designations

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

	Governmental Fund
	General Fund
Reserved for inventories	\$ 482,850
Reserved for encumbrances	22,762,961
	<u>\$ 23,245,811</u>

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

	Governmental Fund	Business-Type Funds		
	General Fund	Water Fund	Wastewater Fund	Housing Authority
Contingency reserve	\$ 6,302,789	\$ -	\$ -	\$ -
Capital replacement	4,109,594	1,590,000	7,870,320	-
Cash carryover	-	1,095,263	-	-
Compensated absences/OPEB	1,087,750	-	-	-
	<u>\$ 11,500,133</u>	<u>\$ 2,685,263</u>	<u>\$ 7,870,320</u>	<u>\$ -</u>

Note 12. Litigation

The City has multiple claims and pending legal proceedings that generally involve the operations of the City. These proceedings are, in the opinion of management, ordinary routine matters incidental to the normal business conducted by the City. In the opinion of management and the City legal counsel, such proceedings are substantially covered by insurance, and the ultimate disposition of such proceedings are not expected to have a material adverse effect on the City's financial position, results of operations or cash flows.

REQUIRED SUPPLEMENTARY INFORMATION

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

CITY OF ROCK SPRINGS, WYOMING
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes:				
Property taxes	\$ 1,400,000	\$ 1,400,000	\$ 2,202,492	\$ 802,492
Occupation tax	55,000	55,000	61,339	6,339
Franchise tax	540,000	540,000	652,471	112,471
Sales and use tax	21,824,500	28,688,057	28,025,576	(662,481)
Cigarette tax	240,000	240,000	219,920	(20,080)
Wholesale gas tax	300,000	300,000	354,642	54,642
Mineral severance tax	792,867	792,867	786,540	(6,327)
Special fuels tax	102,500	102,500	122,301	19,801
	<u>25,254,867</u>	<u>32,118,424</u>	<u>32,425,281</u>	<u>306,857</u>
Licenses and permits:				
Liquor licenses	56,503	56,503	55,798	(705)
Malt beverage and catering	1,500	1,500	4,300	2,800
Building fess and permits	650,000	650,000	591,214	(58,786)
Animal licenses	10,000	10,000	17,512	7,512
Contractor licenses	55,000	55,000	66,775	11,775
Road impact fees	20,000	20,000	111,469	91,469
	<u>793,003</u>	<u>793,003</u>	<u>847,068</u>	<u>54,065</u>
Inter-governmental revenue:				
Mineral royalties	847,546	847,546	863,713	16,167
Federal, state, and county grants	11,559,590	12,362,324	5,381,795	(6,980,529)
Supplemental local government funding	2,466,435	2,466,435	1,982,400	(484,035)
	<u>14,873,571</u>	<u>15,676,305</u>	<u>8,227,908</u>	<u>(7,448,397)</u>
Charges for services:				
Golf course	600,000	600,000	702,769	102,769
Civic center	140,000	140,000	178,988	38,988
Indoor recreation	404,000	404,000	479,984	75,984
Field usage fees	6,000	6,000	7,150	1,150
Rents and concessions	37,800	37,800	38,496	696
Cemetery fees	15,000	15,000	19,775	4,775
Inter-fund administrative charges	120,000	120,000	133,133	13,133
Special police and fire services	2,000	2,000	19,950	17,950
Advertising fees	2,100	2,100	2,775	675
	<u>1,326,900</u>	<u>1,326,900</u>	<u>1,583,020</u>	<u>256,120</u>

Continued

CITY OF ROCK SPRINGS, WYOMING
BUDGETARY COMPARISON SCHEDULE (continued)
GENERAL FUND
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fines and forfeitures:				
Municipal court fees and parking fines	\$ 450,500	\$ 450,500	\$ 485,900	\$ 35,400
Animal fines	10,000	10,000	32,109	22,109
	<u>460,500</u>	<u>460,500</u>	<u>518,009</u>	<u>57,509</u>
Miscellaneous:				
Animal adoption	4,000	4,000	12,709	8,709
Sale of cemetery lots	14,000	14,000	16,975	2,975
Maps, publications, and copies	2,100	2,100	4,238	2,138
Sale of materials or supplies	297,600	302,600	277,419	(25,181)
Sale of property	-	-	62,900	62,900
Blue Cross Blue Shield	480,000	480,000	449,447	(30,553)
Miscellaneous reimbursements	50,550	56,980	126,775	69,795
Refund of overpayments and insurance reimbursement	5,500	13,190	20,143	6,953
Contributions and donations	363,065	464,565	242,103	(222,462)
Sundry revenues	1,200	3,287	22,325	19,038
	<u>1,218,015</u>	<u>1,340,722</u>	<u>1,235,034</u>	<u>(105,688)</u>
Other income:				
Interest	453,170	453,170	721,842	268,672
Transfers	-	500,000	500,000	-
	<u>453,170</u>	<u>953,170</u>	<u>1,221,842</u>	<u>268,672</u>
Total revenues	<u>44,380,026</u>	<u>52,669,024</u>	<u>46,058,162</u>	<u>(6,610,862)</u>

Continued

CITY OF ROCK SPRINGS, WYOMING
BUDGETARY COMPARISON SCHEDULE (continued)
GENERAL FUND
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures				
General government:				
Legislative	\$ 365,075	\$ 365,075	\$ 346,398	\$ 18,677
Judicial	614,950	614,950	466,231	148,719
Finance, administration	1,014,500	1,031,707	917,436	114,271
Municipal court	399,800	399,800	345,858	53,942
Data processing	1,413,271	1,414,353	1,114,906	299,447
City buildings	1,039,076	1,039,076	568,358	470,718
Urban renewal	428,701	520,488	308,563	211,925
	<u>5,275,373</u>	<u>5,385,449</u>	<u>4,067,750</u>	<u>1,317,699</u>
Public safety:				
Police department	7,735,154	7,768,921	6,829,725	939,196
Animal control	610,127	610,127	525,341	84,786
Emergency management	208,210	209,210	132,903	76,307
Fire department	4,793,607	5,215,974	4,680,176	535,798
	<u>13,347,098</u>	<u>13,804,232</u>	<u>12,168,145</u>	<u>1,636,087</u>
Public works:				
Public works administration, engineering	1,505,001	2,437,987	1,575,972	862,015
Planning and inspection	942,217	943,047	839,351	103,696
Street department	16,829,303	25,941,339	23,105,545	2,835,794
Vehicle maintenance	541,252	541,252	489,395	51,857
Cemetery	730,701	768,739	618,031	150,708
	<u>20,548,474</u>	<u>30,632,364</u>	<u>26,628,294</u>	<u>4,004,070</u>
Culture and recreation:				
Parks and recreation	2,368,812	4,187,157	3,263,553	923,604
Golf course	3,687,945	5,503,993	4,432,311	1,071,682
Recreation	467,701	492,701	585,708	(93,007)
Civic center	1,217,550	1,217,550	1,044,897	172,653
Historical museum	240,418	252,749	223,695	29,054
Indoor recreation	9,528,148	10,503,990	9,986,514	517,476
	<u>17,510,574</u>	<u>22,158,140</u>	<u>19,536,678</u>	<u>2,621,462</u>
Nondepartmental	<u>2,573,520</u>	<u>9,239,046</u>	<u>9,238,994</u>	<u>52</u>
Total expenditures	<u>59,255,039</u>	<u>81,219,231</u>	<u>71,639,861</u>	<u>9,579,370</u>
(Deficiency) of revenues over expenditures	<u>\$ (14,875,013)</u>	<u>\$ (28,550,207)</u>	<u>\$ (25,581,699)</u>	<u>\$ 2,968,508</u>

CITY OF ROCK SPRINGS, WYOMING

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2009

Note 1. Budgets

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

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

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

The budget is adopted according to the following schedule:

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

CITY OF ROCK SPRINGS, WYOMING

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2009**

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

	<u>General Fund</u>
Revenues	
Actual Amounts (budgetary basis) from the schedule of revenues, expenditures and changes in fund balance - budget (budgetary basis) and actual	\$ 46,058,162
Differences - Budget Basis to GAAP	
Transfers to the reserves fund within the General Fund	<u>(500,000)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 45,558,162</u></u>
Expenditures	
Actual Amounts (budgetary basis) from the schedule of revenues, expenditures and changes in fund balance - budget (budgetary basis) and actual	\$ 71,639,861
Transfers to the reserves fund within the General Fund	(500,000)
Differences - Encumbrances included on the budgetary basis, not included in GAAP based expenditures	<u>(22,762,961)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 48,376,900</u></u>

CITY OF ROCK SPRINGS, WYOMING

SCHEDULE OF FUNDING PROGRESS

For the Year Ended June 30, 2009

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)
July 1, 2008	\$ -	\$2,372,750	\$2,372,750	0%	\$13,192,412	17.2%

OTHER GOVERNMENTAL FUNDS

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

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

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

**CITY OF ROCK SPRINGS, WYOMING
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2009**

	Special Revenue Fund		
	Economic		
	Development Loan Fund	Debt Service Fund	Total
ASSETS			
Cash and investments	\$ 88,926	\$ 88,463	\$ 177,389
Receivables (net of allowance for uncollectibles):			
Special assessments receivable	-	10,476	10,476
Total assets	<u>\$ 88,926</u>	<u>\$ 98,939</u>	<u>\$ 187,865</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Deferred revenue	\$ -	\$ 10,476	\$ 10,476
Total liabilities	<u>-</u>	<u>10,476</u>	<u>10,476</u>
Fund balance:			
Unreserved, undesignated	<u>88,926</u>	<u>88,463</u>	<u>177,389</u>
Total liabilities and fund balances	<u>\$ 88,926</u>	<u>\$ 98,939</u>	<u>\$ 187,865</u>

**CITY OF ROCK SPRINGS, WYOMING
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009**

	<u>Special Revenue Fund</u>		
	<u>Economic Development Loan Fund</u>	<u>Debt Service Funds</u>	<u>Total</u>
Revenues			
Taxes and special assessments	\$ -	\$ 2,712	\$ 2,712
Interest	-	793	793
Total revenues	<u>-</u>	<u>3,505</u>	<u>3,505</u>
Net change in fund balance	-	3,505	3,505
Fund balances, beginning	<u>88,926</u>	<u>84,958</u>	<u>173,884</u>
Fund balances, ending	<u>\$ 88,926</u>	<u>\$ 88,463</u>	<u>\$ 177,389</u>

HOUSING AUTHORITY

CITY OF ROCK SPRINGS, WYOMING
COMBINING STATEMENT OF NET ASSETS
HOUSING AUTHORITY
June 30, 2009

ASSETS	Public Housing	Section 8 Vouchers	Supportive Housing	Total
Current assets:				
Cash and investments	\$ 563,863	\$ 24,059	\$ 3,847	\$ 591,769
Accounts receivable (net of allowance for uncollectibles)	576	-	1,487	2,063
Inventories	1,734	-	-	1,734
Prepaid expenses	23,944	-	-	23,944
Total current assets	<u>590,117</u>	<u>24,059</u>	<u>5,334</u>	<u>619,510</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation	2,660,276	-	-	2,660,276
Total assets	<u>3,250,393</u>	<u>24,059</u>	<u>5,334</u>	<u>3,279,786</u>
LIABILITIES				
Current liabilities:				
Accounts payable	33,275	-	-	33,275
Customer and security deposits	29,150	-	-	29,150
Compensated absences	25,853	-	-	25,853
Due to (from) other funds	(10,683)	10,683	-	-
Deferred revenue	3,474	-	-	3,474
Total current liabilities	<u>81,069</u>	<u>10,683</u>	<u>-</u>	<u>91,752</u>
Noncurrent liabilities:				
Compensated absences	3,112	-	-	3,112
Total liabilities	<u>84,181</u>	<u>10,683</u>	<u>-</u>	<u>94,864</u>
NET ASSETS				
Invested in capital assets, net of related debt	2,660,276	-	-	2,660,276
Restricted	505,936	13,376	5,334	524,646
Total net assets	<u>\$ 3,166,212</u>	<u>\$ 13,376</u>	<u>\$ 5,334</u>	<u>\$ 3,184,922</u>

CITY OF ROCK SPRINGS, WYOMING
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
HOUSING AUTHORITY
For the Year Ended June 30, 2009

	Public Housing	Section 8 Vouchers	Supportive Housing	Capital Fund	Total
Operating revenues:					
Tenant rental revenue	\$ 303,990	\$ -	\$ 405	\$ -	\$ 304,395
Other tenant revenue	16,333	-	-	-	16,333
Total operating revenue	<u>320,323</u>	<u>-</u>	<u>405</u>	<u>-</u>	<u>320,728</u>
Operating expenses:					
Personnel	407,250	10,683	-	-	417,933
Utilities	96,338	-	-	-	96,338
Postal/freight	1,395	-	-	-	1,395
Communications	2,756	-	-	-	2,756
Office supplies and printing	4,405	-	-	-	4,405
Repairs and maintenance	64,128	-	-	-	64,128
Travel	397	-	-	-	397
Administrative costs	6,300	-	-	-	6,300
Other costs	15,504	-	-	-	15,504
Depreciation	269,555	-	-	-	269,555
Audit and legal	2,000	500	-	-	2,500
Consulting and collection	4,718	-	-	-	4,718
Insurance	41,415	-	-	-	41,415
Housing assistance payments	-	114,205	489	-	114,694
Tenant service contract costs	1,468	-	-	-	1,468
Total operating expenses	<u>917,629</u>	<u>125,388</u>	<u>489</u>	<u>-</u>	<u>1,043,506</u>
Operating (loss)	<u>(597,306)</u>	<u>(125,388)</u>	<u>(84)</u>	<u>-</u>	<u>(722,778)</u>
Nonoperating revenue (expense):					
HUD PHA grants	311,709	119,302	-	171,706	602,717
Interest income	5,569	286	-	-	5,855
Other income (expense)	-	-	644	-	644
Total nonoperating revenue	<u>317,278</u>	<u>119,588</u>	<u>644</u>	<u>171,706</u>	<u>609,216</u>
Income (loss) before transfers	(280,028)	(5,800)	560	171,706	(113,562)
Transfers in	171,706	-	-	-	171,706
Transfers out	-	-	-	(171,706)	(171,706)
Change in net assets	<u>(108,322)</u>	<u>(5,800)</u>	<u>560</u>	<u>-</u>	<u>(113,562)</u>
Net assets, beginning	<u>3,274,534</u>	<u>19,176</u>	<u>4,774</u>	<u>-</u>	<u>3,298,484</u>
Net assets, ending	<u>\$ 3,166,212</u>	<u>\$ 13,376</u>	<u>\$ 5,334</u>	<u>\$ -</u>	<u>\$ 3,184,922</u>

CITY OF ROCK SPRINGS, WYOMING
SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
For the Year Ended June 30, 2009

	Federal CFDA Number	Expenditures
U.S. Department of Housing and Urban Development		
Public and Indian Housing	14.850	\$ 311,709
Section 8 Housing Choice Vouchers	14.871	119,302
Public Housing Capital Fund	14.872	171,706
Total U.S. Department of Housing and Urban Development		<u>602,717</u>
U.S. Department of Transportation		
Passed through the Wyoming Department of Transportation:		
State and Community Highway Safety	20.600	4,779
Alcohol Impaired Driver Countermeasures Incentive Grants	20.601	26,935
Total U.S. Department of Transportation		<u>31,714</u>
U.S. Department of Interior		
Passed through the Wyoming Department of Environmental Quality:		
Abandoned Mine Land Reclamation (AMLR) Program - Bitter Creek Clean Up Project	15.252	386,291
U.S. Department of Homeland Security		
Passed through the Wyoming Office of Homeland Security:		
Homeland Security Grant Program	97.067	15,751
State Homeland Security Program - Regional Emergency Response Team	97.073	52,477
Passed through the Airport Board:		
Law Enforcement Officer Reimbursement Agreement Program	97.090	75,861
Total U.S. Department of Homeland Security		<u>144,089</u>
U.S. Department of Justice		
Passed through the Wyoming Attorney General's Office:		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	19,277
National Park Service		
Passed through the State of Wyoming		
Department of State Parks and Cultural Resources, Historic Preservation Fund Grants-In-Aid	15.904	1,889
Total Federal awards expended		<u>\$ 1,185,977</u>

CITY OF ROCK SPRINGS, WYOMING

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2009

Significant Accounting Policies

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

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

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

COMPLIANCE AND INTERNAL CONTROL

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rock Springs, Wyoming (the "City") as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 5, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential, will not be prevented or detected by the entity's internal control.

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City in a separate letter dated November 5, 2009.

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

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

Cheyenne, Wyoming
November 5, 2009

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

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

Compliance

We have audited the compliance of the City of Rock Springs, Wyoming (the "City") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2009. The City's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major Federal programs for the year ended June 30, 2009.

Internal Control over Compliance

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

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2009-01 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the entity's internal control. We did not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

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

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

McGee, Hearne & Paiz, LLP

Cheyenne, Wyoming
November 5, 2009

CITY OF ROCK SPRINGS, WYOMING

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009**

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

A. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ Yes X No

B. Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>	<u>Expenditures</u>
15.252	Abandoned Mine Land Reclamation (AMLR) Program – Bitter Creek Clean Up Project	\$386,291
14.850	Public and Indian Housing	\$311,709

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

CITY OF ROCK SPRINGS, WYOMING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

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

A. Significant Deficiencies in Internal Control

None

B. Compliance Findings

None

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

A. Significant Deficiencies in Internal Control

2009-01: Suspension and Debarment

The internal control objective around the *Suspension and Debarment* compliance requirement is to provide reasonable assurance that covered transactions (as defined in the suspension and debarment common rule) are not made with a debarred or suspended party. The following program did not have an effective system in place to ensure compliance with the aforementioned control objective:

Abandoned Mine Land Reclamation (AMLR) Program –
Bitter Creek Clean Up Project (CFDA #15.252)

We recommend that the program develops and implements a system in order to ensure that the covered transactions (procurement contracts for goods or services equal to or in excess of \$25,000 and all nonprocurement transactions (e.g. subawards to subrecipients)) are not with suspended or debarred parties.

Auditee Response: In regards to the significant deficiency previously mentioned, the City was satisfied with its selection of the contractor after reviewing the contractor's experience and qualifications. Also, the State of Wyoming did not specifically require the City to provide any evidence of suspension or debarment related to the City's selected contractor. However, the City does recognize the A-133 requirement to include evidence of testing related to the suspended and debarred list with each applicable Federal award. The City will revise its policies and procedures in regards to checking the Federal suspended and debarred list and put evidence of testing the list in each of its applicable grant files to be consistent with all the City's grants, regardless of whether it is explicitly required by the individual grant agreement.

B. Compliance Findings

None

CITY OF ROCK SPRINGS, WYOMING

**SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
For the Year Ended June 30, 2009**

There were no Federal audit findings in the prior year.