

CITY OF LANDER, WYOMING

FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

Honorable Members of the City Council
City of Lander
Lander, Wyoming

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lander, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lander, as of June 30, 2018, the respective changes in financial position, and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension information on pages 3-9, 48 and 49-56, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2018 on our consideration of the City of Lander's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lander's internal control over financial reporting and compliance.

Fagnant, Lewis & Brinda, P.C.

Fagnant Lewis and Brinda, P.C.
Lander, Wyoming
November 26, 2018

Management's Discussion and Analysis

CITY OF LANDER, WYOMING

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

This section of the City of Lander's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended June 30, 2018. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

The assets of the City of Lander exceeded its liabilities and deferred inflows of resources at June 30, 2018 by \$62,119,489 (net position). Of this amount, unrestricted net position of \$4,510,179 is broken down as follows: Business-Type (Water and Sewer Fund) \$2,985,619; and Governmental Type has various board designated amounts that are unrestricted according to the Government wide definitions for net position classifications. Approximately \$1,524,560. In 2015 the City was also subject to Government Auditing Standard Statements No. 68-71 which required the City to put the City's unfunded portion of the Net Pension Liability on the financial statements. This has impacted the net position negatively as the total liability was approximately \$3.4 million. This liability is not something the City is responsible for paying beyond normal contributions as required by the Wyoming Retirement System. Upon removing this number from the balance sheet the City would have a positive unrestricted fund balance in both the general fund and enterprise fund.

- Sales tax revenues, mineral royalties, severance taxes, and special state distributions totaled \$4,420,865 while water and sewer utility charges total \$3,160,580.
- The increases in water and sewer income numbers again this year are due to the monies being collected for the payment of the loans that will come due as soon as the projects are completed.
- The City of Lander completed the upgrades to the Lander airport runways. These projects include: runway expansion, apron expansion and upgrades to the lighting system. This was a cost of \$5,932,130.
- The City of Lander replaced the rodeo arena bleachers this year. This was paid for from an award from the Federal government and from donations. There was also a concert held as a fundraiser to help pay the shortfall for this project.
- The Lander Chamber of Commerce completed construction of their new office building located on Main Street. This was paid for with a loan/grant from the Wyoming Business Council along with monies from the Chamber. The City will have an agreement with the Chamber to make this annual loan payment.
- The City of Lander will be completing the Jefferson street upgrades with WYDOT this fall. This project has been funded by WYDOT funds and with the optional tax monies.
- The street engineering projects have been awarded and in the spring/summer of 2019 many of the optional tax street projects will begin. These will be phase projects for the next couple of summers as the optional monies are collected.

USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to the City of Lander's basic financial statements. The City of Lander's basic financial statements comprise three components: 1) government-wide statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The ***statement of net position*** presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator as to whether the financial position of the City is improving or deteriorating.

The ***statement of activities*** presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses reported in this statement for some items will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Lander that are principally supported by taxes and intergovernmental revenues (*Governmental Activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*Business-Type Activities*). The Governmental Activities of the City of Lander include general government, public safety (police, fire, building inspection), public works (streets, parks, and cemetery), community development and services. The business-type activities include the water and sewer systems.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State law and bond covenants, however, City Council establishes other funds to help control and manage money for particular purposes. All of the City's funds can be divided into three categories: Governmental Funds, Proprietary Funds and Fiduciary Funds.

Governmental funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending. The funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental funds statements provide a detailed short-term view to cash, the governmental fund operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

Proprietary funds – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. The City's enterprise fund (proprietary fund) is the same as the business-type activity reported in the government-wide statements but provides more detail and additional information, such as cash flows.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

Notes to 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.

City of Lander, Wyoming
Management's Discussion and Analysis
June 30, 2018

The City as a whole:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
ASSETS						
Current and other assets	\$7,064,006	\$5,285,660	\$7,497,941	\$7,642,749	\$14,561,947	\$12,928,409
Notes receivable	0	0	0	0	0	0
Capital assets	31,700,671	25,682,903	28,488,918	27,449,835	60,189,589	53,132,738
Total Assets	38,764,677	30,968,563	35,986,859	35,092,584	74,751,536	66,061,147
DEFERRED OUTFLOW OF RESOURCES						
Pension	308,073	693,387	112,234	248,928	420,307	942,315
LIABILITIES						
Current and other liabilities	2,190,619	1,835,739	638,617	1,197,297	2,829,236	3,033,036
Noncurrent liabilities						
Net pension liability	2,353,202	2,514,798	1,058,738	1,122,908	3,411,940	3,637,706
Compensated absences	152,387	166,275	62,577	64,663	214,964	230,938
Obligations under capital lease	47,500	59,433	0	0	47,500	59,433
Notes payable	182,244	0	3,922,120	609,914	4,104,364	609,914
Loan advances	0	0	2,054,805	3,828,429	2,054,805	3,828,429
Bonds payable	0	0	0	1,980,000	0	1,980,000
Total Liabilities	4,925,952	4,576,245	7,736,857	8,803,211	12,662,809	13,379,456
DEFERRED INFLOW OF RESOURCES						
Community Center advances	12,123	9,500	0	0	12,123	9,500
Property taxes	377,422	279,840	0	0	377,422	279,840
	389,545	289,340	0	0	389,545	289,340
NET ASSETS						
Net investment in capital assets	31,476,780	25,443,330	27,756,543	24,676,739	59,233,323	50,120,069
Restricted for:						
Endowment - spendable	431,096	500,142	0	0	431,096	500,142
Special projects	271,574	271,574	0	0	271,574	271,574
Debt service	53,243	53,243	0	0	53,243	53,243
Payment of bonds	0	0	0	184,130	0	184,130
Loan guarantee	0	0	146,512	146,512	146,512	146,512
Plant maintenance	0	0	815,000	815,000	815,000	815,000
Assigned						
Optional sales tax	1,723,944	2,045,001	0	0	1,723,944	2,045,001
Special projects	0	6,211	0	0	0	6,211
Assigned SLIB loan reserves	0	0	1,821,643	785,620	1,821,643	785,620
Replacement fund	150,000	150,000	412,927	307,592	562,927	457,592
Principal payment on loans	0	0	0	0	0	0
Retirement payout	135,000	135,000	250,000	200,000	385,000	335,000
Unrestricted	(484,384)	(1,808,136)	(2,840,389)	(577,292)	(3,324,773)	(2,385,428)
Total Net Assets	\$33,757,253	\$26,796,365	\$28,362,236	\$26,538,301	\$62,119,489	\$53,334,666

The City's assets total \$74.7 million and \$66 million as of June 30, 2018 and 2017, respectively. Of that amount, approximately 80% and 80% are capital assets as of both June 30, 2018 and 2017, respectively. The City has liabilities of approximately \$12.6 million and \$13.3million as of June 30, 2018 and 2017, respectively.

City of Lander, Wyoming
Management's Discussion and Analysis
June 30, 2018

This section contains a condensed comparison of revenues and expenses and explanations for significant differences. The following table shows the summarized revenues and expenses for fiscal year 2018 compared to 2017.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
REVENUES						
Program Revenues						
Charges for services	\$ 874,525	\$1,094,475	\$3,160,580	\$3,865,692	\$4,035,105	\$4,960,167
Operating grants & contributions	330,255	232,755	0	0	330,255	232,755
Capital grants & contributions	5,046,441	449,967	0	0	5,046,441	449,967
General Revenues						
Property & vehicle taxes	699,390	673,353	0	0	699,390	673,353
Sales & use tax	2,730,507	2,684,252	0	0	2,730,507	2,684,252
Franchise fees	451,927	380,771	0	0	451,927	380,771
Other taxes	359,395	370,675	0	0	359,395	370,675
Mineral taxes	466,979	468,693	0	0	466,979	468,693
Severance taxes	282,032	282,089	0	0	282,032	282,089
Special state distributions	941,287	844,077	0	0	941,287	844,077
Investment earnings	34,931	6,318	23,288	74,000	58,219	80,318
Gain (loss) on sale of assets	0	44,983	0	0	0	44,983
Other revenue	893,420	23,691	0	0	893,420	23,691
Transfers	0	0	0	0	0	0
Total Revenues	13,111,089	7,556,099	3,183,868	3,939,692	16,294,957	11,495,791
EXPENSES						
Current						
General government	1,465,294	1,437,603	0	0	1,465,294	1,437,603
Public safety	2,644,385	2,909,131	0	0	2,644,385	2,909,131
Public works	2,033,100	1,749,571	0	0	2,033,100	1,749,571
Water & wastewater	0	0	2,893,933	2,906,804	2,893,933	2,906,804
Total Expenses	6,142,779	6,096,305	2,893,933	2,906,804	9,036,712	9,003,109
Increase (decrease) in net assets	\$6,968,310	\$1,459,794	\$289,935	\$1,032,888	\$7,258,245	\$2,492,682

Governmental and business-type activities saw increases in net position of approximately \$7.2 million and \$2.4 million respectively, for fiscal years 2018 and 2017. The increase in governmental and business-type net position was primarily a result of the upgrades to the airport runway which are capitalized under full accrual accounting for the Government wide financial statements.

The City's Funds

Information on the City's major Governmental Funds begins on page 12. These funds are accounted for using the modified accrual basis of accounting. As the City completed the year, its Governmental Funds reported a combined fund balance of \$4,736,236 in 2018 and \$3,333,356 in 2017.

City of Lander, Wyoming
Management's Discussion and Analysis
June 30, 2018

	2018	2017
Restricted for special projects	\$271,574	\$271,574
Restricted for senior endowment	431,096	500,142
Restricted for debt service	53,243	53,243
Payment of bonds	0	184,130
Loan guarantee - Proprietary fund	146,512	146,512
Plant maintenance - Proprietary fund	815,000	815,000

The General Fund accounts for all of the general services provided by the City of Lander. At the end of 2018, the fund balance of the General Fund totaled \$4,286,177. At the end of 2017, the General Fund Balance totaled \$2,720,201.

Revenues by Source - General Fund		
	2018	2017
Taxes	72%	74%
License and fees	3%	3%
Fines and forfeitures	3%	3%
Intergovernmental	9%	14%
Charges for service	2%	4%
Other revenue	1%	1%
WBCA grant chamber contributions	9%	0%
Rent	1%	1%
Total	100%	100%

General government expenditures include all administrative functions of the City (i.e. Council, Clerk, Treasurer, Finance, Attorney, Municipal Court, Economic Development and Planning and Other General Accounts). Public Safety includes Police, Fire, Building Inspector, Emergency Management and Compliance, Engineering and Weed & Pest. Public Works includes Streets and Alleys, Building Repair and Maintenance, Airport, Cemetery, Maintenance Shop, Parks and Recreation, Rodeo Grounds and Public Works Administration.

Expenses by Function		
	2018	2017
General Government	\$921,322	\$985,064
Public Safety	2,363,657	2,627,626
Public Works	1,681,567	1,528,688
Capital Outlay	7,519,129	1,825,188
Principal Retirement	1,580	2,104,183
Total	\$12,487,255	\$9,070,749

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the City budget one time. All of the recommended amendments for budget changes came through the City Treasurer's office to City Council via Resolution. Budget Amendments require a public hearing and the opportunity for public discussion. The budget was amended due to increase/decrease between government departments and decrease in revenue.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2018 amounts to \$86.7 million. This amount excludes infrastructure assets constructed prior to July 1, 2003.

Major capital additions during fiscal year 2018 included upgrades to the runway and completion of the high-pressure waterline and lagoon upgrades. The table below provides a summary of net capital assets at June 30, 2018 compared to June 30, 2017.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Land	\$2,530,340	\$2,530,340	\$0	\$0	\$2,530,340	\$2,530,340
Construction in progress	74,918	670,592	2,463,121	8,289,896	2,538,039	8,960,488
Building & improvements	14,067,025	13,630,746	336,509	331,094	14,403,534	13,961,840
Equipment	3,614,063	3,523,405	1,436,717	1,436,717	5,050,780	4,960,122
Vehicles	3,264,487	3,264,487	257,199	257,199	3,521,686	3,521,686
Office furniture	67,810	141,416	85,958	113,810	153,768	255,226
Infrastructure	18,236,096	11,709,124	0	0	18,236,096	11,709,124
Water distribution system	0	0	33,033,730	25,458,586	33,033,730	25,458,586
Sewer service system	0	0	7,254,480	7,254,480	7,254,480	7,254,480
Total Net Assets	\$41,854,739	\$35,470,110	\$44,867,714	\$43,141,782	\$86,722,453	\$78,611,892

The City remains committed to the upkeep and maintenance of the City's largest assets.

Debt

Note 8 to the financial statement on page 35 provides a summary of the City's long-term debt.

Long-Term Debt – Bonds

Business-Type Activities

Water Revenue Bonds – Water Treatment Plant Improvements \$2,070,000. This bond was refinanced after this year with an interest rate of 2.5% which will save the City interest expense over the life of the bond of an estimated \$400,000 depending on payments and amortization.

Economic Factors and Next Year's Budgets and Rates

The optional sales tax was approved by the voters for renewal of four years in the November 2018 election. The City entered into an agreement with Infrastructure Management Services to have all City pavement graded. This detailed information received from IMS gave the City a timeline to help determine the condition of all pavements. With this information the City has now prioritized the street surfaces and determine a priority for replacement or resurfacing. The report has helped to determine the future costs that the City will have to incur to fix the streets. The City entered into a contract with Gores & Associates for the street projects. These projects will be introduced in phases with phase I beginning the spring of 2019.

The City will complete the new lagoon upgrades to the building and pump station this fall. This renovation update includes making the roof of the building retractable. Also, included in this upgrade was the purchase of a new boat for use on the lagoon system.

City of Lander, Wyoming**Management's Discussion and Analysis**

June 30, 2018

The City will be under a new mayor and council beginning January, 2019. This will include three new council members. Due to the change of administration we anticipate seeing new employees being hired as appointed positions.

The future supplemental monies are anticipated to remain the same for the upcoming year for the City. The City is strongly advocating to their local legislators to maintain the municipalities at the current level of funding.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the funds and assets it received. If you have questions about this report, or should you need additional financial information, contact the City Treasurer's Office at City of Lander, 240 Lincoln Street, Lander, WY 82520.

Government-Wide Financial Statements

**CITY OF LANDER, WYOMING
STATEMENT OF NET POSITION
JUNE 30, 2018**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Other cash and investments	\$ 5,979,018	\$ 4,497,532	\$ 10,476,550
Cash with fiscal agent	12,624	0	12,624
Restricted cash	0	961,512	961,512
Receivables, net			
Taxes receivable	713,455	0	713,455
Intergovernmental and grants receivable	337,997	1,685,724	2,023,721
Accounts receivable	15,412	296,079	311,491
Pledges receivable	5,500	0	5,500
Inventory	0	57,094	57,094
Total Current Assets	<u>7,064,006</u>	<u>7,497,941</u>	<u>14,561,947</u>
Noncurrent Assets			
Fixed assets, net of accumulated depreciation	<u>31,700,671</u>	<u>28,488,918</u>	<u>60,189,589</u>
TOTAL ASSETS	<u>\$ 38,764,677</u>	<u>\$ 35,986,859</u>	<u>\$ 74,751,536</u>
DEFERRED OUTFLOW OF RESOURCES			
Pension	<u>308,073</u>	<u>112,234</u>	<u>420,307</u>
TOTAL DEFERRED OUTFLOW OF RESOURCES	<u>308,073</u>	<u>112,234</u>	<u>420,307</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued expenses	\$ 238,070	\$ 448,924	\$ 686,994
Internal balances	1,776,158	0	1,776,158
Renter deposits water sewer services	0	38,000	38,000
Current portion of long-term liabilities	<u>176,391</u>	<u>151,693</u>	<u>328,084</u>
Total Current Liabilities	<u>2,190,619</u>	<u>638,617</u>	<u>2,829,236</u>
Noncurrent Liabilities			
Net pension liability	2,353,202	1,058,738	3,411,940
Compensated absences	152,387	62,577	214,964
Obligations under capital lease	47,500	0	47,500
Notes payable	182,244	3,922,120	4,104,364
Loan advances	0	2,054,805	2,054,805
Total Noncurrent Liabilities	<u>2,735,333</u>	<u>7,098,240</u>	<u>9,833,573</u>
TOTAL LIABILITIES	<u>4,925,952</u>	<u>7,736,857</u>	<u>12,662,809</u>
DEFERRED INFLOW OF RESOURCES			
Community center advances	12,123	0	12,123
Property taxes	<u>377,422</u>	<u>0</u>	<u>377,422</u>
TOTAL DEFERRED INFLOW OF RESOURCES	<u>389,545</u>	<u>0</u>	<u>389,545</u>
NET POSITION			
Net investment in capital assets	31,476,780	24,415,105	55,891,885
Restricted			
Endowment - spendable	431,096	0	431,096
Special projects	271,574	0	271,574
Debt service	53,243	0	53,243
Payment of bonds	0	0	0
Loan guarantee	0	146,512	146,512
Plant maintenance	0	815,000	815,000
Board Designated - Unrestricted			
Optional 1% sales tax	1,723,944	0	1,723,944
Assigned slib loan reserves	0	1,821,643	1,821,643
Assigned replacement fund	150,000	412,927	562,927
Retirement payout	135,000	250,000	385,000
Unrestricted	<u>(484,384)</u>	<u>501,049</u>	<u>16,665</u>
TOTAL NET POSITION	<u>\$ 33,757,253</u>	<u>\$ 28,362,236</u>	<u>\$ 62,119,489</u>

See Notes to Financial Statements

**CITY OF LANDER, WYOMING
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Governmental Activities							
General government	\$ 1,465,294	\$ 189,295	\$ 232,755	\$ 0	\$ (1,043,244)	\$ 0	\$ (1,043,244)
Public safety	2,644,385	533,414	0	0	(2,110,971)	0	(2,110,971)
Public works	2,040,522	151,816	97,500	5,046,441	3,255,235	0	3,255,235
Total Governmental Activities	6,150,201	874,525	330,255	5,046,441	101,020	0	101,020
Business-Type Activities							
Water and sewer	2,893,933	3,160,580	0	1,534,000	0	1,800,647	1,800,647
Total Primary Government	<u>\$ 9,044,134</u>	<u>\$ 4,035,105</u>	<u>\$ 330,255</u>	<u>\$ 6,580,441</u>	<u>\$ 101,020</u>	<u>\$ 1,800,647</u>	<u>\$ 1,901,667</u>
General revenues							
Property and vehicle taxes					\$ 699,390	\$ 0	\$ 699,390
Sales tax, use tax, and optional 1% tax					2,730,507	0	2,730,507
Franchise fees					451,927	0	451,927
Other taxes					359,395	0	359,395
Mineral royalties					466,979	0	466,979
Severance taxes					282,032	0	282,032
Special state distributions					941,287	0	941,287
Investment earnings					34,931	23,288	58,219
Other revenue					893,420	0	893,420
Transfers					0	0	0
Total general revenues and transfers					6,859,868	23,288	6,883,156
Change in net position					6,960,888	1,823,935	8,784,823
Net position - beginning					26,796,365	26,538,301	53,334,666
Net position - ending					<u>\$ 33,757,253</u>	<u>\$ 28,362,236</u>	<u>\$ 62,119,489</u>

See Notes to Financial Statements

Fund Financial Statements

**CITY OF LANDER, WYOMING
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

	General Fund	Senior Center Trust Permanent Fund	Airport	Other Governmental Funds	Total Governmental Funds
ASSETS					
Other cash and investments	\$ 5,517,147	\$ 459,561	\$ 0	\$ 0	\$ 5,976,708
Cash with fiscal agent	12,624	0	0	0	12,624
Receivables, net					
Taxes	708,930	0	0	0	708,930
Intergovernmental and grants	1,688	0	277,309	53,500	332,497
Accounts	20,912	0	0	0	20,912
Accrued interest	0	4,525	0	0	4,525
Pledges	5,500	0	0	0	5,500
Due from other funds	0	0	0	69,633	69,633
Total Assets	<u>\$ 6,266,801</u>	<u>\$ 464,086</u>	<u>\$ 277,309</u>	<u>\$ 123,133</u>	<u>\$ 7,131,329</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable and accrued expenses	\$ 154,040	\$ 4,178	\$ 15,890	\$ 63,960	\$ 238,068
Due to other funds	1,424,916	28,812	270,533	31,096	1,755,357
Total Liabilities	<u>1,578,956</u>	<u>32,990</u>	<u>286,423</u>	<u>95,056</u>	<u>1,993,425</u>
DEFERRED INFLOW OF RESOURCES					
Community center advances	5,500	0	0	0	5,500
Property taxes	396,168	0	0	0	396,168
Total Deferred Inflow of Resources	<u>401,668</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>401,668</u>
Fund Balances					
Restricted for					
Endowment - spendable	0	431,096	0	0	431,096
Special projects	271,574	0	0	0	271,574
Debt service	0	0	0	53,243	53,243
Committed					
Optional 1% sales tax	1,723,944	0	0	0	1,723,944
Assigned					
Retirees	135,000	0	0	0	135,000
Equipment	150,000	0	0	0	150,000
Permanent fund					
Debt service fund	0	0	0	16,390	16,390
Unassigned					
Airport fund	0	0	(9,114)	0	(9,114)
General fund	2,005,659	0	0	0	2,005,659
Special revenue funds	0	0	0	(41,556)	(41,556)
Total Fund Balances	<u>4,286,177</u>	<u>431,096</u>	<u>(9,114)</u>	<u>28,077</u>	<u>4,736,236</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 6,266,801</u>	<u>\$ 464,086</u>	<u>\$ 277,309</u>	<u>\$ 123,133</u>	<u>\$ 7,131,329</u>
Total Fund Balances from above					\$ 4,736,236
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 are not reported in the funds.					31,700,671
Taxes receivable are not available to pay current period expenditures, and therefore are deferred in the funds.					(76,003)
Deferred outflows of resources related to pensions are applicable to future periods and, therefore, not reported in the governmental fund statements.					308,073
Long-term liabilities, including compensated absences, are not due in the current period, and therefore are not reported in the funds.					(558,522)
Net pension liability					(2,353,202)
Net Position of Governmental Activities					<u>\$ 33,757,253</u>

See Notes to Financial Statements

CITY OF LANDER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Senior Center Trust Permanent Fund	Airport	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 5,445,614	\$ 0	\$ 0	\$ 0	5,445,614
Licenses and fees	148,427	0	0	0	148,427
Fines and forfeitures	155,123	0	0	0	155,123
Intergovernmental & grants	672,362	0	5,813,987	329,658	6,816,007
Charges for services	306,903	0	0	0	306,903
Investment income	34,931	7,275	0	0	42,206
Rent	58,689	0	0	0	58,689
WBCA grant and chamber contributions	670,819	0	0	0	670,819
Other revenue	52,030	0	0	0	52,030
Total Revenues	\$ 7,544,898	\$ 7,275	\$ 5,813,987	\$ 329,658	\$ 13,695,818
EXPENDITURES					
Current					
General government	\$ 845,001	\$ 76,321	\$ 0	\$ 0	\$ 921,322
Public safety	2,353,460	0	0	10,197	2,363,657
Public works	1,442,026	0	0	239,541	1,681,567
Debt service					
Principal retirement	1,580	0	0	0	1,580
Capital outlay	1,417,745	0	5,932,130	169,254	7,519,129
Total Expenditures	6,059,812	76,321	5,932,130	418,992	12,487,255
Excess of revenues over (under) expenditures	1,485,086	(69,046)	(118,143)	(89,334)	1,208,563
OTHER FINANCING SOURCES (USES)					
Operating transfers in	0	0	113,426	0	113,426
Operating transfers (out)	(113,426)	0	0	0	(113,426)
Other financing sources - chamber loan	194,316	0	0	0	194,316
Total Other Financing Sources (Uses)	80,890	0	113,426	0	194,316
Excess of revenues and other sources over (under) expenditures and other uses	1,565,976	(69,046)	(4,717)	(89,334)	1,402,879
FUND BALANCES	2,720,201	500,142	(4,397)	117,411	3,333,357
FUND BALANCES - JUNE 30	\$ 4,286,177	\$ 431,096	\$ (9,114)	\$ 28,077	\$ 4,736,236

CITY OF LANDER, WYOMING
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Amounts reported for governmental activities in the statement of activities (page 11)
are different because:

Net change in fund balances - total governmental funds (page 13)	\$ 1,402,879
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 outlays (\$7,233,819) exceeded depreciation expense (\$714,691) in the current period.	6,519,128
Governmental funds recognize loan proceeds and expenditures for purchases of assets obtained by notes payable. However, no proceeds, and only non-capital expenses are included in the statement of net position.	(194,316)
Proceeds from capital leases and loans provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment on capital leases and loans is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	13,865
Governmental funds report City pension contributions as expenditures. However in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.	
City pension contributions subsequent to measurement date	233,283
Cost of benefits earned net of employee contributions (pension expense from pension schedule)	(990,932)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	4,758
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.	<u>(27,777)</u>
Change in Net Position of Governmental Activities (page 11)	<u><u>\$ 6,960,888</u></u>

CITY OF LANDER, WYOMING
STATEMENT OF NET POSITION
BUSINESS-TYPE ACTIVITIES - PROPRIETARY FUND
JUNE 30, 2018

	<u>Water and Sewer Fund</u>
ASSETS	
Current assets	
Other cash and investments	\$ 4,497,532
Restricted cash	961,512
Accounts receivable, net	296,079
Due from other funds	1,685,724
Inventory	<u>57,094</u>
Total Current Assets	<u>7,497,941</u>
Noncurrent assets	
Fixed assets, net	<u>28,488,918</u>
Total Noncurrent Assets	<u>28,488,918</u>
Total Assets	<u>\$ 35,986,859</u>
DEFERRED OUTFLOW OF RESOURCES	
Pension	<u>112,234</u>
LIABILITIES	
Current liabilities	
Accounts payable and accrued expenses	448,924
Deferred revenue	38,000
Current portion of long-term liabilities	<u>151,693</u>
Total Current Liabilities	<u>638,617</u>
Noncurrent liabilities	
Compensated absences	62,577
Notes payable	3,922,120
Net pension liability	1,058,738
Loan advances	2,054,805
Bonds payable	<u>0</u>
Total Noncurrent Liabilities	<u>7,098,240</u>
Total Liabilities	<u>7,736,857</u>
NET POSITION	
Net investment in capital assets	24,415,105
Restricted	
Slib loan reserves	146,512
Plant maintenance	815,000
Board Designated	
Slib loan payment reserve	1,821,643
Equipment replacement	412,927
Retirement payouts	250,000
Unassigned	<u>501,049</u>
Total Net Position	<u><u>\$ 28,362,236</u></u>

See Notes to Financial Statements

CITY OF LANDER, WYOMING
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
BUSINESS-TYPE ACTIVITIES - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Water and Sewer Fund
OPERATING REVENUES	
Charges for goods and services	\$ 3,160,580
Total Operating Revenues	<u>3,160,580</u>
OPERATING EXPENSES	
Salaries and benefits	1,389,697
Contractual services	195,698
Materials and supplies	479,649
Depreciation	<u>714,703</u>
Total Operating Expenses	<u>2,779,747</u>
Operating income (loss)	<u>380,833</u>
NONOPERATING REVENUES (EXPENSES)	
Investment income	23,288
Loan forgiveness	1,534,000
Interest expense	(103,836)
Loan fees	<u>(10,350)</u>
Total Nonoperating Revenues (Expenses)	<u>1,443,102</u>
Income (loss) before contributions and transfers	1,823,935
Transfers in (out)	<u>0</u>
Change in Net Position	1,823,935
TOTAL NET POSITION - JULY 1	<u>26,538,301</u>
TOTAL NET POSITION - JUNE 30	<u><u>\$ 28,362,236</u></u>

CITY OF LANDER, WYOMING
STATEMENT OF CASH FLOWS
BUSINESS-TYPE ACTIVITIES - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from service users	\$ 4,812,562
Cash paid for goods and services	(2,895,492)
Cash paid to employees	(1,319,259)
Net cash provided by (used for) operating activities	<u>597,811</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest paid on debt	(103,836)
Loan advances	1,567,814
Principal paid on notes payable	(2,051,073)
Forgiveness of loans	1,534,000
Net cash provided by (used in) capital and related financing activities	<u>946,905</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of fixed assets	(1,753,784)
Investment income	23,288
Net cash provided by investing activities	<u>(1,730,496)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(185,780)
CASH AND INVESTMENTS IN TREASURY AND OTHER CASH	
Balances - July 1	<u>5,644,824</u>
Balances - June 30	<u><u>\$ 5,459,044</u></u>
RECONCILIATION TO BALANCE SHEET	
Cash in treasury	\$ 0
Other cash and investments	5,459,044
Balances - June 30	<u><u>\$ 5,459,044</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	
Operating income (loss)	\$ 380,833
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities	
Depreciation	714,703
Change in assets - (increase) decrease	
Accounts receivable	59,596
Inventory	(1,430)
Notes receivable	1,586,586
Due from other funds (net)	(1,685,724)
Change in liabilities - increase (decrease)	
Accounts payable and accrued expenses	(532,991)
Pension liability net of deferred outflows	72,524
Deferred revenue	5,800
Compensated absences	(2,086)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u><u>\$ 597,811</u></u>

Non-Cash Investing and Financing Transactions - None

Notes to Financial Statements

CITY OF LANDER, WYOMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Lander, Wyoming (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant City accounting policies are described below.

A. Reporting Entity

The City of Lander, Wyoming operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, health and social services, recreation, public improvements, planning and zoning, and general administrative services.

The legislative branch of the City government is composed of an elected Mayor and six elected City Council members. The establishment and adoption of policy is the responsibility of the Mayor and City Council members. The Mayor and Council members appoint the following officials: Assistant to the Mayor, the Fire Administrator, Clerk, Treasurer, Chief of Police, Public Works Director, City Attorney, and Municipal Court Judge.

The accompanying financial statements present the primary government. The City has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by, or dependent on, the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board. All potential component units have been considered for possible inclusion in the reporting entity.

Related Organizations

The City is responsible for appointing members to the boards of other organizations, but is not accountable for these organizations. The following related organizations are not included in the reporting entity:

- **Airport Board** – five member board, all of which are appointed by the City Council.
- **Parks and Recreation Board** – twelve member board, all of which are appointed by the City Council.
- **Lander Urban Forest Council** – seven member board, all of which are appointed by the City Council.
- **Planning Commission** – seven member board, all of whom are appointed by the City Council.
- **City of Lander Housing Authority** – In February 1979, the City of Lander created a Housing Authority, pursuant to Wyoming Statutes, for the creation and operation of Pushroot Village, a senior citizen housing project. The Housing Authority borrowed \$1,484,000 from the Farmers Home Administration for building the facility, which is payable over 50 years solely from its operating revenues. Although the Authority's Board is appointed by the Mayor and City Council, the City does not have the ability to significantly influence operations, and does not have the absolute authority over all funds vested within its jurisdiction.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

A. Reporting Entity (cont.)

Jointly Governed Organizations

- *Fremont County Association of Governments (FCAG)* – This is a joint powers board consisting of the following municipalities: Fremont County, Town of Pavillion, Town of Hudson, Town of Shoshoni, Town of Dubois, City of Riverton, and the City of Lander. The FCAG was created to plan, create, expand, finance, and operate any or all of the projects set forth in Section 16-1-104 c., Wyoming Statutes, 1997 amended. The FCAG Board consists of the six mayors of Fremont County and one County Commissioner. The "Mission" of the FCAG is "Cooperating to Enhance Quality Public Services."

The City provides annual support to the FCAG when needed. For the year ended June 30, 2018, the City paid \$5,500 to the FCAG.

A copy of the audited financial statements of the FCAG is available for inspection at their office.

- *Tiger Joint Powers Board (Tiger)* – This is a joint powers board that was created in October 2004 through the joint efforts of the City of Lander and Fremont County School District Number 1. Tiger was formed for the purpose of developing a downtown Lander business park by demolishing the old Lander Valley High School, making improvements to the site, installing infrastructure, and marketing the lots to provide economic development and community improvement. The Tiger board consists of five members, two of whom are appointed by the City of Lander, and three of whom are appointed by Fremont County School District Number 1. Members serve terms of varying length.

The City serves as the pass-through agent on the state grant providing the funding for the project.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments 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, proprietary funds, and fiduciary funds (when applicable), even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

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 private-purpose trust 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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The remaining receivables have been classified as deferred revenues and will be recognized as revenue in the period of the actual receipt. 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 and claims and judgments, are recorded only when payment is due.

Property taxes, other taxes, franchise fees, 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. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

- **General Fund** – The General Fund is the City's primary operating fund. It accounts for all financial resources not accounted for and reported in another fund.
- **Senior Center Trust Permanent Fund** – This fund accounts for the restricted spendable endowment for and the operations of the senior center.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (cont.)

Fund Financial Statements (cont.)

The City reports the following major proprietary fund:

- **Water and Sewer Fund** – The Water and Sewer Fund is an enterprise fund that accounts for the water and sewer services provided to residential and commercial users in the City of Lander.

Additionally, the City reports the following fund types:

- **Special Revenue Funds** – Special Revenue Funds account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.
- **Capital Projects Fund** – Capital Projects Fund accounts for all financial resources that are restricted, committed, or assigned to expenditure for capital outlays.
- **Debt Service Fund** – The Debt Service Fund accounts for all financial resources that are restricted, committed, or assigned to expenditure for principal and interest.
- **Enterprise Fund** – The City's only enterprise fund is the Water and Sewer Fund (see above). An Enterprise Fund accounts for operations (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.
- **Agency Fund** – This fund type accounts for assets which are held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. The City has no agency funds as of June 30, 2018. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.
- **Permanent Fund** – The Senior Center Trust Fund is a permanent fund that accounts for resources that are restricted to the extent that the principal amount, as well as earnings, may be used for maintenance of the City's senior citizen center.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting principles.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* 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 revenue of the City's enterprise fund is charges to customers for sales and services. Operating expenses for the enterprise fund 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 non-operating revenues and expenses.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (cont.)

Fund Financial Statements (cont.)

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted Net Position are available.

D. Cash and Cash Equivalents

The City considers cash and cash equivalents to consist of all cash, either on hand or in banks, including time deposits and any highly liquid debt instruments purchased with a maturity of three months or less. This definition of cash and cash equivalents is used in the statement of cash flows for proprietary fund types.

E. Investments

The City follows GASB Codification Section N50. That section requires most investments to be reported at their fair value. Unrealized gains and losses on investments are included in the statements of revenues, expenditures and changes in fund balances for governmental fund types and in the statement of revenues, expenses and changes in fund Net Position for proprietary fund types.

F. Accounts Receivable

Water and sewer fund customer accounts receivable and other miscellaneous accounts receivable in the general fund are recorded at the amount the City expects to collect on balances outstanding at year-end. Balances unpaid for more than 30 days are considered past due. Water and sewer fund customer accounts receivable balances that are more than 90 days past due are approximately \$9,209 as of June 30, 2018. Miscellaneous accounts receivable in the general fund that are more than 90 days past due are \$0 as of June 30, 2018.

G. Allowance for Uncollectible Accounts

Receivables have been reported net of the allowance for uncollectible accounts. The allowance is estimated based on prior experience. The allowance for uncollectible accounts as of June 30, 2018 is \$0.

H. Pledges Receivable

In efforts to replace the City's community center that was lost due to fire in 2012, the City campaigned locally to raise funds towards the construction of a new community center. The City was able to obtain pledges from both commercial and private parties that have various terms related to the length of time they will be fully paid off. Management expects all pledges to be collected according to their terms and has not made an allowance for uncollectible pledges.

I. Inventory

Materials and supplies used in the Water and Sewer Fund are carried at cost as inventory and are charged to expense when consumed. Office supplies are reported as an expenditure or expense in the period purchased.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

J. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

K. Restricted Assets

Certain proceeds of a City capital facilities tax, as well as certain resources set aside for bonded debt repayment, are classified as restricted assets on the government-wide financial statements and governmental funds financial statements balance sheets because their use is limited by applicable debt covenants and/or laws and regulations. The restricted assets are used to report resources set aside to: (1) provide a reserve for debt service, and (2) provide a reserve for endowment.

L. Capital Assets

Capitalization and Valuation

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Expenditures for capital assets having a useful life greater than five years and a value greater than \$5,000 are capitalized. Individual items having a lesser value may be capitalized if they are purchased in a group. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Approximately \$3,329,400 of capital assets of governmental activities and \$7,000,000 of capital assets of business-type activities are carried at estimated cost. Estimates were made by City personnel. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of business-type activities is included as part of the capitalized value of the assets constructed.

Depreciation Method and Useful Lives

Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	50 years
Equipment	10 years
Office furniture	5-10 years
Vehicles	10-25 years
Water and sewer systems	50 years

Capitalization of Infrastructure

The governmental activities column in the government-wide financial statements does not reflect those infrastructure asset projects completed before July 1, 2003. However, they do reflect those assets that were completed subsequent to June 30, 2003. City management decided the capitalization of infrastructure put in place prior to July 1, 2003 would be cost prohibitive and not useful as a management tool.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

M. Compensated Absences

City policy permits employees to accumulate a limited amount of earned, but unused vacation and sick leave. These benefits are payable to employees upon separation from service. All leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported. The computed liability is in compliance with GASB Codification Section C60. The City considers approximately 50 percent of this liability current and due within one year.

N. Deferred Inflow of Resources

Deferred revenues include: (1) tax levies accrued that are restricted for future fiscal years; (2) amounts pledged to the City for the construction of the community center by private parties that are not contractually binding, but expected to be fully collected.

O. Grant Advances

Grant advances are amounts received from grant and contract sponsors that have not been earned.

P. Interfund Balances and Transactions

Interfund Receivables and Payables

All outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Interfund Transfers

Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

Q. Estimates

The accounting policies of the City of Lander, Wyoming conform to U.S. generally accepted accounting principles (GAAP) as applicable to governments. Preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and related disclosures. Actual results could differ from those estimates.

R. Fund Balance

The City uses the fund balance definitions in GASB Codification Section 1800 for financial reporting for all governmental fund types. The definitions provide more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- **Nonspendable fund balance** – amounts that are in nonspendable form (such as inventory) or are required to be maintained intact.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

R. Fund Balance (cont.)

- **Restricted fund balance** – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions, or by enabling legislation.
- **Committed fund balance** – amounts constrained to specific purposes by the City itself enacted by resolution of the City Council. Committed fund balance cannot be used for any other purpose unless the commitment expires as set forth in the resolution, or a new resolution is enacted by the City Council.
- **Assigned fund balance** – amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates authority.
- **Unassigned fund balance** – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The City utilizes restricted fund balances first, followed by committed resources, and then assigned resources.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by City Management through adoption or amendment of the budget as intended for a specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

The City Council has not elected to adopt a minimum fund balance policy as of June 30, 2018. It is the responsibility of the general fund to cover shortages in fund balance for the other funds besides the enterprise fund. In some cases the City may elect to formally loan money from the enterprise fund to the respective fund with a shortfall.

S. Net Position

In the proprietary fund financial statements, Net Position consists of restricted and unrestricted amounts. The City records restrictions to indicate that a portion of the Net Position is segregated for a specific future use and does not represent current available expendable financial sources. Following is a list of all restrictions used by the City and a description of each:

- **Restricted for plant maintenance** – As a condition of an EPA construction grant for a wastewater treatment plant, the City is required to fund a reserve account for 20 years at \$35,000 per year. This fund is to be used to obtain and install equipment, accessories and appurtenances during the useful life (20 years) of the wastewater treatment facility. Funding commenced in fiscal year ended June 30, 1984. At June 30, 2018, the funding of this reserve amounted to \$700,000, which is the total required.

As a condition of construction grants and loans from the State Land and Investment Board for an intake structure and a raw/treated water pipeline, the City is required to fund a reserve account in the amount of \$48,110. This reserve account is to be used for repairs and maintenance of both the intake structure, and raw/treated water pipeline, and was fully funded as of June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

S. Net Position (cont.)

- **Restricted for loan guarantee** – In 2012, the City was awarded two loans from the State Land and Investment Board to upgrade water lines and sewage lagoons. As part of the conditions for the loans noted above, the City is required to fund a cumulative debt reserve totaling \$98,402. This fund is to be used for repairs and maintenance on both of the structures.
- **Council Designated** – The City Council has elected to designate funds for future State Land and Investment Board loans and the related projects that are underway in order to budget for unanticipated cost overruns and changes to the initial project scopes. The City Council has further designated funds to replace aging equipment that may be cost prohibitive to repair. Lastly the City Council has elected to designate \$385,000 for payouts to retirees for vacation and sick leave upon retirement. As of June 30, 2018, the City has 24 employees in the City that are eligible for retirement over the next seven years.

The City Council has designated \$562,927 to be used for future emergency equipment replacement that may be needed during normal City operations.

The City Council further designated \$1,821,643 for future loan payments should one of the granting agencies not forgive a balance upon completion of one of the projects as outlined further in Note 13.

- **Unrestricted** – Water and Sewer Fund unrestricted Net Position are restricted by state law for (1) the general operation of the water and sewer fund, and (2) the retirement of any bonds issued to fund the construction of water and sewer plants. Only after all bonds have been retired can water and sewer fund Net Position be transferred to the general fund.

T. New and Upcoming Accounting Pronouncements

The following are Statements of the Governmental Accounting Standards Board (GASB) that are or will be applicable to the City. At June 30, 2018, the City was aware of the following new standards issued by GASB:

- GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for fiscal years beginning after June 15, 2017.
- GASB Statement 85, *Omnibus 2017*, effective for reporting periods beginning after June 15, 2017.
- GASB Statement 86, *Certain Debt Extinguishment Issues*, effective for reporting periods beginning after June 15, 2017.
- GASB Statement 83, *Certain Asset Retirement Obligations*, effective for reporting periods beginning after June 15, 2018.
- GASB Statement 84, *Fiduciary Activities*, effective for fiscal years beginning after December 15, 2018.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

T. New and Upcoming Accounting Pronouncements (cont.)

- GASB Statement 87, *Leases*, effective for reporting periods beginning after December 15, 2019.
- GASB Statement 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, effective for reporting periods beginning after June 15, 2018.
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for reporting periods beginning after December 15, 2019.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. The primary objective of Statement No. 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Statement No. 75 was implemented by the City during the fiscal year ending June 30, 2018 and its application is being evaluated by management for applicability.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. The objective of Statement No. 83 is to establish criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The requirements of this Statement are effective for the fiscal year ending June 30, 2019. Management is currently evaluating its effects on the City's financial statements.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2020. Management is currently evaluating its application and the related effects on the City's financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

T. New and Upcoming Accounting Pronouncements (cont.)

In March 2017, the GASB issued Statement No. 85, Omnibus 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, Statement No. 85 addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB; and
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

Statement No. 85 was implemented by the City during the fiscal year ending June 30, 2018 and its application is being evaluated by management for applicability.

In May 2017, the GASB issued Statement No. 86, Certain Debt Extinguishment Issues. The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. Statement No. 86 was implemented by the City during the fiscal year ending June 30, 2018 and its application is being evaluated by management for applicability.

In June 2017, the GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Statement No. 87 is effective for the City beginning in the fiscal year ending June 30, 2021.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

T. New and Upcoming Accounting Pronouncements (cont.)

In April 2018, the GASB issued Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. This Statement improves the information that is disclosed in notes to the City's financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities the City should include when disclosing information related to debt. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. It will also require that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for the fiscal year ending June 30, 2019. Management is currently evaluating its effects on the City's financial statements.

In June 2018, The GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. This Statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period also to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2021. Management is currently evaluating its effects on the City's financial statements.

U. Subsequent Events

Management has evaluated subsequent events through November 26, 2018, the date the financial statements were available to be issued.

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

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

- A. Prior to May 15, the City Treasurer submits to the City Council a proposed operating budget for the fiscal year commencing that July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years.
- B. Public hearings are conducted on the third Tuesday of June to obtain taxpayer comments.
- C. The budget is legally adopted through passage of a resolution.
- D. The City Council can, after adequate public notice and a public hearing, amend the budget.

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING (cont.)

E. Budgets for the governmental and proprietary fund types are adopted on a basis generally consistent with generally accepted accounting principles (GAAP). The general fund expenditure classifications for GAAP and budgetary purposes differ due to classification of expenditures. Budgeted amounts are the final authorized amounts as revised during the year. The original budget for the fiscal year has been amended.

F. All appropriations, except for capital project funds, lapse at the end of each fiscal year.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General and Airport Fund.

	General Fund	Airport
GAAP Basis	\$ 1,565,976	\$ (4,717)
Net Adjustments for Revenue Accruals	(94,699)	(226,852)
Net Adjustments for Expenditure Accruals	3,506,568	0
Net of Balance Sheet Adjustments	(4,173,669)	0
Budget Basis	<u>\$ 804,176</u>	<u>\$ (231,569)</u>

NOTE 3 - PROPERTY TAXES

The City's property taxes are levied at the County level on October 1 of each year. The County Assessor is responsible for assessment of all taxable real property within Fremont County. The County Treasurer computes the annual tax for each parcel of real property and prepares tax books used as the basis for issuing tax bills to all taxpayers in the County. Property taxes are collected by the County Treasurer, who remits to each unit its respective share of the collections. Provided the payments are timely, the tax can be paid in two equal installments on November 10 and May 10, or the tax may be paid in full on December 31. Taxes collected are distributed after the end of each month.

The levy becomes an enforceable lien against the property as of December 1 of the preceding levy year. Thus, in accordance with GASB Codification Section N50, a property tax receivable has been recorded equal to 50 percent of the amount levied for the City on the following August. This amount is considered a deferred inflow of resources and will be recognized in the period for which the taxes are levied. A one percent allowance has been recorded against the receivable at year-end.

NOTE 4 - CASH AND INVESTMENTS

Cash in treasury represents deposits included in the City's combined cash fund. Each fund's share of the deposits are accounted for separately in the financial statements. Negative cash in treasury figures represent borrowings from the pool. In all such cases, cash flows sufficient to reimburse the pool for the temporary borrowings are anticipated. Earnings from the cash in treasury are allocated to the various funds based on each fund's ownership percentage.

Other cash represents deposits and investments not included in the combined cash fund.

Statutes authorize the City to invest in various instruments of the federal government and its agencies, savings certificates of savings and loan associations, bank certificates of deposit, and investment pools that purchase allowable investments. The City has elected to invest cash in excess of immediate needs in the Wyo Star investment pool, the Wyoming Government Investment Pool, Morton Asset Management, and various certificates of deposit.

NOTE 4 - CASH AND INVESTMENTS (cont.)

A. Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. At year-end, the carrying amount of the City's bank deposits was \$432,535 and the bank balance was \$1,682,768. As of June 30, 2018, all monies deposited above the FDIC insurance limit of \$250,000 are collateralized by securities held by a third party. The City held deposits of \$706,014 in excess of the FDIC insured limit amounts that were collateralized.

B. Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Pooled securities are held in safekeeping by a third-party trust in the pool name.

The Wyo-Star Investment Pool is an external investment pool administered by the Wyoming State Treasurer. The City had \$9,062,440 invested in Wyo-Star Investment Pool, \$1,496,185 invested with Morton Asset Management, \$13,154 invested in the Wyoming Government Investment Fund, and \$446,372 invested in a certificate of deposit.

The City's certificates of Deposit mature in 1 – 47 months and have rates that range from .60% to 2.605% as of June 30, 2018. The Wyoming Government Investment Fund and the Wyo-Star Investment Pool are not rated.

C. Fair Value of Investments

The Wyo-Star Investment Pool and Wyoming Government Investment Fund are external investment pools administered by the Wyoming State Treasurer. These pools invest in various securities including equities, bonds, real estate investment trusts, fixed income investments, and various private equity offerings. Wyo-Star investment pool reports their investments at amortized cost, which they believe approximates fair value. It holds investments that fall into each of the three categories as described below.

Management has determined the Wyoming Government Investment Fund qualifies as a Level 1 investment, excluding Certificates of Deposit which are specifically excluded from Government Accounting Standards Board Statement (GASB) No. 72, *Fair Value Measurement and Application*.

The City has invested funds with an external investment company mostly in Certificates of Deposit which are specifically excluded from Government Accounting Standards Board Statement (GASB) No. 72, *Fair Value Measurement and Application*. One investment with this Company qualifies for fair value reporting below.

The City defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in accordance with the Government Accounting Standards Board Statement (GASB) No. 72, *Fair Value Measurement and Application*. This statement establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

Level 1 Fair Value Measurements

The fair value of government and municipal obligations, corporate obligations, and equities are based on quoted values of the shares held by the City at year-end. Approximately 99% of the investments held, on behalf of the City, fall into this category.

CITY OF LANDER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 - CASH AND INVESTMENTS (cont.)

C. Fair Value of Investments (cont.)

Level 2 Fair Value Measurements

These are inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. These inputs are derived from or corroborated by observable market data through correlation or by other means. Of the investments held by the pools, on behalf of the City, 1% fall into this category.

Level 3 Fair Value Measurements

These are largely unobservable inputs for the asset or liability; they should be used only when relevant Level 1 and Level 2 inputs are unavailable. Of the investments held by the pools, on behalf of the City, 0% fall into this category.

Composition of cash and investment accounts in the financial statements is as follows:

	<u>Other Cash and Investments</u>	<u>Total</u>
Cash on hand	\$ 1,000	\$ 1,000
Bank deposits	540,460	540,460
Certificates of deposit	446,372	446,372
Money market investment pools	<u>10,462,854</u>	<u>10,462,854</u>
Total Cash and Investments	<u>\$ 11,450,686</u>	<u>\$ 11,450,686</u>

NOTE 5 - RECEIVABLES

Receivables at June 30, 2018, consisted of taxes, accounts, intergovernmental and grants, and accrued interest. Taxes receivable represent sales and use taxes receivable from the state, as well as current and delinquent property taxes and interest thereon. Other receivables at June 30, 2018, consisted of grants receivable, miscellaneous accounts receivable and accrued interest on investments. No allowance has been recorded on accounts receivable, as all amounts are considered fully collectible.

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2018 is as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 0	\$ 1,424,916
Senior Center Trust Permanent Fund	0	28,812
Airport	0	270,533
Other Nonmajor Funds	69,633	31,096
Proprietary Fund (Water and Sewer)	<u>1,685,724</u>	<u>0</u>
Total Primary Government	<u>\$ 1,755,357</u>	<u>\$ 1,755,357</u>

Interfund Receivable and payable account balances are the result from the use of various funding sources that can be used to pay for the same projects. All balances are expected to be paid within one year.

CITY OF LANDER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (cont.)

	<u>Transfers To Other Funds</u>	<u>Transfers From Other Funds</u>
General Fund	\$ 113,426	\$ 0
Airport	<u>0</u>	<u>113,426</u>
	<u>\$ 113,426</u>	<u>\$ 113,426</u>

Transfers are used to move revenues from the fund that ordinance or budget requires to collect them to the fund that ordinance or budget requires to expend them. Throughout the year the City's general fund transferred funds to the airport for the City's portion of the airport improvement project.

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

Governmental Activities	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance June 30, 2018</u>
Nondepreciable Capital Assets					
Land	\$ 2,530,340	\$ 0	\$ 0	\$ 0	\$ 2,530,340
Construction in process	670,592	5,957,259	(38,066)	(6,514,867)	74,918
Total Nondepreciable Capital Assets	<u>3,200,932</u>	<u>5,957,259</u>	<u>(38,066)</u>	<u>(6,514,867)</u>	<u>2,605,258</u>
Depreciable Capital Assets					
Buildings and improvements	13,630,746	1,173,797	(737,518)	0	14,067,025
Equipment	3,523,405	90,658	0	0	3,614,063
Vehicles	3,264,487	0	0	0	3,264,487
Office furniture	141,416	0	(73,606)	0	67,810
Infrastructure	11,709,124	12,105	0	6,514,867	18,236,096
Total Depreciable Capital Assets	<u>\$ 32,269,178</u>	<u>\$ 1,276,560</u>	<u>\$ (811,124)</u>	<u>\$ 6,514,867</u>	<u>\$ 39,249,481</u>
Less Accumulated Depreciation					
Buildings and improvements	3,684,963	256,057	(286,565)	0	3,654,455
Equipment	2,826,898	93,779	0	0	2,920,677
Vehicles	2,012,104	109,133	0	0	2,121,237
Office furniture	107,941	7,989	(61,265)	0	54,665
Infrastructure	1,155,301	247,733	0	0	1,403,034
Total Accumulated Depreciation	<u>\$ 9,787,207</u>	<u>\$ 714,691</u>	<u>\$ (347,830)</u>	<u>\$ 0</u>	<u>\$ 10,154,068</u>
Total Depreciable Capital Assets, Net	<u>22,481,971</u>	<u>561,869</u>	<u>(463,294)</u>	<u>6,514,867</u>	<u>29,095,413</u>
Governmental Activities Capital Assets, Net	<u>\$ 25,682,903</u>	<u>\$ 6,519,128</u>	<u>\$ (501,360)</u>	<u>\$ 0</u>	<u>\$ 31,700,671</u>

CITY OF LANDER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 - CAPITAL ASSETS (cont.)

Business-Type Activities	Balance June 30, 2017	Additions	Deletions	Transfers	Balance June 30, 2018
Nondepreciable Capital Assets					
Construction in process	\$ 8,289,896	\$ 1,748,369	\$ 0	\$ (7,575,144)	\$ 2,463,121
Depreciable Capital Assets					
Buildings and improvements	331,094	5,415	0	0	336,509
Equipment	1,436,717	0	0	0	1,436,717
Vehicles	257,199	0	0	0	257,199
Office furniture	113,810	0	(27,852)	0	85,958
Water distribution system	25,458,586	0	0	7,575,144	33,033,730
Sewer service system	7,254,480	0	0	0	7,254,480
Total Depreciable Capital Assets	\$ 34,851,886	\$ 5,415	\$ (27,852)	\$ 7,575,144	\$ 42,404,593
Less Accumulated Depreciation					
Buildings and improvements	119,964	7,486	0	0	127,450
Equipment	1,307,851	27,064	0	0	1,334,915
Vehicles	253,203	3,996	0	0	257,199
Office furniture	96,014	9,397	(27,852)	0	77,559
Water distribution system	10,159,025	491,939	0	0	10,650,964
Sewer service system	3,755,890	174,819	0	0	3,930,709
Total Accumulated Depreciation	\$ 15,691,947	\$ 714,701	\$ (27,852)	\$ 0	\$ 16,378,796
Total Depreciable Capital Assets, Net	19,159,939	(709,286)	0	7,575,144	26,025,797
Business-Type Activities Capital Assets, Net	\$ 27,449,835	\$ 1,039,083	\$ 0	\$ 0	\$ 28,488,918

Depreciation

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

Governmental Activities	
General Government	\$ 364,853
Public Safety	256,057
Public Works	93,781
Total Depreciation Expense - Governmental Activities	\$ 714,691
Business-Type Activities	
Water and Sewer Services	\$ 714,701

CITY OF LANDER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 - CHANGES IN LONG-TERM LIABILITIES

The following is a summary of the changes in general long-term debt of the City for the year ended June 30, 2018:

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Governmental Activities					
Compensated absences	\$ 332,551	\$ 139,710	\$ (167,487)	\$ 304,774	\$ 152,387
Obligations under capital lease	73,297	0	(13,865)	59,432	11,932
Notes payable	0	194,316	0	194,316	12,072
Net pension liability	2,514,798	0	0	2,353,202	0
	<u>\$ 2,920,646</u>	<u>\$ 334,026</u>	<u>\$ (181,352)</u>	<u>\$ 2,911,724</u>	<u>\$ 176,391</u>
Business-Type Activities					
Compensated absences	\$ 129,326	\$ 0	\$ 0	\$ 129,326	\$ 62,577
Notes payable	638,434	3,599,828	(231,198)	4,007,064	89,116
Loan advances	3,828,428	1,187,362	(2,960,985)	2,054,805	0
Revenue bonds payable	2,070,000	0	(2,070,000)	0	0
Net pension liability	1,122,908	0	(64,171)	1,058,738	0
	<u>\$ 7,789,096</u>	<u>\$ 4,787,190</u>	<u>\$ (5,326,354)</u>	<u>\$ 7,249,933</u>	<u>\$ 151,693</u>

When loan advances are termed out they are shown as a reduction to "loan advances" and an addition to "Notes payable" in the table above.

Interest is being accrued on construction debt and will be capitalized upon the project's completion.

NOTE 9 - INDUSTRIAL REVENUE BONDS

The City has an industrial revenue bond outstanding as of June 30, 2018. During the year one bond was paid off leaving one outstanding. This bond is excluded from the financial statements because the debt servicing arrangement requires repayment from the owner of the project that was constructed with the bond proceeds. Following is summarized information pertaining to these bonds:

<u>Mountain Vista Retirement Center</u>	
Date of bond issue	May 1, 1998
Original amount of issue	\$ 1,400,000
Outstanding bonds as of June 30, 2017	\$ 793,780
Interest rate	3.30%
Maturity dates	1999 to 2029
Owner of facilities	Mountain Vista Retirement Center
Special provisions	Mountain Vista Retirement Center has been pledged as collateral on the obligation. Interest rate is based on the 5-year treasury index and will change every five years.

CITY OF LANDER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - LEASING ARRANGEMENTS

As Lessee

The City has entered into leases for both real estate and equipment, which provide for specified minimum rental payments. To comply with state statutes, all leases contain a non-appropriations clause which allows the lessee to cancel the lease in the event that resources are not available for future appropriation. The remaining terms of the leases range from approximately one to ten years. Leases which transfer substantially all the benefits and risks incident to the ownership of property have been capitalized. The future minimum rental commitments as of June 30, 2018 for continuing capital leases are as follows:

<u>Year Ended June 30,</u>	<u>Governmental Activities</u>
2019	\$ 11,932
2020	10,000
2021	10,000
2022	10,000
2023	10,000
Thereafter	7,500
Total minimum lease payments	\$ 59,432
Less: Amounts representing interest	0
Present Value of Minimum Lease Payments	<u>\$ 59,432</u>
Cost of leased property	\$ 207,189
Accumulated depreciation	(28,587)
	<u>\$ 178,602</u>

Property under capital lease consists of building improvements, equipment and vehicles. The cost of the leased property is included in the same fund as the capital lease obligation.

The capital lease obligations payable in future years have been reflected as both proceeds from capital lease and as expenditure in the appropriate fund in the initial year of the lease.

Operating Leases

Rental expenditures for operating lease for the land the City water tank sits on totaled approximately \$27,205 for the year ended June 30, 2018.

The total commitment under operating leases as of June 30, 2018 was as follows:

<u>Year Ended June 30,</u>	<u>Proprietary Fund</u>
2018	\$ 2,205
2019	2,205
2020	2,205
2021	2,205
2022	2,205
Thereafter	11,025
	<u>\$ 22,050</u>

NOTE 10 - LEASING ARRANGEMENTS (cont.)

As Lessor

The City has entered into an operating lease for real estate which provides for specified minimum rental payments. The minimum future rentals on the non-cancelable operating lease as of June 30, 2018 are as follows:

Year ending June 30,		
2019	\$	15,300
2020		15,300
2021		15,300
2022		15,300
2023		15,300
Thereafter		765,000
Total Minimum Future Rentals	\$	841,500

This lease, with Lander Regional Hospital, has a remaining term of 65 years. Every 15 years the minimum rental payments are adjusted to reflect a specified percentage of fair market value. The percentages vary from 3% to 10%, depending upon which 15-year period the lease is in. The lease started its sixteenth year on December 1, 2000, and the minimum annual rental payment was adjusted from \$4,864 to \$15,300.

On October 1, 1994, the City entered into a lease purchase agreement with Child Development Services of Fremont County (CDS) for City property that CDS had leased for many years. The agreement has a 99-year term, is cancelable, and calls for annual payments of \$4,200, of which 50% will be applied to the \$250,000 purchase price if the purchase option is exercised. According to the lease CDS had the option to purchase the building at any time. This option was exercised in 2018 and CDS obtained the building.

The following is an analysis of the City's remaining investment in property which is being leased to others under operating leases by major classes as of June 30, 2018:

Classes of Property	Asset Historical Cost	Accumulated Depreciation	Asset Net Book Value
Land	\$ 912,500	\$ 0	\$ 912,500
Buildings	910,153	278,066	632,087
Infrastructure	42,500	25,695	16,805
Equipment	369,636	369,636	0
Total	\$ 2,234,789	\$ 673,397	\$ 1,561,392

NOTE 11 - LONG-TERM DEBT

State Land and Investment Board Awards

- Loan in the amount of \$1,500,000 to begin amortizing for 20 years upon completion of the project. The City will be reimbursed with loan proceeds upon approval of project costs by the State Land and Investment Board. Interest begins accruing on all amounts drawn from the loan at a rate of 2.5% annually. Upon completion of the project, approximately \$750,000 or 50%, whichever is less, may be forgiven from the loan. This project was completed during the year ended June 30, 2016 and 50% of the outstanding balance was forgiven in the amount of \$693,270. The remaining loan balance as of June 30, 2018 was \$607,517 and is subject to the payment terms as noted below.

As part of the conditions for the loan noted above, the City is required to fund a cumulative debt reserve totaling \$48,110. This fund is to be used for repairs and maintenance on both of the structures.

- Loan in the amount of \$2,070,000 to begin amortizing for 20 years starting July 15, 2018 through July 2037. The purpose of this loan was to refinance the revenue bond that was outstanding at the end of June 30, 2017 of \$2,070,000. The new refinance of the bond to the note decreased the interest rate from 4.5% to 2.5%. The remaining loan balance as of June 30, 2018 was \$1,925,914 and is subject to the payment terms as noted below.

The table below represents the combined payment requirements on the safe drinking water state revolving loans described above.

Drinking Water State Revolving Loan Program			
Year Ending			Total Principal
June 30,	Principal	Interest	and Interest
2019	26,835	17,645	\$ 44,480
2020	113,617	63,647	177,264
2021	116,429	60,836	177,265
2022	119,309	57,954	177,263
2023	122,262	55,001	177,263
2024-2028	658,225	208,097	866,322
2029-2033	743,806	142,514	886,320
thereafter	632,948	49,170	682,118
Total	<u>\$ 2,533,431</u>	<u>\$ 654,864</u>	<u>\$ 3,188,295</u>

- Loan in the amount of \$3,068,000 to begin amortizing for 20 years upon completion of the project. The City will be reimbursed with loan proceeds upon approval of project costs by the State Land and Investment Board. Interest begins accruing on all amounts drawn from the loan at a rate of 2.5% annually. Upon completion of the project, approximately \$1,534,000 or 50%, whichever is less, may be forgiven from the loan. For the year ended June 30, 2018, the project was completed with accrued interest being paid, \$1,534,000 was forgiven by the State Land and Investment Board. After the loan forgiveness the loan balance remaining of \$1,534,000 was termed out for 20 years according to the original terms. As of June 30, 2018 the outstanding balance of the loan was \$1,473,633.

As part of the conditions for the loan noted above, the City is required to fund a cumulative debt reserve totaling \$98,402. This fund is to be used for repairs and maintenance on both of the structures.

NOTE 11 - LONG-TERM DEBT (cont.)

State Land and Investment Board Awards (cont.)

The table bellows represents the combined payment requirements on the clean drinking water state revolving loan described above.

Clean Water State Revolving Loan Program			
Year Ending			Total Principal
June 30,	Principal	Interest	and Interest
2019	62,281	36,331	\$ 98,612
2020	63,602	34,800	98,402
2021	65,170	33,232	98,402
2022	66,777	31,625	98,402
2023	68,423	29,979	98,402
2024-2028	368,268	123,740	492,008
2029-2033	415,967	76,041	492,008
thereafter	363,145	22,365	385,510
Total	\$1,473,633	\$ 388,113	\$ 1,861,746

The City was awarded three additional notes through the State Land and Investment Board. Terms are described below:

- Loan in the amount of \$2,054,640 to begin amortizing for 20 years upon completion of the project. The City will be reimbursed with loan proceeds upon approval of project costs by the State Land and Investment Board. Interest begins accruing on all amounts drawn from the loan at a rate of 2.5% annually. Upon completion of the project approximately \$357,040 or 17.3772%, whichever is less, may be forgiven from the loan. This loan is collateralized against future user fees from sewer services. As of June 30, 2018, approximately \$1,482,296 of expenses had been approved by the State Land and Investment Board and drawn on the note but not termed out as of June 30, 2018.
- Loan in the amount of \$2,861,937 to begin amortizing for 20 years upon completion of the project. The City will be reimbursed with loan proceeds upon approval of project costs by the State Land and Investment Board. Interest begins accruing on all amounts drawn from the loan at a rate of 2.5% annually. Upon completion of the project, approximately \$357,040 or 12.4755%, whichever is less, may be forgiven from the loan. This loan is collateralized against future user fees from sewer services. As of June 30, 2018, \$572,509 of funds had been drawn on this loan but not termed out as of June 30, 2018.
- Loan in the amount of \$2,790,000 to begin amortizing for 20 years upon completion of the project. The City will be reimbursed with loan proceeds upon approval of project costs by the State Land and Investment Board. Interest begins accruing on all amounts drawn from the loan at a rate of 2.5% annually. This loan is collateralized against future user fees from sewer services. As of June 30, 2018, no funds had been drawn on this loan.

The loans from the State Land and Investment Board accrue interest when the initial draw is done on the loan. As of June 30, 2018 the City has recognized \$77,196 in accrued interest.

NOTE 11 - LONG-TERM DEBT (cont.)

The City entered into a project to build a new building for the Chamber of Commerce. The Building had a total cost of \$865,404. The building was funded by a grant totaling \$466,210, a loan through the Wyoming Business Council of \$194,316, with the remaining \$204,474 being paid for by the Chamber of Commerce. The City's loan for the Chamber building requires payments starting April 5, 2019 and is amortized over 15 years at 1%. Annual payments are required totaling \$14,015. This loan is collateralized by the chamber building. The table bellows represents the payment requirements on the loan.

Wyoming Business Council Loan - Chamber Building			
Year Ending			Total Principal
June 30,	Principal	Interest	and Interest
2019	12,072	1,943	\$ 14,015
2020	12,192	1,822	14,014
2021	12,314	1,701	14,015
2022	12,437	1,577	14,014
2023	12,562	1,453	14,015
2024-2028	64,718	5,355	70,073
2029-2033	68,021	2,055	70,076
Total	<u>\$ 194,316</u>	<u>\$ 15,906</u>	<u>\$ 210,222</u>

NOTE 12 - DEFINED BENEFIT PENSION PLAN

The City contributes to the Wyoming Retirement System (WRS) pension plan, a cost-sharing multiple-employer defined benefit pension plan administered by the Wyoming Retirement System. WRS provides retirement, disability and death benefits to plan members and beneficiaries. The Wyoming Retirement Board, after approval of the Wyoming State Legislature, may amend contribution requirements to WRS. WRS issues a publicly available financial report that includes financial statements and supplementary information for WRS. That report may be obtained by writing to Wyoming Retirement Board, First Floor East - Herschler Building, 112 West 25th Street, Cheyenne, WY 82002.

Information about the General Public Employees' Pension Plan

Plan Descriptions - Substantially all qualified employees of the State, Public School Systems, and other political subdivisions of Wyoming which have elected to participate are eligible for the Public Employees' Pension Plan, a cost-sharing, multiple employer defined benefit pension plan administered by the Wyoming Retirement System (WRS). Benefit provisions under the Plan are established by State statute. WRS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the WRS website.

Employees terminating prior to normal retirement can elect to withdraw all employee contributions plus accumulated interest through the date of termination or, if they are vested, they may elect to remain in the Plan and be eligible for retirement benefits at age 50 (Tier 1 employees) and 60 (Tier 2 employees).

Benefits Provided - WRS Public Employees Plan provides retirement, disability and death benefits according to predetermined formulas and allows retirees to select one of seven optional methods for receiving benefits, including two joint and survivor forms of benefits: 100% joint and survivor annuity, and a 50% joint and survivor annuity. The benefit amounts under these options are determined on an actuarially equivalent basis. Any cost of living adjustments provided to retirees must be granted by the State Legislature. In addition, a cost of living adjustment will not be approved by the legislature unless the Plan is 100% funded after the COLA is awarded.

NOTE 12 - DEFINED BENEFIT PENSION PLAN (cont.)

Information about the General Public Employees' Pension Plan (cont.)

Benefits are determined based on two tiers:

Tier 1 are members who joined WRS by August 31, 2012. The Plan allows for normal retirement after four years of service and attainment of age 60. Early retirement is allowed provided the employee has completed four years of service and attained age 50 or 25 years of service. Benefits are calculated as 2.125% of employee's highest average salary for each year of credited service for the first 15 years of service plus 2.25% of the highest average salary for any years of service credit exceeding 15 years. This amount is reduced by 5% per year that the employee is under age 60.

Tier 2 are members who joined WRS after August 31, 2012. The Plan allows for normal retirement after four years of service and attainment of age 65. Early retirement is allowed provided the employee has completed four years of service and attained age 55 or 25 years of service. Benefits are calculated as 2% of employee's highest average salary for each year of credited service. This amount is reduced by 5% per year that the employee is under age 65.

All employees may also retire upon normal retirement on the bases that the sum of the employee's age and service is at least 85.

Contributions - The Plan statutorily requires 16.62% of the participant's salary to be contributed to the Plan. Contributions consist of 8.25% of the participant's salary as employee contributions and 8.37% as employer contributions. The amount of contributions designated as employee contributions represent the portion of total contributions that a participant retains ownership of and can elect to receive as a refund upon termination of employment. Employers can elect to cover all or a portion of the employee's contribution at their discretion. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Volunteer Firefighter and EMT Pension Plan

The Volunteer Firefighter and EMT Pension Plan is a cost sharing multiple employer defined benefit, contributory retirement plan covering volunteer firefighters and volunteer emergency medical technicians who elect to participate in the Plan. Participants are statutorily required to contribute \$15.00 monthly to the Plan, although such contributions may be fully or partially paid by political subdivisions on behalf of participants, if approved by the governing board. In addition, the State pays into the Plan 70% of the gross annual tax collected on fire insurance premiums. The City does not pay these monthly required contributions on behalf of the volunteers.

The Plan provides retirement and death benefits according to predetermined amounts primarily determined by the entry age and years of service of the participant. Participants may withdraw from the Plan at any time and receive refunds of participant contributions plus accumulated interest.

The Volunteer Firefighter and EMT Pension Plan was created on July 1, 2015, combining the assets and liabilities of two predecessor plans (Volunteer Fireman's Plan and Volunteer EMT Plan). The new Plan features revised contribution and benefit provisions and governance by one board instead of two. It provides a modest benefit increase to retired volunteers whose benefit structure had remained static for some time. It also provided a long-term funding source to stabilize the finances of Volunteer EMT Plan, while establishing consistent provisions for both firefighter and EMT volunteers.

NOTE 12 - DEFINED BENEFIT PENSION PLAN (cont.)

Law Enforcement Pension Plan

The Wyoming Law Enforcement Pension Plan is a cost sharing multiple employer defined benefit, contributory plan covering any county sheriff, deputy county sheriff, municipal police officer, Wyoming correctional officer, Wyoming law enforcement agencies and certain investigators of the Wyoming Livestock Board.

The Plan statutorily requires participants to contribute 8.6% of their salary to the Plan and the employer is required to contribute 8.6% of each participant's salary.

The Plan statutorily provides retirement, disability, and death benefits according to predetermined amounts determined by salary, age, and years of service of the participant. Cost of living adjustments provided to retirees must be granted by the State Legislature. In addition a cost of living adjustment will not be approved by the legislature unless the plan is 100% funded after COLA is awarded. Participants may withdraw from the Plan at any time and receive refunds of the participant contributions plus accumulated interest.

For the year ended June 30, 2018, the contributions from the City that are recognized as part of pension expense for the Plan were as follows:

	General	Police	Volunteer Fire
Contributions - Employer	\$ 150,414	\$ 142,365	\$ 0
Contributions - Employee (paid by employer)	86,619	39,423	7,845
	<u>\$ 237,033</u>	<u>\$ 181,788</u>	<u>\$ 7,845</u>

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2018, the City reported a combined net pension liability of \$3,411,940 for its proportionate share of the net pension liability of the Plan.

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of December 31, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017 rolled forward to December 31, 2017 using generally accepted actuarial procedures.

The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for each of the respective plans as of December 31, 2017 is as follows:

	General	Police	Volunteer Fire
Percentage of Proportionate Share 12/31/2016	0.104737%	0.59248%	2.07402%
Percentage of Proportionate Share 12/31/2017	0.103928%	0.58090%	1.89909%
Increase/Decrease	<u>-0.0008%</u>	<u>-0.0116%</u>	<u>-0.1749%</u>

CITY OF LANDER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 - DEFINED BENEFIT PENSION PLAN (cont.)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (cont.)

For the year ended June 30, 2018, the City recognized combined (government wide and allocations to proprietary fund) pension expense of \$594,241.

At June 30, 2018, the City reported deferred outflows/(inflows) of resources related to pensions from the following sources:

	Deferred Outflow/(Inflows) of Resources			
	General	Police	Volunteer Fire	Total
Pension contributions subsequent to measurement date	\$ 144,653	\$ 87,058	\$ 4,005	\$ 235,716
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	(19,567)	(20,099)	58,895	19,229
Net differences between projected and actual earnings on Plan investments	(70,615)	(33,390)	(93,620)	(197,625)
Net differences between expected and actual experience of net outflows/(inflows) of resources	(58,928)	(38,868)	(67,207)	(165,003)
Assumption changes since prior actuarial valuation	302,223	298,710	100,154	701,087
Amortization	(89,880)	(68,558)	(14,659)	(173,097)
Total	\$ 207,886	\$ 224,853	\$ (12,432)	\$ 420,307

The \$235,716 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	General	Police	Volunteer Fire	Total
2019	\$ 98,869	\$ 68,558	\$ 15,460	\$ 182,887
2020	86,469	47,626	8,629	142,724
2021	(35,856)	35,607	(20,881)	(21,130)
2022	(86,249)	(13,996)	(19,645)	(119,890)

NOTE 12 - DEFINED BENEFIT PENSION PLAN (cont.)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (cont.)

Actuarial Assumptions – The following are the actuarial assumptions applied to all periods included in the measurement:

	General	Police	Volunteer Fire
Valuation date	1/1/17	1/1/17	1/1/17
Actuarial cost method	Individual Entry age normal	Individual Entry age normal	Individual Entry age normal
Ammortization method	Level percent - open	Level percent - open	Level dollar - open
Remaining amortization	30	30	30
Asset valuation method	5-year	5-year	5-year
Actuarial Assumptions:			
Discount Rate	7.00%	7.00%	7.00%
Assumed inflation rate	3.25%	3.25%	3.25%
Projected salary increase	4.25% - 6.00%	4.25% - 8.00%	0%
Investment rate of return	7.75%	7.75%	7.75%
Mortality	RP-2000 Combined	RP-2000 Combined	RP-2000 Combined

Discount Rate - The discount rate used to measure the total pension liability was 7.75% for the Plan. The projection of cash flows used to determine the discount rate assumed contributions from participating employers will be made on the actuarially determined rates based on the Board's funding policy, which establishes the contractually required rates under Wyoming State Statutes. Based on those assumptions, the WRS fiduciary net position was projected to be available to make all the projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

DISCOUNT RATES			
Single Discount Rate	Long-Term Expected Rate of Return	Long-Term Municipal Bond Rate*	Last year ending December 31 in the 2016 to 2115 projection period for which projected benefit payments are fully funded
7.00%	7.00%	3.31%	2116

*Source: "State & local bonds" rate from Federal Reserve statistical release (H.15) as of December 31, 2017. The statistical release describes the rate as "Bond Buyer Index, general obligation, 20 years to maturity, mixed quality."

In determining the long-term expected rate of return, the Plan assumes a long-term investment rate of return of 7.75%. The long-term rate of return is determined through a 4.25% net real rate of return and an inflation rate of 3.25%. The following table represents a comparison of an annual money-weighted rate of return, net of investment expenses compared to the expected real rate of return.

NOTE 12 - DEFINED BENEFIT PENSION PLAN (cont.)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (cont.)

Annual money-weighted rate of return, net of expenses for the fiscal year ended December 31, 2017	Annual money-weighted rate of return, net of expenses for the fiscal year ended December 31, 2017	Expected Rate of Return net investment expenses
14.30%	7.60%	4.75%

The table below reflects the assumed asset allocation of the Plan's portfolio, the long-term expected rate of return for each asset class and the expected rate of return is presented arithmetic and geometric. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Major Portfolio Class	Target Allocation	Arithmetic Real Return	Arithmetic Nominal Return	Geometric Return	Geometric Nominal Return
Tactical Cash	0.00%	0.40%	2.90%	0.40%	2.90%
Fixed Income	20.00%	1.80%	4.30%	1.20%	3.70%
Core Plus	7.50%	1.20%	3.70%	1.10%	3.60%
US Government	10.00%	1.80%	4.30%	1.00%	3.50%
Opportunistic	2.50%	3.40%	5.90%	2.70%	5.20%
Equity	45.00%	6.90%	9.40%	5.00%	7.50%
US Equity	22.50%	6.40%	8.90%	4.80%	7.30%
Developed International	17.50%	6.60%	9.10%	4.60%	7.10%
Emerging Markets	5.00%	10.00%	12.50%	6.90%	9.40%
Marketable Alternative	17.50%	3.30%	5.80%	2.80%	5.30%
Opportunistic/Directional	0.0-10.0%	3.80%	6.30%	3.40%	5.90%
Absolute Return	5.0-15.0%	3.00%	5.50%	2.70%	5.20%
Enhanced Fixed Income	0.0-10.0%	2.20%	4.70%	1.70%	4.20%
Global Asset Allocation	2.5-12.0%	2.90%	5.40%	2.10%	4.60%
Private Markets	17.50%	7.10%	9.60%	5.10%	7.60%
Private Real Assets	0.0-7.5%	7.20%	9.70%	5.30%	7.80%
Real Estate	2.5-7.5%	3.70%	6.20%	3.00%	5.50%
Private Debt	2.5-7.5%	6.00%	8.50%	4.10%	6.60%
Private Equity	2.5-12.5%	9.30%	11.80%	6.40%	8.90%
Total	100.00%	5.27%	7.77%	3.85%	6.35%

NOTE 12 - DEFINED BENEFIT PENSION PLAN (cont.)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (cont.)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability for the Plan, calculated using the discount rate for each Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	General	Police	Volunteer Fire	Total
1% Decrease				
Net Pension Liability	\$ 3,580,279	\$ 1,072,799	\$ 805,665	5,458,743
Current Discount Rate 7%				
Net Pension Liability	2,368,866	499,836	543,238	3,411,940
1% Increase				
Net Pension Liability	\$ 1,358,565	\$ 33,397	\$ 326,652	\$ 1,718,614

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued WRS financial reports.

Payable to the Pension Plan

At June 30, 2018, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Construction Commitments

The City has active construction projects as of June 30, 2018. At year-end, the City's commitments with contractors/consultants are as follows:

Projects	Spent-to-date	Remaining Commitment	Funding Source
LAGOON UPGRADE	0	2,790,000	Loan funding available
LAGOON UPGRADE PHASE II	583,707	2,278,823 *	Slib Loan - \$2,861,937
I & I PROJECT	1,482,296	572,344	Slib Loan - \$2,054,640
	<u>\$ 2,066,003</u>	<u>\$ 5,641,167</u>	

The "*" represents a loan where the completion of the project could result in a maximum loan forgiveness of approximately \$357,040 or 12.4755%, whichever is less, may be forgiven from the loan. This loan is collateralized against future user fees from water sewer services. As of June 30, 2018, \$572,509 of funds had been drawn on this loan but not termed out as of June 30, 2018.

NOTE 13 - COMMITMENTS AND CONTINGENCIES (cont.)

Insurance Coverage

The City purchases commercial insurance to help insure against risks of loss. Coverage carried includes property, general liability, automobile liability, inland marine, crime, umbrella and professional liability.

For the year ended June 30, 2018, the City spent approximately \$79,896 for insurance premiums.

Litigation

The City is contingently liable in respect to lawsuits and claims in the ordinary course of its operations. In the opinion of City personnel, the settlement of such contingencies would not affect the financial position of the City at June 30, 2018. Should any claims prove to be a detriment to the City, they will be recorded as expenditure in the period in which a liability is realized.

NOTE 14 - SENIOR CENTER TRUST PERMANENT FUND

The Senior Center Trust Permanent Fund was created when the voters of Fremont County approved a 1% capital facility tax in the general election held on November 8, 1994. The proposition approved by the voters stipulated that \$661,000 of collections, plus interest earned thereon, and any unused construction funds, constitute the corpus (principal) of the endowment fund. The subsequent earnings and corpus from the endowment fund are to be used for the operation and maintenance of the facility. As of June 30, 2018, \$431,096 is available for authorization for expenditure by the City Council. This amount is included in restricted Net Position.

Required Supplementary Information

CITY OF LANDER, WYOMING
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (NON GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget - Favorable (Unfavorable)
RESOURCES (INFLOWS)				
Taxes	\$ 4,057,966	\$ 4,147,966	\$ 4,251,759	\$ (103,793)
Licenses and permits	102,000	102,000	148,427	(46,427)
Grants	652,519	652,519	672,362	(19,843)
Charges for services	280,300	280,300	306,903	(26,603)
Fines and forfeitures	133,000	133,000	155,123	(22,123)
Interest income	10,000	10,000	34,931	(24,931)
Miscellaneous revenue	100,000	760,526	110,719	649,807
Other financing sources		138,159	0	(138,159)
Optional Tax	1,300,000	1,300,000	1,297,190	2,810
Amount Available for Appropriation	6,635,785	7,524,470	6,977,414	270,738
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
General government	557,066	1,405,751	1,468,024	(62,273)
Community center	215,000	215,000	152,149	62,851
Other general accounts	96,500	111,500	216,932	(105,432)
Municipal court	228,577	228,577	185,541	43,036
Attorney	65,212	65,212	55,294	9,918
Police	1,987,874	1,987,874	1,983,626	4,248
Fire	216,033	216,033	214,294	1,739
Building inspector	42,772	42,772	42,471	301
Emergency management and compliance coordinator	10,000	10,000	5,357	4,643
Streets	643,230	643,230	622,531	20,699
Rodeo grounds	22,300	22,300	3,282	19,018
Building repair and maintenance	119,700	119,700	121,103	(1,403)
Airport	74,600	74,600	46,540	28,060
Shop	238,303	238,303	237,739	564
Weed and pest	126,077	126,077	127,548	(1,471)
Parks and recreation	483,997	483,997	480,774	3,223
Golf course	37,000	62,000	51,434	10,566
Cemetery	171,544	171,544	158,599	12,945
Optional Projects				
Total Charges to Appropriations	5,335,785	6,224,470	6,173,238	51,232
Excess of appropriations over (under) charges to appropriations	1,300,000	1,300,000	804,176	219,506
BUDGETARY FUND BALANCE - JULY 1	2,720,201	2,720,201	2,720,201	
BUDGETARY FUND BALANCE - JUNE 30	<u>\$ 4,020,201</u>	<u>\$ 4,020,201</u>	<u>\$ 3,524,377</u>	

CITY OF LANDER, WYOMING
BUDGETARY COMPARISON SCHEDULE
AIRPORT FUND (NON GAAP BASIS)
June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget - Favorable (Unfavorable)
RESOURCES (INFLOWS)				
Grants	\$ 7,010,220	\$ 7,010,220	\$ 5,813,987	\$ 1,082,806
Amount Available for Appropriation	7,010,220	7,010,220	5,813,987	1,082,806
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Airport	7,010,220	7,010,220	6,045,556	1,078,090
Total Charges to Appropriations	7,010,220	7,010,220	6,045,556	1,078,090
Excess of appropriations over (under) charges to appropriations	0	0	(231,569)	2,160,896
BUDGETARY FUND BALANCE - JULY 1	(4,397)	(4,397)	(4,397)	
BUDGETARY FUND BALANCE - JUNE 30	<u>\$ (4,397)</u>	<u>\$ (4,397)</u>	<u>\$ (235,966)</u>	

CITY OF LANDER
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
WYOMING RETIREMENT SYSTEM
PUBLIC EMPLOYEES PENSION PLAN

Fiscal Year*

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
City's proportion of the net pension liability	0.104360%	0.101861%	0.104737%	0.103928%
City's proportionate share of the net pension liability	\$ 1,841,633	\$ 2,372,699	\$ 2,532,019	\$ 2,532,019
City's covered-employee payroll	\$ 1,743,113	\$ 1,832,665	\$ 1,798,718	\$ 1,797,064
City's proportionate share of the net pension liability as a percentage of its covered payroll	105.65%	129.47%	140.77%	140.90%
Plan fiduciary net position as a percentage of the total pension liability	79.08%	73.40%	73.42%	76.35%

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

Note: Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.

CITY OF LANDER
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
WYOMING RETIREMENT SYSTEM
LAW ENFORCEMENT PENSION PLAN

Fiscal Year*

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
City's proportion of the net pension liability	0.740134%	0.619236%	0.592481%	0.580904%
City's proportionate share of the net pension liability	\$ 218,071	\$ 465,170	\$ 447,275	\$ 499,836
City's covered-employee payroll	\$ 1,115,592	\$ 1,020,860	\$ 1,069,081	\$ 1,056,907
City's proportionate share of the net pension liability as a percentage of its covered payroll	19.55%	45.57%	41.84%	47.29%
Plan fiduciary net position as a percentage of the total pension liability	94.76%	87.49%	88.11%	87.99%

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

Note: Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.

CITY OF LANDER
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
WYOMING RETIREMENT SYSTEM
VOLUNTEER FIREFIGHTER AND EMT PENSION PLAN

Fiscal Year*

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
City's proportion of the net pension liability	2.144982%	1.971486%	2.074019%	1.899089%
City's proportionate share of the net pension liability	\$ 76,029	\$ 624,796	\$ 658,413	\$ 543,240
City's covered-employee payroll	N/A	N/A	N/A	N/A
City's proportionate share of the net pension liability as a percentage of its covered payroll	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	94.76%	69.16%	69.99%	74.11%

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

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**CITY OF LANDER
SCHEDULE OF CITY CONTRIBUTIONS
WYOMING RETIREMENT SYSTEM
PUBLIC EMPLOYEES PENSION PLAN**

	Fiscal Year			
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contributions	\$ 334,778	\$ 304,589	\$ 298,947	298,672
Contributions in relation to the contractually required contribution	<u>334,778</u>	<u>304,589</u>	<u>298,947</u>	<u>298,672</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's covered payroll of respective pension	\$2,109,504	\$1,832,665	\$1,798,718	\$1,797,064
Contributions as a percentage of covered employee payroll	15.87%	16.62%	16.62%	16.62%

Note: Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.

CITY OF LANDER
SCHEDULE OF CITY CONTRIBUTIONS
WYOMING RETIREMENT SYSTEM
LAW ENFORCEMENT PENSION PLAN

	Fiscal Year			
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contributions	\$ 183,622	\$ 175,588	\$ 183,882	\$ 181,788
Contributions in relation to the contractually required contribution	<u>183,622</u>	<u>175,588</u>	<u>183,882</u>	<u>181,788</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's covered payroll of respective pension	\$ 1,067,570	\$ 1,020,860	\$ 1,069,081	\$ 1,056,907
Contributions as a percentage of covered employee payroll	17.20%	17.20%	17.20%	17.20%

Note: Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.

CITY OF LANDER
SCHEDULE OF CITY CONTRIBUTIONS
WYOMING RETIREMENT SYSTEM
VOLUNTEER FIREFIGHTER AND EMT PENSION PLAN

	Fiscal Year			
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contributions	\$ 8,687	\$ 8,687	\$ 8,385	\$ 7,485
Contributions in relation to the contractually required contribution	<u>8,687</u>	<u>8,687</u>	<u>8,385</u>	<u>7,485</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's covered payroll of respective pension	N/A	N/A	N/A	N/A
Contributions as a percentage of covered employee payroll	N/A	N/A	N/A	N/A

Note: Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.

CITY OF LANDER
NOTES TO REQUIRED SUPPLEMENTARY
PENSION INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

Changes of benefit terms -

There are not changes in benefit terms from the prior year.

Changes in the composition of the population -

There are not changes in the composition of the population from the prior year.

Changes in assumptions -

An experience study was conducted on behalf of all WRS plans covering the five-year period ending December 31, 2016. That study provided a detailed analysis concerning the development of the long-term inflation rate, real rate of return and discount rate. The study also analyzed each major actuarial assumption (e.g. mortality, salary increases, retirement, termination and disability) and proposed assumptions consistent with the findings. For further information on the experience study and related assumption recommendation, the reader is directed to request the December 31, 2016 Wyoming Retirement System Experience Study.

Other Supplementary Information

CITY OF LANDER, WYOMING
DETAIL SCHEDULE OF DEPARTMENTAL EXPENDITURES
BY OBJECT CLASSIFICATION
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Materials and Supplies	Contractual Services	Salaries and Benefits	Function Class Totals	Debt Service, Capital Outlay, Transfers Out	Budget Class Totals
GENERAL GOVERNMENT						
General government	\$ 73,078	\$ 66,945	\$ 285,597	\$ 425,620	\$ 1,040,404	\$ 1,466,024
Economic development	0	2,000	0	2,000	0	2,000
City clerk	0	0	0	0	0	0
City hall	0	0	0	0	0	0
Community center	52,286	63,504	0	115,790	36,359	152,149
Other general accounts	6,740	54,016	0	60,756	156,176	216,932
Planning	0	0	0	0	0	0
City attorney	0	55,294	0	55,294	0	55,294
Early retirement	0	0	0	0	0	0
Municipal court	3,853	27,173	154,515	185,541	0	185,541
Total General Government Expenditures	<u>135,957</u>	<u>268,932</u>	<u>440,112</u>	<u>845,001</u>	<u>1,232,939</u>	<u>2,077,940</u>
PUBLIC SAFETY						
Police department	39,959	305,254	1,632,431	1,977,644	5,982	1,983,626
Fire department	83,804	34,677	94,233	212,714	1,580	214,294
Building inspector	647	440	41,384	42,471	0	42,471
Emergency management and compliance	5,357	0	0	5,357	0	5,357
Engineering	0	0	0	0	0	0
Weed and pest	8,884	0	106,390	115,274	12,273	127,547
Total Public Safety Expenditures	<u>138,651</u>	<u>340,371</u>	<u>1,874,438</u>	<u>2,353,460</u>	<u>19,835</u>	<u>2,373,295</u>
PUBLIC WORKS						
Streets and alleys	47,219	1,063	333,587	381,869	240,662	622,531
Building repair and maintenance	121,103	0	0	121,103	0	121,103
Airport	18,182	28,358	0	46,540	0	46,540
Cemetery	13,705	4,273	135,864	153,842	4,758	158,600
Maintenance shop	132,373	3,857	73,647	209,877	27,862	237,739
Parks and recreation	53,875	10,814	409,390	474,079	6,695	480,774
Rodeo grounds	1,217	2,065	0	3,282	0	3,282
Golf course	39,434	0	12,000	51,434	0	51,434
Administration	0	0	0	0	0	0
Total Public Works Expenditures	<u>427,108</u>	<u>50,430</u>	<u>964,488</u>	<u>1,442,026</u>	<u>279,977</u>	<u>1,722,003</u>
Total Expenditures	<u>\$ 701,716</u>	<u>\$ 659,733</u>	<u>\$ 3,279,038</u>	<u>\$ 4,640,487</u>	<u>\$ 1,532,751</u>	<u>\$ 6,173,238</u>

**CITY OF LANDER, WYOMING
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018**

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS			
Other cash and investments	\$ 0	\$ 0	\$ 0
Receivables, net			
Grants receivable	53,500	0	53,500
Due from other funds	0	69,633	69,633
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 53,500	\$ 69,633	\$ 123,133
	<hr/>	<hr/>	<hr/>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable and accrued expenses	63,960	0	63,960
Due to other funds	31,096	0	31,096
	<hr/>	<hr/>	<hr/>
Total Liabilities	95,056	0	95,056
	<hr/>	<hr/>	<hr/>
Fund Balances			
Restricted for			
Debt service	0	53,243	53,243
Special revenue funds	(41,556)	0	(41,556)
Debt service fund	0	16,390	16,390
	<hr/>	<hr/>	<hr/>
Total Fund Balance	(41,556)	69,633	28,077
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balance	\$ 53,500	\$ 69,633	\$ 123,133
	<hr/>	<hr/>	<hr/>

**CITY OF LANDER, WYOMING
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES			
Intergovernmental	\$ 329,658	\$ 0	\$ 329,658
Total Revenues	<u>329,658</u>	<u>0</u>	<u>329,658</u>
EXPENDITURES			
Current			
Public safety	10,197	0	10,197
Public works	239,541	0	239,541
Capital outlay	<u>169,254</u>	<u>0</u>	<u>169,254</u>
Total Expenditures	<u>418,992</u>	<u>0</u>	<u>418,992</u>
Excess of revenues over (under) expenditures	(89,334)	0	(89,334)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	0	0	0
Operating transfers (out)	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
Excess of revenues and other sources over (under) expenditures and other uses	(89,334)	0	(89,334)
FUND BALANCE - JULY 1	<u>47,778</u>	<u>69,633</u>	<u>117,411</u>
FUND BALANCE - JUNE 30	<u><u>\$ (41,556)</u></u>	<u><u>\$ 69,633</u></u>	<u><u>\$ 28,077</u></u>

Compliance Section

**CITY OF LANDER, WYOMING
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number		Federal Expenditures/ Loan Balance
U.S Environmental Protection Agency				
Passed through to Office of State Land and Investments				
Clean Drinking Water - Unforgiven Loan Balance #125	66.458	NA		607,517
Loan - Safe Drinking Water #194	66.468	NA	***	1,592,321
Loan - Safe Drinking Water #128	66.468	NA	*	1,473,633
		Total		<u>3,065,954</u>
Total U.S. Environmental Protection Agency				<u>3,673,471</u>
Wyoming Department of Transportation				
Passed through the WYDOT Aeronautics Division				
Airport Improvement Program	20.106	LND24X (A)(B)	**	<u>5,516,881</u>
Total Wyoming Department of Transportation				<u>5,516,881</u>
Total Federal Assistance				<u>\$ 9,190,352</u>

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Lander, Wyoming and is presented on the modified accrual basis of accounting, except for amounts presented under the U.S. Department of Agriculture and the U.S. Environmental Protection Agency, which are presented on the accrual basis. The information in this schedule is presented in accordance with the requirements of Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations.

The City is eligible to apply a 10% de minimus indirect cost rate on certain grants that have been awarded. The City has evaluated the application indirect costs on a grant-by-grant basis.

* As part of the loan/grant program \$1,534,000 was forgiven upon completion of the project and terming out of the note

** 5% of the project is covered by the state and an additional 2% is covered by the City of Lander 93% is federal expenditures

*** 82.5% of the loan is federally funded.

**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**

Honorable Members of the City Council
City of Lander
Lander, Wyoming

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lander, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Lander's basic financial statements, and have issued our report thereon dated November 26, 2018.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses; 2018-001, 2018-002, 2018-003

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies; 2018-004.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the City of Lander's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2018-002, 2018-003, and 2018-004.

City of Lander Response to Findings

The City of Lander's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Lander's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Fagnant, Lewis & Brinda, P.C.

Fagnant Lewis and Brinda, P.C.
Lander, Wyoming
November 26, 2018

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

Honorable Members of the City Council
City of Lander
Lander, Wyoming

Report on Compliance for Each Major Federal Program

We have audited the City of Lander's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Lander's major federal programs for the year ended June 30, 2018. City of Lander's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Lander, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items Finding 2018-002, Finding 2018-003, Finding 2018-004. Our opinion on each major federal program is not modified with respect to these matters.

City of Lander's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Lander's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

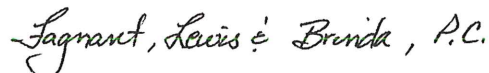
Report on Internal Control over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items Finding 2018-004, that we consider to be a significant deficiency.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items Finding 2018-002, and Finding 2018-003, that we consider to be material weaknesses.

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



Fagnant Lewis and Brinda, P.C.
Lander, Wyoming
November 26, 2018

**CITY OF LANDER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: **Unmodified**

Internal control over financial reporting:
Material weakness identified? X Yes No
Significant deficiency identified not
considered to be material weaknesses? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:
Material weakness identified? X Yes No
Significant deficiency identified not
considered to be material weaknesses? X Yes None reported

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

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance. Yes X No

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

20.106

Airport Improvement Program

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

Auditee qualified as low-risk auditee? Yes X No

**CITY OF LANDER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

SECTION II - FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESSES

Finding 2018-001 – Internal Controls over Accounts Payable

Condition: The City's system of internal controls over financial reporting needs continued improvement in its monthly and year end closing process to incorporate a review procedure over accounts payable to determine that payables have been properly input and released when paid.

Criteria: The City's financial statements need to be presented in accordance with Generally Accepted Accounting Principles and should be accurately maintained throughout the year in order to provide decision makers accurate information.

Cause: The City changed the way internal controls over accounts payable and implemented a new procedure which was being performed incorrectly from the time it was changed till around September of 2018 when the City was preparing for the audit.

Effect: Several material journal entries were required to be posted as part of the audit in order to bring the City's financial statements into compliance with Generally Accepted Accounting Principles over accounts payable through the reversal of what was in the general ledger as well as performing procedures to review over 100 invoices to determine the actual accounts payable amounts as of June 30, 2018.

Recommendation: The City should implement a procedure where the treasurer is performing some monthly review functions during the closing process and comparing the accuracy of the invoices to the general ledger in order to ensure its accuracy of the process throughout the year.

**CITY OF LANDER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

MATERIAL WEAKNESS

Finding 2018-002 Identification of Federal Awards

Program Information: CFDA #66.468 Capitalization Grant for Safe Drinking Water State Revolving Funds - The objective of these grants is to create State Revolving Funds through a program of capitalization grants to states which will provide a long-term source of state financing for construction of water treatment facilities, clean water systems, and implementation of other water quality management activities.

Repeat Finding from Prior Year: No

Condition: The City does not have a system of internal control that allows for the proper identification of federal awards, and the related compliance requirements contained in each of those awards.

Criteria: The City should have a system of internal control that allows for the federal awards to be properly identified, as well as a system in place to monitor the related compliance requirements as part of 2 CFR 200, Appendix XI, Uniform Grant Guidance and Cost Principles.

Context: The City received loan DWSRF #194 as part of the federal programs identified as CFDA numbers 66.468.

Cause: The City does not have a process in their system of internal controls over financial reporting to identify and differentiate federally funded and state funded grants and loans.

Effect: The City was unaware that this loan was federally funded. The City's Schedule of Federal Expenditure Awards would have been materially misstated had this not been determined as part of the audit. Additionally, the City is likely not monitoring this loan for the related federal compliance requirements as noted in 2 CFR 200, Appendix XI, Uniform Grant Guidance and Cost Principles.

Questioned Costs: Not applicable

Sampling method: Not applicable

Recommendation: The City must establish a system of internal control over federal awards that identifies all federal awards, and the related compliance requirements. Each of the compliance requirements as outlined in 2 CFR 200, Appendix XI, Uniform Grant Guidance and Cost Principles need to be formally monitored and documented.

**CITY OF LANDER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

MATERIAL WEAKNESS

Finding 2018-003 Grant Financial Reporting Not Completed or Monitored

Program Information: CFDA #20.106 Airport Improvement Program is a federal grant that seeks to assist sponsors, owners, or operators of public-use airports in the development of a nationwide system of airports adequate to meet the needs of civil aeronautics.

Repeat Finding from Prior Year: No

Condition: The City was required to file an annual SF-425 report as part of the airport improvement project and this was not done according to the granting agency. The engineer was further contacted who noted the form was provided to the City in February 2017 with an estimate of the amounts.

Criteria: The SF-425 reports are required to be submitted annually for the airport improvement grant in accordance with 2 CFR 200, Appendix XI, Uniform Grant Guidance and Cost Principles which outlines the specific compliance requirements related to these grants.

Context: This compliance requirements are applicable to the City due to the fact that the City used the federal grant money to pay for the airport improvements.

Cause: The City was unaware of this requirement and does not have a system of internal controls in place to identify, perform, or monitor, the related compliance requirements associated with federal grants.

Effect: The City is currently out of compliance with the federal grant requirement.

Questioned Costs: Not applicable

Sampling method: Not applicable

Recommendation: The City must properly submit annual SF-425 reports for the airport improvement project in accordance with 2 CFR 200, Appendix XI, Uniform Grant Guidance and Cost Principles need to be formally monitored and documented.

**CITY OF LANDER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

SIGNIFICANT DEFICIENCY

Finding 2018-004 Monitoring of Prevailing Wages

Program Information: CFDA #20.106 Airport Improvement Program is a federal grant that seeks to assist sponsors, owners, or operators of public-use airports in the development of a nationwide system of airports adequate to meet the needs of civil aeronautics.

Condition: The City did not have a monitoring process in place to ensure that prevailing wages were paid, and that proper reporting was performed in relation to these specific grant requirements.

Criteria: Prevailing wages are required to be paid on all construction projects over \$2,000 in accordance with 2 CFR 200, Appendix XI, Uniform Grant Guidance and Cost Principles which outlines the specific compliance requirements related to these grants.

Context: This compliance requirements are applicable to the City due to the fact that the City used the federal grant money to pay for the new airport improvement projects.

Cause: The City was under the assumption the engineer was handling the prevailing wages in compliance with the grant but did not perform any monitoring functions over that specific compliance requirement.

Effect: The engineering firm reviewed the prevailing wage rates but the City had no documentation to show that they were performing the monitoring function until it was requested from the engineer and mailed to the City during the audit procedures.

Questioned Costs: Not applicable

Sampling method: Not applicable

Recommendation: The City must establish a system of internal control over federal awards that identifies the related compliance requirements. Each of the compliance requirements as outlined in 2 CFR 200, Appendix XI, Uniform Grant Guidance and Cost Principles need to be formally monitored and documented as part of the grant process.



THE CITY OF LANDER

240 LINCOLN ST, LANDER WY 82520-2848

TELEPHONE 307-332-2870

CORRECTIVE ACTION PLAN YEAR ENDED JUNE 30, 2018

CORRECTIVE ACTION ITEM - 2018-001 – Internal Controls over Accounts Payable

Individual Responsible: Town Treasurer, Charri Lara

Anticipated Completion Date: None specified at this time

Corrective Action: The City of Lander had a change in job duties assigned for accounts payable for the year ended June 30, 2018. The software currently being used for accounts payable has a learning curve for closing out the year. The City will monitor the year end invoices prior to input for future years to insure their accuracy for being posted to the correct period.

CORRECTIVE ACTION ITEM - 2018-002 Identification of Federal Awards

Individual Responsible: City Management

Anticipated Completion Date: None specified at this time

Corrective Action: The City of Lander will continue to work on their procedures for identifying federal awards. It is their desire to get the State Land of Investments to identify the monies in writing as documentation to being federal monies when the loans or grants are issued. Frequently these funding sources are packaged as a state funded project when the underlying federal money is being passed through the state to the individual municipality.

CORRECTIVE ACTION ITEM – 2018-003 Grant Financial Reporting Not Completed or Monitored

Individual Responsible: City Management

Anticipated Completion Date: None specified at this time

Corrective Action: The City of Lander had a long-term employee retire this past year that handled the grant administration. We will continue to work on assigning these job duties and responsibilities.



THE CITY OF LANDER

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CORRECTIVE ACTION PLAN (cont.) YEAR ENDED JUNE 30, 2018

CORRECTIVE ACTION ITEM - Finding 2018-004 Monitoring of Prevailing Wages

Individual Responsible: City Management

Anticipated Completion Date: None specified at this time

Corrective Action: The City of Lander had a long-term employee retire this past year that handled the grant administration. We will continue to work on assigning these job duties and responsibilities.

**CITY OF LANDER, WYOMING
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2017**

MATERIAL WEAKNESSES

Finding 2017-001 Identification of Federal Awards

Condition: The City's system of internal controls over financial reporting needs continued improvement in its year end closing process. As a result, the City's financial statements required several material journal entries, to be made as part of the audit to accurately present the financial statements in accordance with Generally Accepted Accounting Principles. Several material journal entries were required to be posted as part of the audit in order to bring the City's financial statements into compliance with Generally Accepted Accounting Principles. Fund balance entries of approximately \$2MM had to be posted in order to properly roll fund balance. Debt payments and corresponding interest expense were never recognized in accordance with Generally Accepted Accounting Principles which required additional entries of approximately \$2MM.

Current year status: Corrective Action was Taken

SIGNIFICANT DEFICIENCIES

Finding 2017-002 – Overstatement of Community Center Revenue

Condition: The City's system of internal controls over revenue recognition needs to be improved upon to ensure revenue is not recognized until it is earned in accordance with Generally Accepted Accounting Principles. When the Community Center would get reserved for an event the City would record accounts receivable and revenue for the entire cost of the event when it was first booked. Revenue and accounts receivable were overstated and required a journal entry of approximately \$50,000 to correct the issue.

Current year status: Corrective Action was Taken