

CITY OF LANDER, WYOMING

**FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2016**

**CITY OF LANDER, WYOMING
FINANCIAL REPORT
JUNE 30, 2016**

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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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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, 2016, 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, 46 and 47-53, 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 January 31, 2017 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
January 31, 2017

CITY OF LANDER, WYOMING

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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, 2016. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which immediately follows this section.

FINANCIAL HIGHLIGHTS

The assets of the City of Lander exceeded its liabilities and deferred inflows of resources at June 30, 2016 by \$50,841,984 (net position). Of this amount unrestricted net position of (\$1,607,031) is broken down as follows: Business-Type (Water and Sewer Fund) \$216,544; and Governmental Type (General Fund) (\$1,823,575). 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 \$3.5 million. This liability is not something the City is responsible for paying beyond normal contributions as required by the Wyoming Retirement System.

- Sales tax revenues, mineral royalties, severance taxes, and special state distributions totaled \$4,839,995 while water and sewer utility charges total \$4,919,627.
- The first major optional tax project was almost completed by the June 30, 2016 year-end. This first project was complete street, curb, gutter and water & sewer lines in the Black addition. The other project that was started this fiscal year with optional tax monies was the improvements done in the Dillon addition. Both of these projects will be finished in the fall of 2016.
- The increases in water & sewer income numbers are much higher than in prior years. This is due to the increases that the City has been imposing each January to pay for the upgrades to the main waterline coming into town and the major upgrades to the lagoon system. It is the desire of the mayor and council to assign these monies that are being collected for the debt that will begin once the projects are completed. These monies can be used to pay down the loans once they begin or can pay for the cost overruns and change orders that may come up during the project.
- The City entered into a contract with Infrastructure Management Services to test all City streets for quality of surface. This report will help the City to prioritize which streets need to be resurfaced or completely redone. These projects will be paid for with the optional tax monies. This optional tax was voted on in the November 2016 election and passed for another four years.

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 are 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 provide 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, 2016

The City as a whole:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
ASSETS						
Current and other assets	\$5,959,707	\$6,551,949	\$7,127,601	\$6,137,176	\$13,087,308	\$12,689,125
Notes receivable	0	0	1,881,719	1,918,750	1,881,719	1,918,750
Capital assets	24,498,765	21,750,528	25,697,203	21,275,927	50,195,968	\$43,026,455
Total Assets	30,458,472	28,302,477	34,706,523	29,331,853	65,164,995	\$57,634,330
DEFERRED OUTFLOW OF RESOURCES						
Pension	838,668	377,671	287,824	124,071	1,126,492	\$501,742
LIABILITIES						
Current and other liabilities	977,917	945,408	2,726,471	1,521,891	3,704,388	2,467,299
Noncurrent liabilities						
Net pension liability	2,414,106	1,332,653	1,048,559	803,078	3,462,665	2,135,731
Compensated absences	159,389	174,781	58,952	58,612	218,341	233,393
Obligations under capital lease	73,301	89,413	0	0	73,301	89,413
Notes payable	1,971,901	2,038,750	638,433	0	2,610,334	2,038,750
Loan advances	0	0	2,946,519	2,264,864	2,946,519	2,264,864
Bonds payable	0	0	2,070,000	2,155,000	2,070,000	2,155,000
Total Liabilities	5,596,614	4,581,005	9,488,934	6,803,445	15,085,548	11,384,450
DEFERRED INFLOW OF RESOURCES						
Community Center advances	25,387	106,136	0	0	25,387	106,136
Property taxes	338,568	240,467	0	0	338,568	240,467
	363,955	346,603	0	0	363,955	346,603
NET ASSETS						
Net investment in capital assets,	24,187,930	21,408,719	22,816,995	18,977,315	47,004,925	40,386,034
Restricted for:						
Endowment - spendable	516,187	550,624	0	0	516,187	550,624
Special projects	271,574	240,338	0	0	271,574	240,338
Debt service	53,243	53,243	0	0	53,243	53,243
Payment of bonds	0	0	184,130	184,130	184,130	184,130
Loan guarantee	0	0	146,512	146,512	146,512	146,512
Plant maintenance	0	0	700,000	700,000	700,000	700,000
Committed:						
Optional sales tax	2,045,001	2,989,151	0	0	2,045,001	2,989,151
Assigned						
Special projects	6,211	6,211	0	0	6,211	6,211
Replacement fund	25,000	0	80,232	558,927	105,232	558,927
Principal payment on loans	0	0	1,211,000	616,000	1,211,000	616,000
Retirement payout	55,000	25,000	150,000	50,000	205,000	75,000
Unrestricted	(1,823,575)	(1,520,746)	216,544	1,419,595	(1,607,031)	(101,151)
Total Net Assets	\$25,336,571	\$23,752,540	\$25,505,413	\$22,652,479	\$50,841,984	\$46,405,019

The City's assets total \$65.1 million and \$57.6 million as of June 30, 2016 and 2015, respectively. Of that amount, approximately 77% and 75% are capital assets as of both June 30, 2016 and 2015 respectively. The City has liabilities of approximately \$15 million and \$11.4 million as of June 30, 2016 and 2015, respectively.

City of Lander, Wyoming
Management's Discussion and Analysis
June 30, 2016

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 2016 compared to 2015.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
REVENUES						
Program Revenues						
Charges for services	\$760,287	\$729,476	\$4,919,627	\$3,082,496	\$5,679,914	\$3,811,972
Operating grants & contributions	402,461	67,120	0	0	\$402,461	67,120
Capital grants & contributions	365,743	126,672	0	0	\$365,743	126,672
General Revenues						
Property & vehicle taxes	665,418	682,138	0	0	665,418	682,138
Sales & use tax	3,474,966	3,331,660	0	0	3,474,966	3,331,660
Franchise fees	370,974	362,243	0	0	370,974	362,243
Other taxes	333,298	326,900	0	0	333,298	326,900
Mineral taxes	467,872	475,117	0	0	467,872	475,117
Severance taxes	277,832	279,013	0	0	277,832	279,013
Special state distributions	619,325	546,846	0	0	619,325	546,846
Investment earnings	19,222	6,325	66,734	9,994	85,956	16,319
Gain (loss) on sale of assets	808	6,500	100	0	908	6,500
Other revenue	101,408	44,623	0	0	101,408	44,623
Transfers	0	0	(5,200)	0	(5,200)	0
Total Revenues	7,859,614	6,984,633	4,981,261	3,092,490	12,840,875	10,077,123
EXPENSES						
Current						
General government	1,234,529	939,544	0	0	1,234,529	939,544
Public safety	3,123,204	2,628,527	0	0	3,123,204	2,628,527
Public works	2,036,456	2,233,537	0	0	2,036,456	2,233,537
Water & wastewater	0	0	2,901,422	2,752,059	2,901,422	2,752,059
Total Expenses	6,394,189	5,801,608	2,901,422	2,752,059	9,295,611	8,553,667
Increase (decrease) in net assets	\$1,465,425	\$1,183,025	\$2,079,839	\$340,431	\$3,545,264	\$1,523,456

Governmental and business-type activities saw increases in net position of approximately \$3.5 million and \$1.5 million respectively, for fiscal years 2016 and 2015. The increase in governmental and business-type net position was primarily a result of increase in grants received and receiving optional tax revenues.

The City's Funds

Information on the City's major Governmental Funds begins on page 13. 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 \$4,727,717 in 2016 and \$5,494,567 in 2015. Of that fund balance in 2016, \$1,818,581 was unreserved and was available for spending at the City's discretion (factoring in the community center which is technically part of the general fund), while in 2015 the funds available for spending at the City's discretion is \$1,693,313. The remainder of the fund balance is not available for new spending because it is already restricted as follows:

	2016	2015
Reserved for Special Projects	\$271,574	\$240,338
Reserved for Senior Endowment	516,187	550,624
Reserved for Debt Service	53,243	53,243
Reserved for Capital Projects	0	0

City of Lander, Wyoming
 Management's Discussion and Analysis
 June 30, 2016

The General Fund accounts for all of the general services provided by the City of Lander. At the end of 2016, the fund balance of the General Fund totaled \$5,969,238. At the end of 2015, the General Fund Balance totaled \$6,777,097. This decrease is due to a large percentage of the optional taxes being spent.

Revenues by Source - General Fund	2016	2015
Taxes	80%	80%
License & Fees	2%	2%
Fines & Forfeitures	2%	2%
Intergovernmental	10%	10%
Charges for Service	3%	4%
Other Revenue	2%	1%
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	
	2016	2015
General Government	\$698,812	\$685,847
Public Safety	2,214,259	2,304,683
Public Works	1,646,010	1,641,329
Capital Outlay	3,312,029	623,294
Principal Retirement	2,500	2,500
Total	\$7,873,610	\$5,257,653

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, 2016 amounts to \$74.6 million. This amount excludes infrastructure assets constructed prior to July 1, 2003.

Major capital additions during fiscal year 2016 included optional tax projects, construction of the high pressure waterline and lagoon upgrades. The table below provides a summary of net capital assets at June 30, 2016 compared to June 30, 2015.

	Activities		Activities		Primary Government	
	2016	2015	2016	2015	2016	2015
Land	\$2,530,340	\$2,530,340	\$0	\$0	\$2,530,340	\$2,530,340
Construction in progress	3,467,165	513,528	7,307,075	2,971,630	10,774,240	3,485,158
Building & improvements	13,543,815	13,529,735	323,264	323,264	13,867,079	13,852,999
Equipment	3,316,148	3,026,036	1,436,717	1,436,717	4,752,865	4,462,753
Vehicles	3,389,323	3,325,963	257,199	257,199	3,646,522	3,583,162
Office furniture	141,416	141,416	108,648	108,648	250,064	250,064
Infrastructure	7,510,517	7,462,939	0	0	7,510,517	7,462,939
Water distribution system	0	0	23,972,135	23,566,483	23,972,135	23,566,483
Sewer service system	0	0	7,254,480	6,861,148	7,254,480	6,861,148
Total Net Assets	\$33,898,724	\$30,529,957	\$40,659,518	\$35,525,089	\$74,558,242	\$66,055,046

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

Debt

Note 11 to the financial statement, page 36 provides a summary of the City's long-term debt.

Long-Term Debt – Bonds

Business-Type Activities

Water Revenue Bonds – Water Treatment Plant Improvements \$2,155,000

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 2016 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 now can prioritize 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 waterline replacement is anticipated to be completed in the summer of 2017. It is anticipated that additional monies will be needed to complete this project. The lagoon projects are being reviewed to prioritize the immediate needs to the sewer and lagoon systems in the City.

The future supplemental monies coming to the City are still in legislation. Although, Fremont County cities and towns received additional supplemental monies for the 2016-2017 budget years, it is very unlikely for the formula of this distribution to be as generous to Fremont County cities and towns in the future.

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, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Other cash and investments	\$ 4,144,523	\$ 4,564,032	\$ 8,708,555
Cash with fiscal agent	77,437	0	77,437
Restricted cash	0	221,428	221,428
Receivables, net			
Taxes receivable	1,288,461	0	1,288,461
Intergovernmental and grants receivable	58,990	1,904,152	1,963,142
Accounts receivable	27,992	304,670	332,662
Pledges receivable	106,136	0	106,136
Grants receivable	0	36,490	36,490
Internal balances	256,168	0	256,168
Current portion of notes receivable	0	32,031	32,031
Inventory	0	64,798	64,798
Total Current Assets	<u>5,959,707</u>	<u>7,127,601</u>	<u>13,087,308</u>
Noncurrent Assets			
Notes receivable	0	1,881,719	1,881,719
Fixed assets, net of accumulated depreciation	24,498,765	25,697,203	50,195,968
TOTAL ASSETS	<u>\$ 30,458,472</u>	<u>\$ 34,706,523</u>	<u>\$ 65,164,995</u>
DEFERRED OUTFLOW OF RESOURCES			
Pension	838,668	287,824	1,126,492
TOTAL DEFERRED OUTFLOW OF RESOURCES	<u>838,668</u>	<u>287,824</u>	<u>1,126,492</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued expenses	\$ 740,383	\$ 416,063	\$ 1,156,446
Internal balances	0	2,111,346	2,111,346
Advances on water sewer services	0	27,287	27,287
Current portion of long-term liabilities	237,534	171,775	409,309
Total Current Liabilities	<u>977,917</u>	<u>2,726,471</u>	<u>3,704,388</u>
Noncurrent Liabilities			
Net pension liability	2,414,106	1,048,559	3,462,665
Compensated absences	159,389	58,952	218,341
Obligations under capital lease	73,301	0	73,301
Notes payable	1,971,901	638,433	2,610,334
Loan advances	0	2,946,519	2,946,519
Bonds payable	0	2,070,000	2,070,000
Total Noncurrent Liabilities	<u>4,618,697</u>	<u>6,762,463</u>	<u>11,381,160</u>
TOTAL LIABILITIES	<u>5,596,614</u>	<u>9,488,934</u>	<u>15,085,548</u>
DEFERRED INFLOW OF RESOURCES			
Community center advances	25,387	0	25,387
Property taxes	338,568	0	338,568
TOTAL DEFERRED INFLOW OF RESOURCES	<u>363,955</u>	<u>0</u>	<u>363,955</u>
NET POSITION			
Net investment in capital assets	24,187,930	22,816,995	47,004,925
Restricted			
Endowment - spendable	516,187	0	516,187
Special projects	271,574	0	271,574
Debt service	53,243	0	53,243
Payment of bonds	0	184,130	184,130
Loan guarantee	0	146,512	146,512
Plant maintenance	0	700,000	700,000
Committed			
Optional 1% sales tax	2,045,001	0	2,045,001
Assigned			
Special projects	6,211	0	6,211
Assigned sliib loan reserves	0	1,211,000	1,211,000
Assigned replacement fund	25,000	80,232	105,232
Retirement payout	55,000	150,000	205,000
Unrestricted	<u>(1,823,575)</u>	<u>216,544</u>	<u>(1,607,031)</u>
TOTAL NET POSITION	<u>\$ 25,336,571</u>	<u>\$ 25,505,413</u>	<u>\$ 50,841,984</u>

See Notes to Financial Statements

**CITY OF LANDER, WYOMING
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General government	\$ 1,234,529	\$ 107,280	\$ 138,464	\$ 0	\$ (988,785)	\$ 0	\$ (988,785)
Public safety	3,123,204	485,184	0	0	(2,638,020)	0	(2,638,020)
Public works	2,036,456	167,823	263,997	365,743	(1,238,893)	0	(1,238,893)
Total Governmental Activities	6,394,189	760,287	402,461	365,743	(4,865,698)	0	(4,865,698)
Business-Type Activities							
Water and sewer	2,901,422	4,919,627	0	693,270	0	2,711,475	2,711,475
Total Primary Government	\$ 9,295,611	\$ 5,679,914	\$ 402,461	\$ 1,059,013	\$ (4,865,698)	\$ 2,711,475	\$ (2,154,223)

General revenues

Property and vehicle taxes	\$ 665,418	\$ 0	\$ 665,418
Sales tax, use tax, and optional 1% tax	3,474,966	0	3,474,966
Franchise fees	370,974	0	370,974
Other taxes	333,298	0	333,298
Mineral royalties	467,872	0	467,872
Severance taxes	277,832	0	277,832
Special state distributions	619,325	0	619,325
Investment earnings	19,222	66,734	85,956
Gain (loss) on sale of capital assets	808	100	908
Other revenue	101,408	0	101,408
Transfers	0	(5,200)	(5,200)
Total general revenues and transfers	6,331,123	61,634	6,392,757
Change in net position	1,465,425	2,773,109	4,238,534
Net position - beginning (restated)	23,871,146	22,732,304	46,603,450
Net position - ending	\$ 25,336,571	\$ 25,505,413	\$ 50,841,984

See Notes to Financial Statements

Fund Financial Statements

CITY OF LANDER, WYOMING
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund (Restated)	Senior Center Trust Permanent Fund	Community Center	Other Governmental Funds	Total Governmental Funds
ASSETS					
Other cash and investments	\$ 3,557,568	\$ 517,322	\$ 0	\$ 0	\$ 4,074,890
Cash with fiscal agent	77,437	0	0	0	77,437
Receivables, net					
Taxes	1,282,690	0	0	0	1,282,690
Intergovernmental and grants	3,679	0	0	55,311	58,990
Accounts	40,026	0	0	0	40,026
Accrued interest	0	5,771	0	0	5,771
Pledges	0	0	94,102	0	94,102
Due from other funds	1,967,746	0	0	69,633	2,037,379
Total Assets	\$ 6,929,146	\$ 523,093	\$ 94,102	\$ 124,944	\$ 7,671,285
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable and accrued expenses	\$ 670,028	\$ 3,307	\$ 3,225	\$ 63,821	\$ 740,381
Due to other funds	0	3,599	1,755,626	70,960	1,830,185
Grant advances	0	0	0	0	0
Total Liabilities	670,028	6,906	1,758,851	134,781	2,570,566
DEFERRED INFLOW OF RESOURCES					
Community center advances	0	0	83,122	0	83,122
Property taxes	289,880	0	0	0	289,880
Total Deferred Inflow of Resources	289,880	0	83,122	0	373,002
Fund Balances					
Restricted for					
Endowment - spendable	0	516,187	0	0	516,187
Special projects	271,574	0	0	0	271,574
Debt service	0	0	0	53,243	53,243
Committed					
Optional 1% sales tax	2,045,001	0	0	0	2,045,001
Assigned					
Special projects	6,211	0	0	0	6,211
Retirees	55,000	0	0	0	55,000
Equipment	25,000	0	0	0	25,000
Permanent fund					
Debt service fund	0	0	0	16,390	16,390
Unassigned					
General fund	3,566,452	0	(1,747,871)	0	1,818,581
Special revenue funds	0	0	0	(79,470)	(79,470)
Total Fund Balances	5,969,238	516,187	(1,747,871)	(9,837)	4,727,717
Total Liabilities, Deferred Inflows, and Fund Balance	\$ 6,929,146	\$ 523,093	\$ 94,102	\$ 124,944	\$ 7,671,285

Total Fund Balances from above	\$ 4,727,717
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.	24,498,765
Taxes receivable are not available to pay current period expenditures, and therefore are deferred in the funds.	127,652
Deferred outflows of resources related to pensions are applicable to future periods and, therefore, not reported in the governmental fund statements.	838,668
Long-term liabilities, including compensated absences, are not due in the current period, and therefore are not reported in the funds.	(2,442,125)
Net pension liability	(2,414,106)
Net Position of Governmental Activities	<u>\$ 25,336,571</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, 2016

	General Fund (Restated)	Senior Center Trust Permanent Fund	Community Center	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 5,718,669	\$ 0	\$ 0	\$ 0	\$ 5,718,669
Licenses and fees	154,254	0	0	0	154,254
Fines and forfeitures	142,041	0	0	0	142,041
Intergovernmental	685,218	0	0	424,091	1,109,309
Charges for services	216,790	0	87,510	0	304,300
Investment income	19,222	10,061	0	0	29,283
Rent	54,755	0	0	0	54,755
Other revenue	138,317	0	91,079	0	229,396
Total Revenues	\$ 7,129,266	\$ 10,061	\$ 178,589	\$ 424,091	\$ 7,742,007
EXPENDITURES					
Current					
General government	\$ 698,812	\$ 44,498	\$ 138,975	\$ 0	\$ 882,285
Public safety	2,214,259	0	0	5,806	2,220,065
Public works	1,646,010	0	0	192,028	1,838,038
Debt service					
Principal retirement	2,500	0	0	0	2,500
Capital outlay	3,312,029	0	0	226,024	3,538,053
Community center	0	0	33,116	0	33,116
Total Expenditures	7,873,610	44,498	172,091	423,858	8,514,057
Excess of revenues over (under) expenditures	(744,344)	(34,437)	6,498	233	(772,050)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	0	0	68,715	0	68,715
Operating transfers (out)	(63,515)	0	0	0	(63,515)
Total Other Financing Sources (Uses)	(63,515)	0	68,715	0	5,200
Excess of revenues and other sources over (under) expenditures and other uses	(807,859)	(34,437)	75,213	233	(766,850)
FUND BALANCES - JULY 1	6,777,097	550,624	(1,823,084)	(10,070)	5,494,567
FUND BALANCES - JUNE 30	\$ 5,969,238	\$ 516,187	\$ (1,747,871)	\$ (9,837)	\$ 4,727,717

See Notes to Financial Statements

**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, 2016**

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) \$ (766,850)

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 (\$3,368,767) exceeded
depreciation expense (\$620,530) in the current period. 2,748,237

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.

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. 84,568

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	243,229
Cost of benefits earned net of employee contributions (pension expense from pension schedule)	(883,263)

Revenues in the statement of activities that do not provide current financial resources are
not reported as revenues in the funds. 8,720

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. 30,784

Change in Net Position of Government Activities (page 11) \$ 1,465,425

**CITY OF LANDER, WYOMING
STATEMENT OF NET POSITION
BUSINESS-TYPE ACTIVITIES - PROPRIETARY FUND
JUNE 30, 2016**

	Water and Sewer Fund
ASSETS	
Current assets	
Other cash and investments	\$ 4,564,032
Restricted cash	221,428
Accounts receivable, net	304,670
Grants receivable	36,490
Due from other funds	1,904,152
Current portion of notes receivable	32,031
Inventory	64,798
Total Current Assets	7,127,601
Noncurrent assets	
Note receivable from general fund	1,881,719
Fixed assets, net	25,697,203
Total Noncurrent Assets	27,578,922
Total Assets	\$ 34,706,523
DEFERRED OUTFLOW OF RESOURCES	
Pension	287,824
LIABILITIES	
Current liabilities	
Accounts payable and accrued expenses	416,063
Deferred revenue	27,287
Due to other funds	2,111,346
Current portion of long-term liabilities	171,775
Total Current Liabilities	2,726,471
Noncurrent liabilities	
Compensated absences	58,952
Notes payable	638,433
Net pension liability	1,048,559
Loan advances	2,946,519
Bonds payable	2,070,000
Total Noncurrent Liabilities	6,762,463
Total Liabilities	9,488,934
NET POSITION	
Net investment in capital assets	22,816,995
Restricted	
Payment of bonds	184,130
Slib loan reserves	146,512
Plant maintenance	700,000
Board Designated	
Slib loan reserves	1,211,000
Equipment replacement	80,232
Retirement payouts	150,000
Unassigned	216,544
Total Net Position	\$ 25,505,413

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, 2016**

	Water and Sewer Fund
OPERATING REVENUES	
Charges for goods and services	\$ 4,919,627
Total Operating Revenues	4,919,627
OPERATING EXPENSES	
Salaries and benefits	1,386,453
Contractual services	228,049
Materials and supplies	464,955
Depreciation	713,152
Total Operating Expenses	2,792,609
Operating income (loss)	2,127,018
NONOPERATING REVENUES (EXPENSES)	
Investment income	66,734
Interest expense	(102,384)
Gain (loss) on sale of capital assets	100
Forgiveness of loans	693,270
Other nonoperating expenses	(6,429)
Total Nonoperating Revenues (Expenses)	651,291
Income (loss) before contributions and transfers	2,778,309
Transfers in (out)	(5,200)
Change in Net Position	2,773,109
TOTAL RESTATED NET POSITION - JULY 1	22,732,304
TOTAL NET POSITION - JUNE 30	\$ 25,505,413

See Notes to Financial Statements

**CITY OF LANDER, WYOMING
STATEMENT OF CASH FLOWS
BUSINESS-TYPE ACTIVITIES - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Water and Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from service users	\$ 5,819,115
Cash paid for goods and services	(302,735)
Cash paid to employees	(1,354,054)
Net cash provided by (used for) operating activities	<u>4,162,326</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest paid on debt	(102,384)
Loan advances	1,320,088
Principal paid on notes payable	(56,837)
Forgiveness of loans	693,270
Net cash provided by (used in) capital and related financing activities	<u>1,854,137</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of fixed assets	(4,380,233)
Investment income	66,734
Net cash provided by investing activities	<u>(4,313,499)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,702,964
CASH AND INVESTMENTS IN TREASURY AND OTHER CASH	
Balances - July 1	<u>3,082,496</u>
Balances - June 30	<u>\$ 4,785,460</u>
RECONCILIATION TO BALANCE SHEET	
Cash in treasury	\$ 0
Other cash and investments	4,785,460
Balances - June 30	<u>\$ 4,785,460</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	
Operating income (loss)	\$ 2,127,018
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities	
Depreciation	713,152
Change in assets - (increase) decrease	
Accounts receivable	892,071
Inventory	(10,862)
Due from other funds (net)	720,820
Change in liabilities - increase (decrease)	
Accounts payable and accrued expenses	(319,689)
Pension liability	32,059
Deferred revenue	7,417
Compensated absences	340
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ 4,162,326</u>

Non-Cash Investing and Financing Transactions

The general fund paid for \$754,196 of new water sewer infrastructure assets on a project paid for with general fund monies.

Notes to Financial Statements

CITY OF LANDER, WYOMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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: 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, 2016, 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.
- **Community Center Fund** – The City's Community Center Fund is part of the general fund but the City has opted to present this fund separately as a management tool.
- **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 (a) 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 (b) 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, 2016. 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. The City does not accrue interest on outstanding receivable balances. Water and sewer fund customer accounts receivable balances that are more than 90 days past due are approximately \$9,400 as of June 30, 2016. Miscellaneous accounts receivable in the general fund that are more than 90 days past due are approximately \$0 as of June 30, 2016.

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, 2016 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.
- **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.

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

R. FUND BALANCE (cont.)

- **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, 2016. 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, 2016, 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, 2016.

- **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.

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

S. NET POSITION (cont.)

- **Restricted for bonds** – As a condition of the issuance of the Series 2003 Water Revenue Bonds, the City is required to fund a reserve account for 10 years at \$18,413 per year. The money in this fund is to be used in the event money in the Bond Fund is insufficient to make payments on the bond when due. Funding commenced on September 1, 2003. At June 30, 2016, the reserve was funded at \$184,130.
- **Board 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 replaced aging equipment that may be cost prohibitive to repair. Lastly the City Council has elected to designate \$205,000 for payouts to retirees for vacation and sick leave upon retirement. As of June 30, 2016 the City has 22 employees in the water sewer fund that are eligible for retirement over the next seven years.
- **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. RECENTLY ADOPTED ACCOUNTING STANDARDS

The City has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2016, the City implemented the following new standards issued by GASB:

GASB has issued Statement 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is 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. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. The Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The City has implemented Statement 72, as required.

GASB has issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which improves the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement also amends Statement 67, *Financial Reporting for Pension Plans*.

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

T. RECENTLY ADOPTED ACCOUNTING STANDARDS (cont.)

GASB has issued Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which improves financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in non-authoritative literature. The City has implemented Statement 76, as required.

GASB has issued Statement 79, *Certain External Investment Pools and Pool Participants* which addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

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.
- 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.

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING (cont.)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General and Major Maintenance Funds.

	General Fund
GAAP Basis	\$ (807,859)
Net Adjustments for Revenue Accruals	1,950,597
Net Adjustments for Expenditure Accruals	(374,159)
Net Adjustments for Loans to Other Funds	(1,576,438)
Budget Basis	<u>\$ (807,859)</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 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 \$806,789 and the bank balance was \$1,329,961. As of June 30, 2016, 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 \$291,831 in excess of the FDIC insured limit amount 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 \$7,755,268 invested in Wyo-Star Investment Pool as of June 30, 2016. The City had \$444,000 invested in the Wyoming Government Investment Fund and \$1,363 invested in a Certificate of Deposit at a local financial institution with a bank as of as of June 30, 2016.

The Wyoming Government Investment Fund is 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. The Wyoming Government Investment Fund 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.

The Wyoming Government Investment Fund invests in 100% bonds which are owned by the Wyoming State Treasurer. The pool pays each participant an individual interest based on the ratio of that participant's cash balance as a percentage of the total cash balance of the pool. Income is distributed to participants based on each entity's average daily cash balance in the pool. Interest is calculated and credited monthly. The City does not own any of the underlying bonds and only has the right to the corresponding cash balance. Management has determined the Wyoming Government Investment Fund qualifies as a Level 1 investment.

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 89.20% of the investments held by the pools, on behalf of the City, fall into this category.

NOTE 4 - CASH AND 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. Approximately 7.04% of the investments held by the pools, on behalf of the City, 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. Approximately 3.76% of the investments held by the pools, on behalf of the City, fall into this category.

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

	<u>Other Cash and Investments</u>
Cash on hand	\$ 1,000
Bank deposits	805,789
Certificates of deposit	445,363
Money market investment pools	<u>7,755,268</u>
Total Cash and Investments	<u>\$ 9,007,420</u>

NOTE 5 - RECEIVABLES

Receivables at June 30, 2016, 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, 2016, 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, 2016 is as follows:

	<u>Due from Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 1,967,746	\$ 0
Senior Center Trust Permanent Fund	0	3,599
Community Center	0	1,755,626
Other Nonmajor Funds	69,633	70,960
Proprietary Fund (Water and Sewer)	<u>1,904,152</u>	<u>2,111,346</u>
Total Primary Government	<u>\$ 3,941,531</u>	<u>\$ 3,941,531</u>

Due to and Due from account balances are the result from the use of various funding sources that can be used to pay for the same projects. It is the City's policy to allocate cash through the use of due to and due from accounts.

CITY OF LANDER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

	<u>Transfers to Other Funds</u>	<u>Transfers from Other Funds</u>
General Fund	\$ 63,515	\$ 0
Senior Center Trust Permanent Fund	0	0
Community Center	0	68,715
Other Non Major Funds	0	0
Proprietary Fund (Water and Sewer)	<u>5,200</u>	<u>0</u>
	<u>\$ 68,715</u>	<u>\$ 68,715</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. In the current year the transfers shown above were related to purchases in the community center fund that were covered by the general and proprietary fund.

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016 was as follows:

Governmental Activities	Balance June 30, 2015	Additions	Deletions	Transfers	Balance June 30, 2016
Nondepreciable Capital Assets					
Land	\$ 2,530,340	\$ 0	\$ 0	\$ 0	\$ 2,530,340
Construction in process	513,528	2,974,777	0	(21,140)	3,467,165
Total Nondepreciable Capital Assets	<u>3,043,868</u>	<u>2,974,777</u>	<u>0</u>	<u>(21,140)</u>	<u>5,997,505</u>
Depreciable Capital Assets					
Buildings and improvements	13,529,735	14,080	0	0	13,543,815
Equipment	3,026,036	290,112	0	0	3,316,148
Vehicles	3,325,963	63,360	0	0	3,389,323
Office furniture	141,416	0	0	0	141,416
Infrastructure	<u>7,462,939</u>	<u>26,438</u>	<u>0</u>	<u>21,140</u>	<u>7,510,517</u>
Total Depreciable Capital Assets	<u>\$ 27,486,089</u>	<u>\$ 393,990</u>	<u>\$ 0</u>	<u>\$ 21,140</u>	<u>\$ 27,901,219</u>
Less Accumulated Depreciation					
Buildings and improvements	3,142,205	272,611	0	0	3,414,816
Equipment	2,788,169	82,713	0	0	2,870,882
Vehicles	1,958,121	104,276	0	0	2,062,397
Office furniture	88,240	9,851	0	0	98,091
Infrastructure	<u>802,694</u>	<u>151,079</u>	<u>0</u>	<u>0</u>	<u>953,773</u>
Total Accumulated Depreciation	<u>\$ 8,779,429</u>	<u>\$ 620,530</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 9,399,959</u>
Total Depreciable Capital Assets, Net	<u>18,706,660</u>	<u>(226,540)</u>	<u>0</u>	<u>21,140</u>	<u>18,501,260</u>
Governmental Activities Capital Assets, Net	<u>\$ 21,750,528</u>	<u>\$ 2,748,237</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 24,498,765</u>

CITY OF LANDER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7 - CAPITAL ASSETS (cont.)

Business-Type Activities	Balance June 30, 2015	Additions	Deletions	Transfers	Balance June 30, 2016
Nondepreciable Capital Assets					
Construction in process	\$ 2,971,630	\$ 5,122,109	\$ 0	\$ (786,664)	\$ 7,307,075
Depreciable Capital Assets					
Buildings and improvements	323,264	0	0	0	323,264
Equipment	1,436,717	0	0	0	1,436,717
Vehicles	257,199	0	0	0	257,199
Office furniture	108,648	0	0	0	108,648
Water distribution system	23,566,483	12,320	0	393,332	23,972,135
Sewer service system	6,861,148	0	0	393,332	7,254,480
Total Depreciable Capital Assets	\$ 32,553,459	\$ 12,320	\$ 0	\$ 786,664	\$ 33,352,443
Less Accumulated Depreciation					
Buildings and improvements	105,413	7,251	0	0	112,664
Equipment	1,190,772	70,877	0	0	1,261,649
Vehicles	225,237	16,287	0	0	241,524
Office furniture	75,681	10,144	0	0	85,825
Water distribution system	9,208,211	471,371	0	0	9,679,582
Sewer service system	3,443,848	137,223	0	0	3,581,071
Total Accumulated Depreciation	\$ 14,249,162	\$ 713,153	\$ 0	\$ 0	\$ 14,962,315
Total Depreciable Capital Assets, Net	18,304,297	(700,833)	0	786,664	18,390,128
Business-Type Activities Capital Assets, Net	\$ 21,275,927	\$ 4,421,276	\$ 0	\$ 0	\$ 25,697,203

Depreciation

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

Governmental Activities	
General Government	\$ 265,206
Public Safety	272,611
Public Works	82,713
Total Depreciation Expense - Governmental Activities	\$ 620,530
Business-Type Activities	
Water and Sewer Services	\$ 713,153

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, 2016:

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities					
Compensated absences	\$ 349,562	\$ 188,483	\$ (219,267)	\$ 318,778	\$ 159,389
Obligations under capital lease	105,778	0	(16,363)	89,415	16,114
Notes payable	2,100,000	0	(66,068)	2,033,932	62,031
Net pension liability	1,332,653	1,081,453	0	2,414,106	0
	<u>\$ 3,887,993</u>	<u>\$ 1,269,936</u>	<u>\$ (301,698)</u>	<u>\$ 4,856,231</u>	<u>\$ 237,534</u>
Business-Type Activities					
Compensated absences	\$ 117,224	\$ 69,713	\$ (69,033)	\$ 117,904	\$ 58,952
Notes payable	0	693,401	(27,145)	666,256	27,823
Loan advances	2,122,026	824,493	0	2,946,519	0
Revenue bonds payable	2,240,000	0	(85,000)	2,155,000	85,000
Net pension liability	803,078	245,481	0	1,048,559	0
	<u>\$ 5,282,328</u>	<u>\$ 1,833,088</u>	<u>\$ (181,178)</u>	<u>\$ 6,934,238</u>	<u>\$ 171,775</u>

Article 16, Section 5 of the Wyoming Constitution limits the amount of debt the City may create. For the year ended June 30, 2016, the general debt limit was \$2.5 million. Indebtedness created for supplying water to the City is exempted from limitation.

NOTE 9 - INDUSTRIAL REVENUE BONDS

The City has an industrial revenue bond outstanding as of June 30, 2016. 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:

Mountain Vista Retirement Center

Date of bond issue	May 1, 1998
Original amount of issue	\$ 1,400,000
Outstanding bonds as of June 30, 2016	\$ 888,640
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.

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, 2016 for continuing capital leases are as follows:

<u>Year Ended June 30,</u>	<u>Governmental Activities</u>
2017	\$ 16,114
2018	13,864
2019	11,937
2020	10,000
2021	10,000
Thereafter	27,500
Total minimum lease payments	<u>\$ 89,415</u>
Less: Amounts representing interest	<u>0</u>
Present Value of Minimum Lease Payments	<u>\$ 89,415</u>
Cost of leased property	\$ 235,672
Accumulated depreciation	(46,786)
	<u>\$ 188,886</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 leases totaled approximately \$3,821 for the year ended June 30, 2016.

CITY OF LANDER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10 - LEASING ARRANGEMENTS (cont.)

OPERATING LEASES (cont.)

The total commitment under operating leases as of June 30, 2016 was as follows:

<u>Year Ended June 30,</u>	<u>Governmental Activities</u>	<u>Proprietary Fund</u>
2017	\$ 1,800	\$ 2,021
2018	1,350	2,021
2019	0	2,021
2020	0	2,021
2021	0	2,021
Thereafter	0	12,126
	<u>\$ 3,150</u>	<u>\$ 22,231</u>

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, 2016 are as follows:

Year ending June 30,	
2017	\$ 15,300
2018	15,300
2019	15,300
2020	15,300
2021	15,300
Thereafter	795,600
Total Minimum Future Rentals	<u>\$ 872,100</u>

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. CDS may exercise its option to purchase at any time.

The following is an analysis of the City's investment in property which is being leased to others under operating leases by major classes as of June 30, 2016:

<u>Classes of Property</u>	<u>Asset Historical Cost</u>	<u>Accumulated Depreciation</u>	<u>Asset Net Book Value</u>
Land	\$ 912,500	\$ 0	\$ 912,500
Buildings	1,364,891	487,664	877,227
Infrastructure	42,500	22,663	19,837
Equipment	369,636	363,029	6,607
Total	<u>\$ 2,689,527</u>	<u>\$ 873,356</u>	<u>\$ 1,816,171</u>

NOTE 11 - LONG-TERM DEBT

WATER REVENUE BONDS

During the year ended June 30, 2003, the City of Lander issued the following bond:

Name: \$3,000,000 Water Revenue Bond, Series 2003
 Dated: May 8, 2003
 Final Maturity: May 8, 2033
 Payment Dates: Principal and interest payments beginning on May 8, 2004. Principal amounts range from \$50,000 to \$170,000.
 Interest Rate: 4.5%
 Purchaser: Rural Utility Services, an agency of the United States Department of Agriculture
 Reserve Requirement: Total minimum to be at least \$184,130, funded in ten annual payments of \$18,413 beginning on September 1, 2003.
 Revenue Pledged: Net revenues derived from the operation of the City's municipal waterworks system, in amounts sufficient, together with earnings and income thereon, to pay the maturing installments of principal and interest on the Bond.
 Purpose: To pay part of the cost of extending and improving the municipal waterworks system of the City.

Annual maturities of notes payable and revenue bonds payable are as follows for business-type activities:

Water Revenue Bonds			
Year Ending June 30,	Principal	Interest	Total Principal and Interest
2017	\$ 85,000	\$ 96,975	\$ 181,975
2018	90,000	93,150	183,150
2019	95,000	89,100	184,100
2020	100,000	84,825	184,825
2021	105,000	80,325	185,325
2022-2026	600,000	326,250	926,250
2027-2031	740,000	179,775	919,775
thereafter	340,000	22,950	362,950
Total	<u>\$ 2,155,000</u>	<u>\$ 973,350</u>	<u>\$ 3,128,350</u>

NOTE 11 - LONG-TERM DEBT (cont.)

WYOMING BUSINESS COUNCIL LOAN

During 2015 the City of Lander entered into a loan agreement with the Wyoming Business Council for \$150,000 at 2.5% interest. The City is required to make the remaining principal and interest payments according to the schedule below:

	<u>Principal</u>	<u>Interest</u>
2017	\$ 30,000	\$ 3,000
2018	30,000	2,250
2019	30,000	1,500
2020	30,000	750
Total	<u>\$ 120,000</u>	<u>\$ 7,500</u>

LOAN FROM CITY'S PROPRIETARY FUND TO THE CITY'S GENERAL FUND

During 2015 the City's general fund borrowed \$1,950,000 from the City's proprietary fund for funding shortfalls on the City's new ladder truck and construction of the community center. The loan requires 38 annual payments and accrues interest at 2.5% annually with no prepayment penalty. The City's general fund is required to make remaining payments to the City's proprietary fund according to the schedule below.

	<u>Notes Payable</u>		<u>Total Principal and Interest</u>
	<u>Principal</u>	<u>Interest</u>	
2017	\$ 32,031	\$ 47,970	\$ 80,000
2018	32,832	47,168	80,000
2019	33,653	46,347	80,000
2020	34,494	45,506	80,000
2021	35,357	44,643	80,000
2022-2026	190,492	209,508	400,000
2027-2031	215,524	184,476	400,000
thereafter	1,344,368	421,028	1,765,397
Total	<u>\$ 1,918,750</u>	<u>\$ 1,046,647</u>	<u>\$ 2,965,397</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.

NOTE 12 - DEFINED BENEFIT PENSION PLAN (cont.)

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.

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 50 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.

NOTE 12 - DEFINED BENEFIT PENSION PLAN (cont.)

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.

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, 2016, 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	\$ 153,394	\$ 87,794	\$ 0
Contributions - Employee (paid by employer)	88,335	49,716	7,849
	<u>\$ 241,729</u>	<u>\$ 137,510</u>	<u>\$ 7,849</u>

NOTE 12 - DEFINED BENEFIT PENSION PLAN (cont.)

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

As of June 30, 2016, the City reported a combined net pension liability of \$3,459,454 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, 2015, 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, 2015 rolled forward to December 31, 2015 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, 2015 is as follows:

	General	Police	Volunteer Fire
Percentage of Proportinate Share 12/31/2014	0.104360%	0.7401%	2.14498%
Percentage of Proportinate Share 12/31/2015	0.101861%	0.6192%	1.97149%
Increase/Decrease	-0.0025%	-0.1209%	-0.1735%

For the year ended June 30, 2016, the City recognized combined (government wide and allocations to proprietary fund) pension expense of \$1,375,323.

At June 30, 2016, 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	\$ 151,386	\$ 87,957	\$ 3,886	\$ 243,229
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	(46,161)	(28,407)	(3,710)	(78,278)
Net differences between projected and actual earnings on Plan investments	583,750	295,391	128,019	1,007,160
Net differences between expected and actual experience of net outflows/(inflows) of resources	(50,195)	8,423	(3,052)	(44,824)
Assumption changes since prior actuarial valuation	0	0	(795)	(795)
Total	\$ 638,780	\$ 363,364	\$ 124,348	\$ 1,126,492

NOTE 12 - DEFINED BENEFIT PENSION PLAN (cont.)

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

The \$223,812 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, 2017. 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
2017	\$ 120,260	\$ 74,085	\$ 30,749	\$ 225,094
2018	120,260	74,085	30,702	225,047
2019	129,249	74,085	31,504	234,838
2020	117,625	53,152	26,091	196,868
2021	0	0	1,156	1,156
2022	0	0	260	260

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

	General	Police	Volunteer Fire
Valuation date	1/1/16	1/1/16	1/1/16
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:			
Projected salary increase	4.25% - 6.00%	4.25% - 8.00%	N/A
Assumed inflation rate	3.25%	3.25%	3.25%
Investment rate of return	7.75%	7.75%	7.75%
Mortality	Mortality Table	Mortality Table	Mortality Table

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 2015 to 2114 projection period for which projected benefit payments are fully funded
7.75%	7.75%	3.57%	2114

NOTE 12 - DEFINED BENEFIT PENSION PLAN (cont.)

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

*Source: "State & local bonds" rate from Federal Reserve statistical release (H.15) as of December 31, 2015. 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 4.5% 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 investments expenses compared to the expected real rate of return.

Annual money-weighted rate of return, net of expenses for the fiscal year ended December 31, 2014	Annual money-weighted rate of return, net of expenses for the fiscal year ended December 31, 2015	Expected Rate of Return net investment expenses
4.70%	(0.26)%	4.50%

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	30 Year Assumptions – Nominal Arithmetic Return	30 Year Assumptions – Real Arithmetic Return	Policy Allocation	30 Year Assumptions – Nominal Geometric*
Total Plan	8.27%	5.30%	100.00%	7.56%
US Equity	8.83%	5.92%	25.00%	
Non-US Equity	10.37%	7.42%	30.00%	
Fixed Income	3.86%	1.08%	15.00%	
Real Estate	7.50%	4.62%	3.00%	
Private Markets	10.31%	7.36%	9.00%	
Hedge Funds	6.86%	4.00%	8.50%	
GAA	7.17%	4.30%	3.00%	
Risk Parity	6.72%	3.87%	4.00%	
Cash	3.00%	0.25%	2.50%	

* Geometric return projections by asset class are not presented. Only the aggregate plan-level geometric projection is included.

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	\$ 3,406,357	\$ 943,820	\$ 856,976	\$ 5,207,152
Current Discount Rate				
Net Pension Liability	2,372,699	465,170	624,796	3,462,665
1% Increase				
Net Pension Liability	\$ 1,498,833	\$ 69,643	\$ 432,557	\$ 2,001,033

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, 2016, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

LITIGATION

Various claims and lawsuits arising in the ordinary course of operations are pending against the City. While the ultimate effect of such litigation cannot be ascertained at this time, in the opinion of the City Attorney, the liabilities which may arise from such action would not result in losses which would materially affect the financial position of the City or the results of operations.

The City has active construction projects as of June 30, 2016. At year-end, the City's commitments with contractors/consultants are as follows:

Projects	Spent-to-date	Remaining Commitment	Funding Source
MAIN LINE REPLACEMENT	\$ 4,998,898	\$ 1,388,122 *	Slib Loan - \$3,068,000
LAGOON UPGRADE PHASE 1	1,486,450	55,172 *	Slib Loan - \$1,500,000
LAGOON UPGRADE PHASE II	604,898	2,278,230 *	Slib Loan - \$2,861,937
I & I PROJECT	216,829	1,837,811 *	Slib Loan - \$2,054,640
AIRPORT MASTER PLAN	230,129	7,848	FAA/State Grants
OPTIONAL TAX PROJECT	3,140,592	2,037,153	Optional Tax Monies
	<u>\$ 10,677,796</u>	<u>\$ 7,604,336</u>	

NOTE 13 - COMMITMENTS AND CONTINGENCIES (cont.)

CONSTRUCTION COMMITMENTS

The “*” is also funded by a grant through the Wyoming Water Development Commission, for a maximum of \$3,068,000 or 50% of the total project cost in addition to the loans mentioned above. There is a possibility that up to approximately 3,000,000 in loans could be forgiven by the granting agency. During 2016 one project was completed and the City received loan forgiveness of approximately \$693,270.

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, 2016, the City spent approximately \$98,345 for insurance premiums.

NOTE 14 - STATE LAND AND INVESTMENT BOARD AWARDS

LONG-TERM DEBT

The City of Lander was awarded two notes in 2013 from the State Land and Investment Board. Terms are described below:

- 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, 2016 was \$666,256.
- 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. As of June 30, 2016, approximately \$2,188,401 had been approved by the State Land and Investment Board and drawn on the note.
- As part of the conditions for the loans noted above, the City is required to fund a cumulative debt reserve totaling \$146,512, respectively. This fund is to be used for repairs and maintenance on both of the structures.

In 2014 the City was awarded two 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 water sewer services. As of June 30, 2016, approximately \$185,609 of expenses had been approved by the State Land and Investment Board and drawn on the note.

NOTE 14 - STATE LAND AND INVESTMENT BOARD AWARDS (cont.)

LONG-TERM DEBT (cont.)

- 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 17.3772%, 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, 2016, \$572,509 of funds had been drawn on this loan.

GRANT AWARD

The City of Lander was awarded a grant from the State Wyoming Water Development Commission for the maximum amount of \$3,068,000 or 50% of the total project cost. As of June 30, 2016 the City had spent approximately \$1,817,907 on this project.

NOTE 15 - 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, 2016, \$516,187 is available for authorization for expenditure by the City Council. This amount is included in restricted Net Position.

NOTE 16 - RESTATEMENTS

The City's beginning net position was restated at the government wide level to reflect the closing of two funds. The effect of this was an increase in beginning net position of \$118,606.

The City's beginning net position for business-type activities was restated by \$79,825. The restatement was a result of retroactively capitalizing interest on construction projects, which is required by Government Accounting Standards.

Required Supplementary Information

**CITY OF LANDER, WYOMING
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final	Budgetary Basis	
RESOURCES (INFLOWS)				
Taxes	\$ 4,066,756	\$ 4,075,442	\$ 3,709,446	\$ 365,996
Licenses and permits	76,000	76,000	154,254	(78,254)
Grants	644,066	644,066	685,218	(41,152)
Charges for services	220,200	220,200	216,790	3,410
Fines and forfeitures	118,251	118,251	142,041	(23,790)
Interest income	4,000	4,000	19,222	(15,222)
Miscellaneous revenue	389,823	426,243	193,072	233,171
Optional Tax	2,000,000	3,800,000	2,009,223	1,790,777
	<u>7,519,096</u>	<u>9,364,202</u>	<u>7,129,266</u>	<u>2,234,936</u>
Amount Available for Appropriation				
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
General government	673,755	673,755	616,332	57,423
Community resources	36,445	36,445	30,673	5,772
Community center	100,000	100,000	0	100,000
Other general accounts	93,000	93,000	148,905	(55,905)
Municipal court	222,917	222,917	213,394	9,523
Attorney	63,212	63,212	59,371	3,841
Police	2,078,484	2,078,484	1,951,197	127,287
Fire	191,778	228,198	204,438	23,760
Building inspector	53,134	53,134	41,281	11,853
Emergency management and compliance coordinator	12,000	15,500	14,184	1,316
Public works	33,943	33,943	25,781	8,162
Streets	603,057	603,057	436,220	166,837
Rodeo grounds	3,300	8,486	5,056	3,430
Building repair and maintenance	108,000	108,000	99,748	8,252
Airport	70,032	70,032	58,587	11,445
Shop	281,959	281,959	187,041	94,918
Weed and pest	98,959	98,959	95,837	3,122
Parks and recreation	594,387	594,387	582,036	12,351
Golf course	37,000	37,000	37,000	0
Cemetery	163,734	163,734	159,651	4,083
Optional Projects	2,000,000	3,800,000	2,970,393	829,607
	<u>7,519,096</u>	<u>9,364,202</u>	<u>7,937,125</u>	<u>1,427,077</u>
Total Charges to Appropriations				
Excess of appropriations over (under) charges to appropriations	0	0	(807,859)	807,859
BUDGETARY FUND BALANCE - JULY 1	<u>1,082,269</u>	<u>1,082,269</u>	<u>1,453,761</u>	<u>621,741</u>
BUDGETARY FUND BALANCE - JUNE 30	<u>\$ 1,082,269</u>	<u>\$ 1,082,269</u>	<u>\$ 645,902</u>	<u>\$ 1,429,600</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>
City's proportion of the net pension liability	0.104360%	0.101861%
City's proportionate share of the net pension liability	\$ 1,841,633	\$ 2,372,699
City's covered-employee payroll	\$ 1,743,113	\$ 1,832,665
City's proportionate share of the net pension liability as a percentage of its covered payroll	105.65%	136.12%
Plan fiduciary net position as a percentage of the total pension liability	73.40%	73.40%

* 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*

	2015	2016
City's proportion of the net pension liability	0.740134%	0.619236%
City's proportionate share of the net pension liability	\$ 218,071	\$ 465,170
City's covered-employee payroll	\$ 1,115,592	\$ 1,020,860
City's proportionate share of the net pension liability as a percentage of its covered payroll	19.55%	41.70%
Plan fiduciary net position as a percentage of the total pension liability	95.35%	87.49%

* 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*

	2015	2016
City's proportion of the net pension liability	2.144982%	1.971486%
City's proportionate share of the net pension liability	\$ 76,029	\$ 624,796
City's covered-employee payroll	N/A	N/A
City's proportionate share of the net pension liability as a percentage of its covered payroll	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	94.76%	69.16%

* 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

	2015	2016
Contractually required contributions	\$ 334,778	\$ 304,589
Contributions in relation to the contractually required contribution	334,778	304,589
Contribution deficiency (excess)	\$ 0	\$ 0
City's covered payroll of respective pension	\$ 2,109,504	\$ 1,832,665
Contributions as a percentage of covered employee payroll	15.87%	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

	2015	2016
Contractually required contributions	\$ 183,622	\$ 175,588
Contributions in relation to the contractually required contribution	183,622	175,588
Contribution deficiency (excess)	\$ 0	\$ 0
City's covered payroll of respective pension	\$ 1,067,567	\$ 1,020,860
Contributions as a percentage of covered employee payroll	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

	2015	2016
Contractually required contributions	\$ 8,687	\$ 8,687
Contributions in relation to the contractually required contribution	8,687	8,687
Contribution deficiency (excess)	\$ 0	\$ 0
City's covered payroll of respective pension	N/A	N/A
Contributions as a percentage of covered employee payroll	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, 2016**

Changes of benefit terms - There are no changes in benefit terms from prior year.

Changes in assumptions - There are no changes in actuarial assumptions from prior year.

Supplementary Information

CITY OF LANDER, WYOMING
 DETAIL SCHEDULE OF DEPARTMENTAL EXPENDITURES
 BY OBJECT CLASSIFICATION
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2016

	Materials and Supplies	Contractual Services	Salaries and Benefits	Function Class Totals	Debt Service, Capital Outlay, Transfers Out	Budget Class Totals
GENERAL GOVERNMENT						
General government	\$ 75,175	\$ 50,887	\$ 188,850	\$ 314,912	\$ 275,596	\$ 590,508
Economic development	476	595	29,602	30,673	0	30,673
City clerk	0	0	0	0	0	0
City hall	0	0	0	0	0	0
Community center	0	0	0	0	0	0
Other general accounts	6,790	50,900	0	57,690	91,215	148,905
Planning	0	0	0	0	0	0
City attorney	0	59,371	0	59,371	0	59,371
Early retirement	0	0	25,824	25,824	0	25,824
Municipal court	4,247	52,813	153,282	210,342	3,052	213,394
Total General Government Expenditures	86,688	214,566	397,558	698,812	369,863	1,068,675
PUBLIC SAFETY						
Police department	39,172	216,463	1,654,505	1,910,140	41,057	1,951,197
Fire department	33,169	25,155	107,194	165,518	38,920	204,438
Building inspector	1,038	150	40,093	41,281	0	41,281
Emergency management and compliance	14,184	0	0	14,184	0	14,184
Engineering	0	0	0	0	0	0
Weed and pest	2,027	817	80,292	83,136	12,700	95,836
Total Public Safety Expenditures	89,590	242,585	1,882,084	2,214,259	92,677	2,306,936
PUBLIC WORKS						
Streets and alleys	125,923	1,549	375,702	503,174	2,903,439	3,406,613
Building repair and maintenance	99,748	0	0	99,748	0	99,748
Airport	28,393	30,194	0	58,587	0	58,587
Cemetery	9,742	4,799	139,911	154,452	5,200	159,652
Maintenance shop	115,272	817	70,952	187,041	0	187,041
Parks and recreation	50,010	62,445	462,716	575,171	6,865	582,036
Rodeo grounds	3,160	1,896	0	5,056	0	5,056
Golf course	25,000	0	12,000	37,000	0	37,000
Administration	1,796	1,048	22,937	25,781	0	25,781
Total Public Works Expenditures	459,044	102,748	1,084,218	1,646,010	2,915,504	4,561,514
Total Expenditures	\$ 635,322	\$ 559,899	\$ 3,363,860	\$ 4,559,081	\$ 3,378,044	\$ 7,937,125

**CITY OF LANDER, WYOMING
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016**

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS			
Other cash and investments	\$ 0	\$ 0	\$ 0
Receivables, net			
Grants receivable	55,311	0	55,311
Due from other funds	0	69,633	69,633
Total Assets	\$ 55,311	\$ 69,633	\$ 124,944
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable and accrued expenses	63,821	0	63,821
Due to other funds	70,960	0	70,960
Total Liabilities	134,781	0	134,781
Fund Balances			
Restricted for			
Debt service	0	53,243	53,243
Special revenue funds	(79,470)	0	(79,470)
Debt service fund	0	16,390	16,390
Total Fund Balance	(79,470)	69,633	(9,837)
Total Liabilities and Fund Balance	\$ 55,311	\$ 69,633	\$ 124,944

**CITY OF LANDER, WYOMING
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES			
Intergovernmental	\$ 424,091	\$ 0	\$ 424,091
Total Revenues	<u>424,091</u>	<u>0</u>	<u>424,091</u>
EXPENDITURES			
Current			
Public safety	5,806	0	5,806
Public works	192,028	0	192,028
Capital outlay	<u>226,024</u>	<u>0</u>	<u>226,024</u>
Total Expenditures	<u>423,858</u>	<u>0</u>	<u>423,858</u>
Excess of revenues over (under) expenditures	233	0	233
FUND BALANCE - JULY 1	<u>(79,703)</u>	<u>69,633</u>	<u>(10,070)</u>
FUND BALANCE - JUNE 30	<u>\$ (79,470)</u>	<u>\$ 69,633</u>	<u>\$ (9,837)</u>

Compliance Section

**CITY OF LANDER, WYOMING
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Federal Expenditures/ Loan Balance
U.S. Department of Agriculture			
Direct program			
Water and Waste Disposal Loan Balance	10.770	91-01	<u>\$ 2,155,000</u>
U.S Environmental Protection Agency			
Passed through to Office of State Land and Investments			
Loan - Clean Water Drinking #141	66.458		* 23,409
Loan - Clean Water Drinking #142	66.458		* 572,509
Forgiven Loan Balance - Clean Water Drinking #125	66.458		* 693,270
Clean Drinking Water - Unforgiven Loan Balance #125	66.458		* 666,256
Total			<u>1,955,444</u>
Loan - Safe Drinking Water #128	66.468		* 2,188,401
Grant - Safe Drinking Water #128	66.468		* 1,854,397
Total			<u>4,042,798</u>
 Total U.S. Environmental Protection Agency			<u>5,998,242</u>
Wyoming Department of Transportation			
Passed through the WYDOT Aeronautics Division			
Airport Equipment	20.106	LND23A - 35600160122014	206,660
Lander Master Plan	20.106	WY35600160142016	85,442
Lander Hunt Field Runway Lighting	20.106	LAND24X	60,863
Lander Hund Field Fly In	20.106	WY81X00803	5,000
Total Wyoming Department of Transportation			<u>357,965</u>
 Total Federal Assistance			<u>\$ 8,511,207</u>

* Amounts do not include accrued interest

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

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.

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, 2016, 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 January 31, 2017.

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 were not 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, 2016-001, and 2016-002.

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 accompanying schedule of findings and questioned costs to be significant deficiencies, 2016-003, 2016-004, 2016-005.

Compliance And Other Matters

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

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
January 31, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY 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, 2016. The 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 the requirements of laws, regulations, contracts, and grants 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, 2016.

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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-006, that we consider to be a material weakness.

Additionally, We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-007, that we consider to be a significant deficiency.

The City of Lander's response to the internal control over compliance 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 compliance and, accordingly, we express no opinion on the response.

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 & Brinda, P.C.

Fagnant Lewis and Brinda, P.C.
Lander, Wyoming
January 31, 2017

**CITY OF LANDER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness identified?	<u> X </u> Yes	<u> </u> No
Significant deficiency identified not considered to be material weaknesses?	<u> X </u> Yes	<u> </u> None reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

Federal Awards

Internal control over major programs:		
Material weakness identified?	<u> X </u> Yes	<u> </u> No
Significant deficiency identified not considered to be material weaknesses?	<u> X </u> Yes	<u> </u> 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.	<u> X </u> Yes	<u> X </u> No

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

66.458	Capitalization Grants for Clean Water State Revolving Funds
66.468	Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	<u> X </u> Yes	<u> </u> No
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**CITY OF LANDER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

SECTION II - FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESSES

Finding 2016-001 Material Journal Entries and Improvements to the Overall System of Internal Controls over Financial Reporting

Condition: The City's system of internal controls over financial reporting needs to be improved upon in order to provide accurate financial statements and information to decision makers. Additionally there needs to be some kind of process in place to recognize and correct mistakes in the City's financial statements. 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.

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's current system of internal controls over financial reporting and the financial close process is not adequate to produce materially accurate financial statements.

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. Under the current system of internal control over financial reporting the City's decision makers could be basing decisions on information that is not materially accurate.

Recommendation: City management needs to review the respective job duties in the administrative office to ensure financial duties are given the time, resources, and attention required to provide accurate, and timely information. Communication related to projects, programs, and activities that have a potential financial impact must be enhanced at all levels within the City's organization.

The financial close process must be improved upon to include a process of trying out financial account balances to supporting information. A review process needs to be performed to ensure the accuracy of the financial statements and individual accounts.

The City should investigate having separate cash accounts between general fund, proprietary fund, and various projects opposed to comingling the funds in one account and they trying to allocate and separate related expenses.

Several funds were set up within the proprietary fund related to ongoing projects with the idea that the funding sources and expenses would be contained within that specific fund. As these projects have progressed over multiple years, this has created several problems due to the fact that both revenues and expenses for the specific projects are coming from multiple funds. We recommend these specific project funds be brought into the proprietary fund on the City's chart of accounts to reduce the layers created by having subsidiary funds within the proprietary fund.

Project tracking must be improved upon to include a reconciliation of all expenses and revenues to the related funding sources at the individual project level.

Response and corrective action plan: The city will combine funds enterprise projects to the enterprise fund. The City will also journal entry the community center into the general fund and also perform a transfer reconciliation as part of the closing process. Also the scheduling of the audit process will take place at a later date to ensure adequate time for completing year end work prior to their arrival. The City is implementing a new grant program that will help tract the grant process.

**CITY OF LANDER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

SECTION II - FINANCIAL STATEMENT FINDINGS (cont.)

MATERIAL WEAKNESSES (cont.)

Finding 2016-002 Interfund Transfers, Reconciliation of Fixed Assets, and Financial Close Process

Condition: The City's interfund transfers did not reconcile by \$5,800,000. This was largely due to the fact that some of the new construction in process additions had been incorrectly expensed as well as being capitalized. The offsetting entries were made against transfer accounts to capitalize the assets instead of removing them from the expenditure accounts when capitalizing them.

A correction of \$693,000 was related to loan forgiveness that was posted to the transfer account instead of a revenue account. Additional transfer activity was noted throughout the City's different funds that required correction.

The City's accounting system allows cross fund entries to be posted by forcing the individual funds into balance by posting an offsetting entry in a "Cash allocation" account. The City is utilizing this feature of the software beyond its intended purpose for transactions beyond the allocation of cash.

The City closed two funds out through the cash allocation without properly transferring the associated fund balance. This required a restatement to the general fund of \$118,606.

Criteria: The City's financial statements need to be presented in accordance with Generally Accepted Accounting Principles.

Cause: The City's current system of internal controls over financial reporting and financial close process is not adequate to produce materially correct financial statements. An adequate review was not done by City management that would have identified the fact that asset additions had been capitalized as well as expensed, that transfers did not balance by such a large margin, or the fact that loan forgiveness revenue was booked as a transfer.

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.

Recommendation: The financial close process must be improved upon to include a thorough review to encompass reconciling transfers between funds and due to/due from accounts.

One sided entries and cross fund entries should not be made to move money or assets between funds by using the allocated cash feature in the accounting system. A formal journal entry to a transfer account should be posted in that case. Support for the transfer should be retained and utilized for balancing the transfer accounts throughout the year as part of the City's system of internal control over financial reporting.

Response and corrective action plan: The city will combine funds enterprise projects to the enterprise fund. The City will also journal entry the community center into the general fund and also perform a transfer reconciliation as part of the closing process. Also the scheduling of the audit process will take place at a later date to ensure adequate time for completing year end work prior to their arrival. The City is implementing a new grant program that will help tract the grant process.

**CITY OF LANDER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

SECTION II - FINANCIAL STATEMENT FINDINGS (cont.)

SIGNIFICANT DEFICIENCIES

Finding 2016-003 – Timeliness of Prior Audit Adjustments

Condition: As part of the prior year audit several material journal entries were required to be posted to accurately present the 2015 audited financial statements. These entries were not posted in a timely fashion to the City's accounts.

Criteria: Prior year audit adjustments need to be made timely to ensure ending net position matches beginning net position and also gives decision makers up to date accurate information.

Cause: Prior year audit adjustments were not posted timely to the City's accounts.

Effect: Decision makers could have been provided materially inaccurate information over the time period when the adjustments should have been made.

Recommendation: Audit adjustments should be posted to the City's financial statements as soon as the audit is completed and finalized.

Response and corrective action plan: The City has entered audit entries to date. Timeliness of software updates was an issue in the prior year.

Finding 2016-004 – Capitalization of Interest in Proprietary Fund

Condition: The City did not capitalize interest as part of the ongoing water sewer loans that are being used for various infrastructure assets.

Criteria: Government Accounting Standards Board Statement No. 62 requires proprietary funds to capitalize interest as part of the construction costs.

Cause: The City was unaware of the requirement.

Effect: This caused a restatement of the proprietary fund statements for \$79,825 and additional entries to correct current year construction in process to increase the cost by the current year capitalized interest amount.

Recommendation: Borrowings and interest needs to be tracked to the construction in process assets to ensure that interest is properly capitalized to the correct asset.

Response and corrective action plan: The City was unaware of this requirement and will book the interest in future years.

**CITY OF LANDER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

SECTION II - FINANCIAL STATEMENT FINDINGS (cont.)

SIGNIFICANT DEFICIENCIES (cont.)

Finding 2016-005 – Reconciliation of debt balances

Condition: Long-term debt balances were not accurately stated in comparison with what the respective agencies had shown for loan balances they had approved and funded for the City.

Criteria: Long-term debt balances should be accurately stated.

Cause: The agencies approving loans to the City may have different cut off periods than the City. The loans are approved based on a reimbursement process which can cause some differences if there are reimbursement requests that have not been funded at year-end.

Effect: Multiple confirmations had to be sent to the respective agencies to reconcile the City's long-term debt as well as approved additions to construction in process. This required several entries to correct the City's balances.

Recommendation: The City needs to reconcile the funds borrowed from each of the respective agencies, as well as the corresponding fixed asset funded with those borrowing as part of the financial close process.

Response and corrective action plan: The audit will be schedule in October in future years this will allow the City to review the confirmations received and identify problems prior to the audit.

**CITY OF LANDER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

MATERIAL WEAKNESS

Finding 2016-006 Identification of Federal Awards

Program Information: CFDA #66.468 and #66.458 Capitalization Grants for Clean 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 waste 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 several loans and grants as part of the federal programs identified as CFDA numbers 66.468 and 66.458.

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. The loan/grant documentation that the City signed states the respective CFDA numbers associated with each of the respective loans or grants, which should have been noted during management's review.

Effect: The City was unaware that these grants/loans were 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 and required Compliance requirements were not followed prompting reimbursement from the granting agency.

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.

Response and Views of Responsible Officials: The City will be implementing a new grant system that will track grants and track their requirements in a much better process.

**CITY OF LANDER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (cont.)

SIGNIFICANT DEFICIENCY

Finding 2016-007 Overall Monitoring Function of Federal Compliance Requirements

Program Information: CFDA #66.468 and 66.458 Capitalization Grants for Clean 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 waste water treatment facilities, clean water systems, and implementation of other water quality management activities.

Repeat Finding from Prior Year: No

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/loan money to pay for new infrastructure projects.

Cause: The City was unaware that these projects were federally funded and did not put in place the required compliance monitoring controls over prevailing wages and financial reporting that the grant requires.

Effect: The engineering firm reviewed the prevailing wage rates but the City had no documentation to show that they were performing the monitoring function of each related payroll on the project. Additionally the City had no documentation to show what the required financial reports were or what agency was required to file them.

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.

Response and Views of Responsible Officials: The City will implement a new grant tracking process that will help identify federal awards and their requirements.

**CITY OF LANDER, WYOMING
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2015**

MATERIAL WEAKNESS

Finding 2015-001 Overstatement of Revenue

Condition: The City overstated revenues in the proprietary fund by \$1.6 million by recording revenue instead of notes payable.

Status: Condition does not exist in the current year.

SIGNIFICANT DEFICIENCIES

Finding 2015-002 Retainage Payable

Condition: The City's financial statements required adjustment to correct accounts payable balances due to retainage payable not being posted.

Status: Condition still exists in the current year. This was part of the material journal entries finding required to be made to the 2016 audited financial statements. Total retainage payable correction for 2016 was approximately \$128,000.

Finding 2015-003 Proper Approval of Timecards (Repeat Finding)

Condition: It was noted in our testing of controls that a supervisor did not approve a timecard prior to the payment being made to the employee.

Status: Condition does not exist in the current year