

CITY OF LANDER, WYOMING

**FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

TABLE OF CONTENTS

FINANCIAL SECTION	<u>Page</u>
Independent Auditor's Report.....	1-2
Management's Discussion and Analysis.....	3-9
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position.....	10
Statement of Activities.....	11
Fund Financial Statements	
Balance Sheet - Governmental Funds.....	12
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds....	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	14
Statement of Net Position - Proprietary Fund.....	15
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund.....	16
Statement of Cash Flows - Proprietary Fund.....	17
Notes to the Financial Statements.....	18-47
Required Supplementary Information	
Budgetary Comparison Schedule (Non GAAP Basis) - General Fund.....	48
Schedule of the City's Proportionate Share of the Net Pension Liability	49-51
Schedule of City Contributions.....	52-54
Notes to Required Supplementary Pension Information.....	55
Other Supplementary Information	
Detail Schedule of Departmental Expenditures by Object Classification - General Fund.....	56
Combining Balance Sheet - Nonmajor Governmental Funds.....	57
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds.....	58
 COMPLIANCE SECTION 	
Schedule of Expenditures of Federal Awards.....	59
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	60-61
Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance.....	62-63
Schedule of Findings and Questioned Costs.....	64-68
Summary Schedule of Prior Audit Findings.....	69-70

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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents:

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lander, as of June 30, 2017, the respective changes in financial position, and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension information on pages 3-9, 48 and 49-55, 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 introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements 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 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 December 21, 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
December 21, 2017

Management's Discussion and Analysis

CITY OF LANDER, WYOMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

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, 2017. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

The assets of the City of Lander exceeded its liabilities and deferred inflows of resources at June 30, 2017 by \$53,334,666 (net position). Of this amount, unrestricted net position of (\$2,385,428) is broken down as follows: Business-Type (Water and Sewer Fund) (\$577,292); and Governmental Type (General Fund) (\$1,808,136). 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 \$3.6 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 \$4,479,111 while water and sewer utility charges total \$4,957,167.
- The second major optional tax project was almost completed by the June 30, 2017 year-end. This second project was completed which included updates to the streets, curbs, and gutters in the Dillion addition. The City paid a third-party contractor, Infrastructure Management Services, to conduct an evaluation on all city streets. This report was given to the City and indicates the streets by priority for replacement or repair. This report will help the City to prioritize which streets need to be resurfaced or completely redone. These projects will begin to take place in the spring of 2018.
- The increases in water and sewer income numbers again this year are due to the monies being collected for the payment of the loans that will come due as soon as the projects are completed.
- The City obtained substantial completion on the high pressure waterline as of June 30, 2017; however, this project is still listed in Construction In Progress due to the impending litigation taking place between all parties.
- For the upcoming year the City of Lander will be completing the upgrades to the Lander airport runways. These projects include: runway expansion, apron expansion and upgrades to the lighting system. This project should be completed by the end of the 2017 calendar year-end.
- The City of Lander has been awarded a federal grant to help cover the cost of the new rodeo bleachers. The projected cost of this project is over \$200,000 with half of it paid with the federal grant and the other monies from grants and donations. This replacement project will take place in the spring of 2018.
- The City of Lander will be building a new Lander Chamber of Commerce building on Main Street. This project will be funded by grant, loan and donations. This project will be completed by the June 30, 2018 year-end.
- The City of Lander has refinanced their loan with USDA for the water treatment plant. This loan was refinanced with the State Land of Investments for a 2.5% decrease in interest. The City will continue paying the same amount of payment to pay this loan off sooner and to save the City money on the interest that will be charged.
- The City's general fund paid off the remaining balance of \$2,050,000 on the loan taken from the water sewer fund for the construction of the community center. As a result you will see a significant decrease in the unassigned fund balance in the general fund.

USING THIS ANNUAL REPORT

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

Government-Wide Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

City of Lander, Wyoming
Management's Discussion and Analysis
June 30, 2017

The City as a whole:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
ASSETS						
Current and other assets	\$5,285,660	\$5,959,707	\$7,642,749	\$7,127,601	\$12,928,409	\$13,087,308
Notes receivable	0	0	0	1,881,719	0	1,881,719
Capital assets	25,682,903	24,498,765	27,449,835	25,697,203	53,132,738	50,195,968
Total Assets	30,968,563	30,458,472	35,092,584	34,706,523	66,061,147	65,164,995
DEFERRED OUTFLOW OF RESOURCES						
Pension	693,387	838,668	248,928	287,824	942,315	1,126,492
LIABILITIES						
Current and other liabilities	1,835,739	977,917	1,197,297	2,726,471	3,033,036	3,704,388
Noncurrent liabilities						
Net pension liability	2,514,798	2,414,106	1,122,908	1,048,559	3,637,706	3,462,665
Compensated absences	166,275	159,389	64,663	58,952	230,938	218,341
Obligations under capital lease	59,433	73,301	0	0	59,433	73,301
Notes payable	0	1,971,901	609,914	638,433	609,914	2,610,334
Loan advances	0	0	3,828,429	2,946,519	3,828,429	2,946,519
Bonds payable	0	0	1,980,000	2,070,000	1,980,000	2,070,000
Total Liabilities	4,576,245	5,596,614	8,803,211	9,488,934	13,379,456	15,085,548
DEFERRED INFLOW OF RESOURCES						
Community Center advances	9,500	25,387	0	0	9,500	25,387
Property taxes	279,840	338,568	0	0	279,840	338,568
	289,340	363,955	0	0	289,340	363,955
NET ASSETS						
Net investment in capital assets	25,443,330	24,187,930	24,676,739	22,816,995	50,120,069	47,004,925
Restricted for:						
Endowment - spendable	500,142	516,187	0	0	500,142	516,187
Special projects	271,574	271,574	0	0	271,574	271,574
Debt service	53,243	53,243	0	0	53,243	53,243
Payment of bonds	0	0	184,130	184,130	184,130	184,130
Loan guarantee	0	0	146,512	146,512	146,512	146,512
Plant maintenance	0	0	815,000	700,000	815,000	700,000
Committed:						
Optional sales tax	2,045,001	2,045,001	0	0	2,045,001	2,045,001
Assigned						
Special projects	6,211	6,211	0	0	6,211	6,211
Assigned SLIB loan reserves	0	0	785,620	0	785,620	0
Replacement fund	150,000	25,000	307,592	80,232	457,592	105,232
Principal payment on loans	0	0	0	1,211,000	0	1,211,000
Retirement payout	135,000	55,000	200,000	150,000	335,000	205,000
Unrestricted	(1,808,136)	(1,823,575)	(577,292)	216,544	(2,385,428)	(1,607,031)
Total Net Assets	\$26,796,365	\$25,336,571	\$26,538,301	\$25,505,413	\$53,334,666	\$50,841,984

The City's assets total \$65.8 million and \$65.1 million as of June 30, 2017 and 2016, respectively. Of that amount, approximately 80% and 77% are capital assets as of both June 30, 2017 and 2016, respectively. The City has liabilities of approximately \$13.2 million and \$15 million as of June 30, 2017 and 2016, respectively.

City of Lander, Wyoming
Management's Discussion and Analysis
June 30, 2017

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 2017 compared to 2016.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
REVENUES						
Program Revenues						
Charges for services	\$1,094,475	\$760,287	\$3,865,692	\$5,612,897	\$4,960,167	\$6,373,184
Operating grants & contributions	232,755	402,461	0	0	\$232,755	\$402,461
Capital grants & contributions	449,967	365,743	0	0	\$449,967	\$365,743
General Revenues						
Property & vehicle taxes	\$ 673,353	665,418	0	0	673,353	665,418
Sales & use tax	2,684,252	3,474,966	0	0	2,684,252	3,474,966
Franchise fees	380,771	370,974	0	0	380,771	370,974
Other taxes	370,675	333,298	0	0	370,675	333,298
Mineral taxes	468,693	467,872	0	0	468,693	467,872
Severance taxes	282,089	277,832	0	0	282,089	277,832
Special state distributions	844,077	619,325	0	0	844,077	619,325
Investment earnings	6,318	19,222	74,000	66,734	80,318	85,956
Gain (loss) on sale of assets	44,983	808	0	100	44,983	908
Other revenue	23,691	101,408	0	0	23,691	101,408
Transfers	0	0	0	(5,200)	0	(5,200)
Total Revenues	7,556,099	7,859,614	3,939,692	5,674,531	11,495,791	13,534,145
EXPENSES						
Current						
General government	\$ 1,437,603	1,234,529	0	0	1,437,603	1,234,529
Public safety	2,909,131	3,123,204	0	0	2,909,131	3,123,204
Public works	1,749,571	2,036,456	0	0	1,749,571	2,036,456
Water & wastewater	0	0	2,906,804	2,901,422	2,906,804	2,901,422
Total Expenses	6,096,305	6,394,189	2,906,804	2,901,422	9,003,109	9,295,611
Increase (decrease) in net assets	\$1,459,794	\$1,465,425	\$1,032,888	\$2,773,109	\$2,492,682	\$4,238,534

Governmental and business-type activities saw increases in net position of approximately \$2.4 million and \$4.2 million respectively, for fiscal years 2017 and 2016. 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 \$5,399,440 in 2017 and \$4,727,717 in 2016. Of that fund balance in 2017, \$155,000 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 2016 the funds available for spending at the City's discretion was \$1,739,111. The decrease is mainly due to the City's general fund paying off the water sewer fund loan of approximately \$2,000,000 for the community center and fire truck. The remainder of the fund balance is not available for new spending because it is already restricted as follows:

City of Lander, Wyoming
 Management's Discussion and Analysis
 June 30, 2017

	2017	2016
Reserved for special projects	\$271,574	\$271,574
Reserved for senior endowment	500,142	516,187
Reserved for debt service	53,243	53,243
Payment of bonds	184,130	184,130
Loan guarantee	146,512	146,512
Plant maintenance	815,000	700,000

The General Fund accounts for all of the general services provided by the City of Lander. At the end of 2017, the fund balance of the General Fund totaled \$4,750,153. At the end of 2016, the General Fund Balance totaled \$4,221,367 (when factoring in the community center as it was consolidated into the general fund in 2017). This decrease is due to a large percentage of the optional taxes being spent.

Revenues by Source - General Fund		
	2017	2016
Taxes	74%	80%
License and fees	3%	2%
Fines and forfeitures	3%	2%
Intergovernmental	14%	10%
Charges for service	4%	3%
Other revenue	1%	2%
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		
	2017	2016
General Government	\$966,154	\$698,812
Public Safety	2,625,160	2,214,259
Public Works	1,348,861	1,646,010
Capital Outlay	1,564,323	3,312,029
Principal Retirement	2,104,183	2,500
Total	\$8,608,681	\$7,873,610

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, 2017 amounts to \$78.6 million. This amount excludes infrastructure assets constructed prior to July 1, 2003.

Major capital additions during fiscal year 2017 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, 2017 compared to June 30, 2016.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Land	\$2,530,340	\$2,530,340	\$0	\$0	\$2,530,340	\$2,530,340
Construction in progress	670,592	3,467,165	8,289,896	7,307,075	8,960,488	10,774,240
Building & improvements	13,630,746	13,543,815	331,094	323,264	13,961,840	13,867,079
Equipment	3,523,405	3,316,148	1,436,717	1,436,717	4,960,122	4,752,865
Vehicles	3,264,487	3,389,323	257,199	257,199	3,521,686	3,646,522
Office furniture	141,416	141,416	113,810	108,648	255,226	250,064
Infrastructure	11,709,124	7,510,517		0	11,709,124	7,510,517
Water distribution system	0	0	25,458,586	23,972,135	25,458,586	23,972,135
Sewer service system	0	0	7,254,480	7,254,480	7,254,480	7,254,480
Total Net Assets	\$35,470,110	\$33,898,724	\$43,141,782	\$40,659,518	\$78,611,892	\$74,558,242

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

Debt

Note 8 to the financial statement, page 34 provides a summary of the City's long-term debt.

Long-Term Debt – Bonds

Business-Type Activities

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

Economic Factors and Next Year's Budgets and Rates

The optional sales tax was approved by the voters for renewal of four years in the November 2017 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, 2017

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current Assets			
Other cash and investments	\$ 4,521,377	\$ 5,288,397	\$ 9,809,774
Cash with fiscal agent	79,052	0	79,052
Restricted cash	0	356,427	356,427
Receivables, net			
Taxes receivable	620,112	0	620,112
Intergovernmental and grants receivable	53,828	1,586,586	1,640,414
Accounts receivable	1,791	355,675	357,466
Pledges receivable	9,500	0	9,500
Inventory	0	55,664	55,664
Total Current Assets	<u>5,285,660</u>	<u>7,642,749</u>	<u>12,928,409</u>
Noncurrent Assets			
Fixed assets, net of accumulated depreciation	<u>25,682,903</u>	<u>27,449,835</u>	<u>53,132,738</u>
TOTAL ASSETS	<u>\$ 30,968,563</u>	<u>\$ 35,092,584</u>	<u>\$ 66,061,147</u>
DEFERRED OUTFLOW OF RESOURCES			
Pension	<u>693,387</u>	<u>248,928</u>	<u>942,315</u>
TOTAL DEFERRED OUTFLOW OF RESOURCES	<u>693,387</u>	<u>248,928</u>	<u>942,315</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued expenses	\$ 69,013	\$ 981,915	\$ 1,050,928
Internal balances	1,586,586	0	1,586,586
Advances on water sewer services	0	32,200	32,200
Grant advances	0	0	0
Current portion of long-term liabilities	180,140	183,182	363,322
Total Current Liabilities	<u>1,835,739</u>	<u>1,197,297</u>	<u>3,033,036</u>
Noncurrent Liabilities			
Net pension liability	2,514,798	1,122,908	3,637,706
Compensated absences	166,275	64,663	230,938
Obligations under capital lease	59,433	0	59,433
Notes payable	0	609,914	609,914
Loan advances	0	3,828,429	3,828,429
Bonds payable	0	1,980,000	1,980,000
Total Noncurrent Liabilities	<u>2,740,506</u>	<u>7,605,914</u>	<u>10,346,420</u>
TOTAL LIABILITIES	<u>4,576,245</u>	<u>8,803,211</u>	<u>13,379,456</u>
DEFERRED INFLOW OF RESOURCES			
Community center advances	<u>9,500</u>	<u>0</u>	<u>9,500</u>
Property taxes	<u>279,840</u>	<u>0</u>	<u>279,840</u>
TOTAL DEFERRED INFLOW OF RESOURCES	<u>289,340</u>	<u>0</u>	<u>289,340</u>
NET POSITION			
Net investment in capital assets	25,443,330	24,676,739	50,120,069
Restricted			
Endowment - spendable	500,142	0	500,142
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	815,000	815,000
Board Designated			
Optional 1% sales tax	2,045,001	0	2,045,001
Special projects	6,211	0	6,211
Assigned slib loan reserves	0	785,620	785,620
Assigned replacement fund	150,000	307,592	457,592
Retirement payout	135,000	200,000	335,000
Unassigned	<u>(1,808,136)</u>	<u>(577,292)</u>	<u>(2,385,428)</u>
TOTAL NET POSITION	<u>\$ 26,796,365</u>	<u>\$ 26,538,301</u>	<u>\$ 53,334,666</u>

See Notes to Financial Statements

**CITY OF LANDER, WYOMING
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Governmental Activities							
General government	\$ 1,437,603	\$ 224,762	\$ 232,755	\$ 0	\$ (980,086)	\$ 0	\$ (980,086)
Public safety	2,909,131	710,125	0	0	(2,199,006)	0	(2,199,006)
Public works	1,749,571	159,588	0	449,967	(1,140,016)	0	(1,140,016)
Total Governmental Activities	6,096,305	1,094,475	232,755	449,967	(4,319,108)	0	(4,319,108)
Business-Type Activities							
Water and sewer	2,906,804	3,865,692	0	0	0	958,888	958,888
Total Primary Government	\$ 9,003,109	\$ 4,960,167	\$ 232,755	\$ 449,967	\$ (4,319,108)	\$ 958,888	\$ (3,360,220)

General revenues

Property and vehicle taxes	\$ 673,353	\$ 0	\$ 673,353
Sales tax, use tax, and optional 1% tax	2,684,252	0	2,684,252
Franchise fees	380,771	0	380,771
Other taxes	370,675	0	370,675
Mineral royalties	468,693	0	468,693
Severance taxes	282,089	0	282,089
Special state distributions	844,077	0	844,077
Investment earnings	6,318	74,000	80,318
Gain (loss) on sale of capital assets	44,983	0	44,983
Other revenue	23,691	0	23,691
Transfers	0	0	0
Total general revenues and transfers	5,778,902	74,000	5,852,902
Change in net position	1,459,794	1,032,888	2,492,682
Net position - beginning	25,336,571	25,505,413	50,841,984
Net position - ending	\$ 26,796,365	\$ 26,538,301	\$ 53,334,666

See Notes to Financial Statements

Fund Financial Statements

CITY OF LANDER, WYOMING
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Senior Center Trust Permanent Fund	Other Governmental Funds (Restated)	Total Governmental Funds
ASSETS				
Other cash and investments	\$ 4,022,978	\$ 498,399	\$ 0	\$ 4,521,377
Cash with fiscal agent	79,052	0	0	79,052
Receivables, net				
Taxes	614,216	0	0	614,216
Intergovernmental and grants	22,616	0	31,212	53,828
Accounts	11,291	0	0	11,291
Accrued interest	0	5,896	0	5,896
Pledges	0	0	0	0
Due from other funds	0	0	113,780	113,780
Total Assets	\$ 4,750,153	\$ 504,295	\$ 144,992	\$ 5,399,440
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable and accrued expenses	\$ 32,881	\$ 4,153	\$ 31,979	\$ 69,013
Due to other funds	1,700,366	0	0	1,700,366
Grant advances	0	0	0	0
Total Liabilities	1,733,247	4,153	31,979	1,769,379
DEFERRED INFLOW OF RESOURCES				
Community center advances	0	0	0	0
Property taxes	296,705	0	0	296,705
Total Deferred Inflow of Resources	296,705	0	0	296,705
Fund Balances				
Restricted for				
Endowment - spendable	0	500,142	0	500,142
Special projects	271,574	0	0	271,574
Debt service	0	0	53,243	53,243
Committed				
Optional 1% sales tax	2,045,001	0	0	2,045,001
Assigned				
Special projects	6,211	0	0	6,211
Retirees	135,000	0	0	135,000
Equipment	150,000	0	0	150,000
Permanent fund				
Debt service fund	0	0	16,390	16,390
Unassigned				
General fund	112,415	0	0	112,415
Special revenue funds	0	0	43,380	43,380
Total Fund Balances	2,720,201	500,142	113,013	3,333,356
Total Liabilities, Deferred Inflows, and Fund Balance	\$ 4,750,153	\$ 504,295	\$ 144,992	\$ 5,399,440

Total Fund Balances from above	\$ 3,333,356
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.	25,682,903
Taxes receivable are not available to pay current period expenditures, and therefore are deferred in the funds.	7,365
Deferred outflows of resources related to pensions are applicable to future periods and, therefore, not reported in the governmental fund statements.	693,387
Long-term liabilities, including compensated absences, are not due in the current period, and therefore are not reported in the funds.	(405,848)
Net pension liability	(2,514,798)
Net Position of Governmental Activities	<u>\$ 26,796,365</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, 2017

	<u>General Fund</u>	<u>Senior Center Trust Permanent Fund</u>	<u>Other Governmental Funds (Restated)</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 5,283,262	\$ 0	\$ 0	\$ 5,283,262
Licenses and fees	211,959	0	0	211,959
Fines and forfeitures	181,714	0	0	181,714
Intergovernmental	989,652	0	447,402	1,437,054
Charges for services	304,025	0	0	304,025
Investment income	6,318	2,865	0	9,183
Rent	66,479	0	0	66,479
Other revenue	64,106	0	0	64,106
	<u>7,107,515</u>	<u>2,865</u>	<u>447,402</u>	<u>7,557,782</u>
Total Revenues	\$ 7,107,515	\$ 2,865	\$ 447,402	\$ 7,557,782
EXPENDITURES				
Current				
General government	\$ 966,154	\$ 18,910	\$ 0	\$ 985,064
Public safety	2,625,160	0	2,466	2,627,626
Public works	1,348,861	0	179,827	1,528,688
Debt service				
Principle retirement	2,050,050	0	0	2,050,050
Interest	54,133	0	0	54,133
Capital outlay	1,564,323	0	260,865	1,825,188
	<u>8,608,681</u>	<u>18,910</u>	<u>443,158</u>	<u>9,070,749</u>
Total Expenditures	8,608,681	18,910	443,158	9,070,749
Excess of revenues over (under) expenditures	<u>(1,501,166)</u>	<u>(16,045)</u>	<u>4,244</u>	<u>(1,512,967)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	0	0	0	0
Operating transfers (out)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(1,501,166)</u>	<u>(16,045)</u>	<u>4,244</u>	<u>(1,512,967)</u>
FUND BALANCES - JULY 1 AS RESTATED	<u>4,221,367</u>	<u>516,187</u>	<u>108,769</u>	<u>4,846,323</u>
FUND BALANCES - JUNE 30	<u>\$ 2,720,201</u>	<u>\$ 500,142</u>	<u>\$ 113,013</u>	<u>\$ 3,333,356</u>

**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, 2017**

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

Net change in fund balances - total governmental funds (page 13)	\$ (1,512,967)
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 (\$1,842,396) exceeded depreciation expense (\$658,258) in the current period.	1,184,138
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.	2,050,050
Governmental funds report City pension contributions as expenditures. However in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.	
City pension contributions subsequent to measurement date	233,283
Cost of benefits earned net of employee contributions (pension expense from pension schedule)	(482,626)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,689
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.	<u>(13,773)</u>
Change in Net Position of Government Activities (page 11)	<u><u>\$ 1,459,794</u></u>

CITY OF LANDER, WYOMING
STATEMENT OF NET POSITION
BUSINESS-TYPE ACTIVITIES - PROPRIETARY FUND
JUNE 30, 2017

	Water and Sewer Fund
ASSETS	
Current assets	
Other cash and investments	\$ 5,288,397
Restricted cash	356,427
Accounts receivable, net	355,675
Due from other funds	1,586,586
Inventory	55,664
Total Current Assets	7,642,749
Noncurrent assets	
Fixed assets, net	27,449,835
Total Noncurrent Assets	27,449,835
Total Assets	\$ 35,092,584
DEFERRED OUTFLOW OF RESOURCES	
Pension	248,928
LIABILITIES	
Current liabilities	
Accounts payable and accrued expenses	981,915
Deferred revenue	32,200
Current portion of long-term liabilities	183,182
Total Current Liabilities	1,197,297
Noncurrent liabilities	
Compensated absences	64,663
Notes payable	609,914
Net pension liability	1,122,908
Loan advances	3,828,429
Bonds payable	1,980,000
Total Noncurrent Liabilities	7,605,914
Total Liabilities	8,803,211
NET POSITION	
Net investment in capital assets	24,676,739
Restricted	
Payment of bonds	184,130
Slib loan reserves	146,512
Plant maintenance	815,000
Board Designated	
Slib loan payment reserve	785,620
Equipment replacement	307,592
Retirement payouts	200,000
Unassigned	(577,292)
Total Net Position	\$ 26,538,301

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, 2017**

	Water and Sewer Fund
OPERATING REVENUES	
Charges for goods and services	\$ 3,865,692
Total Operating Revenues	3,865,692
OPERATING EXPENSES	
Salaries and benefits	1,389,580
Contractual services	217,218
Materials and supplies	440,569
Depreciation	729,633
Total Operating Expenses	2,777,000
Operating income (loss)	1,088,692
NONOPERATING REVENUES (EXPENSES)	
Investment income	74,000
Interest expense	(129,804)
Total Nonoperating Revenues (Expenses)	(55,804)
Income (loss) before contributions and transfers	1,032,888
Transfers in (out)	0
Change in Net Position	1,032,888
TOTAL NET POSITION - JULY 1	25,505,413
TOTAL NET POSITION - JUNE 30	\$ 26,538,301

**CITY OF LANDER, WYOMING
STATEMENT OF CASH FLOWS
BUSINESS-TYPE ACTIVITIES - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from service users	\$ 5,769,840
Cash paid for goods and services	(1,876,581)
Cash paid to employees	(1,270,624)
Net cash provided by (used for) operating activities	2,622,635
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest paid on debt	(129,804)
Loan advances	881,909
Principal paid on notes payable	(107,112)
Net cash provided by (used in) capital and related financing activities	644,993
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of fixed assets	(2,482,264)
Investment income	74,000
Net cash provided by investing activities	(2,408,264)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	859,364
CASH AND INVESTMENTS IN TREASURY AND OTHER CASH	
Balances - July 1	4,785,460
Balances - June 30	\$ 5,644,824
RECONCILIATION TO BALANCE SHEET	
Cash in treasury	\$ 0
Other cash and investments	5,644,824
Balances - June 30	\$ 5,644,824
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	
Operating income (loss)	\$ 1,088,692
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities	
Depreciation	729,633
Change in assets - (increase) decrease	
Accounts receivable	(14,515)
Inventory	9,134
Notes receivable	1,913,750
Change in liabilities - increase (decrease)	
Accounts payable and accrued expenses	565,852
Pension liability net of deferred outflows	113,245
Deferred revenue	4,913
Due to other funds (net)	(1,793,780)
Compensated absences	5,711
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ 2,622,635

Non-Cash Investing and Financing Transactions - None

Notes to Financial Statements

CITY OF LANDER, WYOMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

Related Organizations

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

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

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

A. Reporting Entity (cont.)

Jointly Governed Organizations

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

The City provides annual support to the FCAG when needed. For the year ended June 30, 2017, the City paid \$5,500 to the FCAG.

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

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

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

B. Government-Wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds (when applicable), even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

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

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

Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and private-purpose trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Amounts reported as *program revenues* include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Fund Financial Statements

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

Property taxes, other taxes, franchise fees, licenses, and interest associated with the current fiscal period, are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

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

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

Fund Financial Statements (cont.)

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

- **Special Revenue Funds** – Special Revenue Funds account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.
- **Capital Projects Fund** – Capital Projects Fund accounts for all financial resources that are restricted, committed, or assigned to expenditure for capital outlays.
- **Debt Service Fund** – The Debt Service Fund accounts for all financial resources that are restricted, committed, or assigned to expenditure for principal and interest.
- **Enterprise Fund** – The City's only enterprise fund is the Water and Sewer Fund (see above). An Enterprise Fund accounts for operations (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, 2017. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.
- **Permanent Fund** – The Senior Center Trust Fund is a permanent fund that accounts for resources that are restricted to the extent that the principal amount, as well as earnings, may be used for maintenance of the City's senior citizen center.

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's enterprise fund is charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

Fund Financial Statements (cont.)

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

D. Cash and Cash Equivalents

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

E. Investments

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

F. Accounts Receivable

Water and sewer fund customer accounts receivable and other miscellaneous accounts receivable in the general fund are recorded at the amount the City expects to collect on balances outstanding at year-end. Balances unpaid for more than 30 days are considered past due. Water and sewer fund customer accounts receivable balances that are more than 90 days past due are approximately \$7,733 as of June 30, 2017. Miscellaneous accounts receivable in the general fund that are more than 90 days past due are \$0 as of June 30, 2017.

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, 2017 is \$0.

H. Pledges Receivable

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

I. Inventory

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

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

J. Encumbrances

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

K. Restricted Assets

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

L. Capital Assets

Capitalization and Valuation

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

Depreciation Method and Useful Lives

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

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

Capitalization of Infrastructure

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

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

M. Compensated Absences

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

N. Deferred Inflow of Resources

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

O. Grant Advances

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

P. Interfund Balances and Transactions

Interfund Receivables and Payables

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

Interfund Transfers

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

Q. Estimates

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

R. Fund Balance

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

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

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

R. Fund Balance (cont.)

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

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

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

The City Council has not elected to adopt a minimum fund balance policy as of June 30, 2017. 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, 2017, 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, 2017.

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

S. Net Position (cont.)

- **Restricted for loan guarantee** – In 2012, the City was awarded two loans from the State Land and Investment Board to upgrade water lines and sewage lagoons. As part of the conditions for the loans noted above, the City is required to fund a cumulative debt reserve totaling \$98,402. This fund is to be used for repairs and maintenance on both of the structures.
- **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, 2017, the reserve was funded at \$184,130.
- **Council Designated** – The City Council has elected to designate funds for future State Land and Investment Board loans and the related projects that are underway in order to budget for unanticipated cost overruns and changes to the initial project scopes. The City Council has further designated funds to replace aging equipment that may be cost prohibitive to repair. Lastly the City Council has elected to designate \$335,000 for payouts to retirees for vacation and sick leave upon retirement. As of June 30, 2017 the City has 22 employees in the City that are eligible for retirement over the next seven years.

The City Council has designated \$457,592 to be used for future emergency equipment replacement that may be needed during normal City operations.

The City Council further designated \$785,620 for future loan payments should one of the granting agencies not forgive a balance upon completion of one of the projects as outlined further in Note 13.

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

T. Recently Adopted Accounting Standards

The City has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2017, the City implemented the following new standards issued by GASB:

- GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, effective for fiscal years beginning after June 15, 2017.
- GASB Statement 84, Fiduciary Activities, effective for fiscal years beginning after December 15, 2018.
- GASB Statement 85, Omnibus 2017, effective for reporting periods beginning after June 15, 2017.
- GASB Statement 87, Leases, effective for reporting periods beginning after December 15, 2019.

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

T. Recently Adopted Accounting Standards (cont.)

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

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

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

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

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

T. Recently Adopted Accounting Standards (cont.)

- Simplifying certain aspects of the alternative measurement method for OPEB, and;
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

Statement No. 85 will be effective for the City beginning in the fiscal year ending June 30, 2018. The City is currently evaluating the financial statement impact of adopting this statement.

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

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.

CITY OF LANDER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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	\$ (1,501,166)
Net Adjustments for Revenue Accruals	(895,930)
Net Adjustments for Expenditure Accruals	2,213,415
Net of Balance Sheet Adjustments	<u>(1,723,233)</u>
Budget Basis	<u>\$ (1,906,914)</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 Morton Asset Management and various certificates of deposit.

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 \$1,475,676 and the bank balance was \$1,631,851. As of June 30, 2017, 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 \$431,461 in excess of the FDIC insured limit amount that were collateralized.

NOTE 4 - CASH AND INVESTMENTS (cont.)

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 \$6,728,138 invested in Wyo-Star Investment Pool, \$1,514,024 invested with Morton Asset Management, \$447,000 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, 2017.

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. Wyo-Star investment pool reports their investments at amortized cost, which they believe approximates fair value. It holds investments that fall into each of the three categories as described below.

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

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

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

Level 1 Fair Value Measurements

The fair value of government and municipal obligations, corporate obligations, and equities are based on quoted values of the shares held by the City at year-end. Approximately 100% of the investments held, on behalf of the City, fall into this category.

Level 2 Fair Value Measurements

These are inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. These inputs are derived from or corroborated by observable market data through correlation or by other means. Of the investments held by the pools, on behalf of the City, 0% fall into this category.

CITY OF LANDER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 - CASH AND INVESTMENTS (cont.)

C. Fair Value of Investments (cont.)

Level 3 Fair Value Measurements

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

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

	<u>Other Cash and Investments</u>
Cash on hand	\$ 1,000
Bank deposits	1,475,676
Certificates of deposit	448,363
Money market investment pools	<u>8,320,214</u>
Total Cash and Investments	<u>\$ 10,245,253</u>

NOTE 5 - RECEIVABLES

Receivables at June 30, 2017, 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, 2017, 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, 2017 is as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 0	\$ 1,700,366
Other Nonmajor Funds	113,780	0
Proprietary Fund (Water and Sewer)	<u>1,586,586</u>	<u>0</u>
Total Primary Government	<u>\$ 1,700,366</u>	<u>\$ 1,700,366</u>

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

CITY OF LANDER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

	<u>Transfers To Other Funds</u>	<u>Transfers From Other Funds</u>
General Fund	\$ 0	\$ 0
Senior Center Trust Permanent Fund	0	0
Community Center	0	0
Other Non Major Funds	0	0
Proprietary Fund (Water and Sewer)	0	0
	<u>\$ 0</u>	<u>\$ 0</u>

Transfers are used to move revenues from the fund that ordinance or budget requires to collect them to the fund that ordinance or budget requires to expend them. Throughout the year the City paid for various items between funds but did not move the actual cash and thus presents no transfers for the year. Borrowings between funds are shown above as interfund receivable and payable account.

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017 was as follows:

Governmental Activities	Balance June 30, 2016	Additions	Deletions	Transfers	Balance June 30, 2017
Nondepreciable Capital Assets					
Land	\$ 2,530,340	\$ 0	\$ 0	\$ 0	\$ 2,530,340
Construction in process	3,467,165	1,381,039	0	(4,177,612)	670,592
Total Nondepreciable Capital Assets	<u>5,997,505</u>	<u>1,381,039</u>	<u>0</u>	<u>(4,177,612)</u>	<u>3,200,932</u>
Depreciable Capital Assets					
Buildings and improvements	13,543,815	86,931	0	0	13,630,746
Equipment	3,316,148	320,972	(113,715)	0	3,523,405
Vehicles	3,389,323	32,459	(157,295)	0	3,264,487
Office furniture	141,416	0	0	0	141,416
Infrastructure	7,510,517	20,995	0	4,177,612	11,709,124
Total Depreciable Capital Assets	<u>\$ 27,901,219</u>	<u>\$ 461,357</u>	<u>\$ (271,010)</u>	<u>\$ 4,177,612</u>	<u>\$ 32,269,178</u>
Less Accumulated Depreciation					
Buildings and improvements	3,414,816	270,147	0	0	3,684,963
Equipment	2,870,882	69,731	(113,715)	0	2,826,898
Vehicles	2,062,397	107,002	(157,295)	0	2,012,104
Office furniture	98,091	9,850	0	0	107,941
Infrastructure	953,773	201,528	0	0	1,155,301
Total Accumulated Depreciation	<u>\$ 9,399,959</u>	<u>\$ 658,258</u>	<u>\$ (271,010)</u>	<u>\$ 0</u>	<u>\$ 9,787,207</u>
Total Depreciable Capital Assets, Net	<u>18,501,260</u>	<u>(196,901)</u>	<u>0</u>	<u>4,177,612</u>	<u>22,481,971</u>
Governmental Activities Capital Assets, Net	<u>\$ 24,498,765</u>	<u>\$ 1,184,138</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 25,682,903</u>

CITY OF LANDER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 - CAPITAL ASSETS (cont.)

Business-Type Activities	Balance June 30, 2016	Additions	Deletions	Transfers	Balance June 30, 2017
Nondepreciable Capital Assets					
Construction in process	\$ 7,307,075	\$ 2,469,272	\$ 0	\$ (1,486,451)	\$ 8,289,896
Depreciable Capital Assets					
Buildings and improvements	323,264	7,830	0	0	331,094
Equipment	1,436,717	0	0	0	1,436,717
Vehicles	257,199	0	0	0	257,199
Office furniture	108,648	5,162	0	0	113,810
Water distribution system	23,972,135	0	0	1,486,451	25,458,586
Sewer service system	7,254,480	0	0	0	7,254,480
Total Depreciable Capital Assets	\$ 33,352,443	\$ 12,992	\$ 0	\$ 1,486,451	\$ 34,851,886
Less Accumulated Depreciation					
Buildings and improvements	112,664	7,300	0	0	119,964
Equipment	1,261,649	46,202	0	0	1,307,851
Vehicles	241,524	11,679	0	0	253,203
Office furniture	85,825	10,189	0	0	96,014
Water distribution system	9,679,582	479,443	0	0	10,159,025
Sewer service system	3,581,071	174,819	0	0	3,755,890
Total Accumulated Depreciation	\$ 14,962,315	\$ 729,632	\$ 0	\$ 0	\$ 15,691,947
Total Depreciable Capital Assets, Net	18,390,128	(716,640)	0	1,486,451	19,159,939
Business-Type Activities Capital Assets, Net	\$ 25,697,203	\$ 1,752,632	\$ 0	\$ 0	\$ 27,449,835

Depreciation

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

Governmental Activities	
General Government	\$ 318,380
Public Safety	270,747
Public Works	69,131
Total Depreciation Expense - Governmental Activities	\$ 658,258
Business-Type Activities	
Water and Sewer Services	\$ 729,632

CITY OF LANDER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017:

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
Governmental Activities					
Compensated absences	\$ 318,778	\$ 194,450	\$ (180,677)	\$ 332,551	\$ 166,276
Obligations under capital lease	89,415	0	(16,118)	73,297	13,864
Notes payable	2,033,932	0	(2,033,932)	0	0
Net pension liability	2,514,798	0	0	2,514,798	0
	<u>\$ 4,956,923</u>	<u>\$ 194,450</u>	<u>\$ (2,230,727)</u>	<u>\$ 2,920,646</u>	<u>\$ 180,140</u>
Business-Type Activities					
Compensated absences	\$ 117,904	\$ 71,920	\$ (60,498)	\$ 129,326	\$ 64,663
Notes payable	666,256	0	(27,822)	638,434	28,519
Loan advances	2,946,519	881,909	0	3,828,428	0
Revenue bonds payable	2,155,000	0	(85,000)	2,070,000	90,000
Net pension liability	1,048,559	74,349	0	1,122,908	0
	<u>\$ 6,934,238</u>	<u>\$ 1,028,178</u>	<u>\$ (173,320)</u>	<u>\$ 7,789,096</u>	<u>\$ 183,182</u>

Article 16, Section 5 of the Wyoming Constitution limits the amount of debt the City may create "No city or town shall in any manner create any indebtedness exceeding four per cent (4%) of the assessed value of the taxable property therein, except that an additional indebtedness of four per cent (4%) of the assessed value of the taxable property therein may be created for sewage disposal systems. Indebtedness created for supplying water to cities or towns is excepted from the limitation herein." For the year ended June 30, 2017, the general debt limit was \$5.2 million.

NOTE 9 - INDUSTRIAL REVENUE BONDS

The City has an industrial revenue bond outstanding as of June 30, 2017. 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, 2017	\$ 844,590
Interest rate	3.30%
Maturity dates	1999 to 2029
Owner of facilities	Mountain Vista Retirement Center
Special provisions	Mountain Vista Retirement Center has been pledged as collateral on the obligation. Interest rate is based on the 5-year treasury index and will change every five years.

CITY OF LANDER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017 for continuing capital leases are as follows:

<u>Year Ended June 30,</u>	<u>Governmental Activities</u>
2017	\$ 13,864
2018	11,933
2019	10,000
2020	37,500
Total minimum lease payments	\$ 73,297
Less: Amounts representing interest	0
Present Value of Minimum Lease Payments	<u>\$ 73,297</u>
Cost of leased property	\$ 207,189
Accumulated depreciation	(44,743)
	<u>\$ 162,446</u>

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

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

Operating Leases

Rental expenditures for operating lease for the land the City water tank sits on totaled approximately \$29,833 for the year ended June 30, 2017.

The total commitment under operating leases as of June 30, 2017 was as follows:

<u>Year Ended June 30,</u>	<u>Proprietary Fund</u>
2017	\$ 2,021
2018	2,021
2019	2,021
2020	2,021
2021	2,021
Thereafter	12,126
	<u>\$ 22,231</u>

CITY OF LANDER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 - LEASING ARRANGEMENTS (cont.)

As Lessor

The City has entered into an operating lease for real estate which provides for specified minimum rental payments. The minimum future rentals on the non-cancelable operating lease as of June 30, 2017 are as follows:

Year ending June 30,		
2018	\$	15,300
2019		15,300
2020		15,300
2021		15,300
2022		15,300
Thereafter		780,300
Total Minimum Future Rentals	\$	<u>856,800</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, 2017:

<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	514,743	850,148
Infrastructure	42,500	24,179	18,321
Equipment	369,636	367,280	2,356
Total	<u>\$ 2,689,527</u>	<u>\$ 906,202</u>	<u>\$ 1,783,325</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	Principal	Interest	Total Principal and Interest
June 30,			
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	110,000	75,600	185,600
2023-2027	625,000	299,250	924,250
2028-2032	775,000	146,475	921,475
thereafter	170,000	7,650	177,650
Total	<u>\$2,070,000</u>	<u>\$ 876,375</u>	<u>\$ 2,946,375</u>

NOTE 11 - LONG-TERM DEBT (cont.)

State Land and Investment Board Awards

- Loan in the amount of \$1,500,000 to begin amortizing for 20 years upon completion of the project. The City will be reimbursed with loan proceeds upon approval of project costs by the State Land and Investment Board. Interest begins accruing on all amounts drawn from the loan at a rate of 2.5% annually. Upon completion of the project, approximately \$750,000 or 50%, whichever is less, may be forgiven from the loan. This project was completed during the year ended June 30, 2016 and 50% of the outstanding balance was forgiven in the amount of \$693,270. The remaining loan balance as of June 30, 2017 was \$638,434 and is subject to the payment terms as noted below.

Clean Water State Revolving Loan Program

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
2018	\$ 28,519	\$ 15,961	\$ 44,480
2019	29,232	15,248	44,480
2020	29,963	14,517	44,480
2021	30,712	13,768	44,480
2022	31,479	13,000	44,479
2023-2027	169,592	52,796	222,388
2028-2032	191,889	30,507	222,396
thereafter	127,048	6,404	133,452
Total	\$ 638,434	\$ 162,201	\$ 800,635

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 \$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, 2017, approximately \$2,960,986 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, 2017, approximately \$294,934 of expenses had been approved by the State Land and Investment Board and drawn on the note.

NOTE 11 - LONG-TERM DEBT (cont.)

State Land and Investment Board Awards (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, 2017, \$572,509 of funds had been drawn on this loan.

The loans from the state land and investment board accrue interest when the initial draw is done on the loan. As of June 30, 2017 the City has recognized \$207,770 in accrued interest

Grant Award

The City of Lander was awarded a grant from the State Wyoming Water Development Commission in conjunction with the loans given above for the maximum amount of \$3,068,000 or 50% of the total project cost. As of June 30, 2017 the City had spent approximately \$2,754,725 on this project.

NOTE 12 - DEFINED BENEFIT PENSION PLAN

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

Information about the General Public Employees' Pension Plan

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

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

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

NOTE 12 - DEFINED BENEFIT PENSION PLAN (cont.)

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

Benefits are determined based on two tiers:

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

Tier 2 are members who joined WRS after August 31, 2012. The Plan allows for normal retirement after four years of service and attainment of age 65. Early retirement is allowed provided the employee has completed four years of service and attained age 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.

Volunteer Firefighter and EMT Pension Plan

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

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

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

NOTE 12 - DEFINED BENEFIT PENSION PLAN (cont.)

Law Enforcement Pension Plan:

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

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

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

For the year ended June 30, 2017, the contributions from the City that are recognized as part of pension expense for the Plan were as follows:

	General	Police	Volunteer Fire
Contributions - Employer	\$ 150,553	\$ 91,941	\$ 0
Contributions - Employee (paid by employer)	86,698	52,064	8,385
	<u>\$ 237,251</u>	<u>\$ 144,005</u>	<u>\$ 8,385</u>

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

As of June 30, 2017, the City reported a combined net pension liability of \$3,637,706 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, 2016, 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, 2016 rolled forward to December 31, 2016 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, 2016 is as follows:

	General	Police	Volunteer Fire
Percentage of Proportinate Share 12/31/2015	0.101861%	0.61924%	1.97149%
Percentage of Proportinate Share 12/31/2016	0.104737%	0.59248%	2.07402%
Increase/Decrease	<u>0.0029%</u>	<u>-0.0268%</u>	<u>0.1025%</u>

CITY OF LANDER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLAN (cont.)

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

For the year ended June 30, 2017, the City recognized combined (government wide and allocations to proprietary fund) pension expense of \$666,899.

At June 30, 2017, the City reported deferred outflows/(inflows) of resources related to pensions from the following sources:

	Resources			Total
	General	Police	Volunteer Fire	
Pension contributions subsequent to measurement date	\$ 142,868	\$ 86,320	\$ 4,095	\$ 233,283
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	66,992	(20,099)	32,494	79,387
Net differences between projected and actual earnings on Plan investments	391,436	222,887	92,669	706,992
Net differences between expected and actual experience of net outflows/(inflows) of resources	(45,866)	(20,745)	(9,941)	(76,552)
Assumption changes since prior actuarial valuation	0	0	(795)	(795)
Total	\$ 555,430	\$ 268,363	\$118,522	\$ 942,315

The \$233,283 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,	Volunteer			Total
	General	Police	Fire	
2018	\$ 133,179	\$ 68,982	\$ 41,376	\$ 243,537
2019	142,169	68,982	40,983	252,134
2020	129,769	48,050	30,393	208,212
2021	7,445	(3,971)	1,675	5,149

NOTE 12 - DEFINED BENEFIT PENSION PLAN (cont.)

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

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

	General	Police	Volunteer Fire
Valuation date	1/1/16	1/1/16	1/1/16
Actuarial cost method	Individual Entry age normal	Individual Entry age normal	Individual Entry age normal
Amortization method	Level percent - open	Level percent - open	Level dollar - open
Remaining amortization	30	30	30
Asset valuation method	5-year	5-year	5-year
Actuarial Assumptions:			
Discount Rate	7.75%	7.75%	4.38%
Assumed inflation rate	3.25%	3.25%	3.25%
Projected salary increase	4.25% - 6.00%	4.25% - 8.00%	N/A
Investment rate of return	7.75%	7.75%	7.75%
Mortality	RP-2000 Combined	RP-2000 Combined	RP-2000 Combined

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

DISCOUNT RATES			
	Long-Term Expected Rate of Return	Long-Term Municipal Bond Rate*	Last year ending December 31 in the 2016 to 2115 projection period for which projected benefit payments are fully funded
Single Discount Rate	7.75%	3.780%	2115

*Source: "State & local bonds" rate from Federal Reserve statistical release (H.15) as of December 31, 2016. The statistical release describes the rate as "Bond Buyer Index, general obligation, 20 years to maturity, mixed quality."

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

NOTE 12 - DEFINED BENEFIT PENSION PLAN (cont.)

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

Annual money-weighted rate of return, net of expenses for the fiscal year ended December 31, 2016	Annual money-weighted rate of return, net of expenses for the fiscal year ended December 31, 2015	Expected Rate of Return net investment expenses
7.60%	(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	Target Allocation	Arithmetic Real Return	Arithmetic Nominal Return	Geometric Return	Geometric Nominal Return
Tactical Cash	0.00%	-0.2%	2.3%	-0.2%	2.3%
Fixed Income	20.00%	2.0%	4.5%	1.4%	3.9%
Core Plus	7.50%	1.2%	3.7%	1.1%	3.6%
US Government	10.00%	1.9%	4.4%	1.1%	3.6%
Opportunistic Credit	2.50%	4.4%	6.9%	3.7%	6.2%
Equity	45.00%	7.7%	10.2%	5.7%	8.2%
US Equity	22.50%	7.0%	9.5%	5.3%	7.8%
Developed International	17.50%	7.6%	10.1%	5.6%	8.1%
Emerging Markets	5.00%	11.5%	14.0%	8.0%	10.5%
Marketable Alternatives	17.50%	3.7%	6.2%	3.0%	5.5%
Opportunistic/Directional	0.0-10.0%	4.6%	7.1%	4.0%	6.5%
Absolute Return	5.0-15.0%	3.7%	6.2%	3.1%	5.6%
Enhanced Fixed Income	0.0-10.0%	2.8%	5.3%	2.3%	4.8%
Global Asset Allocation	2.5-12.0%	3.3%	5.8%	2.5%	5.0%
Private Markets	17.50%	7.1%	9.6%	5.1%	7.6%
Private Real Assets	0.0-7.5%	7.0%	9.5%	5.1%	7.6%
Real Estate	2.5-7.5%	4.2%	6.7%	3.4%	5.9%
Private Debt	2.5-7.5%	7.7%	10.2%	4.8%	7.3%
Private Equity	2.5-12.5%	9.8%	12.3%	6.9%	9.4%
Total	100.00%	5.77%	8.27%	4.28%	6.78%

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	\$ 3,636,826	\$ 970,720	\$ 909,236	\$ 5,516,782
Current Discount Rate				
Net Pension Liability	2,514,125	465,170	658,411	3,637,706
1% Increase				
Net Pension Liability	\$ 1,604,088	\$ 51,891	\$ 449,408	\$ 2,105,386

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, 2017, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

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.

As of June 30, 2017, the City was in process of settling a legal claim with a contractor in the amount of \$162,500. The Claim was paid after year end and relates to work from April 1, 2015 through June 30, 2017. The City elected to include this as a payable in the June 30, 2017 proprietary fund statements.

The City is required to keep a separate account as a result of a mediated agreement between the City and an engineering firm. As of June 30, 2017 approximately \$122,956 was held in this account and is presented as restricted cash on the Statement of Net Position as of June 30, 2017. As part of this agreement, the Engineer owed the City approximately \$200,000 which is being used to offset the final invoices on the project. As of June 30, 2017, the outstanding receivable as a result of this agreement was approximately \$62,000.

An additional claim is being perused against the City in relation to a water and land access issue that the City is defending. As of December 21, 2017, there is no liability associated with this claim.

NOTE 13 - COMMITMENTS AND CONTINGENCIES (cont.)

The City has active construction projects as of June 30, 2017. At year-end, the City's commitments with contractors/consultants are as follows:

<u>Projects</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>	<u>Funding Source</u>
MAIN LINE REPLACEMENT	\$ 7,176,680	0	* Slib Loan - \$3,068,000
LAGOON UPGRADE PHASE II	583,707	2,278,230	* Slib Loan - \$2,861,937
I & I PROJECT	298,829	1,755,811	Slib Loan - \$2,054,640
AIRPORT PROJECT	582,737	5,856,302	FAA/State Grants
	<u>\$ 8,641,953</u>	<u>\$ 9,890,343</u>	

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.

The City also has paid retainage into a third-party account held on behalf of the City and the contractor. As of June 30, 2017, there was approximately \$233,471 held in this account. The City has presented this as restricted cash on the Statement of Net Position.

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, 2017, the City spent approximately \$83,368 for insurance premiums.

NOTE 14 - SENIOR CENTER TRUST PERMANENT FUND

The Senior Center Trust Permanent Fund was created when the voters of Fremont County approved a 1% capital facility tax in the general election held on November 8, 1994. The proposition approved by the voters stipulated that \$661,000 of collections, plus interest earned thereon, and any unused construction funds, constitute the corpus (principal) of the endowment fund. The subsequent earnings and corpus from the endowment fund are to be used for the operation and maintenance of the facility. As of June 30, 2017, \$500,142 is available for authorization for expenditure by the City Council. This amount is included in restricted Net Position.

NOTE 15 - RESTATEMENTS

The City's beginning net position was restated at the fund statement level in "Other Governmental Funds" to reflect the closing of two funds. The effect of this was an increase in beginning net position of \$98,932.

NOTE 16 - SUBSEQUENT EVENTS

The City entered into a project to build a new building for the Chamber of Commerce. The Building has an estimated cost of approximately \$865,000. As of the date of this report the building will be funded by a grant totaling \$466,210, a loan through the Wyoming Business Council of \$194,316, with the remaining \$204,474 being paid for by the Chamber of Commerce.

The City refinanced the outstanding water revenue bond, mentioned in Note 11, with the Wyoming State Land and Investment Board for the full outstanding amount of \$2,070,000. The new terms decreased the interest rate from 4.5% to 2.5% which provides a conservative estimate of savings in interest expense of over \$400,000 depending on payments and amortization.

Retainage was released to the contractor on the high-pressure water line project. As of June 30, 2017, the City had recognized a retainage payable of \$233,471 as well as the related cash balance that was held by a financial institution on behalf of the City and Contractor.

On August 9, 2017, the City paid accrued interest on the High-Pressure Water Line Project Loan of approximately \$120,000. This amount is included in accrued interest on as of June 30, 2017.

On September 18, 2017, the loan for the High-Pressure Water Line was finalized and principal forgiveness, in the amount of \$1,534,000, was received. The first payment of principal and interest is due on June 15, 2018.

Required Supplementary Information

**CITY OF LANDER, WYOMING
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (NON GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
RESOURCES (INFLOWS)				
Taxes	\$ 3,898,056	\$ 3,949,092	\$ 3,804,752	\$ 144,340
Licenses and permits	72,000	72,000	211,959	(139,959)
Grants	649,800	1,027,367	989,652	37,715
Charges for services	208,700	305,586	304,025	1,561
Fines and forfeitures	133,000	133,000	181,714	(48,714)
Interest income	10,000	10,000	6,318	3,682
Miscellaneous revenue	99,000	166,891	130,585	36,306
Optional Tax	2,026,500	\$ 2,026,500	2,009,223	17,277
Amount Available for Appropriation	7,097,056	7,690,436	7,638,228	52,208
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
General government	581,073	581,073	625,611	(44,538)
Community center	100,000	345,610	128,981	216,629
Other general accounts	97,100	97,100	88,806	8,294
Municipal court	226,016	226,016	203,884	22,132
Attorney	65,212	65,212	61,104	4,108
Police	1,992,682	2,062,033	2,062,032	1
Fire	224,952	503,371	468,660	34,711
Building inspector	42,726	42,726	42,703	23
Emergency management and compliance coordinator	12,000	12,000	2,956	9,044
Public works			0	0
Streets	1,755,073	1,755,073	1,739,324	15,749
Rodeo grounds	3,000	3,000	2,905	95
Building repair and maintenance	122,000	122,000	92,994	29,006
Airport	74,750	74,750	41,579	33,171
Shop	276,158	276,158	262,404	13,754
Weed and pest	100,949	100,949	99,485	1,464
Parks and recreation	490,062	490,062	464,945	25,117
Golf course	37,000	37,000	37,000	0
Cemetery	169,803	169,803	149,376	20,427
Optional Projects	3,026,500	3,026,500	2,970,393	56,107
Total Charges to Appropriations	9,397,056	9,990,436	9,545,142	445,294
Excess of appropriations over (under) charges to appropriations	(2,300,000)	(2,300,000)	(1,906,914)	(393,086)
BUDGETARY FUND BALANCE - JULY 1	4,221,367	4,221,367	4,221,367	4,221,367
BUDGETARY FUND BALANCE - JUNE 30	\$ 1,921,367	\$ 1,921,367	\$ 2,314,453	\$ 3,828,281

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

Fiscal Year*

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

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

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

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

Fiscal Year*

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

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

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

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

Fiscal Year*

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

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

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

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

Fiscal Year

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

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

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

Fiscal Year

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

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

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

Fiscal Year

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

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

**CITY OF LANDER
NOTES TO REQUIRED SUPPLEMENTARY
PENSION INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

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, 2017

	Materials and Supplies	Contractual Services	Salaries and Benefits	Function Class Totals	Debt Service, Capital Outlay, Transfers Out	Budget Class Totals
GENERAL GOVERNMENT						
General government	\$ 201,775	\$ 68,032	\$ 260,671	\$ 530,478	\$ 95,133	\$ 625,611
Economic development	0	0	0	0	0	0
City clerk	0	0	0	0	0	0
City hall	0	0	0	0	0	0
Community center	49,395	62,682	505	112,582	1,713,019	1,825,601
Other general accounts	4,676	53,430	0	58,106	30,700	88,806
Planning	0	0	0	0	0	0
City attorney	0	61,104	0	61,104	0	61,104
Early retirement	0	0	0	0	0	0
Municipal court	3,758	45,046	155,080	203,884	0	203,884
Total General Government Expenditures	259,604	290,294	416,256	966,154	1,838,852	2,805,006
PUBLIC SAFETY						
Police department	34,774	295,609	1,694,492	2,024,875	37,157	2,062,032
Fire department	312,827	44,618	109,965	467,410	338,562	805,972
Building inspector	1,868	390	40,445	42,703	0	42,703
Emergency management and compliance	2,956	0	0	2,956	0	2,956
Engineering	0	0	0	0	0	0
Weed and pest	7,025	330	79,861	87,216	12,268	99,484
Total Public Safety Expenditures	359,450	340,947	1,924,763	2,625,160	387,987	3,013,147
PUBLIC WORKS						
Streets and alleys	56,007	1,797	330,186	387,990	1,351,334	1,739,324
Building repair and maintenance	92,994	0	0	92,994	0	92,994
Airport	9,503	32,076	0	41,579	0	41,579
Cemetery	7,518	4,976	136,384	148,878	499	149,377
Maintenance shop	111,003	539	72,818	184,360	78,044	262,404
Parks and recreation	42,888	11,579	398,688	453,155	11,790	464,945
Rodeo grounds	717	2,188	0	2,905	0	2,905
Golf course	25,000	0	12,000	37,000	0	37,000
Administration	0	0	0	0	0	0
Total Public Works Expenditures	345,630	53,155	950,076	1,348,861	1,441,667	2,790,528
Total Expenditures	\$ 964,684	\$ 684,396	\$ 3,291,095	\$ 4,940,175	\$ 3,668,506	\$ 8,608,681

**CITY OF LANDER, WYOMING
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

	Special Revenue Funds - Restated	Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS			
Other cash and investments	\$ 0	\$ 0	\$ 0
Receivables, net			
Grants receivable	31,212	0	31,212
Due from other funds	44,147	69,633	113,780
Total Assets	\$ 75,359	\$ 69,633	\$ 144,992
 LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable and accrued expenses	31,979	0	31,979
Due to other funds	0	0	0
Total Liabilities	31,979	0	31,979
 Fund Balances			
Restricted for			
Debt service	0	53,243	53,243
Special revenue funds	43,380	0	43,380
Debt service fund	0	16,390	16,390
Total Fund Balance	43,380	69,633	113,013
Total Liabilities and Fund Balance	\$ 75,359	\$ 69,633	\$ 144,992

**CITY OF LANDER, WYOMING
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Special Revenue Funds - Restated</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES			
Intergovernmental	\$ 447,402	\$ 0	\$ 447,402
Total Revenues	<u>447,402</u>	<u>0</u>	<u>447,402</u>
EXPENDITURES			
Current			
Public safety	2,466	0	2,466
Public works	179,827	0	179,827
Capital outlay	<u>260,865</u>	<u>0</u>	<u>260,865</u>
Total Expenditures	<u>443,158</u>	<u>0</u>	<u>443,158</u>
Excess of revenues over (under) expenditures	4,244	0	4,244
FUND BALANCE - JULY 1- AS RESTATED	<u>39,136</u>	<u>69,633</u>	<u>108,769</u>
FUND BALANCE - JUNE 30	<u>\$ 43,380</u>	<u>\$ 69,633</u>	<u>\$ 113,013</u>

Compliance Section

**CITY OF LANDER, WYOMING
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grantor's Number</u>	<u>Federal Expenditures/ Loan Balance</u>
U.S. Department of Agriculture			
Direct program			
Water and Waste Disposal Loan Balance	10.770	91-01	<u>\$ 2,070,000</u>
U.S Environmental Protection Agency			
Passed through to Office of State Land and Investments			
Loan - Clean Water Drinking #141	66.458	**	* 294,934
Loan - Clean Water Drinking #142	66.458		* 572,509
Clean Drinking Water - Unforgiven Loan Balance #125	66.458		* 636,350
Total			<u>1,503,793</u>
Loan - Safe Drinking Water #128	66.468	***	* 2,754,725
Grant - Safe Drinking Water #128	66.468		1,066,589
Total			<u>3,821,314</u>
Total U.S. Environmental Protection Agency			<u>5,325,107</u>
Wyoming Department of Transportation			
Passed through the WYDOT Aeronautics Division			
Airport Improvement Program	20.106	LND24X (A)(B)	261,451
Lander Hunt Field Fly In	20.106	Wy81X00803	5,000
Total Wyoming Department of Transportation			<u>266,451</u>
Total Federal Assistance			<u>\$ 7,661,558</u>

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

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.

* Amounts do not include accrued interest

** Total expenditures in the current year were approximately \$271,525

*** Total expenditures in the current year were approximately \$566,324

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, 2017, 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 December 21, 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, 2017-001.

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, 2017-002.

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
December 21, 2017

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Lander's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Lander's major federal programs for the year ended June 30, 2017. City of Lander's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Lander, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Fagnant, Lewis & Brinda, P.C.

Fagnant Lewis and Brinda, P.C.
Lander, Wyoming
December 21, 2017

**CITY OF LANDER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:		
Material weakness identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiency identified not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> 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.	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Identification of major programs:

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>
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
--	-----------

Auditee qualified as low-risk auditee?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
--	------------------------------	--

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

SECTION II - FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESSES

Finding 2017-001 – Material Journal Entries over Closing Process (Repeat Finding – issued in 2014, 2015, and 2016 audits).

Condition: The City's system of internal controls over financial reporting needs continued improvement in its year end closing process. As a result, the City's financial statements required several material journal entries to be made as part of the audit to accurately present the financial statements in accordance with Generally Accepted Accounting Principles.

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 the financial close process did not identify material journal entries that were required to be posted as part of the audit.

Effect: Several material journal entries were required to be posted as part of the audit in order to bring the City's financial statements into compliance with Generally Accepted Accounting Principles. Fund balance entries of approximately \$2MM had to be posted in order to properly roll fund balance. Debt payments and corresponding interest expense were never recognized in accordance with Generally Accepted Accounting Principles which required additional entries of approximately \$2MM.

Recommendation: The City has made significant improvements over the prior year's audit and should continue to pay close attention to each entry as it's posted to ensure that the related effects to assets, liabilities, revenues, and expenses are properly recognized. The City should be wary of using the cash allocation for interfund activity that should have a revenue and expense implication.

**CITY OF LANDER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

SECTION II - FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCY

Finding 2017-002 – Overstatement of Community Center Revenue

Condition: The City's system of internal controls over revenue recognition needs to be improved upon to ensure revenue is not recognized until it is earned in accordance with Generally Accepted Accounting Principles.

Criteria: Accounts receivable and corresponding revenue should not be recognized until it is earned. In the Case of the Community Center it should not be recognized until the event has taken place.

Cause: When the Community Center would get reserved for an event the City would record accounts receivable and revenue for the entire cost of the event when it was first booked.

Effect: Revenue and accounts receivable were overstated and required a journal entry of approximately \$50,000 to correct the issue.

Recommendation: When an event is booked the City should record the deposit as a debit to cash and credit to deferred revenue (which is being done correctly). An accounts receivable and revenue should not be recorded until the event has been held.

**CITY OF LANDER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

NONE



THE CITY OF LANDER

240 LINCOLN ST, LANDER WY 82520-2848

TELEPHONE 307-332-2870

CORRECTIVE ACTION PLAN YEAR ENDED JUNE 30, 2017

CORRECTIVE ACTION ITEM - 2017-001 – Material Journal Entries over Closing Process

Individual Responsible: Town Treasurer, Charri Lara

Anticipated Completion Date:

Corrective Action:

The City has re-arranged job duties amongst city personnel allowing for the City Treasurer's time to be spent more on the financial aspects of city business rather than doing the day to day operations. With this shift in job duty responsibilities adequate time will be available for the City Treasurer to complete all material journal entries.

CORRECTIVE ACTION ITEM - 2017-002 – Overstatement of Community Center Revenue

Individual Responsible: Town Treasurer, Charri Lara

Anticipated Completion Date: 11/22/2017

Corrective Action:

This was corrected before the issuance of this report and is a simple issue to remedy. The City will review this during monthly and annual financial close processes to ensure revenue is not posted before it is earned.

**CITY OF LANDER, WYOMING
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2016**

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.

Current year status: This finding was partially corrected in the current year due to the fact that material journal entries were still required to bring the City's financial statements into compliance with Generally Accepted Accounting Principles. The amount of journal entries made compared to the prior was significantly reduced.

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.

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.

Current year status: This appears to have been partially corrected due to the fact that the City is still using the system's "cash allocation" feature to post cross fund entries. An example, of this is where the City posted debt payments from the general fund to the proprietary fund through the cash allocation feature instead of recognizing the payments as an expense in the general fund as noted in 2017-001.

**CITY OF LANDER, WYOMING
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2016**

MATERIAL WEAKNESSES (cont.)

Finding 2016-006 Identification of Federal Awards

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.

Current year status: Corrective Action was Taken

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.

Current year status: Corrective Action was Taken

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.

Current year status: Corrective Action was Taken.

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.

Current year status: Corrective Action was Taken

Finding 2016-007 Overall Monitoring Function of Federal Compliance Requirements

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.

Current year status: Corrective Action was Taken