



Financial Statements
June 30, 2014

City of Kemmerer, Wyoming

Independent Auditor’s Report.....	1
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	10
Statement of Activities.....	11
Governmental Fund Financial Statements	
Balance Sheet.....	13
Reconciliation of the Governmental Funds Balance Sheet To the Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balances.....	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds	16
Proprietary Fund Financial Statements	
Statement of Net Position	18
Statement of Revenues, Expenses, and Changes in Fund Net Position	19
Statement of Cash Flows.....	20
Notes to Financial Statements.....	21
Required Supplementary Information	
Budgetary Comparison - General Fund	37
General Fund Schedules	
Schedule of Revenues - General Fund.....	39
Schedule of Departmental Expenditures - General Fund.....	40
Compliance and Internal Control	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	42
Schedule of Findings.....	44



Independent Auditor's Report

The Honorable Mayor and Members of the City Council
City of Kemmerer, 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 Kemmerer, Wyoming (the "City") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter*Effect of Adopting New Accounting Standard*

As described in Note 1 to the financial statements, the City adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The change in accounting principle resulted in a reclassification of the presentation of unavailable property tax revenue from a liability to a deferred inflow of resources on the statement of net position. Our opinions are not modified with respect to this matter.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 and budgetary comparison information on page 37 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 Kemmerer, Wyoming's financial statements as a whole. The General Fund Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The General Fund Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the General Fund Schedules are fairly stated in all material respects in relation to the 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 12, 2014 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Salt Lake City, Utah
December 12, 2014



Management's Discussion and Analysis
June 30, 2014

City of Kemmerer, Wyoming

INTRODUCTION

As management of the City of Kemmerer, Wyoming, we offer the readers of the City of Kemmerer, Wyoming's financial statements this narrative overview and analysis of the financial statements of the City of Kemmerer, Wyoming for the fiscal year ended June 30, 2014. When read in conjunction with the financial statements, this section's financial highlights, overview and analysis should assist the reader in gaining a more complete knowledge of the City's financial performance.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of June 30, 2014 by \$24,271,746 (net assets). Of this amount, \$4,350,326 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors. Note that with the new financial reporting model, the total net assets figure includes the net investment in capital assets.
- The City's total net assets increased by \$485,321.
- At the close of the year, the City's governmental funds reported combined ending fund balances of \$3,632,532. Of this amount \$3,614,310 is available for spending at the City's discretion (*assigned and unassigned fund balance*).

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to Kemmerer, Wyoming's basic financial statements.

This report complies with the City's reporting compliance with Governmental Accounting Standards Board Statement No. 34. In addition to the Management's Discussion and Analysis, the report consists of government-wide financial statements, fund financial statements, notes to the financial statements, and supplemental information. The first several statements are highly condensed and present a government-wide view of the City's finances. The governmental activities of the City of Kemmerer, Wyoming include general government, police protection, streets and public building operation and maintenance and parks and recreation oriented activities. The major business-type activity of the City includes the Kemmerer Municipal Airport.

Government-wide financial 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 private-sector business reporting.

The *statement of net position*, a component of the government-wide financial statements, presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. The City's capital assets (land, buildings and equipment) are included in this statement and reported net of their accumulated depreciation. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. In evaluating the government's overall condition, however, additional non-financial factors should be considered such as the City's economic outlook, changes in its demographics, and the condition of its capital assets and infrastructure.

The *statement of activities* presents revenue and expense information showing how the City's net position changed during the fiscal year. To understand the basis of how these numbers are determined, it is important to note that changes in net position are reported whenever an event occurs that requires a revenue or expense to be recognized, regardless of when the related cash is received or disbursed (the accrual basis of accounting). For example, tax

revenues are reported when the taxes are legally due, even though they may not be collected for some time after that date; and an obligation to pay a supplier is reported as an expense when the goods or services are received, even though the bill may not be paid until sometime later.

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

The government-wide financial statements can be found on pages 10 and 11 of this report.

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

Government Funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the *government-wide financial statements*. However, for accounting and reporting purposes, government fund numbers are determined with a different approach. At the fund level, the focus is on changes in short-term spendable resources and the balance available to spend, rather than the long-term focus used for determining government-wide numbers. Because the focus is so different between fund statements and government-wide statements, reconciliation between the two types is necessary to understand how the numbers differ. Such reconciliation is provided on pages 14 and 16 of this report.

The General Fund is the primary operating governmental fund of the City.

Proprietary Funds. The City of Kemmerer, Wyoming maintains one proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for the operation of the Airport Fund.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 21 of this report.

Other information. The budgetary comparison statement for the general fund can be found on page 37 of this report.

Government-Wide Financial Analysis

A comparative analysis of government-wide data is presented. The tables provided hereafter showing net position, changes in net assets, and capital assets contain comparative data.

Net Position: As stated earlier, an analysis of net position is probably the most important financial measurement to assist with understanding the financial position of the City, and whether the financial position improves or deteriorates each year. The following table presents summary information from the State of Net Position in the Basic Financial Statements.

**City of Kemmerer, Wyoming
Summary of Net Position
June 30, 2014 and 2013**

	Governmental		Business-Type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Current assets	\$ 4,057,900	\$ 4,144,777	\$ 193,930	\$ 108,111	\$ 4,251,830	\$ 4,252,888
Capital assets	14,519,259	14,008,031	6,296,988	6,254,295	20,816,247	20,262,326
Total assets	\$ 18,577,159	\$ 18,152,808	\$ 6,490,918	\$ 6,362,406	\$ 25,068,077	\$ 24,515,214
Current liabilities	\$ 332,664	\$ 387,330	\$ 9,782	\$ 9,602	\$ 342,446	\$ 396,932
Non-current liabilities	327,285	331,857	-	-	327,285	331,857
Total liabilities	659,949	719,187	9,782	9,602	669,731	728,789
Unavailable property tax revenue	126,600	-	-	-	126,600	331,857
Total Deferred Inflows	126,600	-	-	-	126,600	331,857
Net Position:						
Net investment in capital assets	13,624,432	14,008,031	6,296,988	6,254,295	19,921,420	20,262,326
Unrestricted	4,166,178	3,425,590	184,148	98,509	4,350,326	3,524,099
Total net position	17,790,610	17,433,621	6,481,136	6,352,804	24,271,746	23,786,425
Total liabilities and net position	\$ 18,577,159	\$ 18,152,808	\$ 6,490,918	\$ 6,362,406	\$ 25,068,077	\$ 24,847,071

As depicted at June 30, 2013, the City's assets exceeded liabilities by approximately \$23.78 million (net position). At June 30, 2014, the City's assets exceeded liabilities by approximately \$24.27 million (net position). 82% of this amount is represented by the investment in capital assets. Due to the nature of these assets – long-term assets which are not readily convertible to liquid assets – they are not considered to be available for spending or appropriation.

Changes in Net Position: As taken from the Statement of Activities in the basic financial statements, the following table depicts the changes in net assets for 2014 and 2013.

**City of Kemmerer, Wyoming
Summary of Changes in Net Position
For the Fiscal Years Ending June 30, 2014 and 2013**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Charges for services	\$ 800,863	\$ 889,338	\$ 130,756	\$ 76,940	\$ 931,619	\$ 966,278
Operating grants and contributions	573,746	586,763	43,508	74,246	617,254	661,009
Capital grants and contributions	953,899	152,456	462,384	101,641	1,416,283	254,097
General revenues:						
Taxes	1,702,345	1,625,268	-	-	1,702,345	1,625,268
Mineral royalties	191,132	195,171	-	-	191,132	195,171
Interest and investment income	7,265	10,680	-	-	7,265	10,680
Net transfers to Joint Powers Board	25,900	41,331	-	-	25,900	41,331
Miscellaneous income	107,400	105,443	3,571	3,908	110,971	109,351
Total revenues	<u>4,362,550</u>	<u>3,606,450</u>	<u>640,219</u>	<u>256,735</u>	<u>5,002,769</u>	<u>3,863,185</u>
Expenses						
General government	853,775	781,561	-	-	853,775	781,561
Public safety	680,813	697,276	-	-	680,813	697,276
Streets and highways	741,033	773,663	-	-	741,033	773,663
Parks and recreation	734,864	643,856	-	-	734,864	643,856
Engineering/City safety	7,333	19,228	-	-	7,333	19,228
Sanitation	276,134	269,209	-	-	276,134	269,209
Municipal court	59,585	54,369	-	-	59,585	54,369
Building inspections	64,123	39,248	-	-	64,123	39,248
South Lincoln Training and Event Center	450,393	453,127	-	-	450,393	453,127
Interest on long-term debt	6,752	7,724	-	-	6,752	7,724
Airport	-	-	642,643	702,337	642,643	702,337
Total expenses	<u>3,874,805</u>	<u>3,739,261</u>	<u>642,643</u>	<u>702,337</u>	<u>4,517,448</u>	<u>4,441,598</u>
Transfers in (out)	<u>(130,756)</u>	<u>(11,130)</u>	<u>130,756</u>	<u>11,130</u>	<u>-</u>	<u>-</u>
Changes in net position	356,989	(143,941)	128,332	(434,472)	485,321	(578,413)
Net position-beginning	<u>17,433,621</u>	<u>17,577,562</u>	<u>6,352,804</u>	<u>6,787,276</u>	<u>23,786,425</u>	<u>24,364,838</u>
Net position-ending	<u>\$ 17,790,610</u>	<u>\$ 17,433,621</u>	<u>\$ 6,481,136</u>	<u>\$ 6,352,804</u>	<u>\$ 24,271,746</u>	<u>\$ 23,786,425</u>

Governmental activities. Governmental activities increased the City's net position by \$356,989. The key element of this decrease is as follows:

- Revenues for the City's share of state sales and use tax came in below budgeted amounts. This required the City to cut back on expenditures and review the way that services were provided and departments staffed. The City received a one-time distribution of state monies in the amount of \$237,334. The City used one-time monies to purchase new police vehicles, street department pickup truck and other capital items, which is why the City's net position was increased.

Business-type activities. The business type activity is the Kemmerer Municipal Airport. These activities increased net assets by \$128,332. The main reasons for the change in the net assets is depreciation and a runway repair project that was completed.

General Fund Budget Highlights

Schedules for the general fund can be seen on pages 39 and 40.

The differences between the original budget and the final amounts represent changes made by the council as additional facts and information became available. Several factors lead to these modifications. They include: economic factors, emergency purchases and other factors.

Because of the downshift in the local and statewide economy, the City closely monitored the amount of funding coming in and going out. Changes were made in staffing and operations to provide the same services more efficiently and effectively.

Long-term debt

At year-end, the City had \$385,090 in long-term debt for Governmental activities and \$0 for Business-type activities. Debt consisted of compensated absences and loans payable to the State of Wyoming for water and wastewater improvements.

Requests for Information

This financial report is designed to provide citizens, customers, investors, creditors and others with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the City of Kemmerer, Glenda Young, Administrative Services Director, City of Kemmerer, 220 Wyoming Highway 233, Kemmerer, WY 83101, telephone number (307) 828-4075.



Government-Wide Financial Statements
June 30, 2014

City of Kemmerer, Wyoming

City of Kemmerer, Wyoming
Statement of Net Position
June 30, 2014

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 2,423,462	\$ 193,800	\$ 2,617,262
Investments	1,073,391	-	1,073,391
Receivables:			
Accounts receivable	237,200	130	237,330
Other governments	155,116	-	155,116
Property taxes	126,600	-	126,600
Inventories of consumable supplies	18,222	-	18,222
Prepaid expenses	23,909	-	23,909
Total Current Assets	4,057,900	193,930	4,251,830
Capital Assets			
Capital assets, not being depreciated	4,180,440	199,947	4,380,387
Capital assets, being depreciated, net	10,338,819	6,097,041	16,435,860
Total Capital Assets	14,519,259	6,296,988	20,816,247
Total Assets	\$ 18,577,159	\$ 6,490,918	\$ 25,068,077
Liabilities			
Current Liabilities			
Accounts payable	\$ 163,715	\$ -	\$ 163,715
Accrued liabilities	85,458	9,602	95,060
Court bonds and other funds held	21,732	180	21,912
Unearned revenue	3,954	-	3,954
Compensated absences - current portion	50,126	-	50,126
Notes payable - current portion	7,679	-	7,679
Total Current Liabilities	332,664	9,782	342,446
Non-Current Liabilities			
Compensated absences, net of current portion	200,506	-	200,506
Notes payable, net of current portion	126,779	-	126,779
Total Non-Current Liabilities	327,285	-	327,285
Total Liabilities	659,949	9,782	669,731
Deferred Inflows of Resources			
Unavailable property tax revenue	126,600	-	126,600
Net Position			
Net investment in capital assets	13,624,432	6,296,988	19,921,420
Unrestricted	4,166,178	184,148	4,350,326
Total Net Position	17,790,610	6,481,136	24,271,746
Total Liabilities and Net Position	\$ 18,577,159	\$ 6,490,918	\$ 25,068,077

City of Kemmerer, Wyoming
Statement of Activities
June 30, 2014

Function/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 853,775	\$ -	\$ 237,334	920,879	\$ 304,438	\$ -	\$ 304,438
Public safety	680,813	46,973	-	29,886	(603,954)	-	(603,954)
Streets and highways	741,033	46,636	53,120	-	(641,277)	-	(641,277)
Parks and recreation	734,864	163,673	283,292	-	(287,899)	-	(287,899)
Engineering/City safety	7,333	-	-	-	(7,333)	-	(7,333)
Sanitation	276,134	454,763	-	-	178,629	-	178,629
Municipal court	59,585	47,331	-	-	(12,254)	-	(12,254)
Building inspections	64,123	-	-	-	(64,123)	-	(64,123)
South Lincoln Training and Event Center	450,393	41,487	-	3,134	(405,772)	-	(405,772)
Interest on long-term debt	6,752	-	-	-	(6,752)	-	(6,752)
Total governmental activities	<u>3,874,805</u>	<u>800,863</u>	<u>573,746</u>	<u>953,899</u>	<u>(1,546,297)</u>	<u>-</u>	<u>(1,546,297)</u>
Business-type activities:							
Airport	642,643	130,756	43,508	462,384	-	(5,995)	(5,995)
Total business-type activities	<u>642,643</u>	<u>130,756</u>	<u>43,508</u>	<u>462,384</u>	<u>-</u>	<u>(5,995)</u>	<u>(5,995)</u>
Total	<u>\$ 4,517,448</u>	<u>\$ 931,619</u>	<u>\$ 617,254</u>	<u>\$ 1,416,283</u>	<u>(1,546,297)</u>	<u>(5,995)</u>	<u>(1,552,292)</u>
General revenues:							
Taxes					1,702,345	-	1,702,345
Mineral royalties					191,132	-	191,132
Interest and investment income					7,265	-	7,265
Miscellaneous income					107,400	3,571	110,971
Net transfers to Joint Powers Board					25,900	-	25,900
Transfers in (out)					(130,756)	130,756	-
Total general revenues					<u>1,903,286</u>	<u>134,327</u>	<u>2,037,613</u>
Change in net position					<u>356,989</u>	<u>128,332</u>	<u>485,321</u>
Net position - beginning					<u>17,433,621</u>	<u>6,352,804</u>	<u>23,786,425</u>
Net position - ending					<u>\$ 17,790,610</u>	<u>\$ 6,481,136</u>	<u>\$ 24,271,746</u>



Governmental Fund Financial Statements
June 30, 2014

City of Kemmerer, Wyoming

City of Kemmerer, Wyoming
Balance Sheet
Governmental Funds
June 30, 2014

	General	Capital Projects	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 2,423,462	\$ -	\$ 2,423,462
Investments	1,073,391	-	1,073,391
Receivables:			
Accounts receivable	237,200	-	237,200
Other governments	155,116	-	155,116
Property taxes	126,600	-	126,600
Inventories of consumable supplies	18,222	-	18,222
Total Assets	\$ 4,033,991	\$ -	\$ 4,033,991
Liabilities			
Accounts payable	\$ 163,715	\$ -	\$ 163,715
Accrued liabilities	85,458	-	85,458
Court bonds and other funds held	21,732	-	21,732
Unearned revenue	3,954	-	3,954
Total Liabilities	274,859	-	274,859
Deferred Inflows of Resources			
Unavailable property tax revenue	126,600	-	126,600
Fund Balances			
Fund balances:			
Nonspendable: Inventory	18,222	-	18,222
Assigned	1,389,030	-	1,389,030
Unassigned	2,225,280	-	2,225,280
Total Fund Balances	3,632,532	-	3,632,532
Total Liabilities and Fund Balances	\$ 4,033,991	\$ -	\$ 4,033,991

City of Kemmerer, Wyoming
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
June 30, 2014

Total Fund Balances - Governmental Fund Types	\$ 3,632,532
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	14,519,259
Long-term liabilities, including notes payable and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(385,090)
Expenditures for certain items such as prepaid insurance are due and payable in the current period, and are reflected as expenditures in the funds.	<u>23,909</u>
Net Position of Governmental Activities	<u><u>\$ 17,790,610</u></u>

City of Kemmerer, Wyoming
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
June 30, 2014

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes and special assessments	\$ 1,702,345	\$ -	\$ 1,702,345
Licenses and permits	46,973	-	46,973
Charges for services	706,559	-	706,559
Inter-governmental revenue	827,147	891,630	1,718,777
Interest and investment income	7,265	-	7,265
Fines and forfeitures	47,331	-	47,331
Miscellaneous income	107,400	-	107,400
Total revenues	<u>3,445,020</u>	<u>891,630</u>	<u>4,336,650</u>
Expenditures			
Current:			
General government	805,367	-	805,367
Public safety	696,105	-	696,105
Streets and highways	563,933	-	563,933
Parks and recreation	724,872	-	724,872
Sanitation	253,237	-	253,237
Municipal court	59,585	-	59,585
Building inspections	61,750	-	61,750
South Lincoln Training and Event Center	351,474	-	351,474
Capital outlay	-	836,533	836,533
Debt service:			
Principal	30,163	-	30,163
Interest	6,752	-	6,752
Total expenditures	<u>3,553,238</u>	<u>836,533</u>	<u>4,389,771</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(108,218)</u>	<u>55,097</u>	<u>(53,121)</u>
Other financing sources (uses):			
Operating transfers in	466,489	(55,097)	411,392
Operating transfers (out)	(542,148)	-	(542,148)
Transfers from Joint Powers Board - Debt Service	25,900	-	25,900
Total other financing sources (uses)	<u>(49,759)</u>	<u>(55,097)</u>	<u>(104,856)</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(157,977)	-	(157,977)
Fund balances, beginning of year	3,790,202	-	3,790,202
Change in reserve for inventory	307	-	307
Fund balances, end of year	<u>\$ 3,632,532</u>	<u>\$ -</u>	<u>\$ 3,632,532</u>

City of Kemmerer, Wyoming
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances of Governmental Funds
 For the Year Ended June 30, 2014

Net change in fund balances - total governmental funds	\$ (157,977)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital purchases during the current period.	511,228
The long-term portion of the liability for compensated absences is not recorded in the fund level, but is reported in the statement of net position. This is the current year change in the liability, reported as an expense in the statement of activities.	(26,533)
Change in reserve for inventory is included in expenses in the statement of activities.	307
Expenditures due and payable in the current period are recorded as expenditures in the funds. These expenditures are reported as prepaid assets in the statement of net position.	(199)
Repayment of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This amount includes debt service principal retirements made during the year.	30,163
Change in Net Position of Governmental Activities	<u>\$ 356,989</u>



Proprietary Fund Financial Statements
June 30, 2014

City of Kemmerer, Wyoming

City of Kemmerer, Wyoming
Statement of Net Position
Proprietary Fund
June 30, 2014

	Airport
Assets	
Current Assets	
Equity in pooled cash	\$ 193,800
Accounts receivable	130
Total Current Assets	193,930
Capital Assets	
Capital assets, not being depreciated	199,947
Capital assets, being depreciated, net	6,097,041
Total Capital Assets	6,296,988
Total Assets	\$ 6,490,918
Liabilities	
Current Liabilities	
Accrued liabilities	\$ 9,602
Customer deposits	180
Total Current Liabilities	9,782
Total Liabilities	9,782
Net Position	
Invested in capital assets, net of related debt	6,296,988
Unrestricted	184,148
Total Net Position	6,481,136
Total Liabilities and Net Position	\$ 6,490,918

City of Kemmerer, Wyoming
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
June 30, 2014

	Airport
Operating Revenues	
Fuel sales - Airport	\$ 43,508
County reimbursements	130,756
Miscellaneous	3,571
Total operating revenues	177,835
Operating Expenses	
Personnel services	71,338
Aviation fuel purchases	29,796
Contractual services	58,706
Supplies	4,593
Utilities and telephone	17,509
Maintenance	17,349
Miscellaneous, administration	5,493
Depreciation	437,859
Total operating expenses	642,643
Operating Loss	(464,808)
Non-Operating Revenues (Expenses)	
Capital grant revenue	462,384
Transfers from other funds	130,756
Net non-operating revenues (expenses)	593,140
Net Income	128,332
Net Position, Beginning of Year	6,352,804
Net Position, End of Year	\$ 6,481,136

City of Kemmerer, Wyoming
Statement of Cash Flows
Proprietary Fund
June 30, 2014

Cash Flows from Operating Activities	
Cash received from customers and others	\$ 184,090
Cash paid to suppliers for goods and services	(133,265)
Cash paid to employees and for benefits	(71,339)
Net Cash Used by Operating Activities	<u>(20,514)</u>
Cash Flows from Non-capital Financing Activities	
Transfers from other funds	130,756
Net Cash Provided by Non-capital Financing Activities	<u>130,756</u>
Cash Flows from Capital and Related Financing Activities	
Capital grant revenue	462,384
Acquisition and construction of capital assets	(480,552)
Net Cash Used by Capital and Related Financing Activities	<u>(18,168)</u>
Net Change in Cash	92,074
Cash Balance, Beginning of Year	<u>101,726</u>
Cash Balance, End of Year	<u><u>\$ 193,800</u></u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss	\$ (464,809)
Adjustments to reconcile net operating loss to net cash used by operating activities:	
Depreciation	437,859
Changes in assets and liabilities:	
Accounts receivable	6,255
Accounts payable	181
Net Cash Used by Operating Activities	<u><u>\$ (20,514)</u></u>

Note 1 - Description of Reporting Entity and Summary of Significant Accounting Policies

The financial statements of the City of Kemmerer, Wyoming (the “City”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City’s significant accounting policies are described below.

A. Reporting Entity

The City of Kemmerer, Wyoming (the “City”) was incorporated in 1899 under the provisions of the State of Wyoming. The City operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety (police and fire), culture-recreation, public improvements, planning and zoning, and general administrative services.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth the Governmental Accounting Standards Board’s (GASB) Statement No. 14, as amended, which include the following:

- the organization is legally separate (can sue or be sued in its own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization’s board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency on the City by the organization

Based on these criteria, there are no entities that are considered to be component units of the City that should be included in these financial statements.

B. Financial Statement Presentation

Basis of Presentation

Government-wide Financial Statements

The government-wide statements, i.e. the statement of net position and the statement of activities, report information on all of the activities of the City. For the most part, the effect of the interfund activity has been eliminated from these statements. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed, in whole or in part, by fees charged to external parties for goods or services.

The government-wide statement of net position presents information on all of the City’s assets and liabilities, and the difference between the two is reported as net position. The statement of activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that can be clearly identifiable with a specific function or segment. Program revenues include: (1) charges

to customers or others who purchase, use, or directly benefit from the services or goods 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.

Indirect costs in the governmental activities that are not associated directly with a function or program in the City are included in the general governmental activities in the entity-wide statements.

Fund Financial Statements

A fund is a separate accounting entity with a self-balancing set of accounts which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The City's funds are organized into two major categories: governmental and proprietary. Separate financial statements are provided for each of these categories. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Because the City's funds can change between major and non-major depending on annual activity, the City has elected to present all funds to enhance consistency from year to year. A fund is considered major if it is the primary operating (general) fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

As per the above criteria, the City's General fund and Airport fund are major funds. The City's financial operations are accounted for in the following funds:

Governmental Fund Types

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

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Fund Types

Enterprise Fund – This fund was established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City's only enterprise fund consists of the Airport Fund.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Measurement focus refers to the types of assets and liabilities that appear on the statement of net position (government-wide statement) or the balance sheet (governmental funds only) and changes to those assets and liabilities that appear on the statement of activities (government-wide statement) or the statement of revenues, expenditures and changes in fund balance (governmental funds only). The current financial resources measurement focus is used for the governmental fund reporting. The economic resources measurement focus, which is used for the government-wide statements, shows total assets and liabilities on the statement of net position and changes in net position on the statement of activities. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

The government-wide financial statements and the fund financial statements for proprietary funds are accounted for using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the accrual basis of accounting, revenues are recorded when earned, and expenses are recorded when liabilities are incurred or the economic asset is used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Proprietary funds separate operating and non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing or delivering goods in connection with the fund's normal ongoing operations. The principal operating revenues of the City's proprietary fund are charges to customers for goods and services. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All other revenues or expenses are recorded as non-operating.

These funds account for City activities that are similar to business operations in the private sector or where the reporting focus is on determining net income, financial position, and changes in financial position (Economic resources measurement focus). The fund included in this category is an Enterprise Fund.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available when they are collectible within 60 days of the end of the current fiscal period. Those revenues susceptible to accrual are cigarette and gasoline taxes, special assessments, interest revenue, and charges for services. Sales taxes collected and held by the State at year-end on behalf of the government also are recognized as revenue. Fines and permits are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred. Expenditures related to principal and interest on general long-term debt that has not matured, compensated absences, and claims and judgments are recorded only when payment is due.

D. Reconciliation of Government-wide and Fund Financial Statements

Governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting, while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. As a result, there are important differences between the asset, liabilities, revenues and expense/expenditures reported on the fund financial statements and government-wide financial statements.

For example, many long-term assets and liabilities are excluded from the fund balance sheet but are included in the entity-wide financial statements. As a result, there must be a reconciliation between the two statements to explain the differences. Reconciliations are included as part of the fund financial statements (see pages 14 and 16).

E. Budgets

Budgeted amounts included in the accompanying financial statements are on the same basis of accounting as described in the Basis of Accounting section and are based on the budget as finally revised by the City Council. Budgets are legally adopted for all funds. Appropriations lapse at fiscal year end.

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

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

The budget is adopted according to the following schedule:

- a. On or before May 15, the Budget Officer shall prepare a tentative budget for each fund and file the budget with the governing body.
- b. A summary of the tentative budget shall be entered into the minutes and the governing body shall publish the summary at least one week before the public hearing to adopt the budget.
- c. The public hearing is held no later than the third Tuesday in June.
- d. A copy of the adopted budget shall be furnished to the County Commissioners for the necessary property tax levies and placed on file for public inspection.

The City follows Wyoming statutes in amending its budget when necessary prior to the expenditure of funds in excess of the original appropriation. The 2014 original budget was amended.

F. Cash and Cash Equivalents

The City complies with GASB Statement No. 31 *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The statement requires certain investments to be reported at fair value and the change in fair value to be included in revenue or expenses. The City's policy is to report all investments at fair value except for money market investments and interest-earning investment contracts with a remaining maturity at time of purchase of ninety days or less. The City's investment in the Wyoming Government Investment Fund has a fair value equivalent to the value of the pool shares. This pool is administered by the State of Wyoming in accordance with Wyoming State Investment Policy. In all accompanying financial statements, the City considers all highly liquid investments that mature within ninety days or less when purchased to be cash equivalents.

For purposes of the statement of cash flows, the City's proprietary fund's equity in pooled cash and investments is considered to be cash and cash equivalents, since this amount is immediately available for use by the fund.

G. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

H. Investments

The City’s investments are reported at fair value.

I. Interfund Transactions

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

All interfund transactions are treated as transfers and are expected to be eliminated in the normal course of operations. Transfers between governmental or proprietary funds are netted as part of the reconciliation between the governmental fund statements and the government-wide columnar presentation.

J. Capital Assets and Depreciation

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

Capital assets include property, plant, equipment and infrastructure assets, e.g. roads, curbs, and gutters, streets and sidewalks, drainage systems and parking lots. These are assets reported in the government-wide financial statements in the relevant column on the Statement of Net Position under governmental or business-type activities. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation is computed using the straight-line method based on useful lives as follows:

<u>Item</u>	<u>Years</u>
Building and improvements	30
Machinery and equipment	5 – 49
Infrastructure	12 – 50
Automobiles and trucks	5 – 10

K. Compensated Absences

Vacation leave and the portion of sick leave that will eventually be paid are accrued in the government-wide financial statements and proprietary funds as liabilities as they are earned. In the event of termination or retirement, an employee is reimbursed for these vacation and sick leave accruals. The governmental funds record compensated absences when the liability has matured and is payable and will be paid with expendable available resources.

L. Long-Term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists of accrued compensated absences and notes payable.

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

M. Deferred Inflows of Resources

A deferred inflow of resources is an addition to net position that applies to a future reporting period and therefore will be reported as an inflow/revenue in future years.

N. Accounting Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual amounts could differ from those estimates.

O. Property Taxes

Property taxes are collected by the county treasurer and remitted to the City shortly after collection. The lien date for property taxes is January 1. Using the tax rate (mil levy) supplied by the City, the county levies the taxes as of the first week of August. Tax notices are mailed by September 1. Tax payments are due in two installments; November 10, and then May 10 of the following year. Under GASB 33, because the lien date is January 1, the City records the estimated taxes receivable as of its June 30 year end. Because the taxes are not available to meet current expenditures, and because they will not be collected until the following November or May, they are also recorded as a deferred inflow of resources and are included on the statement of net position as unavailable property tax revenue.

If the taxes are not paid by the May 10 due date, in the following September the county sells tax certificates of purchase to interested investors. Investors pay the amount of the tax plus interest from the May 10 due date. In the fourth year following the sale of the certificates, the property owners are notified that the property will be sold for taxes. Upon sale of the property, the investor is paid the tax, interest at 15% and a fee of 3% of the tax amount.

P. Fund Balance

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the policy of the City to spend restricted fund balance first. In the fund financial statements, governmental fund balances are classified as follows:

1. Nonspendable - Fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).
2. Restricted - Fund balance amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. Committed - Fund balance amounts that can be used only for the specific purposes determined by a formal ordinance of the City Council (the City's highest level of decision making authority). Ordinances must be affirmed by a majority vote of the City Council, and signed by the Mayor.
4. Assigned - Fund balance amounts that are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted or committed. Assigned fund balances may be determined by resolution, which are affirmed by a majority vote of the City Council.
5. Unassigned - The residual fund balance classification for the City's general fund includes all spendable amounts not included in the other classifications.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned fund balance is available, it is the policy of the City to first spend committed fund balance, followed by assigned fund balances and unassigned fund balances, respectively.

Q. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is insured against these occurrences through its participation in the Wyoming Local Government Liability Pool. The City pays an annual premium for its insurance coverage which is accounted for in the General Fund. There has been no significant reduction in coverage against these losses from year to year.

R. Recent Accounting Pronouncements

Newly Implemented Accounting Pronouncements – In March 2012, the Governmental Accounting Standards Board (GASB) issued *Statement No. 65, Items Previously Reported as Assets and Liabilities*. This standard established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for the City during the year ended June 30, 2014. This resulted in a reclassification of unavailable property tax revenue from a liability to a deferred inflow of resources on the statement of net position and the governmental funds balance sheet.

Accounting Pronouncements Not Yet Implemented – In June 2012, the *GASB Statement No. 68, Accounting and Financial Reporting for Pensions*, which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits.

Among other provisions, Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). This Statement calls for immediate recognition of more pension expense than is currently required. The provisions in Statement 68 are effective for fiscal years beginning after June 15, 2014. The City has not elected to implement these statements early. The City is currently evaluating the impact of these statements on the financial statements when implemented.

Note 2 - Cash and Investments

Cash and Cash Equivalents

The City pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements.

It is the policy of the City to invest public funds in a manner which will provide for the safety of principal/capital, liquidity, and rate of return, and in accordance with State and local statutes. The City can only deposit funds in depositories designated by the City Council. City policy provides that, with the exception of U.S. Treasury securities and authorized pools, no more than 50% of the City's total investment portfolio will be invested in a single security type or with a single financial institution.

The City's deposits are insured up to \$250,000 per account by the Federal Deposit Insurance Corporation. Deposits above the \$250,000 per account are exposed to custodial credit risk. Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. Under State statute (W.W 9-4-817(c)) and City policy, all deposits must be insured or collateralized. Amounts that are not insured at June 30, 2014 have been collateralized by the authorized depositories.

The City's cash and cash equivalents at June 30, 2014 consists of bank demand deposits and interest bearing demand accounts. Depository balances and their insured or collateralized status at June 30, 2014, were as follows:

	Bank Balances	Carrying Balances
Insured or collateralized with securities held by the pledging institution's trust department or correspondent bank under a joint custody receipt in the name of the City and the financial institution:		
Cash	\$ 1,570,137	\$ 1,465,749
Certificates of deposit	1,073,391	1,073,391
Wyo-Star government investment pool	927,730	927,730
Wyoming government investment fund	223,783	223,783
Total	\$ 3,795,041	\$ 3,690,653

Investments

As of June 30, 2014, the City had the following investments and maturities:

	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less than 1</u>	<u>1-5</u>
Certificates of deposit	\$ 1,073,391	\$ 1,073,391	\$ -
Total	<u>\$ 1,073,391</u>	<u>\$ 1,073,391</u>	<u>\$ -</u>

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits the City's investment portfolio to maturities of less than five years and a weighted average maturity of three years.

Because the certificates of deposits have an average maturity of less than one year they are presented as an investment with a maturity of less than one year.

Credit Risk - State statutes authorize the City to invest primarily in general obligations of the U.S. Government and its agencies, bank repurchase agreements, certain commercial paper, and the State Treasurer's Investment Pool.

The City primarily invests its excess cash balances in the Wyo-Star government investment pool. The State Treasurer is the investment officer for the pool and is responsible for all funds in the pool. These funds must be invested and managed, as a prudent investor would exercise reasonable care, skill and caution. The Wyo-Star government investment pool is not rated.

Custodial Credit Risk - For an investment, 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. The City requires that all deposits (time or regular) that exceed the FDIC threshold be collateralized at 110% of the fair market value of the deposit.

The City also requires that all securities are to be held in the name of the City and all securities that are held as collateral are held by an independent third party.

Note 3 - Capital Assets

The following tables summarize the changes in capital assets for governmental and business-type activities during the year ended June 30, 2014:

	Balance June 30, 2013	Additions	Transfers	Deletions	Balance June 30, 2014
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 3,285,613	\$ -	\$ -	\$ -	\$ 3,285,613
Construction-in-progress	67,316	827,511	-	-	894,827
Total capital assets, not being depreciated	<u>3,352,929</u>	<u>827,511</u>	<u>-</u>	<u>-</u>	<u>4,180,440</u>
Capital assets, being depreciated					
Buildings and improvements	5,800,065	-	-	-	5,800,065
Machinery and equipment	4,350,037	172,811	-	-	4,522,848
Infrastructure	9,494,844	-	-	-	9,494,844
Total capital assets, being depreciated	<u>19,644,946</u>	<u>172,811</u>	<u>-</u>	<u>-</u>	<u>19,817,757</u>
Accumulated depreciation for:					
Buildings and improvements	(984,869)	(128,357)	-	-	(1,113,226)
Machinery and equipment	(3,463,942)	(183,168)	-	-	(3,647,110)
Infrastructure	(4,541,033)	(177,569)	-	-	(4,718,602)
Total accumulated depreciation	<u>(8,989,844)</u>	<u>(489,094)</u>	<u>-</u>	<u>-</u>	<u>(9,478,938)</u>
Total capital assets, being depreciated, net	<u>10,655,102</u>	<u>(316,283)</u>	<u>-</u>	<u>-</u>	<u>10,338,819</u>
Governmental activities capital assets, net	<u>\$ 14,008,031</u>	<u>\$ 511,228</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,519,259</u>
	Balance June 30, 2013	Additions	Transfers	Deletions	Balance June 30, 2014
Business-type Activities:					
Capital assets, not being depreciated:					
Land	\$ 199,947	\$ -	\$ -	\$ -	\$ 199,947
Construction-in-progress	-	-	-	-	-
Total capital assets, not being depreciated	<u>199,947</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>199,947</u>
Capital assets, being depreciated					
Buildings and improvements	10,021,156	480,552	-	-	10,501,708
Machinery and equipment	494,183	-	-	-	494,183
Automobiles and trucks	54,928	-	-	-	54,928
Total capital assets, being depreciated	<u>10,570,267</u>	<u>480,552</u>	<u>-</u>	<u>-</u>	<u>11,050,819</u>
Accumulated depreciation for:					
Buildings and improvements	(4,023,554)	(414,228)	-	-	(4,437,782)
Machinery and equipment	(437,437)	(23,631)	-	-	(461,068)
Automobiles and trucks	(54,928)	-	-	-	(54,928)
Total accumulated depreciation	<u>(4,515,919)</u>	<u>(437,859)</u>	<u>-</u>	<u>-</u>	<u>(4,953,778)</u>
Total capital assets, being depreciated, net	<u>6,054,348</u>	<u>42,693</u>	<u>-</u>	<u>-</u>	<u>6,097,041</u>
Business-type activities capital assets, net	<u>\$ 6,254,295</u>	<u>\$ 42,693</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,296,988</u>

The City has established a capitalization policy for acquisitions of \$5,000 or more. Depreciation expense was charged to functions/programs of the City as follows:

	Depreciation Expense
Governmental activities:	
General government	\$ 44,551
Public safety	25,492
Streets and highways	252,772
Sanitation	39,511
Parks and recreation	20,958
Training and events center	105,810
Total depreciation expense - governmental activities	\$ 489,094
Business-type activities:	
Airport	\$ 437,859
Total depreciation expense - business-type activities	\$ 437,859

Note 4 - Long-Term Obligations

Wyoming Water Development Commission — On June 27, 1987, the City entered into an agreement with the Wyoming Water Development Commission for financing of the Kemmerer City Dam Rehabilitation Project. The agreement involved a loan to the City of \$310,200. The loan is collateralized by the Kemmerer City Dam, its improvements, stored water, certain water rights and water fund revenues. The Joint Powers Board has entered into water purchase agreements with the Commission and other third parties, by which payments by the third parties to the Commission reduce the liability of the City.

The note bears interest at 4% and requires fifty annual payments of \$14,440, including principal and interest, beginning on the first anniversary of the date on which the Commission declared the project to be substantially complete.

June 30, 2014 balance	\$ <u>134,458</u>
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The obligation for payment of these notes remains with the City, although an agreement for reimbursement has been made with the Kemmerer-Diamondville Water and Wastewater Joint Powers Board. Also see Note 9 for details regarding the agreement.

The following summarizes the changes in long-term obligations during the year ended June 30, 2013:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
Notes payable	\$ 164,621	\$ -	\$ (30,163)	\$ 134,458	\$ 7,679
Compensated absences	224,099	26,533	-	250,632	50,126
Total long-term debt	\$ 388,720	\$ 26,533	\$ (30,163)	\$ 385,090	\$ 57,805

The following summarizes debt service requirements to maturity:

Year Ended June 30,	Wyoming Water Development Commission	
	Principal	Interest
2015	\$ 7,679	\$ 5,378
2016	7,986	5,071
2017	8,306	4,752
2018	8,638	4,420
2019	8,983	4,074
2020 - 2024	50,603	14,684
2025 - 2029	42,263	3,961
	\$ 134,458	\$ 42,340

Note 5 - Retirement Commitments

The City participates in the Public Employees Pension Plan and the Wyoming Law Enforcement Retirement Plan. Both plans are administered by the Wyoming Retirement System (the "System"), a statewide cost-sharing multiple-employer public employee retirement system.

Public Employees Pension Plan – All full-time City employees are eligible to participate in the Public Employees Pension Plan, a defined-benefit contributory retirement plan. The Public Employees Pension Plan statutorily requires 7.00% and 7.12% of the participant's salary to be contributed to the plan by the employee and employer, respectively. The plan allows for normal retirement after four years of service and attainment of age sixty. Early retirement is allowed provided the employee has completed four years of services and attained the age of fifty but will result in a reduction of benefits based on the length of time remaining to normal retirement. The plan provides retirement, disability and death benefits according to predetermined formulas. Employees terminating prior to normal retirement can elect to withdraw all employee contributions plus accumulated interest through date of termination or, if they are vested, they may elect to remain in the plan and be eligible for retirement benefits at the age of fifty.

The payroll for city employees covered by this plan for the years ended June 30, 2014, 2013, and 2012 was \$776,426, \$1,040,397, and \$1,137,289, respectively. Contributions to the plan consist of an amount equal to 12.07% of the employee's salary. The City has elected to cover 5.73% of the employees' contributions for all city employees. The City's contribution to the plan for the years ending June 30, 2014, 2013, and 2012 was \$122,166, \$104,517, and \$125,620, respectively.

Wyoming Law Enforcement Retirement Plan – All full-time City law enforcement employees are eligible to participate in the Wyoming Law Enforcement Plan, a defined-benefit contributory retirement plan covering specific law enforcement positions within the City. The plan requires participants to contribute 8.60% of their salary the plan with an employer match in the same amount. The plan allows for normal retirement after four years of service and attainment of age sixty or 20 years of service. The plan provides retirement disability and death benefits according to predetermined amounts primarily determined by years of services and average salaries. Employees terminating prior to normal retirement can elect to withdraw all employee contributions plus accumulated interest through date of termination.

The payroll for law enforcement employees covered by this plan for the year ended June 30, 2014, 2013, and 2012 was \$322,108, \$356,480, and \$321,482, respectively. Contributions to the plan consist of an amount equal to 14.79% of the employee's salary. The City has elected to cover 5.73% of the employees' contributions for all law enforcement employees. The City's contribution to the plan for the years ending June 30, 2014, 2013, and 2012 was \$63,195, \$55,123, and \$52,724, respectively.

Net Assets Held in Trust for Pension Benefits – The Wyoming Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. This information is available from the Wyoming Retirement System, 6101 Yellowstone Road, Suite 500, Cheyenne, Wyoming 82002.

Note 6 - Airport

In June of 1982, the City entered into an agreement with Lincoln County, Wyoming, to form a Joint Powers Board to plan, create, expand, finance, and operate an airport near Kemmerer, Wyoming. Effective April 14, 1986, this agreement was amended to transfer all powers, duties and authority of the Joint Powers Board to the City as managing agent of the airport, and such amendment provides for financial assistance from the County. The airport activity is accounted for as an enterprise fund.

Note 7 - Insurance and Risk of Loss

The City is exposed to risks of loss from torts, theft, damage or destruction of assets, business interruption, errors or omissions, job-related injuries to employees and acts of God. To reduce exposure to these risks, effective October 28, 1986, the City of Kemmerer became a participating member of the Wyoming Local Government Liability Pool in accordance with section 1-39-101 of the Wyoming Statutes. Membership provides for coverage of \$250,000 per claimant, but no more than \$500,000 per occurrence, with a deductible of \$2,500 in the areas of general and automobile liability, errors and omissions and airport liability. There has not been a significant reduction in insurance.

Note 8 - Contingencies

Federal and state grants, which have been included with Intergovernmental Revenue on the accompanying statement of activities, are subject to periodic audits and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. City management believes disallowances, if any, will be immaterial.

Note 9 - Kemmerer – Diamondville Water and Wastewater Joint Powers Board

On June 28, 1991, the City agreed to form, with the town of Diamondville, Wyoming, the “Kemmerer-Diamondville Water and Wastewater Joint Powers Board” in accordance with applicable provisions of Wyoming statutes. The purpose of the Board is to administer, operate, and maintain water treatment and distribution systems and the wastewater collection and treatment facilities for the benefit of Kemmerer and Diamondville and their residents.

On February 26, 1992, the City entered into two separate agreements with the Joint Powers Board (the “Board”), related to the Board assuming responsibility for operation of the water and wastewater systems effective March 5, 1992. These agreements were substantially modified effective October 27, 1992.

The first modified agreement conveys certain real and personal property constituting the City’s water and wastewater systems, which had been leased to the Board under the prior agreement. The Board accepted the City’s right, title, and interest in the property subject to all indebtedness thereon. Applicable water rights were not transferred, but the City has granted the Board exclusive use of these water rights. During the year ended June 30, 1994, the necessary legal procedures to transfer both of the systems were completed; however, the debt has not been transferred and remains with the City. The Board assumed responsibility for payment on the various loans.

In the event of voluntary or involuntary default by the Board under this agreement, the board will reconvey all property to the City, which would once again assume responsibility for operation of the water and wastewater systems.

The second agreement is known as the “Loan Agreement.” The City has accumulated funds within the water and wastewater enterprises that are restricted and reserved for specific uses within the funds. The terms of the loan agreement call for the Board to borrow these funds, interest free, subject to the same restrictions of the City. These restrictions include use for customer deposit repayments, repairs, and capital improvements. In October 1996, the loan agreement was amended to allow for the payment of outstanding water and sewer system loans with these restricted funds. Sections 7.1 and 8.1 of the loan agreement require that all interest earned by the Board be credited to the appropriate funds and that an accounting be made by the Board to the City of all uses of loaned funds.

In connection with these agreements the City also transferred \$68,500 to the Board in exchange for the Board assuming responsibility for the “Frontier System” that the City is obligated under a “Real Estate Sales Agreement” dated March 25, 1986, between the City of Kemmerer and P & M Coal Mining Company. The Board agreed to perform all of the City’s obligations under Article X of the agreement.

Note 10 - General Fund Assigned Fund Balance

At June 30, 2014, the City had assigned a portion of its general fund balance as follows:

Purpose	Amount
Building maintenance	\$ 100,000
Council, funds from private donor	387,575
Equipment repair	84,757
Flex spending program	914
Health insurance account	363,960
Scholarships	220
Street maintenance	442,489
Youth program	9,115
	\$ 1,389,030

Note 11 - Transactions with Related Parties

The following related party transactions were made through the City's normal purchasing procedures.

During the year, the City expended \$11,412 for repairs of city vehicles with a business in which a City Councilman has partial ownership.

During the year, the City expended \$120,019 for the purchase of city vehicles with a business in which a City Councilman has partial ownership.

The City also expended other insignificant amounts with businesses in which City Council or family members have a partial ownership.



Required Supplementary Information
June 30, 2014

City of Kemmerer, Wyoming

City of Kemmerer, Wyoming
 Budgetary Comparison – General Fund
 June 30, 2014

	General Fund			Variance Favorable (Unfavorable)
	Budgetary Amounts		Actual	
	Original	Final		
Revenue and sources				
Taxes and special assessments	\$ 1,873,954	\$ 1,873,954	\$ 1,702,345	\$ (171,609)
Licenses and permits	84,100	84,100	46,973	(37,127)
Charges for services	780,500	756,500	706,559	(49,941)
Inter-governmental revenue	1,177,981	1,216,472	827,147	(389,325)
Interest and investment income	9,500	9,500	7,265	(2,235)
Fines and forfeitures	22,000	22,000	47,331	25,331
Miscellaneous income	70,700	77,748	107,400	29,652
Total revenues	<u>4,018,735</u>	<u>4,040,274</u>	<u>3,445,020</u>	<u>(595,254)</u>
Expenditures				
Current				
General government	814,465	851,465	805,367	46,098
Public safety	733,589	773,080	696,105	76,975
Streets and highways	713,078	695,064	563,933	131,131
Parks and recreation	753,567	781,866	724,872	56,994
Sanitation	295,418	295,418	253,237	42,181
Municipal court	61,663	61,663	59,585	2,078
Building inspections	21,055	65,769	61,750	4,019
South Lincoln Training and Event Center	343,320	324,820	351,474	(26,654)
Debt service:				
Principal	11,010	11,010	30,163	(19,153)
Interest	8,151	8,151	6,752	1,399
Total expenditures	<u>3,755,316</u>	<u>3,868,306</u>	<u>3,553,238</u>	<u>315,068</u>
Excess (deficiency) of revenues over (under) expenditures	<u>263,419</u>	<u>171,968</u>	<u>(108,218)</u>	<u>(280,186)</u>
Other financing sources (uses)				
Operating transfers in	(698,663)	(803,865)	466,489	1,270,354
Operating transfers (out)	867,040	885,791	(542,148)	(1,427,939)
Transfers from Joint Powers Board - Debt Service	(19,161)	(19,161)	25,900	45,061
Total other financing sources (uses)	<u>149,216</u>	<u>62,765</u>	<u>(49,759)</u>	<u>(112,524)</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ 412,635</u>	<u>\$ 234,733</u>	<u>(157,977)</u>	<u>\$ (392,710)</u>
Fund balances, beginning of year			3,790,202	
Change in reserve for inventory			<u>307</u>	
Fund balances, end of year			<u>\$ 3,632,532</u>	



General Fund Schedules
June 30, 2014

City of Kemmerer, Wyoming

City of Kemmerer, Wyoming
Schedule of Revenues – General Fund
For the Year Ended June 30, 2014

Taxes:	
General property taxes	\$ 125,940
General sales and use taxes	1,215,755
Gasoline taxes	79,114
Motor vehicle taxes	79,457
Cigarette taxes	17,420
Severance taxes	95,649
Franchise taxes	89,010
Total taxes	<u>1,702,345</u>
Licenses and Permits:	
Occupational licenses	15,086
Animal and other licenses	668
Liquor licenses	8,770
Building permits	22,449
Total licenses and permits	<u>46,973</u>
Charges for Service:	
Recreation fees	59,729
Golf course fees	103,944
Sanitation fees, late charges	454,763
Street charges	46,636
South Lincoln Training and Event Center	41,487
Total charges for service	<u>706,559</u>
Inter-Governmental Revenue:	
Frontier Area Park and Recreation District	272,442
State of Wyoming - Highway Maintenance	53,120
Mineral royalties	191,132
Lincoln County Recreation Commission	10,850
Grants and Local Contributions	62,269
Distribution of State Surplus	237,334
Total inter-governmental revenue	<u>827,147</u>
Interest Income	<u>7,265</u>
Fines and Forfeitures	<u>47,331</u>
Miscellaneous Income:	
Kemmerer Foundation grants	51,500
Rents	3,000
Reimbursements	49,335
Various other, fees	3,565
Total miscellaneous income	<u>107,400</u>
Total Revenues	<u><u>\$ 3,445,020</u></u>

City of Kemmerer, Wyoming
Schedule of Departmental Expenditures – General Fund
For the Year Ended June 30, 2014

	Personnel Services	Supporting Services	Capital Outlay	Total
General Government:				
Legislative	\$ 9,177	\$ 37,047	\$ -	\$ 46,224
Economic development	-	133,878	-	133,878
City administration	355,253	140,807	12,576	508,636
Legal services	-	21,183	-	21,183
City Hall	36,784	58,662	-	95,446
Total General Government	<u>401,214</u>	<u>391,577</u>	<u>12,576</u>	<u>805,367</u>
Public Safety:				
Police administration	529,014	90,971	73,320	693,305
Animal control	-	2,800	-	2,800
Total Public Safety	<u>529,014</u>	<u>93,771</u>	<u>73,320</u>	<u>696,105</u>
Streets and Highways:				
Administration	-	17,087	77,987	95,074
Street maintenance	230,400	155,231	83,228	468,859
City Shop	-	-	-	-
Total Streets and Highways	<u>230,400</u>	<u>172,318</u>	<u>161,215</u>	<u>563,933</u>
Parks and Recreation:				
Administration	39,629	5,237	1,089	45,955
Leisure programs	60,069	44,137	13,985	118,191
Park maintenance	67,912	95,064	8,908	171,884
Recreational facility	95,782	80,689	12,918	189,389
Golf course, ball field	68,305	111,952	19,196	199,453
Total Parks and Recreation	<u>331,697</u>	<u>337,079</u>	<u>56,096</u>	<u>724,872</u>
Sanitation:				
Operations	158,776	94,461	-	253,237
Municipal Court:				
Administration	35,373	24,212	-	59,585
Building Inspection/Zoning	17,764	31,518	12,468	61,750
South Lincoln Training and Event Center:				
Operations	143,691	196,393	11,390	351,474
Debt Service (lease payments)	-	36,915	-	36,915
Total Expenditures	<u>\$ 1,847,929</u>	<u>\$ 1,378,244</u>	<u>\$ 327,065</u>	<u>\$ 3,553,238</u>



Compliance and Internal Control
June 30, 2014

City of Kemmerer, Wyoming



CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Honorable Mayor and Members of the City Council
City of Kemmerer, Wyoming

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Kemmerer, Wyoming (the "City") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon, dated December 12, 2014.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings that we consider to be a significant deficiency, see item 2014-01.

Compliance and Other Matters

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

City's Response to Findings

The City's response to the finding identified in our audit is described in the accompanying schedule of findings. The City'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 City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

December 12, 2014
Salt Lake City, Utah

2014-01: Internal Control over Preparation of Financial Statements (Significant Deficiency)

Criteria: Management of the City and those charged with governance are 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.

Condition: The City does not have an internal control system designed to provide for the preparation of the consolidated financial statements being audited. As auditors, we were requested to draft the consolidated financial statements and accompanying notes to the consolidated financial statements.

Cause: The City does not have an internal control system designed to provide for the preparation of the consolidated financial statements being audited.

Effect or Potential Effect: Although this circumstance is not unusual for an organization of your size, the absence of controls over the preparation of financial statements increases the possibility that a misstatement of the financial statements could occur and not be prevented, or detected and corrected, by the City's internal control. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with the condition because of cost or other considerations.

Management's Response: Because of staffing restrictions, it is more cost effective for the City to have the auditors prepare the financial statements. The administrative services director, City Administrator, Mayor and Council review the financial statements monthly. We feel we have on staff a person with suitable knowledge, skills and experience to oversee the non-audit services provided by the auditor.