

CITY OF KEMMERER
FINANCIAL STATEMENTS

June 30, 2016



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INDEPENDENT AUDITORS' REPORT

To the Mayor and 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, and each major fund of the City of Kemmerer, Wyoming (the City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. 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, and each major fund of the City as of June 30, 2016, and 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, the schedule of the proportionate share of the net pension liability, and the schedule of contributions, as listed in the table of contents, 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's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates 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 supplementary information is 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, 2016, on our consideration of the City'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 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.



JONES SIMKINS LLC
Logan, Utah
December 21, 2016

CITY OF KEMMERER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

INTRODUCTION

As management of the City of Kemmerer, Wyoming (the City), we offer the readers of the City's financial statements this narrative overview and analysis of the financial statements of the City for the fiscal year ended June 30, 2016. 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 and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of June 30, 2016 by \$21,840,785 (net position). Of this amount, \$727,786 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased by \$951,244.
- At the close of the year, the City's general fund reported ending fund balance of \$2,698,325. Of this amount \$2,682,259 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 the City's basic financial statements.

This report complies with the City's reporting requirement 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 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, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as *net position*. The City's capital assets (land, buildings, equipment, etc.) 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 City'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.

CITY OF KEMMERER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

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 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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds utilized by the City can be divided into two categories: *governmental funds and proprietary funds*.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the *government-wide financial statements*. However, for accounting and reporting purposes, government fund numbers are determined with a different approach. At the fund level, the focus is on changes in 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 13 and 15 of this report.

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

Proprietary Funds - The City maintains one proprietary fund. *Proprietary funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses a proprietary fund to account for the operation of the Airport Fund. The Airport fund financial statements are on pages 16 to 18 of this report.

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 19 of this report.

Other information - The budgetary comparison statement for the general fund can be found on page 51 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 position, and capital assets contain comparative data.

CITY OF KEMMERER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

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 Statement of Net Position in the basic financial statements.

SCHEDULE OF NET POSITION

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 3,070,070	3,390,302	349,154	342,163	3,419,224	3,732,465
Capital assets	<u>14,576,848</u>	<u>14,846,465</u>	<u>5,649,112</u>	<u>5,990,271</u>	<u>20,225,960</u>	<u>20,836,736</u>
Total assets	<u>17,646,918</u>	<u>18,236,767</u>	<u>5,998,266</u>	<u>6,332,434</u>	<u>23,645,184</u>	<u>24,569,201</u>
Deferred outflows of resources	<u>464,050</u>	<u>194,838</u>	<u>10,868</u>	<u>5,651</u>	<u>474,918</u>	<u>200,489</u>
Current liabilities	430,745	421,559	16,360	9,289	447,105	430,848
Non-current liabilities	<u>1,649,361</u>	<u>1,387,845</u>	<u>44,379</u>	<u>29,834</u>	<u>1,693,740</u>	<u>1,417,679</u>
Total liabilities	<u>2,080,106</u>	<u>1,809,404</u>	<u>60,739</u>	<u>39,123</u>	<u>2,140,845</u>	<u>1,848,527</u>
Deferred inflows of resources	<u>137,533</u>	<u>129,134</u>	<u>939</u>	<u>-</u>	<u>138,472</u>	<u>129,134</u>
Net investment in capital assets	14,182,295	14,846,465	5,649,112	5,990,271	19,831,407	20,836,736
Unrestricted	<u>1,711,034</u>	<u>1,646,602</u>	<u>298,344</u>	<u>308,691</u>	<u>2,009,378</u>	<u>1,955,293</u>
Total net position	\$ <u>15,893,329</u>	<u>16,493,067</u>	<u>5,947,456</u>	<u>6,298,962</u>	<u>21,840,785</u>	<u>22,792,029</u>

As depicted at June 30, 2015, the City's assets exceeded liabilities by approximately \$22.79 million (net position). At June 30, 2016, the City's assets exceeded liabilities by approximately \$21.74 million (net position). 90% of this amount is represented by the City's net 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 position for 2016 and 2015.

CITY OF KEMMERER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:						
Program revenues:						
Charges for services	\$ 797,780	787,652	37,306	90,000	835,086	877,652
Operating grants and contributions	648,153	535,832	65,752	39,429	713,905	575,261
Capital grants and contributions	384,488	108,380	64,510	175,443	448,998	283,823
General revenues:						
Taxes	1,834,713	1,766,504	-	-	1,834,713	1,766,504
Interest	8,586	9,474	-	-	8,586	9,474
Mineral royalties	191,858	191,699	-	-	191,858	191,699
Net transfers from Joint Powers Board	29,869	27,035	-	-	29,869	27,035
Gain on sale of assets	16,500	-	-	-	16,500	-
Miscellaneous	20,103	85,014	3,444	4,364	23,547	89,378
Transfers	(80,413)	(111,874)	80,413	111,874	-	-
Total revenues and transfers	<u>3,851,637</u>	<u>3,399,716</u>	<u>251,425</u>	<u>421,110</u>	<u>4,103,062</u>	<u>3,820,826</u>
Expenses:						
General government	1,029,572	902,626	-	-	1,029,572	902,626
Public safety	755,590	682,202	-	-	755,590	682,202
Streets and highways	922,049	791,912	-	-	922,049	791,912
Parks and recreation	553,882	726,526	-	-	553,882	726,526
Engineering/City safety	8,233	16,165	-	-	8,233	16,165
Sanitation	487,579	275,399	-	-	487,579	275,399
Municipal court	139,758	67,473	-	-	139,758	67,473
Building inspections	102,925	98,103	-	-	102,925	98,103
South Lincoln Training and Event Center	439,226	499,053	-	-	439,226	499,053
Loss on sale of capital assets	-	54,603	-	-	-	54,603
Interest on long-term debt	12,561	5,509	-	-	12,561	5,509
Airport	-	-	602,931	580,647	602,931	580,647
Total expenses	<u>4,451,375</u>	<u>4,119,571</u>	<u>602,931</u>	<u>580,647</u>	<u>5,054,306</u>	<u>4,700,218</u>
Change in net position	(599,738)	(719,855)	(351,506)	(159,537)	(951,244)	(879,392)
Net position - beginning	<u>16,493,067</u>	<u>17,212,922</u>	<u>6,298,962</u>	<u>6,458,499</u>	<u>22,792,029</u>	<u>23,671,421</u>
Net position - ending	<u>\$ 15,893,329</u>	<u>16,493,067</u>	<u>5,947,456</u>	<u>6,298,962</u>	<u>21,840,785</u>	<u>22,792,029</u>

CITY OF KEMMERER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Governmental activities - Governmental activities decreased the City's net position by \$599,738 compared to a decrease in net position of \$719,855 in the prior year. The key elements of this decrease are as follows:

- In FY 15-16, the City Council adopted a very conservative budget because of the downshift in the local and state economy in the prior year. The City's share of state and local sales and use taxes and property taxes came in above budgeted amounts. In addition, the amount that was budgeted for one-time monies from the state was the number to be received over two years, instead of just over that fiscal year.
- The City received a one-time distribution of state monies in the amount of \$232,810, which was used for the City's match for capital projects and maintenance.

Business-type activities - The business type activity is the Kemmerer Municipal Airport. These activities decreased net assets by \$447,416. The main reason for the change in net position is depreciation.

GENERAL FUND BUDGET HIGHLIGHTS

Schedules for revenues and expenditures of the general fund can be seen on pages 57-58.

The differences between the original budget and the final amounts represent changes made by the council as additional facts and information became available. They included economic factors and corrections that needed to be made to the original adopted budget.

Because of the trending shift in the local and statewide economy, the City closely monitored the amount of funding coming in and expenditures going out. Towards the end of the fiscal year, overtime worked and unnecessary expenditures were also held down.

LONG-TERM DEBT

At year-end, the City had \$1,649,361 in total long-term liabilities for governmental activities and \$44,379 for business-type activities. Long-term liabilities consisted of compensated absences, loans payable to the State of Wyoming for water and wastewater improvements, equipment leases that were contracted for during the fiscal year, and the City's net pension liability.

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.

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CITY OF KEMMERER
STATEMENT OF NET POSITION
June 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Cash and investments	\$ 2,569,857	335,402	2,905,259
Due from other governments	431,024	-	431,024
Receivables	53,123	13,752	66,875
Inventories	16,066	-	16,066
Nondepreciable capital assets	3,525,368	288,105	3,813,473
Depreciable capital assets	21,320,096	11,039,700	32,359,796
Accumulated depreciation	(10,268,616)	(5,678,693)	(15,947,309)
 Total assets	 17,646,918	 5,998,266	 23,645,184
<u>Deferred Outflows of Resources</u>			
Pensions	464,050	10,868	474,918
 Total deferred outflows of resources	 464,050	 10,868	 474,918
<u>Liabilities</u>			
Payables and accrued expenses	226,835	16,130	242,965
Court bonds and other funds held	26,388	230	26,618
Unearned revenue	3,522	-	3,522
Long-term liabilities			
Due within one year	174,000	-	174,000
Due in more than one year	414,726	-	414,726
Net pension liability	1,234,635	44,379	1,279,014
 Total liabilities	 2,080,106	 60,739	 2,140,845
<u>Deferred Inflows of Resources</u>			
Property taxes	115,000	-	115,000
Net pension liability	22,533	939	23,472
 Total deferred inflows of resources	 137,533	 939	 138,472
<u>Net Position</u>			
Net investment in capital assets	14,182,295	5,649,112	19,831,407
Unrestricted	1,711,034	298,344	2,009,378
 Total net position	 \$ 15,893,329	 5,947,456	 21,840,785

The accompanying notes are an integral part of these financial statements.

CITY OF KEMMERER
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government:							
Governmental:							
General government	\$ 1,029,572	-	232,810	321,745	(475,017)	-	(475,017)
Public safety	755,590	44,127	-	53,293	(658,170)	-	(658,170)
Streets and highways	922,049	51,542	53,120	-	(817,387)	-	(817,387)
Parks and recreation	553,882	199,426	359,753	-	5,297	-	5,297
Engineering/City Safety	8,233	-	-	-	(8,233)	-	(8,233)
Sanitation	487,579	433,350	-	-	(54,229)	-	(54,229)
Municipal court	139,758	36,413	-	-	(103,345)	-	(103,345)
Building inspection/zoning	102,925	-	-	-	(102,925)	-	(102,925)
South Lincoln Training and Event Center	439,226	32,922	2,470	9,450	(394,384)	-	(394,384)
Interest on long-term debt	12,561	-	-	-	(12,561)	-	(12,561)
Total governmental activities	4,451,375	797,780	648,153	384,488	(2,620,954)	-	(2,620,954)
Business-type activities:							
Airport	602,931	37,306	65,752	64,510	-	(435,363)	(435,363)
Total business-type activities	602,931	37,306	65,752	64,510	-	(435,363)	(435,363)
Total primary government	\$ 5,054,306	835,086	713,905	448,998	(2,620,954)	(435,363)	(3,056,317)
General revenues:							
Taxes:							
Sales, use, and other taxes				\$ 1,538,888	-	1,538,888	
Property tax				130,043	-	130,043	
Franchise taxes				78,912	-	78,912	
Vehicle registration taxes				86,870	-	86,870	
Total taxes				1,834,713	-	1,834,713	
Interest and investment earnings				8,586	-	8,586	
Mineral royalties				191,858	-	191,858	
Gain on disposal of assets				16,500	-	16,500	
Net transfers from Joint Powers Board				29,869	-	29,869	
Miscellaneous				20,103	3,444	23,547	
Transfers				(80,413)	80,413	-	
Total general revenues and transfers				2,021,216	83,857	2,105,073	
Change in net position				(599,738)	(351,506)	(951,244)	
Net position - beginning				16,493,067	6,298,962	22,792,029	
Net position - ending				\$ 15,893,329	5,947,456	21,840,785	

The accompanying notes are an integral part of these financial statements.

CITY OF KEMMERER
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	General	Total Governmental Funds
<u>Assets</u>		
Cash and investments	\$ 2,569,857	2,569,857
Due from other governments	431,024	431,024
Receivables	53,123	53,123
Inventories	16,066	16,066
Total assets	3,070,070	3,070,070
<u>Liabilities</u>		
Liabilities:		
Payables and accrued expenses	226,835	226,835
Court bonds and other funds held	26,388	26,388
Unearned revenue	3,522	3,522
Total liabilities	256,745	256,745
<u>Deferred Inflows of Resources</u>		
Unavailable revenue - property taxes	115,000	115,000
Total deferred inflows of resources	115,000	115,000
<u>Fund Balances</u>		
Nonspendable: inventories	16,066	16,066
Assigned	1,265,526	1,265,526
Unassigned	1,416,733	1,416,733
Total fund balances	2,698,325	2,698,325
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,070,070	3,070,070

The accompanying notes are an integral part of these financial statements.

CITY OF KEMMERER
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2016

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances - governmental funds	\$	2,698,325
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Deferred outflows of resources related to pensions are not reported in the funds.		464,050
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$	3,285,613	
Construction in process		239,755	
Infrastructure		9,494,844	
Buildings and improvements		7,120,649	
Furniture and equipment		4,704,603	
Accumulated depreciation		<u>(10,268,616)</u>	
			14,576,848

Long-term liabilities, including debt and related accrued interest, compensated absences, and net pension liability are not due and payable in the current period and, therefore, are not reported in the funds.

Notes payable		(194,173)	
Compensated absences		(306,835)	
Capital leases		(87,718)	
Net pension liability		<u>(1,234,635)</u>	
			(1,823,361)

Deferred inflows of resources related to pensions are not reported in the funds.		<u>(22,533)</u>
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Net position of governmental activities	\$	<u><u>15,893,329</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF KEMMERER
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year Ended June 30, 2016

	General	Total Governmental Funds
Revenues:		
Taxes	\$ 1,830,817	1,830,817
Licenses and permits	44,127	44,127
Intergovernmental	1,170,656	1,170,656
Charges for services	717,240	717,240
Fines and forfeitures	36,413	36,413
Miscellaneous	102,928	102,928
Total revenues	3,902,181	3,902,181
Expenditures:		
Current:		
General government	739,408	739,408
Public safety	756,600	756,600
Streets and highways	612,438	612,438
Parks and recreation	860,752	860,752
Sanitation	466,741	466,741
Municipal court	139,757	139,757
Building inspection/zoning	102,925	102,925
South Lincoln Training and Event Center	303,361	303,361
Debt service	112,812	112,812
Total expenditures	4,094,794	4,094,794
Excess of revenues over expenditures	(192,613)	(192,613)
Other financing sources (uses):		
Transfers from Joint Powers Board - Debt	29,869	29,869
Transfers to Airport Fund	(80,413)	(80,413)
Total other financing uses	(50,544)	(50,544)
Net change in fund balance	(243,157)	(243,157)
Fund balance - beginning	2,941,482	2,941,482
Fund balance - ending	\$ 2,698,325	2,698,325

The accompanying notes are an integral part of these financial statements.

CITY OF KEMMERER
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

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

Net change in fund balance - total governmental funds \$ (243,157)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets are allocated over their estimated useful lives as depreciation expense.

Capital outlays	\$	316,854	
Depreciation expense		<u>(586,471)</u>	
			(269,617)

The net effect of transactions involving net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense is to increase net position. (179,274)

Some expenses reported in the statement of activities (e.g., compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the government funds. (7,942)

The repayment of principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 100,252

Change in net position of governmental activities \$ (599,738)

The accompanying notes are an integral part of these financial statements.

CITY OF KEMMERER
STATEMENT OF NET POSITION –
PROPRIETARY FUNDS
June 30, 2016

	<u>Airport Fund</u>	<u>Total Proprietary Funds</u>
<u>Assets</u>		
Current assets:		
Cash and investments	\$ 335,402	335,402
Receivables, net	13,752	13,752
Total current assets	349,154	349,154
Non-current assets:		
Nondepreciable capital assets	288,105	288,105
Depreciable capital assets	11,039,700	11,039,700
Accumulated depreciation	(5,678,693)	(5,678,693)
Total non-current assets	5,649,112	5,649,112
Total assets	5,998,266	5,998,266
<u>Deferred Outflows of Resources</u>		
Pensions	10,868	10,868
Total deferred outflows of resources	10,868	10,868
<u>Liabilities</u>		
Current liabilities:		
Payables and accrued expenses	16,132	16,132
Customer deposits	230	230
Total current liabilities	16,362	16,362
Net pension liability	44,379	44,379
Total liabilities	60,741	60,741
<u>Deferred Inflows of Resources</u>		
Pensions	939	939
Total deferred inflows of resources	939	939
<u>Net Position</u>		
Net investment in capital assets	5,649,112	5,649,112
Unrestricted	298,342	298,342
Total net position	\$ 5,947,454	5,947,454

The accompanying notes are an integral part of these financial statements.

CITY OF KEMMERER
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION –
PROPRIETARY FUNDS
Year Ended June 30, 2016

	<u>Airport</u> <u>Fund</u>	<u>Total</u> <u>Proprietary</u> <u>Funds</u>
Operating revenues:		
Charges for services	\$ 37,306	37,306
Contributions from Lincoln County	65,752	65,752
Miscellaneous	3,443	3,443
	<hr/>	<hr/>
Total operating revenues	106,501	106,501
	<hr/>	<hr/>
Operating expenses:		
Personnel services	101,791	101,791
Aviation fuel purchases	23,432	23,432
Contractual services	13,871	13,871
Supplies	3,424	3,424
Utilities and telephone	12,860	12,860
Maintenance	14,556	14,556
Miscellaneous, administration	3,681	3,681
Depreciation	429,317	429,317
	<hr/>	<hr/>
Total operating expenses	602,932	602,932
	<hr/>	<hr/>
Operating loss	(496,431)	(496,431)
	<hr/>	<hr/>
Non-operating revenues:		
Grant proceeds	64,510	64,510
	<hr/>	<hr/>
Total non-operating revenues	64,510	64,510
	<hr/>	<hr/>
Loss before transfers	(431,921)	(431,921)
	<hr/>	<hr/>
Transfer from the General Fund	80,413	80,413
	<hr/>	<hr/>
Change in net position	(351,508)	(351,508)
	<hr/>	<hr/>
Net position - beginning	6,298,962	6,298,962
	<hr/>	<hr/>
Net position - ending	\$ 5,947,454	5,947,454
	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

CITY OF KEMMERER
STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS
Year Ended June 30, 2016

	<u>Airport Fund</u>	<u>Total Proprietary Funds</u>
<u>Cash flows from operating activities:</u>		
Receipts from customers and users	\$ 92,879	92,879
Payments to suppliers	(64,751)	(64,751)
Payments to employees	(91,524)	(91,524)
	<u>(63,396)</u>	<u>(63,396)</u>
<u>Cash flows from non-capital financing activities:</u>		
Interfund transfers	<u>80,413</u>	<u>80,413</u>
Net cash provided by non-capital financing activities	<u>80,413</u>	<u>80,413</u>
<u>Cash flows from capital and related financing activities:</u>		
Capital grant proceeds	64,510	64,510
Acquisition and construction of capital assets	(88,158)	(88,158)
Net cash used in capital and related financing activities	<u>(23,648)</u>	<u>(23,648)</u>
Net cash provided by investing activities	<u>-</u>	<u>-</u>
Net decrease in cash	(6,631)	(6,631)
Cash - beginning	<u>342,033</u>	<u>342,033</u>
Cash - ending	<u>\$ 335,402</u>	<u>335,402</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ <u>(496,431)</u>	<u>(496,431)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	429,317	429,317
Pension expense	10,267	10,267
Net change in assets and liabilities:		
Increase in receivables	(13,622)	(13,622)
Increase in payables and accrued expenses	<u>7,073</u>	<u>7,073</u>
Total adjustments	<u>433,035</u>	<u>433,035</u>
Net cash used in operating activities	<u>\$ (63,396)</u>	<u>(63,396)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF KEMMERER
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1 – Summary of Significant Accounting Policies

The City of Kemmerer, Wyoming (the City), operates as an incorporated governmental entity within the State of Wyoming. The City operates under the Council-Mayor form of government and provides the following services: public safety (police and fire), culture-recreation, public improvements, planning and zoning, and general administrative services.

The airport activity is accounted for as an enterprise fund.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (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 more significant accounting policies established in GAAP and used by the City are discussed below.

Financial Reporting Entity

The City's basic financial statements include the accounts of all City operations. The accounting policies of the City conform to generally accepted accounting principles.

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 government board.

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 Lincoln County.

On June 28, 1991, the City agreed to form, with the town of Diamondville, Wyoming, the Kemmerer-Diamondville Water and Wastewater Joint Powers Board (KDJPB) in accordance with applicable provisions of Wyoming statutes. The purpose of the KDJPB 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 KDJPB related to the KDJPB assuming responsibility for operation of the water and wastewater systems effective March 5, 1992. These agreements were substantially modified effective October 27, 1992.

CITY OF KEMMERER
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

The first modified agreement conveys certain real and personal property constituting the City's water and wastewater systems, which had been leased to the KDJPB under the prior agreement. The KDJPB 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 KDJPB 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 KDJPB assumed responsibility for payment on the various loans. In the event of voluntary or involuntary default by the KDJPB 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.

Audited financial statements can be obtained from the KDJPB by writing to 220 WY-233, Kemmerer, Wyoming, 83101.

Basic Financial Statements - Government-Wide Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's public safety, streets and highways, parks and recreation, engineering and city safety, sanitation, municipal court, building inspection and zoning, and event center, and general administrative services are classified as governmental activities. The City's airport services are classified as business-type activities.

Governmental activities are usually 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.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term liabilities and obligations. The City's net position is reported in three parts: net investment in capital assets; restricted net position; and unrestricted net position.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (general, public safety, streets and highways, etc.). The functions are also supported by general government revenues (property taxes, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating grants and contributions, and capital grants and contributions.

CITY OF KEMMERER
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue (property or sales taxes, certain intergovernmental revenues, interest income, etc.). The City does not allocate indirect costs.

These government-wide statements focus more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

Basic Financial Statements – Fund Statements

The City's accounting system is organized on a fund basis. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the government establishes for accountability purposes in accordance with statutes, laws, regulations, restrictions, or specific purposes.

Separate financial statements are provided for governmental funds and proprietary funds. The emphasis of fund financial statements is on major individual funds, as defined by GASB Statement No. 34, with each displayed as a separate column. All remaining governmental and proprietary funds are aggregated and reported as non-major funds in their respective fund financial statements.

The following fund types are used by the City:

Governmental Funds

The focus of the governmental funds' measurement (in the fund financial statements) is on determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than on net income.

The following is a description of the governmental funds of the City:

- The **General Fund** is the general operating fund of the City and is the City's only major governmental fund. It is used to account for all financial resources except those required to be accounted for in another fund.
- In 2016, Management of the City determined that the use of the City's **Capital Projects Fund** was no longer necessary and a resolution was made to discontinue use and presentation of this fund in the City's financial statements.

CITY OF KEMMERER
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector.

The following is a description of the proprietary fund of the City. 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. Revenues and expenses not meeting this definition, such as investment earnings, are reported as non-operating.

Proprietary funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is (a) financed with debt that is solely secured by a pledge of the fund's net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

The City's only proprietary fund consists of the Airport fund which accounts for the operations of the City's airport.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transaction or events for recognition in the financial statements. The following provides a summary of the measurement focus and basis of accounting used by the City.

Economic Resources Measurement Focus and Accrual Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized 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.

CITY OF KEMMERER
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

Current Financial Resources Measurement Focus and Modified Accrual Basis of Accounting

The governmental funds 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 (the availability period) of the end of the current fiscal period. An exception to this policy is expenditure-drive grant revenues, which generally are considered to be available if the eligible expenditures have been made. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service and compensated absences expenditures are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, motor vehicle taxes, other taxes, and interest income associated with the current fiscal period that are susceptible to accrual, and received in the availability period (within 60 days of year-end), are recognized as revenues of the fiscal period they are intended to finance. All taxes and internally dedicated resources are reported as general revenues. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. Program revenues, which include charges to customers and contributions for operational or capital requirements, are recorded as revenue when earned and the amount is received within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered measureable and available only when cash is received by the government.

Proprietary funds

Proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish between operating revenues and non-operating items. Operating revenues generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. Subsidies and grants to proprietary funds, which finance either capital projects or current operations, are reported as non-operating revenue or capital contributions. Other revenues that do not result from providing services are reported as non-operating revenues.

For proprietary fund financial statements, operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets.

CITY OF KEMMERER
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

Financial Statement Amounts

Cash and Cash Equivalents

For the purposes of the Statement of Net Position, the term “cash and cash equivalents” includes all demand deposits, savings accounts, certificates of deposit, or other short-term, highly liquid investments. For the purposes of the Statement of Cash Flows, the enterprise funds consider all highly liquid investments (including restricted assets) with original maturities of three months or less to be cash equivalents.

Pooled Cash and Cash Equivalents

Wherever possible, the City’s cash accounts are pooled into common pooled accounts in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash accounts has equity therein. An individual fund’s equity in the pooled cash accounts is available on demand and is considered to be cash equivalents for purposes of these financial statements. Negative balances incurred in pooled cash at year-end are treated as interfund payables of the deficit account and interfund receivables in other funds with positive balances. Investments of the pool are reported at fair value.

Interfund Balances and Transactions

During the course of operations, transactions sometimes occur between individual funds that may result in amounts owed between funds. Interfund receivables and payables between funds within governmental activities or between funds within business-type activities are eliminated in the Statement of Net Position. Transfers are used to report flows of cash (or other assets) between funds without equivalent flows of assets in return or a requirement for repayment. In the government-wide Statement of Activities, transfers between governmental funds have been eliminated. In the fund financial statements, transfers are reported as other financing sources or uses.

Receivables and Due from Other Governments

Receivables and amounts due from other governments consist of all revenues earned at year-end but received after year-end. All receivable due from other governments balances are reported net of any allowance for uncollectible accounts. Allowances for uncollectible accounts are based upon historical trends. Receivables and due from other governments balances for governmental activities include sales taxes, franchise taxes, property taxes, other taxes, and grants. Business-type activities report receivables and due from other governments for utility service fees and grants.

CITY OF KEMMERER
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

Inventories

Inventories are valued at the lower of cost (first-in, first-out method) or market and consist of shop supplies for maintenance of City equipment. In the governmental fund financial statements, expenditures are recorded as inventory is used (consumption method).

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Contributed assets are reported at fair market value as of the date received. Other costs for repairs and maintenance are expensed as incurred.

Depreciation on all depreciable assets has been provided over the estimated useful lives using the straight-line method. The ranges of estimated useful lives are as follows:

Buildings and improvements	30 years
Machinery and equipment	5 to 49 years
Infrastructure	12 to 50 years
Automobiles and trucks	5 to 10 years

In the governmental fund financial statements, the acquisition or construction of capital assets is accounted for as capital outlay expenditures.

Capitalized Interest

The City capitalizes material net interest costs as part of the cost of construction for proprietary capital projects when interest costs are material.

CITY OF KEMMERER
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The following items qualify for reporting in this category.

- Retirement plan contributions made by the City prior to the City's fiscal year end, but subsequent to the pension measurement date of December 31, 2015.
- The net difference between projected and actual earnings on pension plan investments.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The following items qualify for reporting in this category.

- Property taxes for future periods are reported in both the governmental funds balance sheet and the entity-wide statement of net position. Property tax revenues are not recognized prior to the period which they are intended to finance, even if an enforceable lien is in place prior to the beginning of the intended period. Thus, property taxes received or receivable as of year-end, which are intended to finance the following fiscal year, are recorded as deferred inflows.
- Pension related differences between expected and actual experience and changes in pension assumptions.

Pension Related Assets, Liabilities and Deferred Outflows and Inflows of Resources

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wyoming Retirement System (the System) and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF KEMMERER
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

Compensated Absences

The City's policies regarding vacation time permit employees to accumulate unused vacation leave. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds do not report a long-term liability for compensated absences while proprietary funds report the entire liability. Compensated absences related to governmental activities are usually liquidated by the General Fund. In the government-wide financial statements, the liability for governmental activities compensated absences is included in current liabilities.

Long-term Liabilities

The accounting treatment of long-term liabilities 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.

In the government-wide financial statements, long-term liabilities and obligations are reported as liabilities in the statement of net position. Debt issuance costs, except any portion related to prepaid insurance costs, are recognized as an expense in the period incurred. Prepaid insurance costs are recorded as an asset and recognized as an expense in a systematic and rational manner over the duration of the related debt. The long-term liabilities consist of a note payable, capital leases, and accrued compensated absences.

In the governmental fund financial statements the face amount of debt issued is reported as other financing sources and payments of principal and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. The accounting for proprietary fund long-term liabilities is the same in the fund statements as it is in the government-wide statements.

CITY OF KEMMERER
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

Equity Classifications

Equity in the government-wide financial statements and proprietary fund financial statements is classified as net position and displayed in three components:

- Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.
- Restricted net position – Consists of net position with constraints placed on their use whether by: 1) external groups such as creditors, grantors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

Fund Balance Classifications

Governmental fund equity is classified as fund balance in the fund financial statements. Fund balance is further classified based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted - This classification includes amounts for which constraints have been placed on the use of resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

CITY OF KEMMERER
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balance Classifications (continued)

Assigned - This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or City administrator. No other governing body or officials have this authority delegated to them. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned - This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by the offsetting of assigned fund balance amounts.

Net position flow assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund balance flow assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Estimates

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

CITY OF KEMMERER
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

Property Tax Calendar

Lincoln County assesses all taxable property other than centrally assessed property, which is assessed by the State of Wyoming, by January 1 of each year. The City must adopt a final tax rate prior to the third Monday of July. Property taxes are levied by Lincoln County on or about August 1 and are payable in two installments in November and May. Lincoln County collects all property tax payments and remits the collections to the City monthly. State law allows anyone to pay the delinquent taxes on a property and obtain an enforceable lien on that property. Therefore, the City’s delinquent property taxes are insignificant.

Note 2 – Deposits and Investments

The State of Wyoming has established laws regarding the investment of public funds (Wyoming Statutes, 9-4). The City’s adopted investment policy refers to State laws and indicates the City will comply with State laws.

The City’s deposits and investments consist of the following:

<u>Financial Statement Description</u>	<u>Deposits</u>	<u>Investments</u>	<u>Cash</u>	<u>Total</u>
Pooled cash and investments:				
Demand deposits	\$ 473,531	-	-	473,531
Total pooled cash and investments	<u>473,531</u>	<u>-</u>	<u>-</u>	<u>473,531</u>
Other cash and investments:				
Cash-on-hand	-	-	650	650
Demand deposits	196,218	-	-	196,218
Wyo-Star investment pool	-	933,424	-	933,424
Wyoming Government Investment Fund	-	224,274	-	224,274
Certificates of deposit	<u>1,077,162</u>	<u>-</u>	<u>-</u>	<u>1,077,162</u>
Total other cash and investments	<u>1,273,380</u>	<u>1,157,698</u>	<u>650</u>	<u>2,431,728</u>
Total cash and investments	<u>\$ 1,746,911</u>	<u>1,157,698</u>	<u>650</u>	<u>2,905,259</u>

CITY OF KEMMERER
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 2 – Deposits and Investments (continued)

Deposits

State law specifies the types of financial institutions in which the City can deposit monies. State law also requires that all deposits in financial institutions be fully insured by the Federal Deposit Insurance Corporation or secured by a pledge of collateral or the furnishing of a surety bond. At June 30, 2016, \$2,425,595 of the City's bank balances of \$2,925,595 was uninsured, but all of the City's bank balances were collateralized by the pledging financial institutions.

Investment Pools

The City has investments in WYO-STAR, a government investment pool operated by the State of Wyoming Treasurer's Office. WYO-STAR is available for investments of funds administered by any local government entity within the State of Wyoming.

WYO-STAR is not registered with the SEC as an investment company. WYO-STAR is authorized and regulated by the laws of the State of Wyoming. Deposits in WYO-STAR are not insured or otherwise guaranteed by the State of Wyoming, and participants share proportionally in any realized gains or losses on investments.

WYO-STAR operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of WYO-STAR are allocated monthly based on the participant's average balance in relation to the total balance of the pool. The fair value of the WYO-STAR investment pool is approximately equal to the value of the pool shares.

The City has investments with the Wyoming Government Investment Fund (WGIF), an investment pool authorized by the State of Wyoming and managed by a private investment management firm. WGIF is available for investments of funds administered by any local government entity within the State of Wyoming. WGIF offers cash management investments providing daily liquidity as well as fixed-rate, fixed-term investments.

WGIF is not registered with the SEC as an investment company. Deposits in WGIF are not insured or otherwise guaranteed by the State of Wyoming, and participants share proportionally in any realized gains or losses on investments.

WGIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of WGIF are allocated monthly based on the participant's average balance in relation to the total balance of the pool. The fair value of the WGIF investment pool is approximately equal to the value of the pool shares.

CITY OF KEMMERER
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 2 – Deposits and Investments (continued)

Investment Pools (continued)

Amounts held in investment pools are carried at amortized cost and are considered cash and cash equivalents.

Investments

Wyoming statutes (W.S. 9-4-831) specifically identify the types of investments that may be held by the City and the conditions for making investment transactions. Accordingly the City may invest in the following investments:

- United States treasury bills, notes, or bonds or any other obligation issued by the United States treasury or guaranteed by the United States;
- bonds, notes, debentures or any other obligation or securities issued by or guaranteed by any federal government agency or instrumentality;
- repurchase agreements involving securities which are authorized investments that have been previously mentioned and subject to certain limitations, mortgage-backed securities that are obligations of or guaranteed or insured issuances of the United States, its agencies, instrumentalities or organizations created by an act of Congress excluding those defined as high risk;
- bankers acceptances eligible for purchase by the federal reserve system;
- guaranteed investment contracts if issued by a United States commercial bank or insurance company whose credit rating is of the highest category;
- a commingled fund of eligible securities if the securities are held through a trust department of a bank authorized to do business in the State of Wyoming or through a trust company authorized to do business in the State of Wyoming with total capital of at least \$10,000,000; bonds of the Wyoming Natural Gas Pipeline Authority and the Wyoming Infrastructure Authority;
- commercial paper of corporations organized and existing under the laws of any state of the United States with a maturity of not more than 270 days and rated by Moody's as P-1 or by Standard and Poor's as A-1 or equivalent ratings indicating that the commercial paper issued by a corporation is of the highest quality rating;
- diversified money market funds in which the City does not own more than 10% of the net position of the funds and subject to several other limits.

The City may also enter into contracts which are determined to be necessary or appropriate to hedge risk or to place the obligation of the bonds, in whole or in part, on the interest rate, cash flow, or other basis; but these contracts may not be used for investment.

CITY OF KEMMERER
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 2 – Deposits and Investments (continued)

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.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. 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.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for reducing exposure to credit risk is to comply with State law.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's policy for reducing exposure to credit risk is to comply with State law.

CITY OF KEMMERER
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 3 – Receivables and Due from Other Governments

The City's receivables and due from other governments consist of the following:

Governmental activities:	
Due from other governments:	
Property tax	\$ 115,000
Sales tax	106,558
Other	<u>209,466</u>
Total due from other governments	431,024
Receivables	<u>53,123</u>
Total governmental activities	\$ <u><u>484,147</u></u>
Business-type activities:	
Receivables:	
Airport	\$ <u>13,752</u>
Total receivables	<u>13,752</u>
Total business-type activities	\$ <u><u>27,504</u></u>

CITY OF KEMMERER
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 4 – Payables and Accrued Expenses

The City's payables and accrued expenses consist of the following:

Governmental activities:	
Payables and accrued expenses:	
Payables to vendors	\$ 186,608
Payroll and benefits	38,446
Other	<u>1,781</u>
Total governmental activities	\$ <u><u>226,835</u></u>
Business-type activities:	
Payables and accrued expenses:	
Payables to vendors	\$ 15,090
Payroll and benefits	<u>1,040</u>
Total business-type activities	\$ <u><u>16,130</u></u>

CITY OF KEMMERER
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 5 – Capital Assets

Governmental activities capital assets activity is as follows:

	July 1, 2015	Additions	Deletions	June 30, 2016
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 3,285,613	-	-	3,285,613
Construction in process	-	239,755	-	239,755
Total capital assets not being depreciated	3,285,613	239,755	-	3,525,368
Capital assets being depreciated:				
Infrastructure	9,494,844	-	-	9,494,844
Buildings and improvements	7,120,649	-	-	7,120,649
Furniture and equipment	4,688,504	77,099	(61,000)	4,704,603
Total capital assets being depreciated	21,303,997	77,099	(61,000)	21,320,096
Accumulated depreciation for:				
Infrastructure	(4,896,174)	(178,936)	-	(5,075,110)
Furniture and equipment	(3,584,167)	(245,717)	61,000	(3,768,884)
Buildings and improvements	(1,262,804)	(161,818)	-	(1,424,622)
Total accumulated depreciation	(9,743,145)	(586,471)	61,000	(10,268,616)
Total governmental activities capital assets, net	\$ 14,846,465	(269,617)	-	14,576,848

CITY OF KEMMERER
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 5 – Capital Assets (continued)

Depreciation expense is charged to the functions of the City as follows:

General government	\$ 84,250
Public safety	16,946
Streets and highways	338,769
Parks and recreation	19,272
Sanitation	20,885
Events center	<u>106,349</u>
	\$ <u><u>586,471</u></u>

CITY OF KEMMERER
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 5 – Capital Assets (continued)

Business-type activities capital assets activity is as follows:

	July 1, 2015	Additions	Deletions	June 30, 2016
<u>Business-type activities</u>				
Capital assets not being depreciated:				
Land	\$ 199,947	-	-	199,947
Construction in process	-	88,158	-	88,158
Total capital assets not being depreciated	199,947	88,158	-	288,105
Capital assets being depreciated:				
Buildings, runway, and improvements	10,620,830	-	-	10,620,830
Machinery and equipment	363,942	-	-	363,942
Vehicles	54,928	-	-	54,928
Total capital assets being depreciated	\$ 11,039,700	-	-	11,039,700
Accumulated depreciation for:				
Buildings, runway, and improvements	\$ (4,851,475)	(423,222)	-	(5,274,697)
Machinery and equipment	(342,973)	(6,095)	-	(349,068)
Vehicles	(54,928)	-	-	(54,928)
Total accumulated depreciation	(5,249,376)	(429,317)	-	(5,678,693)
Total capital assets being depreciated, net	5,790,324	(429,317)	-	5,361,007
Total business-type activities capital assets, net	\$ 5,990,271	(341,159)	-	5,649,112

CITY OF KEMMERER
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 6 – Long-term Liabilities

Long-term liability activity is as follows:

<u>Governmental activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Capital leases	\$ 381,872	-	(75,037)	306,835	77,000
Compensated absences	209,820	72,681	(88,328)	194,173	88,000
Note payable	112,933	-	(25,215)	87,718	9,000
 Total governmental long-term liabilities	 \$ <u>704,625</u>	 <u>72,681</u>	 <u>(188,580)</u>	 <u>588,726</u>	 <u>174,000</u>

Governmental Activities

The City has the following long-term debt instrument pertaining to governmental activities:

Note payable:

\$310,200 note payable to the State of Wyoming Office of State Lands and Investments. Payable in annual installments of \$14,440, bearing interest at 4%, matures 2023.

\$ 87,718

\$ 87,718

CITY OF KEMMERER
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 6 – Long-term Liabilities (continued)

The City has the following capital lease obligations pertaining to governmental activities:

Capital lease payable to the Bank of the West in monthly installments of \$2,956, including imputed interest of 2.17%, matures in December 2018, and secured by equipment.	\$ 220,528
Capital lease payable to Uinta Bank in monthly installments of \$3,956, including imputed interest of 2.29%, matures in May 2021, and secured by equipment.	<u>86,307</u>
	<u>\$ 306,835</u>

The following is a schedule of the future minimum lease payments under the governmental activities' capital leases and the present value of the net minimum lease payments:

<u>Year</u>	<u>Amount</u>
2017	\$ 82,943
2018	82,943
2019	65,207
2020	47,470
2021	<u>43,515</u>
Net minimum lease payments	322,078
Less amount representing interest	<u>(15,243)</u>
Present value of minimum lease payments	<u>\$ 306,835</u>

At June 30, 2016, the cost of assets financed by capital leases is \$401,650 net of accumulated depreciation of \$98,521.

CITY OF KEMMERER
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 6 – Long-term Liabilities (continued)

The annual requirements to amortize all governmental activities long-term liabilities are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 9,000	3,710	12,710
2018	9,923	3,134	13,057
2019	10,319	2,738	13,057
2020	10,732	2,325	13,057
2021	11,161	1,896	13,057
2022-2026	<u>36,583</u>	<u>2,937</u>	<u>39,520</u>
Totals	<u>\$ 87,718</u>	<u>16,740</u>	<u>104,458</u>

CITY OF KEMMERER
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 7 – Net Position and Fund Equities

Restricted net position represents monies required to be maintained to satisfy third party agreements or legal requirements. At June 30, 2016, none of the City’s net position is considered restricted.

Nonspendable, restricted, committed, and assigned fund balance represent monies required to be maintained to satisfy third party agreements, legal requirements, enabling legislation, or the assignment of the City’s appointed designee. The following schedule details fund equity balances:

Governmental Activities:

Nonspendable	
Inventory	\$ <u>16,066</u>
Assigned	
Youth program	6,414
Scholarships	220
Equipment replacement	124,757
Council, funds from private donor	387,575
Building maintenance	100,000
Street maintenance	442,489
Health insurance account	195,929
Kitchen fee escrow	7,428
Flex spending program	<u>714</u>
	<u>1,265,526</u>
Unassigned	<u>1,416,733</u>
Total fund balances	\$ <u><u>2,698,325</u></u>

CITY OF KEMMERER
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 8 – Retirement Plans

Defined Benefit Plans

The City participates in the Wyoming Retirement System (the "System"), a statewide cost-sharing multiple-employer public employee retirement system. The System is established and governed by the respective sections of Wyoming state statute. The statute provides for the administration of the System under the direction of the Wyoming State Retirement Board whose members are appointed by the Governor. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. A copy of the report may be obtained by writing to the Wyoming Retirement System, 6101 Yellowstone Road, Suite 500, Cheyenne, Wyoming 82002 or by calling 1-307-777-7691. Substantially all City employees are eligible to participate in following retirement plans offered by the System based upon eligibility and hiring status: 1) Public Employees Pension Plan; 2) Law Enforcement Pension Plan; and 3) Wyoming Deferred Compensation Plan.

Public Employees Pension Plan

The Public Employees Pension Plan (PEPP) is a cost-sharing multiple-employer defined benefit, contributory retirement plan covering substantially all full-time employees of the City.

PEPP statutorily requires 16.62% of the participant's salary to be contributed to PEPP. 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. Through legislation passed during the 2014 legislative session, two tiers of benefits were established for participants of this plan.

- Tier 1, PEPP 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 but will result in a reduction of benefits based on the length of time remaining to age 60.
- Tier 2, PEPP allows for normal retirement after four years of service and attainment of age 65. Early retirement is allowed provided the employee has completed four years of service and attained age 55, or 25 or more years of service but will result in a reduction of benefits based on the length of time remaining to age 65. All employees may also retire upon normal retirement on the bases that the sum of the member's age and service is at least 85.

CITY OF KEMMERER
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 8 – Retirement Plans (continued)

PEPP 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: a 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 adjustment 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.

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 PEPP and be eligible for retirement benefits at age 50 (Tier 1 employees) and 60 (Tier 2 employees).

Contributions to PEPP for the year ended June 30, 2016 were \$138,080.

Law Enforcement Pension Plan

The Wyoming Law Enforcement Pension Plan (LEPP) is a cost-sharing multiple-employer defined benefit, contributory plan covering all law enforcement employees of the City.

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

LEPP statutorily provides retirement, disability and death benefits according to predetermined amounts determined by salary, age and years of service of the participant. Any cost of living adjustment 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 LEPP is 100% funded after the COLA is awarded. Participants may withdraw from LEPP at any time and receive refunds of participant contributions plus accumulated interest.

Contributions to LEPP for the year ended June 30, 2016 were \$61,447.

Wyoming Deferred Compensation Plan

The Plan administered by the System is an IRS Section 457 Deferred Compensation Plan. This Plan is available as a supplemental plan to the defined benefit retirement plans. Contributions may be made into this Plan (subject to plan and Internal Revenue Code limitations) by employees and employer contributions may be made into this Plan at rates determined by the City. During 2016, employees did not contribute to this Plan and the City elected not to make contributions to this Plan on behalf of participating employees.

CITY OF KEMMERER
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 8 – Retirement Plans (continued)

Pension Liabilities, Expense, and Deferred Outflows of Resources Related to Pensions

At June 30, 2016, the City reported an entity-wide net pension liability of \$1,279,014, of which \$1,234,635 is related to governmental activities and \$44,379 is related to the City’s airport proprietary fund

<u>Plan</u>	<u>Proportionate Share</u>	<u>Net Pension Liability</u>
PEPP	0.047631%	\$ 1,109,485
LEPP	0.225678%	<u>169,529</u>
Total net pension liability		<u>\$ 1,279,014</u>

The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension liability was based upon actual historical employer contributions to the plan from the census data submitted to the plan for pay periods ending in 2015.

For the year ended June 30, 2016, the City recognized entity-wide pension expense of \$209,608.

At June 30, 2016, the City reported entity-wide deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	23,472
Net difference between projected and actual earnings on pension plan investments	378,587	-
Contributions subsequent to the measurement date	<u>96,331</u>	<u>-</u>
	<u>\$ 474,918</u>	<u>23,472</u>

CITY OF KEMMERER
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 8 – Retirement Plans (continued)

Deferred outflows of resources related to pensions resulting from City contributions of \$96,331 made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending <u>June 30,</u>	<u>Net Deferred Outflows of Resources</u>
2017	\$ 92,546
2018	92,546
2019	93,242
2020	<u>76,781</u>
	<u>\$ 355,115</u>

Actuarial Assumptions

The total pension liability based on the January 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>PEPP</u>	<u>LEPP</u>
Projected salary increases, includes inflation	4.25% to 6.00%	4.25% to 8.00%
Assumed inflation rate	3.25%	3.25%
Investment Rate of Return	7.75%	7.75%

Mortality rates were based on the RP-2000 Combined Mortality Table, fully generational, for Males and Females, as appropriate, with adjustments for mortality improvements based on Scale BB.

CITY OF KEMMERER
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 8 – Retirement Plans (continued)

Discount Rate

The discount rate used to measure the total pension liability for all plans was 7.75%. The projection of cash flows used to determine the discount rate assumed contributions from participating employers will be made based 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 Systems’ 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.

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 arithmetically below. The geometric expected rate of return is presented for the overall plan.

<u>Asset Class</u>	<u>30 Year Assumptions Nominal Arithmetic Return</u>	<u>30 Year Assumptions Real Arithmetic Return</u>	<u>Policy Allocation</u>	<u>30 Year Assumptions Nominal Geometric Return</u>
Total Plan	8.27%	5.30%	100.00%	7.56%
Inflation	2.75%			
US Equity	8.83%	5.92%	25%	
Non-US Equity	10.37%	7.42%	30%	
Fixed Income	3.86%	1.08%	15%	
Real Estate	7.50%	4.62%	3%	
Private Markets	10.31%	7.36%	9%	
Hedge Funds	6.86%	4.00%	9%	
GAA	7.17%	4.30%	3%	
Risk Parity	6.72%	3.87%	4%	
Cash	3.00%	0.25%	3%	

CITY OF KEMMERER
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 8 – Retirement Plans (continued)

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate:

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease 6.75%	Discount Rate 7.75%	1% Increase 8.75%
<i>PEPP</i>			
Proportionate share of net pension liability	1,592,828	1,109,485	700,861
<i>LEPP</i>			
Proportionate share of net pension liability (asset)	343,971	169,529	25,381

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Wyoming Retirement System financial report.

Note 9 – Risk Management

The City mitigates risk of loss through the purchase of commercial liability insurance and through participation in a local government risk pool. The City pays an annual premium for its general insurance coverage. The pool was created to be self-sustaining through member premiums. There have been no claim settlements which exceeded the City's insurance coverage for the past three years.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF KEMMERER
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Taxes	\$ 1,670,807	1,670,807	1,830,817	160,010
Licenses and permits	36,430	36,430	44,127	7,697
Intergovernmental	2,924,487	3,150,285	1,170,656	(1,979,629)
Charges for services	707,800	707,800	717,240	9,440
Fines and forfeitures	37,000	37,000	36,413	(587)
Miscellaneous revenues	487,241	749,695	102,928	(646,767)
Total revenues	<u>5,863,765</u>	<u>6,352,017</u>	<u>3,902,181</u>	<u>(2,449,836)</u>
Expenditures:				
General government	1,349,655	1,245,448	739,408	506,040
Public safety	654,123	768,761	756,600	12,161
Streets and highways	1,350,105	1,442,368	612,438	829,930
Parks and recreation	1,386,876	1,560,555	860,752	699,803
Sanitation	322,182	483,718	466,741	16,977
Municipal court	129,146	142,953	139,757	3,196
Building inspection/zoning	102,870	106,536	102,925	3,611
South Lincoln Training and Event Center	393,265	395,735	303,361	92,374
Debt service	13,057	13,057	112,812	(99,755)
Total expenditures	<u>5,701,279</u>	<u>6,159,131</u>	<u>4,094,794</u>	<u>2,064,337</u>
Excess of revenues over expenditures	<u>162,486</u>	<u>192,886</u>	<u>(192,613)</u>	<u>(385,499)</u>
Other financing sources (uses):				
Transfers from Joint Powers Board - Debt Service	13,058	13,058	29,869	16,811
Operating transfers out	(110,985)	(141,385)	(80,413)	60,972
Total other financing uses	<u>(97,927)</u>	<u>(128,327)</u>	<u>(50,544)</u>	<u>77,783</u>
Net change in fund balance	<u>\$ 64,559</u>	<u>64,559</u>	<u>(243,157)</u>	<u>(307,716)</u>
Fund balance - beginning			<u>2,941,482</u>	
Fund balance - ending			<u>\$ 2,698,325</u>	

CITY OF KEMMERER
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	<u>December 31,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
<u>Public Employee Pension Plan</u>		
Proportion of the net pension liability	0.047631%	0.046813%
Proportionate share of the net pension liability	\$ 1,109,485	\$ 766,342
Covered employee payroll	\$ 848,358	\$ 852,514
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	130.78%	89.89%
Plan fiduciary net position as a percentage of the total pension liability	73.40%	79.08%
<u>Law Enforcement Pension Plan</u>		
Proportion of the net pension liability	0.225678%	0.218642%
Proportionate share of the net pension liability	\$ 169,529	\$ 72,174
Covered employee payroll	\$ 354,744	\$ 297,972
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	48%	24.22%
Plan fiduciary net position as a percentage of the total pension liability	87.49%	94.76%

CITY OF KEMMERER
SCHEDULE OF CONTRIBUTIONS

	Year Ended June 30, 2016	Year Ended June 30, 2015
	<u> </u>	<u> </u>
<u>Public Employee Pension Plan</u>		
Contractually required contribution	\$ 143,170	\$ 166,231
Contributions in relation to the contractually required contribution	<u>143,170</u>	<u>166,231</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 861,432	\$ 1,047,454
Contributions as a percentage of covered employee payroll	16.62%	15.87%
<u>Law Enforcement Pension Plan</u>		
Contractually required contribution	\$ 63,781	\$ 76,061
Contributions in relation to the contractually required contribution	<u>63,781</u>	<u>76,061</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 370,820	\$ 442,215
Contributions as a percentage of covered employee payroll	17.20%	17.20%

CITY OF KEMMERER
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016

Note 1 – Budget Presentation

A Budgetary Comparison Schedule is presented for the General Fund as required by generally accepted accounting principles (GAAP). Budgets for governmental funds are adopted on a GAAP basis.

Annual appropriated budgets are adopted for all governmental and business-type funds. All annual appropriations lapse at fiscal year end. Each fund adopts a “balanced budget” in accordance with State law. As allowed by State law, the City Council may authorize increases to or uses of unreserved fund balances. In the budget presentations, authorized increases to fund balance are shown as positive changes in fund balance and authorized decreases are shown as negative changes in fund balance.

Note 2 – Budget Adoption and Monitoring

The budget is prepared by fund, function, and activity and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

The proposed budget is presented to the City Council for review. The City Council holds public hearings and may add to, subtract from, or change appropriations. The City must adopt the budget by the third Tuesday in June.

State statute requires that City officers shall not incur expenditures or encumbrances in excess of total appropriations for any fund in the budget as adopted or subsequently amended.

Only the City Council at a properly advertised public hearing can make increases in total fund appropriations. The final budget information presented is after all approved amendments.

Note 3 – Schedules of the Proportionate Share of the Net Pension Liability and Contributions

Generally accepted accounting standards require the presentation of 10 years of the City’s proportionate share of the net pension liability and the City’s annual contributions. Transition provisions in the accounting standard indicate that information should be presented for as many years as are available. The City determined that it is not practicable to provide information prior to 2015.

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SUPPLEMENTARY INFORMATION

CITY OF KEMMERER
SCHEDULE OF REVENUES – GENERAL FUND
Year Ended June 30, 2016

Taxes:	
Sales and use taxes	\$ 1,257,521
General property taxes	130,043
Severance taxes	98,653
Gas taxes	89,708
Motor vehicle taxes	86,870
Franchise taxes	78,912
Lodging taxes	72,598
Cigarette taxes	16,512
Total taxes	<u>1,830,817</u>
Licenses and permits:	
Building permits	20,955
Occupational licenses	13,944
Liquor licenses	8,780
Animal and other licenses	448
Total licenses and permits	<u>44,127</u>
Intergovernmental:	
Frontier Area Park and Recreation District	275,147
Distribution of state surplus	232,810
Mineral royalties	191,858
Grants and local contributions	406,538
State of Wyoming - Highway Maintenance	53,120
Lincoln County Recreation Commission	11,183
Total intergovernmental	<u>1,170,656</u>
Charges for services:	
Sanitation fees, late charges	433,350
Golf course fees	108,071
Recreation fees	66,630
Street charges	51,542
South Lincoln Training and Event Center	32,922
Old City Hall rental	24,725
Total charges for services	<u>717,240</u>
Fines and forfeitures	<u>36,413</u>
Miscellaneous revenues:	
Kemmer Foundation grants	39,970
Various other, fees	18,896
Reimbursements	18,726
Sale of capital assets	16,500
Interest and investment earnings	8,586
Rents	250
Total miscellaneous revenues	<u>102,928</u>
Total revenues	<u>\$ 3,902,181</u>

CITY OF KEMMERER
SCHEDULE OF DEPARTMENTAL EXPENDITURES
GENERAL FUND
Year Ended June 30, 2016

	<u>Personnel Services</u>	<u>Supporting Services</u>	<u>Capital Outlay</u>	<u>Total</u>
General Government				
Legislative	\$ 12,895	\$ 31,792	\$ -	\$ 44,687
Economic development	-	111,285	-	111,285
City administration	288,093	166,080	7,208	461,381
Legal services	-	26,778	-	26,778
City hall	46,548	48,313	416	95,277
Total General Government	<u>347,536</u>	<u>384,248</u>	<u>7,624</u>	<u>739,408</u>
Public Safety				
Police administration	629,672	91,035	33,848	754,555
Animal control	-	2,045	-	2,045
Total Public Safety	<u>629,672</u>	<u>93,080</u>	<u>33,848</u>	<u>756,600</u>
Streets and Highways				
Administration	-	3,546	186,424	189,970
Street maintenance	253,701	137,561	31,206	422,468
Total Streets and Highways	<u>253,701</u>	<u>141,107</u>	<u>217,630</u>	<u>612,438</u>
Parks and Recreation				
Administration	47,851	4,013	-	51,864
Leisure programs	75,241	17,041	1,621	93,903
Park maintenance	85,793	73,279	2,876	161,948
Recreational facility	107,693	62,061	132,177	301,931
Old City Hall	-	65,214	-	65,214
Golf course, ball field	28,665	132,666	24,561	185,892
Total parks and recreation	<u>345,243</u>	<u>354,274</u>	<u>161,235</u>	<u>860,752</u>
Sanitation				
Operations	196,102	267,139	3,500	466,741
Municipal Court				
Administration	48,543	89,338	1,876	139,757
Building Inspection/Zoning	82,598	16,662	3,665	102,925
South Lincoln Training and Event Center				
Operations	164,309	129,993	9,059	303,361
Debt service (lease payments)	-	112,812	-	112,812
Total Expenditures	<u>\$ 2,067,704</u>	<u>\$ 1,588,653</u>	<u>\$ 438,437</u>	<u>\$ 4,094,794</u>

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GOVERNMENTAL AUDIT REPORTS



Certified Public Accountants

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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

To the Mayor and City Council
City of Kemmerer, 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, and each major fund of the City of Kemmerer, Wyoming (the City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 21, 2016.

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. Given these limitations, during our audit we did

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

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*.

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.



JONES SIMKINS LLC

Logan, Utah

December 21, 2016