



CITY OF EVANSTON, WYOMING

FINANCIAL REPORT

June 30, 2017

CITY OF EVANSTON, WYOMING

FINANCIAL REPORT

June 30, 2017

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FINANCIAL SECTION

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PORTER, MUIRHEAD, CORNIA & HOWARD

(A Corporation of Certified Public Accountants)

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the City Council
City of Evanston, Wyoming

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Evanston, Wyoming ("City"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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, each major fund, and the aggregate remaining fund information of the City of Evanston, Wyoming, as of June 30, 2017 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, pension schedules, and the schedule of funding progress for the post-employment health care plan, 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 the 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Evanston, Wyoming's basic financial statements. The other supplementary information as 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 other 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 other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The letter of transmittal has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated February 5, 2018 on our consideration of the City of Evanston, Wyoming'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 effectiveness of the City of Evanston, Wyoming's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Evanston, Wyoming's internal control over financial reporting and compliance.



Porter, Muirhead, Cornia & Howard

Certified Public Accountants

Casper, Wyoming
February 5, 2018

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CITY OF EVANSTON, WYOMING

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

(Unaudited)

As management of the City of Evanston, Wyoming, we offer readers of the City of Evanston, Wyoming's financial statements this narrative overview and analysis of the financial activities of the City of Evanston, Wyoming's for the fiscal year ended June 30, 2017.

Financial Highlights

The assets of the City of Evanston, Wyoming exceeded its liabilities at the close of the most recent fiscal year by \$105,886,909 (*net position*). Of this amount, \$39,644,356 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.

- The government's total net position increased by \$383,991
- As of the close of the current fiscal year, the City of Evanston, Wyoming's governmental funds reported combined ending fund balances of \$11,617,713.
- At the end of the current fiscal year, fund balance for the general fund was \$9,414,115.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Evanston, Wyoming's basic financial statements. The City of Evanston, Wyoming's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

Both of the government-wide financial statements distinguish functions of the City of Evanston, Wyoming that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Evanston, Wyoming include general government, public safety, public works, and health, welfare and recreation. The business-type activities of the City of Evanston, Wyoming include water, sewer, golf, and environmental services.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Evanston, Wyoming like other state and local governments uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Evanston, Wyoming can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

CITY OF EVANSTON, WYOMING

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

(Unaudited)

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Evanston, Wyoming maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund, data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Evanston, Wyoming adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary Funds. The City of Evanston, Wyoming maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Evanston, Wyoming uses enterprise funds to account for its Water, Sewer and Environmental Service operation. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Evanston, Wyoming's various functions. The City of Evanston, Wyoming uses an internal service fund to account for its fleet of vehicles. Because this service predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Sewer, and Environmental Service operation, all of which are considered to be major funds of the City of Evanston, Wyoming.

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.

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Evanston, Wyoming's progress in funding its obligation to provide pension benefits to its employees.

The notes in the financial statements now included Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The City of Evanston offers medical insurance benefits to retirees and their dependents through Blue Cross Blue Shield of Wyoming. The City of Evanston pays 20% of the premium, and the retiree is responsible for the remaining 80% of the premium. GASB No. 45 requires that the City of Evanston recognize the implicit cost of its retiree postemployment benefit plan during the period of the employee's active employment while the benefits are being earned.

CITY OF EVANSTON, WYOMING

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

(Unaudited)

The Unfunded Actuarial Accrued Liability (UAAL) is required to be disclosed in order to accurately account for the total future cost of postemployment benefits and the financial impact on the City of Evanston.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Evanston, Wyoming's net position reflect its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Evanston, Wyoming uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Evanston, Wyoming's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Evanston Comparative Statement of Net Position June 30, 2016 and 2017

	Governmental Activities		Business-type Activities		Total	
	2016	2017	2016	2017	2016	2017
Assets						
Current assets	\$ 12,279,859	\$ 13,497,633	\$ 30,825,717	\$ 31,903,311	\$ 43,105,576	\$ 45,400,944
Net capital assets	37,474,185	37,383,252	29,993,050	28,859,275	67,467,235	66,242,527
Total assets	49,754,044	50,880,885	60,818,767	60,762,586	110,572,811	111,643,471
Deferred outflows of resources	1,040,561	856,812	499,360	409,743	1,539,921	1,266,555
Liabilities						
Current liabilities	632,209	1,128,630	289,958	352,324	922,167	1,480,954
Long-term liabilities	2,982,769	2,899,483	1,981,460	1,877,521	4,964,229	4,777,004
Total Liabilities	3,614,978	4,028,113	2,271,418	2,229,845	5,886,396	6,257,958
Deferred inflows of resources	690,502	722,693	32,916	42,466	723,418	765,159
Net Position						
Net investment in capital assets	37,634,800	37,355,020	29,830,010	28,681,686	67,464,810	66,036,706
Restricted	205,847	205,847	-	-	205,847	205,847
Unrestricted	8,648,478	9,426,024	29,183,783	30,218,332	37,832,261	39,644,356
Total net position	\$ 46,489,125	\$ 46,986,891	\$ 59,013,793	\$ 58,900,018	\$ 105,502,918	\$ 105,886,909

A portion of the City of Evanston, Wyoming's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$39,644,356 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Evanston, Wyoming is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

CITY OF EVANSTON, WYOMING

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017 (Unaudited)

Governmental activities. Governmental activities for the City of Evanston, Wyoming are provided in the following table.

City of Evanston Comparative Statement of Changes in Net Position June 30, 2016 and 2017

	Governmental Activities		Business-type Activities		Total	
	2016	2017	2016	2017	2016	2017
Revenues						
Charges for services	\$ 432,451	\$ 394,964	\$ 5,032,484	\$ 5,153,716	\$ 5,464,935	\$ 5,548,680
Operating grants and contributions	864,183	868,966	-	-	-	868,966
Capital grants and contributions	11,507	3,714	-	241,183	11,507	244,897
Taxes						
Property taxes	641,672	651,404	-	-	641,672	651,404
Other taxes	7,069,552	6,901,391	-	-	7,069,552	6,901,391
Grants and contributions not restricted to specific programs	1,056,844	1,585,611	-	-	1,056,844	1,585,611
Unrestricted investment earnings	226,923	72,147	108,554	128,030	335,477	200,177
Miscellaneous revenue	283,136	338,580	52,338	36,334	335,474	374,914
Total revenues	10,586,268	10,816,777	5,193,376	5,559,263	14,915,461	16,376,040
Expenses						
General government	4,023,455	3,293,723	-	-	4,023,455	3,293,723
Public safety	2,959,270	2,877,387	-	-	2,959,270	2,877,387
Public works	1,851,801	2,352,006	-	-	1,851,801	2,352,006
Health, welfare, and recreation	1,681,030	1,779,565	-	-	1,681,030	1,779,565
Water	-	-	2,632,092	2,589,889	2,632,092	2,589,889
Sewer	-	-	842,214	975,177	842,214	975,177
Golf	-	-	864,434	933,723	864,434	933,723
Environmental services	-	-	1,093,371	1,179,331	1,093,371	1,179,331
Other	6,504	11,248	-	-	6,504	11,248
Total expenses	10,522,060	10,313,929	5,432,111	5,678,120	15,954,171	15,992,049
Excess (deficiency) of revenues over expenses before transfers	64,208	502,848	(238,735)	(118,857)	(1,038,710)	383,991
Transfers	(560,000)	(5,082)	560,000	5,082	-	-
Change in net position	(495,792)	497,766	321,265	(113,775)	(1,038,710)	383,991
Net position – July 1	46,984,917	46,489,125	58,890,680	59,013,793	105,875,597	105,502,918
Prior period adjustment	-	-	(37,500)	-	(37,500)	-
Total Net position	\$ 46,489,125	\$ 46,986,891	\$ 59,174,445	\$ 58,900,018	\$ 104,799,387	\$ 105,886,909

CITY OF EVANSTON, WYOMING

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

(Unaudited)

The City of Evanston, Wyoming is very active in searching and obtaining grants to maintain the level of service and living conditions for our residents. We have received Homeland Security grants along with Alcohol and Tobacco Grants, Selective Traffic Enforcement, and Underage Drinking Grants. We also receive grant funds for a DCI Officer and a Victims Witness Coordinator.

Other awarded grants, to the City of Evanston, Wyoming furnished resources to support functions such as the Roundhouse Stabilization of the last three sections, Rocky Mountain Power Light Replacement, and a pass-through grant for the Strand Theater Sound System.

Expenses and Program Revenues – Governmental Activities

General Government is our major expense. This division is comprised of City Council, Judicial, Executive, Attorney, Community Development/Engineering, Treasurer/Clerk, Urban Renewal, and General Services.

Our Public Works Departments include Administration and Street Divisions. For the most part, expenses closely paralleled inflation and growth in the demand for services.

To monitor the expense of services to the community, the City of Evanston, Wyoming has structured the divisions to better analyze our expenses. Therefore, the City of Evanston, Wyoming can review the cost of specific services to provide a more fiscal responsibility.

Revenues by Source – Governmental Activities

Mineral taxes, sales taxes, property taxes, franchise fees and other taxes are general revenues used to support overall government functions. Sales taxes make up 60% of revenues (including gasoline, franchise, 911, mineral, cigarette, and automobile taxes), charges for services 4%, property taxes 6%, operating grants and contributions are 8%, and unrestricted interest income are 1% of total revenues.

Business-type Activities. Business-type activities increased City of Evanston, Wyoming assets as follows.

New sewer and water lines were run to the new sections of the Roundhouse to enable to the City to better market the additional sections of the Roundhouse to possible investors. Sewer lines were also updated on County Road, and work began on improving sewer lines through the Fairgrounds and Hamblin Park. The Medicine Butte Lift Station was upgraded as well as a new sewer line on Washakie Drive. These projects provide better services to our local citizens.

Financial Analysis of the Government's Funds

As noted earlier, the City of Evanston, Wyoming uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus on the City of Evanston, Wyoming's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Evanston, Wyoming's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City of Evanston, Wyoming. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,914,115, while total general fund balance reached \$9,414,115. As a measure of a governmental funds' liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The general fund balance of the City of Evanston, Wyoming increased by \$737,044 during the current fiscal year.

CITY OF EVANSTON, WYOMING

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

(Unaudited)

-
- Total tax revenues for the City slightly decreased by \$158,429.
 - Operating and other grants received increased by \$533,550.
 - Investment earnings decreased by \$154,776. This was mostly due to investments being held in a money market account for the year.
 - Charges for Services decreased by \$37,487.
 - Miscellaneous revenue increased by \$55,444.

The long-term liabilities of \$4,913,139, which include accrued compensated absences and pension obligation, are not due and payable in the current period and therefore are not reported in the funds.

Proprietary funds. The City of Evanston, Wyoming's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water, Sewer, Golf and other Enterprise Funds at the end of the year amounted to \$30,218,332. The total growth in unrestricted net position for these funds was \$1,034,549. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Evanston, Wyoming's business-type activities.

General Fund Budgetary Highlights

No adjustments were made to the budget during the fiscal year. The original and final budget appropriations remained the same at \$13,917,627.

Capital Asset and Debt Administration

Capital assets. The City of Evanston, Wyoming's investment in capital assets for its governmental and business type activities as of June 30, 2017 amounts to \$66,242,527 (net of accumulated depreciation). This investment in capital assets include land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

Major capital asset events during the current fiscal year included the following:

- Roundhouse Stabilization
- Water Meter Software Upgrade
- Roundhouse Water Line Replacement
- Roundhouse Sewer Line Replacement
- GIS System
- Washakie Sewer Line Replacement
- Waste Water Treatment Plant Upgrades
- Medicine Butte Lift Station Upgrade

CITY OF EVANSTON, WYOMING

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017 (Unaudited)

City of Evanston						
Comparative Statement of Capital Assets (Net of Depreciation)						
June 30, 2016 and 2017						
	Governmental Activities		Business-type Activities		Total	
	2016	2017	2016	2017	2016	2017
Land	\$ 11,329,897	\$ 11,329,897	\$ 733,694	\$ 733,694	\$ 12,063,591	\$ 12,063,591
Construction in Progress	38,353	1,297,032	27,929	21,304	66,282	1,318,336
Buildings and Systems	43,286,632	42,598,040	67,367,358	67,669,616	110,653,990	110,267,656
Machinery and Equipment	5,002,075	4,951,190	3,098,146	3,165,588	8,100,221	8,116,778
Infrastructure	18,617,731	17,818,170	-	-	18,617,731	17,818,170
Land improvements	-	1,488,152	-	-	-	1,488,152
Accumulated Depreciation	(40,800,503)	(42,099,229)	(41,234,077)	(42,730,927)	(82,034,580)	(84,830,156)
Total	<u>\$ 37,474,185</u>	<u>\$ 37,383,252</u>	<u>\$ 29,993,050</u>	<u>\$ 28,859,275</u>	<u>\$ 67,467,235</u>	<u>\$ 66,242,527</u>

Additional information on the City of Evanston, Wyoming's capital assets can be found in the notes to the financial statements.

Long-term debt:

City of Evanston						
Comparative Statement of Outstanding Debt						
June 30, 2016 and 2017						
	Governmental Activities		Business-type Activities		Total	
	2016	2017	2016	2017	2016	2017
Accrued Compensated						
Absences	\$ 638,825	\$ 540,278	\$ 303,366	\$ 329,921	\$ 942,191	\$ 870,199
Lease Purchase Obligation	36,653	28,232	259,100	177,589	295,753	205,821
Other Post-Employment						
Benefits	68,307	134,286	-	-	68,307	134,286
Pension Obligation	2,300,078	2,232,599	1,515,674	1,470,234	3,815,752	3,702,833
Total	<u>\$ 3,043,863</u>	<u>\$ 2,935,395</u>	<u>\$ 2,078,140</u>	<u>\$ 1,977,744</u>	<u>\$ 5,122,003</u>	<u>\$ 4,913,139</u>

The City of Evanston, Wyoming's total debt is \$4,913,139 for the current fiscal year. Additional information on the City of Evanston, Wyoming's long-term debt is provided in the notes to the financial statements.

CITY OF EVANSTON, WYOMING

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

(Unaudited)

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City of Evanston, Wyoming as of June 30, 2017 was 4.3%, which is a decline from 6.30% one year ago. This compares to the state's average unemployment rate of 3.9% and the national average rate of 4.4%.

Unemployment went down significantly by 2% this past year. The local economy still suffers due to the economics being driven by the mineral industry and decline of construction. Even though the economy seems to be slightly picking up, past declining factors were considered in preparing the City of Evanston, Wyoming budget for the 2017 fiscal year.

Requests for Information

The financial report is designed to provide a general overview of the City of Evanston, Wyoming's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Treasurer, 1200 Main Street, City of Evanston, Wyoming, 82930.

BASIC FINANCIAL STATEMENTS

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CITY OF EVANSTON, WYOMING

STATEMENT OF NET POSITION

June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Pooled cash and investments	\$ 12,299,072	\$ 30,131,649	\$ 42,430,721
Receivables (net of allowance for uncollectibles)			
Accounts receivable	1,544,429	661,028	2,205,457
Accrued interest	8,803	-	8,803
Property taxes	684,407	-	684,407
Internal balances	(1,047,308)	1,047,308	-
Inventory	8,230	63,326	71,556
Total noncapital assets	13,497,633	31,903,311	45,400,944
Capital assets not being depreciated			
Land	11,329,897	733,694	12,063,591
Construction in progress	1,297,032	21,304	1,318,336
Capital assets being depreciated			
Buildings and systems	42,598,040	67,669,616	110,267,656
Machinery and equipment	4,951,190	3,165,588	8,116,778
Infrastructure	17,818,170	-	17,818,170
Land improvements	1,488,152	-	1,488,152
Total capital assets	79,482,481	71,590,202	151,072,683
Less accumulated depreciation	(42,099,229)	(42,730,927)	(84,830,156)
Total capital assets (net of accumulated depreciation)	37,383,252	28,859,275	66,242,527
Total assets	50,880,885	60,762,586	111,643,471
DEFERRED OUTFLOWS OF RESOURCES			
Pension plan items	856,812	409,743	1,266,555
Total deferred outflows of resources	856,812	409,743	1,266,555

(Continued)

See accompanying notes to the financial statements

CITY OF EVANSTON, WYOMING

STATEMENT OF NET POSITION (CONTINUED)

June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accounts payable	\$ 862,248	\$ 168,086	\$ 1,030,334
Accrued payroll	52,530	27,084	79,614
Accrued liabilities	32,632	-	32,632
Court bonds payable	7,350	-	7,350
Unearned - cash in lieu of land development	137,958	-	137,958
Deposits payable	-	56,931	56,931
Long-term liabilities			
Due in one year	35,912	100,223	136,135
Due in more than one year	666,884	407,287	1,074,171
Net pension liability	2,232,599	1,470,234	3,702,833
Total liabilities	<u>4,028,113</u>	<u>2,229,845</u>	<u>6,257,958</u>
DEFERRED INFLOWS OF RESOURCES			
Pension plan items	66,091	42,466	108,557
Unavailable property taxes	656,602	-	656,602
Total deferred inflows of resources	<u>722,693</u>	<u>42,466</u>	<u>765,159</u>
NET POSITION			
Invested in capital assets, net of related debt	37,355,020	28,681,686	66,036,706
Restricted for			
Perpetual fund			
Expendable	105,847	-	105,847
Nonexpendable	100,000	-	100,000
Unrestricted	<u>9,426,024</u>	<u>30,218,332</u>	<u>39,644,356</u>
Total net position	<u>\$ 46,986,891</u>	<u>\$ 58,900,018</u>	<u>\$ 105,886,909</u>

See accompanying notes to the financial statements

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CITY OF EVANSTON, WYOMING

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 3,293,723	\$ 152,315	\$ 868,966	\$ 3,714
Public safety	2,877,387	214,959	-	-
Public works	2,352,006	-	-	-
Health, welfare, and recreation	1,779,565	27,690	-	-
Unallocated interest expense	11,248	-	-	-
Total governmental activities	10,313,929	394,964	868,966	3,714
Business-type activities:				
Water fund	2,589,889	2,431,340	-	-
Sewer fund	975,177	1,123,964	-	241,183
Golf fund	933,723	395,503	-	-
Environmental service fund	1,179,331	1,202,909	-	-
Total business-type activities	5,678,120	5,153,716	-	241,183
Total primary government	\$ 15,992,049	\$ 5,548,680	\$ 868,966	\$ 244,897

General revenues

Property taxes, levied for general purposes
Sales, severance, royalties, cigarette, gasoline, use taxes
Franchise taxes
Motor vehicle taxes
State additional funding not restricted for specific purposes
Unrestricted investment earnings
Miscellaneous revenue
Transfers

Total general revenues and transfers

Change in net position

Net position - beginning of year

Net position - end of year

See accompanying notes to the financial statements

Net (Expense) Revenue and Changes in Net Position

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (2,268,728)	\$ -	\$ (2,268,728)
(2,662,428)	-	(2,662,428)
(2,352,006)	-	(2,352,006)
(1,751,875)	-	(1,751,875)
(11,248)	-	(11,248)
(9,046,285)	-	(9,046,285)
-	(158,549)	(158,549)
-	389,970	389,970
-	(538,220)	(538,220)
-	23,578	23,578
-	(283,221)	(283,221)
(9,046,285)	(283,221)	(9,329,506)
651,404	-	651,404
6,439,138	-	6,439,138
176,347	-	176,347
285,906	-	285,906
1,585,611	-	1,585,611
72,147	128,030	200,177
338,580	36,334	374,914
(5,082)	5,082	-
9,544,051	169,446	9,713,497
497,766	(113,775)	383,991
46,489,125	59,013,793	105,502,918
<u>\$ 46,986,891</u>	<u>\$ 58,900,018</u>	<u>\$ 105,886,909</u>

CITY OF EVANSTON, WYOMING

BALANCE SHEET
Governmental Funds
June 30, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Pooled cash and investments	\$ 10,031,254	\$ 2,158,758	\$ 12,190,012
Receivables (net of allowance for uncollectibles)			
Accounts receivable	1,493,116	51,298	1,544,414
Accrued interest	8,803	-	8,803
Property taxes	684,407	-	684,407
Total assets	<u>\$ 12,217,580</u>	<u>\$ 2,210,056</u>	<u>\$ 14,427,636</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 855,779	\$ 6,458	\$ 862,237
Accrued payroll	52,530	-	52,530
Accrued liabilities	32,632	-	32,632
Court bonds payable	7,350	-	7,350
Unearned - cash in lieu of land development	137,958	-	137,958
Due to other funds	245,835	-	245,835
Total current liabilities	<u>1,332,084</u>	<u>6,458</u>	<u>1,338,542</u>
Advance payable to water fund	<u>801,473</u>	<u>-</u>	<u>801,473</u>
Total noncurrent liabilities	<u>801,473</u>	<u>-</u>	<u>801,473</u>
Total liabilities	<u>2,133,557</u>	<u>6,458</u>	<u>2,140,015</u>
Deferred inflows of resources			
Unavailable property taxes	<u>669,908</u>	<u>-</u>	<u>669,908</u>
Total deferred inflows of resources	<u>669,908</u>	<u>-</u>	<u>669,908</u>
Fund balances			
Nonspendable	-	100,000	100,000
Restricted	-	1,870,321	1,870,321
Assigned	5,500,000	-	5,500,000
Unassigned	3,914,115	233,277	4,147,392
Total fund balances	<u>9,414,115</u>	<u>2,203,598</u>	<u>11,617,713</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 12,217,580</u>	<u>\$ 2,210,056</u>	<u>\$ 14,427,636</u>

See accompanying notes to the financial statements

CITY OF EVANSTON, WYOMING

RECONCILIATION OF GOVERNMENTAL FUNDS FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES June 30, 2017

Total governmental fund balances		\$ 11,617,713
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Amounts reported for governmental activities in the statement of net assets are different because:

Long-term liabilities, including accrued compensated absences, are not due and payable in the current period and therefore, are not reported in the funds:

Accrued compensated absences	\$ (540,278)	
Lease purchase obligation	(28,232)	
Other post-employment benefits payable	(134,286)	
Pension liability	<u>(2,232,599)</u>	(2,935,395)

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.

Less net capital assets recorded in the internal service fund	<u>37,383,252</u> (311)	37,382,941
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Deferred outflows and inflows are not available revenues or to pay for current period expenditures and therefore the underlying resources

Pension plan items - Deferred outflows of resources	856,812	
Pension plan items - Deferred inflows of resources	<u>(66,091)</u>	790,721

Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the funds:

Unavailable property taxes in governmental funds	669,908	
Unavailable property taxes in governmental activities	<u>(656,602)</u>	13,306

Internal service funds are used by management to charge the costs of certain activities, such as motor vehicle costs to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. This is the amount of unrestricted net position of the internal service funds:

Motor Vehicle Fund		
Unrestricted net position		<u>117,605</u>
Net position of governmental activities		<u><u>\$ 46,986,891</u></u>

CITY OF EVANSTON, WYOMING

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Governmental Funds

Year Ended June 30, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 2,873,274	\$ 239,073	\$ 3,112,347
Licenses and permits	158,683	-	158,683
Fines and forfeitures	132,017	-	132,017
Intergovernmental revenues	6,988,421	-	6,988,421
Charges for services	34,535	27,690	62,225
Interest and miscellaneous	194,271	216,457	410,728
	<hr/>	<hr/>	<hr/>
Total revenues	10,381,201	483,220	10,864,421
	<hr/>	<hr/>	<hr/>
Expenditures			
Current			
General government	3,133,419	-	3,133,419
Public safety and transportation	2,692,253	-	2,692,253
Public works	1,173,293	-	1,173,293
Health, welfare and recreation	1,261,246	500,150	1,761,396
Capital outlay	1,362,466	-	1,362,466
Debt service			
Principal	8,421	-	8,421
Interest	13,059	-	13,059
	<hr/>	<hr/>	<hr/>
Total expenditures	9,644,157	500,150	10,144,307
	<hr/>	<hr/>	<hr/>
Net change in fund balances	737,044	(16,930)	720,114
	<hr/>	<hr/>	<hr/>
Fund balances - beginning of year	8,677,071	2,220,528	10,897,599
	<hr/>	<hr/>	<hr/>
Fund balances - end of year	\$ 9,414,115	\$ 2,203,598	\$ 11,617,713
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to the financial statements

CITY OF EVANSTON, WYOMING

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES Year Ended June 30, 2017

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

Net change in fund balances - total governmental funds	\$ 720,114
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Governmental funds report capital outlays as expenditures.

However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:

General government

Total additions to capital assets	\$ 1,366,370	
Less transfer to enterprise funds	(5,082)	
Depreciation expense	<u>(1,452,221)</u>	(90,933)

The changes in long-term liabilities does not require the use of current financial resources of governmental funds. Thus the change is not recorded in governmental funds. This is the net effect of these differences in the treatment.

Payment on principal on capital lease	8,421	
Other post-employment benefits payable as of June 30, 2016	68,307	
Other post-employment benefits payable as of June 30, 2017	(134,286)	
Compensated absences as of June 30, 2016	617,002	
Accrued compensated absences as of June 30, 2017	<u>(540,278)</u>	19,166

Pension expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures governmental funds:

Pension liability as of June 30, 2016	2,300,078	
Pension liability as of June 30, 2017	(2,232,599)	
Deferred outflows - pension items as of June 30, 2016	(1,040,561)	
Deferred outflows - pension items as of June 30, 2017	856,812	
Deferred inflows - pension items as of June 30, 2016	33,896	
Deferred inflows - pension items as of June 30, 2017	<u>(66,091)</u>	(148,465)

(Continued)

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CITY OF EVANSTON, WYOMING

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES (CONTINUED)
Year Ended June 30, 2017**

Internal service activities are accounted for in a separate fund.

However, in the statement of activities the activity of the
Internal Service Fund has been eliminated and the excess
revenue over expenditures has been recognized.

Internal service fund changes in net position	\$ (2,915)
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Certain revenues are not recognized as current financial resources
and, therefore, are not reported as revenues in governmental funds:

Unavailable property taxes - governmental funds as of June 30, 2016	\$ (669,113)	
Unavailable property taxes - governmental activities as of June 30, 2016	656,606	
Unavailable property taxes - governmental funds as of June 30, 2017	669,908	
Unavailable property taxes - governmental activities as of June 30, 2017	<u>(656,602)</u>	<u>799</u>
Change in net position of governmental activities		<u><u>\$ 497,766</u></u>

See accompanying notes to the financial statements

CITY OF EVANSTON, WYOMING

STATEMENT OF NET POSITION

Proprietary Funds

June 30, 2017

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Golf Fund</u>
ASSETS			
Current assets			
Pooled cash and investments	\$ 14,595,601	\$ 10,926,827	\$ 1,667,253
Accounts receivable	392,302	136,614	-
Inventory	-	-	63,326
Due from other funds	245,835	-	-
Total current assets	<u>15,233,738</u>	<u>11,063,441</u>	<u>1,730,579</u>
Noncurrent assets			
Advance receivable from general fund	<u>801,473</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>801,473</u>	<u>-</u>	<u>-</u>
Capital assets			
Land	161,500	240,005	312,189
Buildings and systems	45,472,599	15,846,868	6,264,550
Machinery and equipment	479,436	744,651	798,028
Construction in progress	<u>-</u>	<u>21,304</u>	<u>-</u>
	46,113,535	16,852,828	7,374,767
Less accumulated depreciation	<u>24,475,853</u>	<u>14,237,104</u>	<u>3,012,598</u>
Total capital assets (net of accumulated depreciation)	<u>21,637,682</u>	<u>2,615,724</u>	<u>4,362,169</u>
Total assets	<u>37,672,893</u>	<u>13,679,165</u>	<u>6,092,748</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension plan items	<u>137,799</u>	<u>102,995</u>	<u>-</u>
Total deferred outflows of resources	<u>137,799</u>	<u>102,995</u>	<u>-</u>

See accompanying notes to the financial statements

<u>Business-type Activities - Enterprise Funds</u>		Governmental
Other Nonmajor		Activities
Enterprise fund		
<u>Environmental</u>		<u>Internal</u>
Service		Service
Fund	Totals	Fund
\$ 2,941,968	\$ 30,131,649	\$ 109,060
132,112	661,028	15
-	63,326	8,230
-	245,835	-
<u>3,074,080</u>	<u>31,101,838</u>	<u>117,305</u>
-	801,473	-
-	801,473	-
20,000	733,694	-
85,599	67,669,616	278,623
1,143,473	3,165,588	29,661
-	21,304	-
<u>1,249,072</u>	<u>71,590,202</u>	<u>308,284</u>
<u>1,005,372</u>	<u>42,730,927</u>	<u>307,973</u>
243,700	28,859,275	311
<u>3,317,780</u>	<u>60,762,586</u>	<u>117,616</u>
168,949	409,743	-
<u>168,949</u>	<u>409,743</u>	<u>-</u>

(Continued)

CITY OF EVANSTON, WYOMING

STATEMENT OF NET POSITION (CONTINUED)

Proprietary Funds

June 30, 2017

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Golf Fund</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 69,757	\$ 28,638	\$ 32,682
Accrued payroll	11,520	6,632	-
Deposits payable	56,931	-	-
Total current liabilities	<u>138,208</u>	<u>35,270</u>	<u>32,682</u>
Noncurrent liabilities			
Due within one year	6,634	3,572	35,223
Due in more than one year	126,046	67,864	93,865
Net pension liability	513,679	377,262	-
Total noncurrent liabilities	<u>646,359</u>	<u>448,698</u>	<u>129,088</u>
Total liabilities	<u>784,567</u>	<u>483,968</u>	<u>161,770</u>
DEFERRED INFLOWS OF RESOURCES			
Pension plan items	14,584	10,803	-
Total deferred inflows of resources	<u>14,584</u>	<u>10,803</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	21,637,682	2,615,724	4,233,081
Unrestricted	15,373,859	10,671,665	1,697,897
Total net position	<u>\$ 37,011,541</u>	<u>\$ 13,287,389</u>	<u>\$ 5,930,978</u>

See accompanying notes to the financial statements

<u>Business-type Activities - Enterprise Funds</u>		Governmental
Other Nonmajor		Activities
Enterprise fund		
Environmental		Internal
Service		Service
Fund	Totals	Fund
\$ 37,009	\$ 168,086	\$ 11
8,932	27,084	-
-	56,931	-
45,941	252,101	11
54,794	100,223	-
119,512	407,287	-
579,293	1,470,234	-
753,599	1,977,744	-
799,540	2,229,845	11
17,079	42,466	-
17,079	42,466	-
195,199	28,681,686	311
2,474,911	30,218,332	117,294
<u>\$ 2,670,110</u>	<u>\$ 58,900,018</u>	<u>\$ 117,605</u>

CITY OF EVANSTON, WYOMING

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

Proprietary Funds
Year Ended June 30, 2017

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Golf Fund</u>
Operating revenues			
Charges for services	\$ 2,431,340	\$ 1,123,964	\$ 395,503
Intergovernmental	-	241,183	-
Miscellaneous	30,188	4,474	47
Total operating revenues	<u>2,461,528</u>	<u>1,369,621</u>	<u>395,550</u>
Operating expenses			
Personnel services	838,382	513,320	-
Contractual services	43,913	-	370,877
Repairs and maintenance	129,685	59,416	152,107
Supplies	397,522	40,092	138,391
Miscellaneous	15,839	17,577	29,997
Capital outlay	707	33,864	2,085
Depreciation	1,015,171	190,842	234,838
Utilities	148,670	120,066	-
Total operating expenses	<u>2,589,889</u>	<u>975,177</u>	<u>928,295</u>
Operating income (loss)	<u>(128,361)</u>	<u>394,444</u>	<u>(532,745)</u>
Nonoperating revenues and expenses			
Interest income	72,328	43,820	-
Interest expense	-	-	(5,428)
Total nonoperating revenues and expenses	<u>72,328</u>	<u>43,820</u>	<u>(5,428)</u>
Income (loss) before contributions and transfers	<u>(56,033)</u>	<u>438,264</u>	<u>(538,173)</u>
Transfers in	30,186	-	-
Transfers out	-	(5,229)	-
Net transfers	<u>30,186</u>	<u>(5,229)</u>	<u>-</u>
Change in net position	(25,847)	433,035	(538,173)
Total net position - beginning of year	<u>37,037,388</u>	<u>12,854,354</u>	<u>6,469,151</u>
Total net position - end of year	<u>\$ 37,011,541</u>	<u>\$ 13,287,389</u>	<u>\$ 5,930,978</u>

See accompanying notes to the financial statements

<u>Business-type Activities - Enterprise Funds</u>		Governmental Activities
<u>Other Nonmajor Enterprise Fund</u>		
<u>Environmental Service Fund</u>	<u>Totals</u>	<u>Internal Service Fund</u>
\$ 1,202,909	\$ 5,153,716	\$ 45,532
-	241,183	-
1,625	36,334	-
<u>1,204,534</u>	<u>5,431,233</u>	<u>45,532</u>
740,680	2,092,382	-
-	414,790	-
52,860	394,068	-
311,107	887,112	48,447
20,580	83,993	-
-	36,656	-
52,202	1,493,053	-
-	268,736	-
<u>1,177,429</u>	<u>5,670,790</u>	<u>48,447</u>
<u>27,105</u>	<u>(239,557)</u>	<u>(2,915)</u>
11,882	128,030	-
(1,902)	(7,330)	-
<u>9,980</u>	<u>120,700</u>	<u>-</u>
37,085	(118,857)	(2,915)
-	30,186	-
<u>(19,875)</u>	<u>(25,104)</u>	<u>-</u>
<u>(19,875)</u>	<u>5,082</u>	<u>-</u>
17,210	(113,775)	(2,915)
<u>2,652,900</u>	<u>59,013,793</u>	<u>120,520</u>
<u>\$ 2,670,110</u>	<u>\$ 58,900,018</u>	<u>\$ 117,605</u>

CITY OF EVANSTON, WYOMING

STATEMENT OF CASH FLOWS

Proprietary Funds

Year Ended June 30, 2017

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Golf Fund</u>
Cash flows from operating activities			
Cash received from customers	\$ 2,395,411	\$ 1,385,901	\$ 395,550
Cash received from interfund services provided	-	-	-
Cash payments to suppliers for goods and services	(683,784)	(268,027)	(674,994)
Cash payments to employees for services	(840,740)	(510,788)	-
Net cash provided (used) by operating activities	<u>870,887</u>	<u>607,086</u>	<u>(279,444)</u>
Cash flows from noncapital financing activities			
Operating subsidies and transfers from other funds	30,186	-	-
Transfers out	-	(5,229)	-
Net cash provided (used) by noncapital financing activities	<u>30,186</u>	<u>(5,229)</u>	<u>-</u>
Cash flows from capital and related financing activities			
Acquisitions and construction of capital assets	(64,548)	(266,190)	(23,459)
Principal paid	-	-	(33,952)
Interest paid	-	-	(5,428)
Net cash used by capital and related financing activities	<u>(64,548)</u>	<u>(266,190)</u>	<u>(62,839)</u>
Cash flows from investing activities			
Principal received on advance to general fund	488,752	-	-
Interest received on investments	70,235	43,820	-
Net cash provided by investing activities	<u>558,987</u>	<u>43,820</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	1,395,512	379,487	(342,283)
Cash and cash equivalents - beginning of year	<u>13,200,089</u>	<u>10,547,340</u>	<u>2,009,536</u>
Cash and cash equivalents - end of year	<u><u>\$ 14,595,601</u></u>	<u><u>\$ 10,926,827</u></u>	<u><u>\$ 1,667,253</u></u>

See accompanying notes to the financial statements

<u>Business-type Activities - Enterprise Funds</u>		Governmental
Other Nonmajor		Activities
Enterprise fund		
Environmental		Internal
Service		Service
Fund	Totals	Fund
\$ 1,203,021	\$ 5,379,883	\$ -
-	-	48,804
(368,545)	(1,995,350)	(55,445)
(695,505)	(2,047,033)	-
138,971	1,337,500	(6,641)
-	30,186	-
(19,875)	(25,104)	-
(19,875)	5,082	-
-	(354,197)	-
(47,559)	(81,511)	-
(1,902)	(7,330)	-
(49,461)	(443,038)	-
-	488,752	-
11,882	125,937	-
11,882	614,689	-
81,517	1,514,233	(6,641)
2,860,451	28,617,416	115,701
<u>\$ 2,941,968</u>	<u>\$ 30,131,649</u>	<u>\$ 109,060</u>

(Continued)

CITY OF EVANSTON, WYOMING

STATEMENT OF CASH FLOWS (CONTINUED)

Proprietary Funds

Year Ended June 30, 2017

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Golf Fund</u>
Reconciliation of operating income (loss) to net cash and cash equivalents provided (used) by operating activities			
Operating income (loss)	\$ (128,361)	\$ 394,444	\$ (532,745)
Adjustments to reconcile operating income (loss) to net cash and cash equivalents provided (used) by operating activities			
Depreciation	1,015,171	190,842	234,838
Amortization of differences on pension plan investment earnings	38,911	27,013	-
Increase (decrease) in cash and cash equivalents resulting from changes in operating assets, deferred outflows, deferred inflows, and liabilities			
Accounts receivable	(66,117)	16,280	-
Inventory	-	-	(3,751)
Deferred outflows and inflows - pension plan items	(5,174)	(1,821)	-
Accounts payable	62,804	616	22,214
Accrued payroll	(19,247)	(10,963)	-
Accrued liabilities	(12,076)	2,372	-
Deposits payable	1,824	-	-
Net pension liability	(16,848)	(11,697)	-
Net cash and cash equivalents provided (used) by operating activities	<u>\$ 870,887</u>	<u>\$ 607,086</u>	<u>\$ (279,444)</u>

See accompanying notes to the financial statements

<u>Business-type Activities - Enterprise Funds</u>		Governmental
Other Nonmajor		Activities
Enterprise fund		
<u>Environmental</u>		<u>Internal</u>
Service		Service
Fund	Totals	Fund
\$ 27,105	\$ (239,557)	\$ (2,915)
52,202	1,493,053	-
39,021	104,945	-
(1,513)	(51,350)	3,272
-	(3,751)	(3,120)
1,217	(5,778)	-
16,002	101,636	(3,878)
21,832	(8,378)	-
-	(9,704)	-
-	1,824	-
(16,895)	(45,440)	-
<u>\$ 138,971</u>	<u>\$ 1,337,500</u>	<u>\$ (6,641)</u>

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CITY OF EVANSTON, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

Note 1. Summary of Significant Accounting Policies

Reporting Entity

The financial statements of the City of Evanston, Wyoming (“the City”) include the accounts of all City operations. The City provides a broad range of services to citizens, including general government, public safety, streets, sanitation and health, cultural and park facilities and social services. It also operates the water, sewer and other sanitation utilities and several recreational facilities.

The City of Evanston is a municipal corporation governed by an elected mayor and six elected council members. The City serves as the nucleus for the reporting entity under the provisions of GASB Statement No. 14, as amended by GASB Statements No. 39 and No. 61, for its basic financial statements. Using this premise, the City is not financially accountable for any other organizations and thus, includes only the financial activity of the various funds of the City within its basic financial statements. The City of Evanston has no component units nor is it considered a component unit of any other government.

The Housing Authority of the City of Evanston, Airport Joint Powers Board, and the City of Evanston-Uinta County Human Services Building Joint Powers Board are all related organizations to which the City appoints board members but for which the City has no significant financial accountability. All transactions with each of these organizations are conducted in the ordinary course of business. Further financial information is available from each organization.

The accounting policies of the City of Evanston conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Government-Wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

CITY OF EVANSTON, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Other revenue items such as licenses, fines, and permits are considered to be measurable and available only when cash is received by the government.

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in the individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Drug Court is included as part of the general fund of the City.

The City reports the following major proprietary funds:

The *water fund* accounts for the activities of the City's water distribution system.

The *sewer fund* accounts for the activities of the City sewage treatment plant and collection system.

The *golf fund* accounts for the activities of the City's golf course.

The *environmental service fund* accounts for the activities of the City's sanitation and storm water.

Additionally, the City reports the following fund types:

The *special revenue funds* are used to account for the proceeds of designated specific revenue sources that are restricted to expenditures for specified purposes.

The *permanent fund* is used to account for resources legally restricted for use in the care and maintenance of the City's cemetery.

The *internal service fund* is used for motor vehicle services provided to other departments or agencies of the City, or to other governments, on a cost reimbursement basis.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF EVANSTON, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity

Cash and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

WYOSTAR is an authorized government investment pool offered exclusively to Wyoming Governmental entities by the Wyoming State Treasurer's Office. The value of the County's investments in WYO-STAR equals the value of its WYO-STAR shares. Each participant's position in the WYO-STAR investment pool is calculated by the proportion of the cost of their contribution to the total funds invested in the pool multiplied by the pool's total fair value as of any specific date. WYO-STAR investments consist of short-term bonds and cash with a weighted average maturity which does not exceed 90 days, with a benchmark using Bank of America 3 month U.S. T-Bills index.

Wyoming Statutes authorize the types of investments in which the City may invest. Among these authorized investments are certificates of deposit, money market funds, obligations of the U.S. Treasury, agencies and instrumentalities of the U.S. Government, mortgage backed securities, guaranteed investment contracts, mutual funds and repurchase agreements with banks with the underlying securities being obligations of the U.S. Treasury or agencies and instrumentalities of the U.S. Government. The City's investments consist of U.S. government obligations and U.S. government agency including mortgage backed securities and participation in WYO-STAR.

Investments for the City are reported at fair value. Fair value is determined using the latest bid price or by the closing exchange price at the statement of net position date. A significant portion of the City's investments is in a pooled investment account managed by the State of Wyoming, State Treasurer's office. The WYO-STAR investment pools were established by the Wyoming Statutory Trust Act. Shares of the fund are offered exclusively to Wyoming governmental entities. Separate accounts are maintained for each entity. These pools invest in obligations of the U.S. Treasury and other investments as authorized by the Wyoming Statutes. The reported value of the pool is the same as the fair value of the pool shares.

The City reviews statements of investments on a monthly basis to identify significant downturns which might affect the fair value measurements of investments.

CITY OF EVANSTON, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity (Continued)

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown net of an allowance for uncollectible balances.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on or about August 1 and payable in two installments on September 1 and March 1. Uinta County bills and collects its own property taxes and also the taxes for all municipalities and political subdivisions within the County, including the City. City property tax revenues are recognized when levied to the extent that they result in current receivables, which means when collected within the current period or expected to be collected within 60 days of the fiscal year end to be used to pay liabilities of the current period.

The City is permitted by Wyoming Statutes to levy taxes up to 8 mills of assessed valuation for all purposes, exclusive of state revenue, except for the payment of public debt and interest thereon. The combined tax rate to finance general government services other than the payment of principal and interest on long-term debt for the year ended June 30, 2017, was 8 mills which mean that the City has levied to the maximum amount available.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Compensated Absences

It is the City’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay and sick leave is accrued when incurred in the government-wide, and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost.

CITY OF EVANSTON, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity (Continued)

Capital Assets (Continued)

In the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the City chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the City values these capital assets at the estimated fair value of the item at the date of its donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Property, plant, and equipment of the City, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	20
Infrastructure	30-50
Land improvements	20
Machinery and equipment	5

Pensions

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 ("WRS") plans and additions to/deductions from WRS's fiduciary net position have been determined on the same basis as they are reported by WRS. 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.

Deferred Outflows and Inflows of Resources

In addition to assets, the financial statements may report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a decrease of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the financial statements may include a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an increase 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 City reports deferred outflows and deferred inflows as follows:

CITY OF EVANSTON, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity (Continued)

Deferred Outflows and Inflows of Resources (Continued)

Unavailable Revenues - Unavailable revenue is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In the government-wide statement of net position, only property tax revenue is reported as deferred inflows of resources in the year the taxes are levied.

Pension Plan Items – In the government-wide and proprietary funds statements of net position, a deferred outflow or deferred inflow of resources is reported for the unrecognized items not yet charged to pension expense related to the net pension liability. This includes the unamortized portion of the net difference between projected and actual earnings on pension plan investments and other differences between expected and actual experience. Deferred outflows for the net difference between projected and actual investment earnings are recognized over a period of five years, while the deferred outflows or deferred inflows for the differences between expected and actual experience for economic/demographic assumptions are recognized over the remaining service life for all active and inactive members.

Long-Term Obligations

In the government-wide financial statements and proprietary fund type fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, and proprietary fund type statement of net position.

Fund Balance/Net Position

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the City's council through approval of resolutions. Assigned fund balances are an agreement between the mayor and City management. Unassigned fund balance in the general fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed, or assigned to those purposes. Proprietary fund equity is classified the same as in the government-wide statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

For the government-wide financial statements, net position are reported as restricted when constraints placed on net position are either: (1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of the governments or (2) imposed by law through constitutional provision or enabling legislation.

CITY OF EVANSTON, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The estimates of fair value of investments, pension liabilities, and the postemployment healthcare plan liabilities are specifically significant to the City. It is reasonably possible that these estimates will change within one year of the date of the financial statement due to one or more future events. The effect of the change could be material to the financial statements and could result in a loss.

Note 2. Stewardship, Compliance, and Accounting

Budgets and Budgetary Accounting

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

1. Prior to May 15, the City Treasurer submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted on the third Tuesday in June to obtain public comments.
3. The budget is adopted no later than twenty-four hours after the third Tuesday in June.
4. At the request of the City Treasurer or upon its own motion after publication of notice, the City Council may by resolution transfer any unencumbered or unexpended appropriation balance or part thereof from one fund or department to another. Management may amend the budget at the object line item level without seeking Council approval provided the fund or department's total budget is not modified.
5. No officer or employee of the City shall make any expenditure or encumbrance in excess of the total appropriation for any department.
6. All appropriations excluding appropriations for capital projects shall lapse following the close of the budget year to the extent they are not expended.
7. The appropriated budget is prepared by fund, function, and department using the accrual basis of accounting. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration.

Budget Amendments

During the 2017 fiscal year, it was not necessary to amend the originally adopted budget.

CITY OF EVANSTON, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

Note 3. Deposits and Investments

At June 30, 2017, the carrying amount of the City of Evanston's bank deposits was \$7,975,861 and the bank balance was \$8,311,519. The difference between the carrying amount and the bank balance is a result of transactions in transit. As of June 30, 2017, all deposits of the City held by financial institutions were insured or collateralized as required by statute. In addition, the City has other cash and cash equivalents in money market accounts with its broker.

As of June 30, 2017, the City had the following investments:

Investment Type	Total	Interest Rate	Investment Maturities (In Years)				Investment Ratings
			Less Than 1	1-5	6-10	More Than 10	
GNMA - MBS	\$ 11,728	5-5.50%	\$ -	\$ -	\$ -	\$11,728	Not Rated
FNMA - Notes	9,726,802	1.05-1.25%	-	9,726,802	-	-	AA+/Aaa*
WYO-STAR Investment Pool	23,538,671	0.84%	23,538,671	-	-	-	Not Rated
	<u>\$33,277,201</u>		<u>\$23,538,671</u>	<u>\$9,726,802</u>	<u>\$-</u>	<u>\$11,728</u>	

* These investments were rated as AA+ by Standard & Poor's and Aaa by Moody's Investors Service

Reported in the following classifications

Pooled cash and investments	\$ 42,430,721
Less pooled cash	(9,153,520)
Pooled investments	<u>\$ 33,277,201</u>

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 investments are held in an external pooled investment account, and as a means of limiting its exposure to fair value losses arising from rising interest rates, the City attempts to match its investment maturities to expected cash flow needs. With this investment focus, investments are expected to reach maturity with limited gains or losses.

Credit Risk. Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. State law does not allow governments to invest in corporate bonds, stocks or mutual funds and limits investments in commercial paper to short term maturities (not greater than 270 days) and to the top ratings issued by nationally recognized statistical rating organizations (Moody's and Standard and Poor's). Obligations of the U.S. Government and obligations specifically guaranteed by the U.S. Government are backed by the full faith and credit of the U.S. Government. State law does not allow governments to invest in commercial paper and corporate bonds. Therefore, the City's investments have limited exposure to credit risk. WYO-STAR investments consist of short-term bonds and cash with a weighted average maturity which does not exceed 90 days, with a benchmark using Bank of America 3 month U.S. T-Bills index. The City follows the mandates for allowable investments as prescribed by state statutes as their credit risk policy.

CITY OF EVANSTON, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

Note 3. Deposits and Investments (Continued)

Concentration of Credit Risk. The City does not have a formal policy that mandates or limits an investment in any one issuer as a specified percentage of the City's total investments. The composition of the investment portfolio of City at June 30, 2017 is as follows:

Deposit and Investment Types	Fair Value	Percent of Portfolio
FHLB - Notes	\$ 9,726,802	29.23%
WYO-STAR Investment Pool	23,538,671	70.74%
Other Investments less than 5%	11,728	0.04%
	<u>\$ 33,277,201</u>	<u>100.01%</u>

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a formal policy for custodial credit risk; however, State statutes require that the City's deposits in excess of the Federal depository insurance amount be collateralized. At June 30, 2017, City deposits were fully insured and collateralized as required by statutes.

Custodial Credit Risk – Investments. For an investment, this 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 does not have a formal policy for custodial credit risk; however, all City investments were held by nationally recognized brokers or the Treasurer of the State of Wyoming in the City's name.

Fair Value of Investments

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Following is a description of the valuation methodologies used for investments measured at fair value. There have been no changes in the methodologies used at June 30, 2017:

External investment pool – Valued at the net asset value (NAV) of shares held at year end, based on quoted prices for identical or similar assets in active markets.

U.S. government obligations and U.S. government agency mortgage backed securities – Valued using matrix pricing models for identical or similar assets in active markets.

WYO-STAR – Valued on level 2 inputs by which each participant's position in the investment pool is calculated by the proportion of the cost of their contribution to the total funds invested in the pool multiplied by the pool's total fair value as of any specific date.

CITY OF EVANSTON, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

Note 3. Deposits and Investments (Continued)

The following categorizes the fair value measurements within the fair value hierarchy established by generally accepted accounting principles:

	Investments at Fair Value as of June 30, 2017			
	Level 1	Level 2	Level 3	Total
U.S. government agency obligations	\$ -	\$ 9,726,802	\$ -	\$ 9,726,802
U.S. government agency mortgage backed securities	-	11,728	-	11,728
WYO-STAR investment pool	-	23,538,671	-	23,538,671
Total primary government investm	<u>\$ -</u>	<u>\$ 33,277,201</u>	<u>\$ -</u>	<u>\$ 33,277,201</u>

As of June 30, 2017, the City's investment portfolio includes mortgage backed securities that have fair values highly sensitive to interest rate changes. When interest rates fall, mortgages are refinanced and paid off early. The reduced stream of future interest payments diminishes the value of the investment.

Note 4. Receivables

As of June 30, 2017, the City's accounts receivable, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Other Governmental Funds	Water Fund	Sewer Fund	Environmental Service Fund	Total
Receivables						
Customer	\$ -	\$ -	\$ 392,302	\$ 136,614	\$ 132,112	\$ 661,028
Grants	499,701	-	-	-	-	499,701
Franchise fees	41,424	-	-	-	-	41,424
Sales and use tax	883,487	-	-	-	-	883,487
Pari-mutual and lottery	29,118	-	-	-	-	29,118
Municipal court	399,293	-	-	-	-	399,293
Miscellaneous	-	51,298	-	-	-	51,298
Allowance for bad debts	(359,907)	-	-	-	-	(359,907)
	<u>\$ 1,493,116</u>	<u>\$ 51,298</u>	<u>\$ 392,302</u>	<u>\$ 136,614</u>	<u>\$ 132,112</u>	<u>\$ 2,205,442</u>

In addition, the internal service fund accounts receivable of \$15 is reported in the governmental activities in the City's Statement of Net Assets.

CITY OF EVANSTON, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

Note 5. Interfund Balances and Transfers

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

The following is the detail of the City’s individual interfund balances for the year ended June 30, 2017:

Due to/from other funds

Governmental activities		
General fund	\$ -	\$ 245,835
Business-type activities		
Water fund	245,835	-
Total due to/from other funds	<u>245,835</u>	<u>245,835</u>

Advances to/from other funds

Governmental activities		
General fund	-	801,473
Business-type activities		
Water fund	801,473	-
Total advances to/from other funds	<u>801,473</u>	<u>801,473</u>
Total interfund balances	<u>\$ 1,047,308</u>	<u>\$ 1,047,308</u>

During 2009, the water fund advanced \$2,000,000 to the general fund for the purpose of paying the construction costs incurred for the Restoration of Section One of the Roundhouse Project. Interest was calculated on the outstanding balance at the rate of .4136%, which was the rate of return on WYO-STAR at June 30, 2017.

The following is a detailed schedule of the City's interfund transfers for the year ended June 30, 2017.

	Transfers In	Transfers Out
Governmental Activities:		
Other capital asset transfers reported in governmental funds	\$ -	\$ 5,082
Total governmental activities	<u>-</u>	<u>5,082</u>
Business-type Activities:		
Water Fund	30,186	-
Sewer Fund	-	5,229
Environmental Services Fund	-	19,875
Total business-type activities	<u>30,186</u>	<u>25,104</u>
	<u>30,186</u>	<u>30,186</u>

Transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, 2) move restricted amounts from borrowings to the debt service fund to establish mandatory reserve accounts, 3) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

CITY OF EVANSTON, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

Note 6. Capital Assets

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

	Beginning Balance	Additions	Deletions	Transfer	Ending Balance
Governmental activities					
Capital assets not being depreciated					
Land	\$11,329,897	\$ -	\$ -	\$ -	\$11,329,897
Construction in progress	38,353	1,297,032	-	(38,353)	1,297,032
Total capital assets not being depreciated	11,368,250	1,297,032	-	(38,353)	12,626,929
Capital assets being depreciated					
Buildings and systems	43,286,632	-	-	(688,592)	42,598,040
Machinery and equipment	5,002,075	69,338	149,697	29,474	4,951,190
Infrastructure	17,818,170	-	-	-	17,818,170
Land improvement	799,560	-	-	688,592	1,488,152
Total capital assets being depreciated	66,906,437	69,338	149,697	29,474	66,855,552
Less accumulated depreciation for					
Buildings and systems	19,105,467	1,216,557	-	-	20,322,024
Machinery and equipment	4,389,977	174,506	149,697	(3,797)	4,410,989
Infrastructure	17,305,058	61,158	-	-	17,366,216
Total accumulated depreciation	40,800,502	1,452,221	149,697	(3,797)	42,099,229
Total capital assets, being depreciated, net	26,105,935	(1,382,883)	-	33,271	24,756,323
Governmental activities capital assets, net	\$37,474,185	\$ (85,851)	\$ -	\$ (5,082)	\$37,383,252

Machinery and equipment that was purchased through a lease purchase obligation is included in machinery and equipment of the governmental activities. The purchase price of that equipment was \$46,548 with accumulated depreciation of \$18,925; the current year depreciation of \$9,310 was expensed in governmental activities.

CITY OF EVANSTON, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

Note 6. Capital Assets (Continued)

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

Governmental activities	
General government	\$ 38,318
Public safety	89,198
Public works, including depreciation of general infrastructure assets	1,273,833
Health, welfare and recreation	18,488
Capital assets held in the permanent fund	32,384
	<u>1,452,221</u>
Total depreciation expense for governmental activities	<u>\$ 1,452,221</u>

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Business-type activities					
Capital assets not being depreciated					
Land	\$ 733,694	\$ -	\$ -	\$ -	\$ 733,694
Construction in progress	27,929	295,633	-	(302,258)	21,304
	<u>761,623</u>	<u>295,633</u>	<u>-</u>	<u>(302,258)</u>	<u>754,998</u>
Total capital assets not being depreciated					
Capital assets being depreciated					
Buildings and systems	67,367,358	-	-	302,258	67,669,616
Machinery and equipment	3,098,146	58,564	-	8,878	3,165,588
	<u>70,465,504</u>	<u>58,564</u>	<u>-</u>	<u>311,136</u>	<u>70,835,204</u>
Total capital assets being depreciated					
Less accumulated depreciation for					
Buildings and systems	39,183,052	1,315,930	-	-	40,498,982
Machinery and equipment	2,051,024	177,123	-	3,798	2,231,945
	<u>41,234,076</u>	<u>1,493,053</u>	<u>-</u>	<u>3,798</u>	<u>42,730,927</u>
Total accumulated depreciation					
Total capital assets, being depreciated, net	29,231,428	(1,434,489)	-	307,338	28,104,277
Business-type activities capital assets, net	<u>\$29,993,051</u>	<u>\$(1,138,856)</u>	<u>\$ -</u>	<u>\$ 5,080</u>	<u>\$ 28,859,275</u>

Machinery and equipment that was purchased through a lease purchase obligation is included in machinery and equipment of the business-type activities. The purchase price of that equipment was \$438,538 with accumulated depreciation of \$146,222; current year depreciation of \$52,465 was expensed in business-type activities.

CITY OF EVANSTON, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

Note 7. Long-Term Debt

The changes in long-term debt for the year ended June 30, 2017 were as follows:

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
Governmental activities					
Compensated absences	\$ 617,002	\$ -	\$ 76,725	\$ 540,278	\$ 27,014
Lease purchase obligations	36,653	-	8,421	28,232	8,898
Other post-employment benefits payable	68,307	65,979	-	134,286	-
Pension obligation	2,300,078	-	67,479	2,232,599	-
Governmental activities long-term liabilities	<u>\$ 3,022,040</u>	<u>\$ 65,979</u>	<u>\$ 152,625</u>	<u>\$ 2,935,395</u>	<u>\$ 35,912</u>
For the governmental activities, compensated absences are generally liquidated by the general fund.					
Business-type activities					
Compensated absences	\$ 303,366	\$ 26,555	\$ -	\$ 329,921	\$ 16,496
Lease purchase obligations	259,100	-	81,511	177,589	83,727
Pension obligation	1,515,674	-	45,440	1,470,234	-
Business-type activities long-term liabilities	<u>\$ 2,078,140</u>	<u>\$ 26,555</u>	<u>\$ 126,951</u>	<u>\$ 1,977,744</u>	<u>\$ 100,223</u>

Long-Term Debt – Governmental Activities

Debt outstanding, (excluding accrued compensated absences) at June 30, 2017 is comprised of the following:

\$46,548 lease purchase obligation, interest rate 5.517%, payable monthly, principal and interest payments of \$853 through September 2020, serviced by the General Fund.	<u>\$ 28,232</u>
---	------------------

Future minimum lease payments under all debt except compensated absences outstanding as of June 30, 2017 are as follows:

Year ending June 30,	
2018	10,232
2019	10,232
2020	10,232
	<u>30,696</u>
Less amount representing interest	(2,464)
Net present value of minimum lease payment	<u>\$ 28,232</u>

CITY OF EVANSTON, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

Note 7. Long-Term Debt (Continued)

Long-Term Debt – Business-type Activities

Debt outstanding, (excluding accrued compensated absences and pension obligations) at June 30, 2017 is comprised of the following:

\$201,108 lease purchase obligation, interest rate 3.8%, payable monthly, principal and interest payments of \$3,282 through June 2019, serviced by the Golf Fund.	\$ 129,088
\$237,430 lease purchase obligation, interest rate 1.98%, payable annually, principal and interest payments of \$49,461 through February 2018, serviced by the Environmental Service Fund.	48,501
	<u>\$ 177,589</u>

Future minimum lease payments under all debt except compensated absences outstanding as of June 30, 2017 are as follows:

Year ending June 30,	
2018	88,842
2019	96,704
	<u>185,546</u>
Less amount representing interest	(7,957)
Net present value of minimum lease payment	<u>\$ 177,589</u>

Note 8. Assigned Fund Balances

The City Council has established tentative plans for financial resources to be utilized in future periods. Such plans or intent are subject to change and may never be legally authorized or result in expenditures.

As of June 30, 2017, the City Council had established plans for emergency building repairs as follows:

Nonspendable	
Permanent fund principal	\$ 100,000
Restricted for	
Lodging tax	1,011,639
Economic development	752,835
Cemetery perpetual care	105,847
Assigned to	
City Hall	1,000,000
Police and Fire Buildings	1,500,000
Public Works Buildings	1,000,000
Recreation Center	2,000,000
Unassigned	4,147,392
	<u>\$ 11,617,713</u>

CITY OF EVANSTON, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

Note 9. Commitments and Contingencies

The City has several outstanding construction projects as of June 30, 2017. The projects include street improvements, stabilization of the machine shop, improvements to the recreation center, and the completion of the water treatment facilities. At year end, the City's commitments with contractors are as follows:

Project Name	Original Contract Amount	Expended To Date	Remaining Commitment
Governmental activities			
General Fund			
Roundhouse Stabilization	\$ 3,000,000	\$ 1,269,088	\$ 1,730,912
Total governmental activities	3,000,000	1,269,088	1,730,912
Business-type activities			
Sewer Fund			
Fairgrounds Sewer Line Replacement	687,506	21,304	666,202
Total business-type activities	687,506	21,304	666,202
Total primary government	\$ 3,687,506	\$ 1,290,392	\$ 2,397,114

The City as an internal project for the Traffic Signal Upgrade which expended \$27,944 in the current year.

There are several lawsuits pending against the City for various reasons. The outcome and eventual liability to the City, if any, in these cases is not known at this time; however, management and legal counsel estimate the potential claims against the City, not covered by insurance, resulting from such litigation would not materially affect the basis financial statements of the City.

Note 10. Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. During the year ended June 30, 2017 the City contracted with various insurance companies for property insurance (including boiler and machinery), general liability insurance, professional insurance and vehicle insurance. Settlements have not exceeded coverage in any of the past three fiscal years. The government has had no significant reductions in insurance coverage from coverage in the prior years.

The City also participates in two other risk management programs: Workers' Compensation Act and Unemployment Compensation Act.

Wyoming Statute 27-14-101 created the Wyoming Workers' Compensation Act, which is administered as an enterprise fund by the State of Wyoming. All employers within the State of Wyoming are participants of this plan unless the employer elects not to be covered under the plan. This Act requires the City to obtain liability coverage for payment of benefits to employees for job-related injuries and diseases through the Workers' Compensation Fund. This Act provides general protection from suits filed by employees against the City. The City makes monthly payments to the Department of Employment, State of Wyoming. This amount is based on salaries and a split rate between hazardous and non-hazardous positions. Amounts paid by the City to the State for Workers' Compensation during fiscal year 2017 were approximately \$151,000.

CITY OF EVANSTON, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

Note 10. Risk Management (Continued)

Wyoming Statute 27-3-101 created the Unemployment Compensation Act. This Act requires the City to pay the cost of actual claims incurred. Changes in the balances of claims liabilities during fiscal year 2017 and 2016 were as follows for the City's participation in the Unemployment Compensation Act Program:

	Fiscal Year Ended 2017	Fiscal Year Ended 2016
Unpaid claims, beginning of year	\$ -	\$ -
Incurred claims	14,611	6,487
Claim payments	(14,611)	(6,487)
Unpaid claims, end of year	<u>\$ -</u>	<u>\$ -</u>

Note 11. Pension Plans

Pension Plan Fiduciary Net Position

The Wyoming Retirement System issues a publicly available financial report which includes audited financial statements and required supplementary information for each plan. Detailed information about the pension plans' fiduciary net position is available in separately issued Wyoming Retirement System financial report. The report may be obtained from the Wyoming Retirement System website at <http://retirement.state.wy.us>.

All eligible City employees are covered under one of the two following retirement plans:

Public Employees' Pension Plan

The City participates in the Public Employees' Pension Plan ("PEPP"), a statewide cost-sharing multiple-employer defined benefit, contributory retirement plan administered by the State of Wyoming Retirement System Board. Substantially all City full-time employees are eligible to participate.

PEPP members are required to contribute 8.25% of their annual covered salary and the City is required to contribute 8.37% of the annual covered payroll. Legislation enacted in 1979 allows the employer to pay any or all of the employees' contribution in addition to the matching contribution. The City currently pays 12.44% of the required total contributions and the employees contribute the remaining portion, 4.18% of the required total contribution.

The City's contributions to the PEPP for the years ended June 30, 2017, 2016, and 2015, were \$292,371, \$286,797 and \$273,488, while the employees' portion was \$98,241, \$96,367 and \$90,018, respectively, equal to the required contributions each year for regular employees.

Through legislation passed during the 2014 legislative session, two tiers of benefits were established for participants of this plan. For Tier 1 (first contribution before September 1, 2012), the Plan allows for normal retirement after four years of service and attainment of age 60. Early retirement is allowed provided the employee has completed four years of service and attained age 50 or 25 years of service but will result in a reduction of benefits based on the length of time remaining to age 60. For Tier 2, the Plan allows for normal retirement after four years of service and attainment of age 65. Early retirement is allowed provided the employee has completed four years of service and attained age 55, or 25 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 EVANSTON, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

Note 11. Pension Plans (Continued)

Public Employees' Pension Plan (Continued)

Benefits are established by Title 9, Chapter 3 of the Wyoming Statutes. The PEPP provides retirement, disability and death benefits according to predetermined formulas and allows retirees to select one of seven 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 grant 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 the Plan and be eligible for unreduced retirement benefits at age 60 (Tier 1 employee) or 65 (Tier 2 employee).

Wyoming Law Enforcement Retirement Plan

The City participates in the Wyoming Law Enforcement Retirement Plan ("WLERP"), a state-wide, cost-sharing, multiple-employer defined benefit, contributory plan administered by the State of Wyoming Retirement System Board. The WLERP covers any county sheriff, deputy county sheriff, municipal police officer, Wyoming correctional officer, Wyoming law enforcement academy instructor, University of Wyoming campus police officer, detention officer or dispatcher for law enforcement agencies and certain investigators of the Wyoming Livestock Board.

The WLERP statutorily provides retirement, disability and death benefits according to predetermined amounts primarily 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 the plan is 100% funded after the COLA is awarded. Participants may withdraw from the WLERP at any time and receive refunds of participant contributions plus accumulated interest.

The WLERP is funded by amounts withheld from participating employees' salaries and by contributions from the City. These contributions are determined by state statutes and, as of June 30, 2017, the percentages to be contributed on compensation were 8.60% for the employees and the same for the City. The City currently pays 12.44% of the required total contributions and the police officers contribute the remaining portion, 4.76% of the required total contribution.

For the years ended June 30, 2017, 2016, and 2015 the contributions to the Wyoming Law Enforcement Retirement Plan were \$224,900, \$227,997, and \$226,679, respectively, equal to the required contributions for each year. The City's portion of these contributions were \$162,660, \$164,900, and \$157,357, respectively, while the employees' contributions were \$62,240, \$63,097, and \$69,322, respectively, equal to the required contributions for each year.

CITY OF EVANSTON, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

Note 11. Pension Plans (Continued)

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

At June 30, 2017, the City reported a total liability of \$3,702,833 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation January 1, 2017. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating governmental entities, actuarially determined. At December 31, 2016, the City's liability as well as their proportion and increase from its proportion measured at December 31, 2015 was as follows for each plan in which the City participates:

	Pension liability at December 31, 2016	Proportion at December 31, 2016	Increase (decrease) from December 31, 2015
Public Employees' Pension Plan	\$ 3,070,595	0.127015300%	-0.008567315%
Wyoming Law Enforcement Retirement	632,238	0.837491100%	-0.037856850%
	<u>\$ 3,702,833</u>		

For the year ended June 30, 2017, the City recognized pension expense of \$755,321. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows (Inflows) of Resources				Total Outflows	Total (Inflows)
	PEPP		WLERP			
Net difference between projected and actual earnings on pension plan investments	\$ 598,975	\$ -	\$ 312,959	\$ -	\$ 911,934	\$ -
Difference between actual and expected experience rate	-	(85,086)	8,944	(23,297)	8,944	(108,383)
Change in employer's proportion	52,661	(135)	1,956	(39)	54,617	(174)
Amortizing deferred outflows and deferred inflows	651,636	(85,221)	323,859	(23,336)	975,495	(108,557)
Contributions subsequent to the measurement date	187,484	-	103,576	-	291,060	-
Total	<u>\$ 839,120</u>	<u>\$ (85,221)</u>	<u>\$ 427,435</u>	<u>\$ (23,336)</u>	<u>\$1,266,555</u>	<u>\$ (108,557)</u>

CITY OF EVANSTON, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

Note 11. Pension Plans (Continued)

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

The City reported \$291,060 as deferred outflows of resources related to contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows related to pension will be recognized in pension expense as follows:

		Deferred Outflows	
		Wyoming Law	
		Enforcement	
		Retirement Plan	Plan Total
Year ended June 30:	Public Employees' Pension Plan		
2018	\$ 239,697	\$ 114,716	\$ 354,413
2019	237,317	114,716	352,033
2020	165,593	89,770	255,363
2021	9,029	4,657	13,686
	<u>\$ 651,636</u>	<u>\$ 323,859</u>	<u>\$ 975,495</u>
		Deferred Inflows	
		Wyoming Law	
		Enforcement	
		Retirement Plan	Plan Total
Year ended June 30:	Public Employees' Pension Plan		
2018	\$ (37,394)	\$ (6,038)	\$ (43,432)
2019	(35,414)	(6,038)	(41,452)
2020	(12,413)	(6,038)	(18,451)
2021	-	(5,222)	(5,222)
	<u>\$ (85,221)</u>	<u>\$ (23,336)</u>	<u>\$ (108,557)</u>

CITY OF EVANSTON, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

Note 11. Pension Plans (Continued)

Actuarial Assumptions

The total pension liability at the December 31, 2016 measurement date was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Assumptions and Methods	
Valuation date	1/1/2017
Actuarial cost method	Individual Entry Age Normal
Amortization method	Level percent open
Remaining amortization period	30
Asset valuation method	5-year
Actuarial assumptions:	
Investment net rate of return	7.75%
Projected salary increases (includes inflation)	4.25% to 8.00%
Assumed inflation rate	3.25%
Mortality	RP-2000 Combined Mortality Table, fully generational

The current actuarial assumptions and methods used in the January 1, 2017 valuation were based upon an experience study that covered a five-year period ending December 31, 2011. Differences between assumptions and actual experience since the prior valuation are identified as actuarial gains and losses. These gains and losses impact the unfunded actuarial liability and future funding requirements determined in subsequent valuations.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected arithmetic returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the pension plans' target allocation as of January 1, 2017, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
Cash	0.00%	-0.20%
Fixed income	20.00%	1.95%
Equity	45.00%	7.73%
Marketable alternatives	17.50%	3.73%
Private markets	17.50%	7.14%
Total	100.00%	6.38%

CITY OF EVANSTON, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

Note 11. Pension Plans (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions for participating governmental entities will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

Pension Plan	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Public Employees' Pension Plan	\$ 4,410,400	\$ 3,070,595	\$ 1,945,287
Wyoming Law Enforcement Retirement Plan	1,312,858	632,238	70,180

Payables to the Pension Plan

At June 30, 2017, the City reported no payables to the pension plans.

Note 12. Budgetary Compliance

For the year ended June 30, 2017, the following expenditures exceeded their final departmental budgets; this is a violation of Wyoming State Statute §16-4-108.

	Budget	Expenditure	Over Expenditure
Internal Service Fund - Motor Vehicle Fund	\$ 43,250	\$ 51,567	\$ (8,317)
Special Revenue Fund - Lodging Tax	245,100	258,427	(13,327)

CITY OF EVANSTON, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

Note 13. Postemployment Healthcare Plan

Plan Description

The City sponsors healthcare coverage for all full-time employees, retiree groups, the Mayor and City Council Members through Wyoming Educators' Benefit Trust. Eligible participants are offered medical/Rx insurance through Blue Cross Blue Shield. Dental and vision insurance are provided to active employees but not retirees.

Full-time employees of the City, the Mayor and City Council Members are eligible to retire with City-paid health benefits when they reach the age of 55 or 20 years of continuous service with the City, whichever is later. The employee must be enrolled in the City's group health insurance plan.

Eligible retirees who elect to participate are required to contribute 80% of the total premium for this benefit, which is to be paid directly to the City. Premiums and specifics of this plan are subject to change. Benefits continue until age 65 or when the retiree fails to make required premium payments, if earlier.

The benefits provided are established and may be amended by the City Council. There are no separately issued financial statements for the plan.

Funding Policy

The contribution requirements of plan members are established by, and may be amended by, the City Council. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the City. For fiscal year 2017, the City contributed \$3,543 to the plan. Members receiving benefits contributed \$14,171 or approximately 80 percent of the total premiums, through their required annual contribution rates as follows:

Coverage	Blue Cross Blue Shield
Retiree Only	\$ 760
2 Adults	1,393
Retiree and Children	1,218
Retiree and Family	1,898

These financial statements assume that pay-as-you-go funding will continue.

CITY OF EVANSTON, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

Note 13. Postemployment Healthcare Plan (Continued)

Annual Other Postemployment Benefit Cost

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the plan:

Annual required contribution	\$ 81,968
Interest on net OPEB obligation	2,732
Amortization adjustment to annual required contribution	(3,950)
Annual OPEB cost (expense)	80,750
Employer Contribution, including implicit subsidy	(14,771)
Change in net OPEB obligation	65,979
Net OPEB obligation - beginning of year	68,307
Net OPEB obligation - end of year	\$ 134,286

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2016	81,968	16.67%	68,307
June 30, 2017	80,750	18.29%	134,286

As of June 30, 2017, the actuarial valuation date, the plan was 0.0 percent funded. The actuarial accrued liability for benefits was approximately \$650,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial liability (UAAL) of approximately \$650,000. The covered payroll (annual payroll of active employees covered by the plan) was \$3,942,615, and the ratio of the UAAL to the covered payroll was 16.6 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents current year information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

CITY OF EVANSTON, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

Note 13. Postemployment Healthcare Plan (Continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The plan's most recent actuarial valuation was performed as of July 1, 2015 with a roll forward valuation was completed as of July 1, 2016. In that valuation, the Projected Unit Credit (PUC) Cost Method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses), and an annual medical cost trend rate of 6.0% initially, reduced by decrements to an ultimate rate of 5.0% after 3 years. The City's unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis over 30 years. The remaining amortization period as of June 30, 2017 was 29 years.

Note 14. Operating Leases - Lessor

Operating Lease – Lessor

Under a month to month agreement, the City leased a building to a tenant at the rate of \$8,000 per month. The cost of the leased property is \$3,617,843 with accumulated depreciation of \$814,262. Rental income from this lease was \$96,000 for the year ending June 30, 2017.

During 2014, the City entered into an agreement with a non-profit organization to lease certain real estate to the entity for one dollar per square foot (\$7,647 per month) for a term of five years at which time the organization has the option to purchase the property for its fair market value. The fair market value is to be modified by reducing the price by \$1,000,000 which the non-profit paid as an investment towards the construction of the subject property and by the rental payments made through the date the purchase option is executed. Since the non-profit organization currently provides out-patient mental health services pursuant to an annual contract awarded by the State of Wyoming, Department of Health, and their ability to continue operations without the State contract would be difficult, the non-profit organization has the right to terminate the lease should the State discontinue its funding. In the event the lease is terminated due to the lack of funding from the State, the City must return the organization's initial investment of \$1,000,000 by making four payments of \$250,000 each, with the first payment due 120 days after the date of termination of the lease and the subsequent payments due every 120 days thereafter until the entire amount is paid in full. The cost of the leased property is \$2,151,515 with accumulated depreciation of \$193,342. The City received \$91,764 for rent in the current fiscal year under the terms of the lease.

CITY OF EVANSTON, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

Note 15. Accounting Standards Issued, But Not Implemented

As of June 30, 2017, the Governmental Accounting Standards Board has issued the following standards which the City may implement in its next fiscal year.

Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires governments to report a liability on the face of the financial statements for the other postemployment benefits that they provide and requires governments to present more extensive note disclosures and required supplementary information about the postemployment liabilities. Management has not concluded its assessment of the effect of implementing this guidance.

Governmental Accounting Standards Board Statement No. 87, *Leases*, is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. Under this standard, government lessors must recognize (a) a lease receivable and (b) a deferred inflow of resources and continue to report the leased asset in its financial statements; and report in its financial statements (a) lease revenue recognized over the term of the lease, corresponding with the reduction of the deferred inflow, (b) interest income on the receivable; and (c) note disclosures about the lease. This standard is effective for reporting periods beginning after December 15, 2019. Management has not concluded its assessment of the effect of implementing this guidance.

Note 16. Subsequent Events

On August 1, 2017 the City of Evanston authorized the execution of a purchase agreement for the sale of real property with High Country Behavioral Health in the amount of \$2,150,000. High Country Behavioral Health will receive a credit against the purchase price of \$1,000,000, which represents the initial investment made in the building, plus \$321,174, the total amount of rent payments made during the time of the lease. This leaves a balance due of \$828,826.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF EVANSTON, WYOMING

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL**

General Fund

Year Ended June 30, 2017

(Unaudited)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
PROPERTY TAXES AND OTHER TAXES				
Property taxes	\$ 543,000	\$ 543,000	\$ 650,604	\$ 107,604
Sales and use taxes	1,795,000	1,795,000	2,046,323	251,323
Franchise fees	163,700	163,700	176,347	12,647
	<u>2,501,700</u>	<u>2,501,700</u>	<u>2,873,274</u>	<u>371,574</u>
LICENSES AND PERMITS	<u>112,500</u>	<u>112,500</u>	<u>158,683</u>	<u>46,183</u>
INTERGOVERNMENTAL REVENUES				
State gasoline tax	500,000	500,000	557,509	57,509
Severance tax	443,894	443,894	459,950	16,056
Cigarette tax	100,000	100,000	93,839	(6,161)
State funding	793,689	793,689	1,585,611	791,922
Grants	5,758,764	5,758,764	3,585,942	(2,172,822)
Mineral royalties	638,043	638,043	627,974	(10,069)
Pari-Mutual/Lottery tax	25,000	25,000	77,596	52,596
	<u>8,259,390</u>	<u>8,259,390</u>	<u>6,988,421</u>	<u>(1,270,969)</u>
CHARGES FOR SERVICES				
Public safety fees	24,150	24,150	34,535	10,385
	<u>24,150</u>	<u>24,150</u>	<u>34,535</u>	<u>10,385</u>
FINES AND FORFEITURES	<u>139,000</u>	<u>139,000</u>	<u>132,017</u>	<u>(6,983)</u>
MISCELLANEOUS REVENUES				
Interest earnings	115,000	115,000	66,304	(48,696)
Miscellaneous revenues	34,000	34,000	124,219	90,219
Gain on sale of fixed assets	1,000	1,000	3,748	2,748
	<u>150,000</u>	<u>150,000</u>	<u>194,271</u>	<u>44,271</u>
Total revenues	<u>11,186,740</u>	<u>11,186,740</u>	<u>10,381,201</u>	<u>(805,539)</u>

(Continued)

See accompanying notes to required supplementary information.

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CITY OF EVANSTON, WYOMING

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)**

General Fund
Year Ended June 30, 2017
(Unaudited)

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
EXPENDITURES				
General government	\$ 4,307,004	\$4,307,004	\$ 3,154,898	\$ 1,152,106
Public safety and transportation	3,536,131	3,536,131	2,692,253	843,878
Health, welfare, and recreation	1,259,266	1,259,266	1,261,246	(1,980)
Public works	1,557,289	1,557,289	1,173,293	383,996
Capital outlay	3,257,937	3,257,937	1,362,466	1,895,471
Total expenditures	<u>13,917,627</u>	<u>13,917,627</u>	<u>9,644,156</u>	<u>4,273,471</u>
Excess (deficiency) of revenues over expenditures	<u>(2,730,887)</u>	<u>(2,730,887)</u>	<u>737,045</u>	<u>3,467,932</u>
Other financing sources (uses)				
Transfers (out)	<u>(1,063,284)</u>	<u>(1,063,284)</u>	<u>-</u>	<u>1,063,284</u>
Total other financing (uses)	<u>(1,063,284)</u>	<u>(1,063,284)</u>	<u>-</u>	<u>1,063,284</u>
Net change in fund balance	(3,794,171)	(3,794,171)	737,045	4,531,216
Fund balance - beginning of year	<u>8,677,071</u>	<u>8,677,071</u>	<u>8,677,071</u>	<u>-</u>
Fund balance - end of year	<u><u>\$ 4,882,900</u></u>	<u><u>\$4,882,900</u></u>	<u><u>\$9,414,116</u></u>	<u><u>\$ 4,531,216</u></u>

See accompanying notes to required supplementary information.

CITY OF EVANSTON, WYOMING

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last 10 fiscal years **

(Unaudited)

	2017	2016	2015
Public Employees Pension Plan			
City's proportion of the net pension liability	0.127015300%	0.135582615%	0.128782567%
City's proportionate share of the net pension liability	\$ 3,070,595	\$ 3,158,191	\$ 2,272,616
City's covered payroll	\$ 2,264,562	\$ 2,364,661	\$ 2,201,425
City's proportionate share of the net pension liability as a percentage of its covered payroll	135.59%	133.56%	103.23%
Plan fiduciary net position as a percentage of the total pension liability	73.42%	73.40%	79.08%
Wyoming Law Enforcement Retirement Plan			
City's proportion of the net pension liability	0.837491100%	0.875347950%	0.853389620%
City's proportionate share of the net pension liability	\$ 632,238	\$ 657,561	\$ 251,440
City's covered payroll	\$ 1,296,262	\$ 1,316,521	\$ 1,261,232
City's proportionate share of the net pension liability as a percentage of its covered payroll	48.77%	49.95%	19.94%
Plan fiduciary net position as a percentage of the total pension liability	88.11%	87.49%	94.76%

The amounts presented for each fiscal year were determined as of 12/31.

* Information for years prior to 2015 is not available; the schedule will be completed as information becomes available.

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

See accompanying notes to required supplementary information.

2014	2013	2012	2011	2010	2009	2008
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*

CITY OF EVANSTON, WYOMING

SCHEDULE OF CITY CONTRIBUTIONS

Last 10 fiscal years

(Unaudited)

	2017	2016	2015
Public Employees Pension Plan			
Contractually required contribution	\$ 390,612	\$ 383,164	\$ 363,506
Contributions in relation to the contractually required contribution	(390,612)	(383,164)	(363,506)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
City's covered payroll	\$ 2,350,253	\$ 2,305,439	\$ 2,290,523
Contributions as a percentage of covered payroll	16.62%	16.62%	15.87%
Wyoming Law Enforcement Retirement Plan			
Contractually required contribution	\$ 224,900	\$ 227,996	\$ 226,679
Contributions in relation to the contractually required contribution	(224,900)	(227,996)	(226,679)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
City's covered payroll	\$ 1,307,558	\$ 1,325,558	\$ 1,317,901
Contributions as a percentage of covered payroll	17.20%	17.20%	17.20%

* Information for years prior to 2015 is not available; the schedule will be completed as information becomes available.

See accompanying notes to required supplementary information.

2014	2013	2012	2011	2010	2009	2008
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*

CITY OF EVANSTON, WYOMING

**SCHEDULE OF FUNDING PROGRESS FOR
POST-EMPLOYMENT HEALTHCARE PLAN**

June 30, 2017

(Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (ALL)- Entry Age (b)	Unfunded ALL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Annual Covered Payroll ((b-a)/c)
July 1, 2015	\$ -	\$ 654,360	\$ 654,360	0.00%	\$ 4,075,071	\$ -
July 1, 2016	-	654,360	654,360	0.00%	3,942,615	16.60%

Information prior to July 1, 2015 is not available; the schedule will be completed as information becomes available.

See accompanying notes to required supplementary information.

CITY OF EVANSTON, WYOMING

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2017

Note 1. Basis of Budgeting

Budgets

Annual budgets are adopted on the modified accrual basis for all governmental funds.

Legal spending control for City monies is at the fund level. The City Council may amend the budget after it is appropriated using the same procedures necessary to approve the original budget at the department level. During the year, no significant appropriations were necessary. Management monitors expenditures at budgetary line item levels within each fund to enhance the accounting control system and may amend the budget at this level as long as the department level budget is maintained.

Note 2. Explanation of Changes in Factors to Pension Plans

Changes of assumptions – There have been no changes of assumptions in the Public Employees' Pension Plan and Wyoming Law Enforcement Pension Plan since the prior valuation.

Changes in benefits – There have been no changes in the benefit provisions Public Employees' Pension Plan and Wyoming Law Enforcement Pension Plan since the prior valuation.

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**COMBINING FUND INFORMATION AND
OTHER SUPPLEMENTARY INFORMATION**

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of designated specific revenue sources that are restricted to expenditure for specified purposes.

- The Lodging Tax Fund is used to account for the special 3% lodging tax that is restricted for the purpose of promoting tourism within the City.
- The Economic Development Fund is used to account for the lease with Clean Energy that is restricted for the purpose of economic development of the City.

PERMANENT FUND

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for the purposes that support the reporting government's programs.

- Permanent Fund - Cemetery Fund - This fund is used to account for the assets held by the City for the ongoing maintenance of the public cemetery.

CITY OF EVANSTON, WYOMING

COMBINING BALANCE SHEET

Nonmajor Governmental Funds

June 30, 2017

	Special Revenue Funds			Permanent Fund	Total Nonmajor Governmental Funds
	Lodging Tax Fund	Economic Development Fund	Total	Cemetery Fund	
ASSETS					
Pooled cash and investments	\$ 962,967	\$ 752,835	\$ 1,715,802	\$ 442,956	\$ 2,158,758
Accounts receivable	48,672	-	48,672	2,626	51,298
Total assets	<u>\$ 1,011,639</u>	<u>\$ 752,835</u>	<u>\$ 1,764,474</u>	<u>\$ 445,582</u>	<u>\$ 2,210,056</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ 6,458	\$ 6,458
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,458</u>	<u>6,458</u>
FUND BALANCES					
Nonspendable					
Permanent fund principal	-	-	-	100,000	100,000
Restricted	1,011,639	752,835	1,764,474	105,847	1,870,321
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>233,277</u>	<u>233,277</u>
Total fund balances	<u>1,011,639</u>	<u>752,835</u>	<u>1,764,474</u>	<u>439,124</u>	<u>2,203,598</u>
Total liabilities and fund balances	<u>\$ 1,011,639</u>	<u>\$ 752,835</u>	<u>\$ 1,764,474</u>	<u>\$ 445,582</u>	<u>\$ 2,210,056</u>

CITY OF EVANSTON, WYOMING

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

Nonmajor Governmental Funds
Year Ended June 30, 2017

	Special Revenue Funds			Permanent Fund	Total Nonmajor Governmental Funds
	Lodging Tax Fund	Economic Development Fund	Total	Cemetery Fund	
Revenues					
Lodging tax	\$ 239,073	\$ -	\$ 239,073	\$ -	\$ 239,073
Charges for services	-	-	-	27,690	27,690
Rental income	-	210,614	210,614	-	210,614
Interest and miscellaneous	4,135	-	4,135	1,708	5,843
Total revenues	243,208	210,614	453,822	29,398	483,220
Expenditures					
Current					
Health, welfare and recreation	255,275	59,705	314,980	185,170	500,150
Total expenditures	255,275	59,705	314,980	185,170	500,150
Net change in fund balances	(12,067)	150,909	138,842	(155,772)	(16,930)
Fund balances - beginning of year	1,023,706	601,926	1,625,632	594,896	2,220,528
Fund balances - end of year	<u>\$1,011,639</u>	<u>\$ 752,835</u>	<u>\$1,764,474</u>	<u>\$439,124</u>	<u>\$2,203,598</u>

CITY OF EVANSTON, WYOMING

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
Special Revenue Fund - Lodging Tax
Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with final Budget Positive (Negative)
	Original	Final		
Revenues				
Rental income	\$ 245,050	\$ 245,050	\$ 239,073	\$ (5,977)
Interest	50	50	4,135	4,085
	<u>245,100</u>	<u>245,100</u>	<u>243,208</u>	<u>(1,892)</u>
Total revenues	245,100	245,100	243,208	(1,892)
Expenditures				
General expenses	500	500	148	352
Marketing and promotion	194,600	194,600	221,227	(26,627)
Matching fund/grants	28,000	28,000	11,900	16,100
Contractual services	22,000	22,000	22,000	-
	<u>245,100</u>	<u>245,100</u>	<u>255,275</u>	<u>(10,175)</u>
Total expenditures	245,100	245,100	255,275	(10,175)
Deficiency of revenues over expenditures	-	-	(12,067)	(12,067)
Fund balance - beginning of year	<u>1,023,706</u>	<u>1,023,706</u>	<u>1,023,706</u>	<u>-</u>
Fund balance - end of year	<u><u>\$ 1,023,706</u></u>	<u><u>\$ 1,023,706</u></u>	<u><u>\$ 1,011,639</u></u>	<u><u>\$ (12,067)</u></u>

CITY OF EVANSTON, WYOMING

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND

BALANCE - BUDGET AND ACTUAL

Special Revenue Fund - Economic Development

Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Rental income	\$ 187,000	\$ 187,000	\$ 210,614	\$ 23,614
Total revenues	<u>187,000</u>	<u>187,000</u>	<u>210,614</u>	<u>23,614</u>
Expenditures				
General expenses	100,000	100,000	59,385	40,615
Capital outlay	<u>161,499</u>	<u>161,499</u>	<u>320</u>	<u>161,179</u>
Total expenditures	<u>261,499</u>	<u>261,499</u>	<u>59,705</u>	<u>201,794</u>
Excess (Deficiency) of revenues over expenditures	(74,499)	(74,499)	150,909	225,408
Fund balance - beginning of year	<u>601,926</u>	<u>601,926</u>	<u>601,926</u>	<u>-</u>
Fund balance - end of year	<u><u>\$ 527,427</u></u>	<u><u>\$ 527,427</u></u>	<u><u>\$ 752,835</u></u>	<u><u>\$ 225,408</u></u>

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COMPLIANCE SECTION

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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

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the City Council
City of Evanston, Wyoming

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Evanston, Wyoming, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Evanston, Wyoming's basic financial statements, and have issued our report thereon dated February 5, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Evanston, Wyoming's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Evanston, Wyoming's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Evanston, Wyoming'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 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2017-001 and 2017-002 that we consider to be material weaknesses.

Compliance and Other Matters

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

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 City of Evanston, Wyoming's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Porter, Muirhead, Cornia & Howard

Certified Public Accountants

Casper, Wyoming

February 5, 2018

CITY OF EVANSTON

SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2017

Material Weakness in Internal Control

Internal Control over Financial Reporting

2017-001

Criteria

The Auditing Standards Board (ASB) issued guidance to auditors related to an entity's internal controls over external financial reporting (i.e. financial statements presented in conformity with generally accepted accounting principles (GAAP) and issued to outside third parties). Many small organizations rely on their auditor to generate these annual financial statements including the related footnotes. AU 265 emphasizes that the auditor cannot be part of the entity's system of internal control over external financial reporting. Consequently, the entity must have personnel who are capable of preparing external financial statements in conformity with GAAP even though the auditor may draft the statements on behalf of the entity.

Condition

The City of Evanston has controls in place and operating over the preparation of cash-basis financial reports, including in-depth review by management and City Council and a high level of awareness of all transactions being reported. However, cash basis financial reporting (non-GAAP) differs significantly from GAAP financial reporting.

Cause

In our judgment, the accounting personnel and those charged with governance, in the course of their assigned duties, lack the skills to prepare the external financial statements and related footnotes in accordance with GAAP and to detect and correct a material misstatement, if present.

Effect

The lack of skills to prepare the external financial statements results in City's reliance on auditors to prepare the financial statements.

Recommendation

In our judgment, management and those charged with governance need to understand the importance of this communication as it relates to external GAAP basis financial statements. While accounting personnel, management, and those charged with governance has the skills to understand non-GAAP financial reports, we recommend accounting personnel attend training to improve their understanding of GAAP basis financial reporting specifically geared towards reporting for governmental organizations. We also recommend accounting personnel receive additional training to improve utilization of the software to produce accounting information on a GAAP basis in addition to the budgetary basis. Management may also mitigate this weakness by filling a future council seat with an individual that will enhance financial reporting capabilities, i.e. an individual with GAAP basis governmental accounting experience, or utilize the services of another accounting firm to assist in compiling the external financial statements.

Response

While the City of Evanston understands the issued guidelines under AU 265, the City does not see a significant value from the technical compliance with this statement or a cost benefit to the City.

CITY OF EVANSTON

SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2017

Material Weakness in Internal Control (Continued)

Internal Control over Financial Reporting

2017-002: Audit Adjustments

Criteria

The control deficiency exists as City personnel did not identify all necessary adjusting journal entries, which were significant to the City's financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Condition

Significant adjustments were required and recorded in order to properly state the financial statements in accordance with (GAAP).

Cause

The City of Evanston personnel are still gaining familiarity with newly adopted accounting policies resulting from recent implementation of new accounting standards and the transition of retired personnel.

Effect

Significant journal entries were posted relating to pension liability and related items, debt, investments, compensated absences, receivables, construction in progress, and depreciation. These journal entries were required to correct the balances for governmental and enterprise funds financial statements.

Recommendation

In our judgment, management and those charged with governance need to evaluate policies and procedures to ensure that complete and accurate information is available and evaluated in a timely manner to properly record transactions in accordance with GAAP.

Response

The past year management has experienced many changes, both in personnel and in policies and requirements. Staff will continue to review and upgrade internal policies and procedures to ensure accurate internal controls are being followed, as well as the timely manner of recording transactions, back up of transactions, and any requirements in accordance with GAAP and the State of Wyoming. Staff will also continue to participate in training to better understand the GAAP requirements and internal controls, as well as the overall functions and duties of the department.