

**CITY OF EVANSTON, WYOMING**

**FINANCIAL REPORT**

**June 30, 2016**

# CONTENTS

---

## **Introductory Section**

Title page	i
Table of contents	ii
Letter of transmittal	iv

## **Financial Section**

<b>Independent Auditor's Report</b>	1
<b>Management's Discussion and Analysis (Unaudited)</b>	4
<b>Basic Financial Statements</b>	12
Government-wide Financial Statements	
Statement of Net Position	13
Statement of Activities	15
Fund Financial Statements	
Balance Sheet - Governmental Funds	17
Reconciliation of Governmental Funds	
Fund Balances to Net Position of Governmental Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Net Position - Proprietary Funds	22
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	26
Statement of Cash Flows - Proprietary Funds	28
Notes to Financial Statements	32

## **CONTENTS (Continued)**

---

<b>Required Supplementary Information</b>	57
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - General Fund	58
Schedule of Changes in Net Pension Liability and Related Ratios (Unaudited)	60
Schedule of City Contributions (Unaudited)	62
Schedule of Funding Progress for Post-Employment Health Care Plan (Unaudited)	65
Notes to the Required Supplementary Information	
<b>Combining Fund Information and Other Supplementary Information</b>	66
Combining and Individual Fund Statements and Schedules Combining Balance Sheet - Nonmajor Governmental Funds	68
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	69
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Special Revenue Fund - Lodging Tax	70
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Special Revenue Fund – Economic Development	71
<b>Compliance Section</b>	72
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	73
Schedule of Findings and Responses	75

# City of **EVANSTON** Wyoming

November 02, 2016

To the Honorable Mayor,  
Members of the Governing Council, and Citizens of the City of Evanston.

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principle (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the annual financial report of the City of Evanston for the fiscal year ended June 30, 2016.

This report consists of management's representations concerning the finances of the City of Evanston. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Evanston has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Evanston's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Evanston's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we attest that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Evanston's financial statements have been audited by Porter, Muirhead, Cornia, & Howard, CPAs, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Evanston, for the fiscal year ended June 30, 2016, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Evanston's financial statements for the fiscal year ended June 30, 2016, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The City of Evanston did not require a federally mandated "Single Audit." We had several grants but did not exceed the standards governing the Single Audit requirement. The independent audit requires reporting not only on the fair presentation of the financial statements, but also on the internal controls and compliance with legal requirements involving the administration of federal awards.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Evanston's MD&A can be found immediately following the report of the independent auditors.

## ***Profile of the Government***

The government, located in the extreme southwest corner of the State of Wyoming, was incorporated June 23, 1888. The government has the power to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the governing council and initiated and approved by a majority of the property owners to be annexed.

The government has operated under the mayor-council form of government since incorporated. Policy making and legislative authority are vested in the governing council, which consists of a mayor and a six-member council. The governing council is responsible, among other things, for passing ordinances, adopting the budget, and appointing committees and heads of the government's departments. The council is elected on a non-partisan basis.

Council members are elected to four-year staggered terms with three council members elected every two years. The mayor is elected to a four-year term. The six council members are elected from within their respective wards. There are three wards within the city limits and the mayor is elected at large.

The City of Evanston and Uinta County continue to show a population growth as evidenced by the 2010 census figures which were released recently. Evanston's 2010 population is 12,359 which reflects a 7.4 percent increase from the 2000 census. Uinta County's population is 21,118 which also reflects a 7.0 percent increase over the past decade. However, the July 2016 estimates reflect a decline in population by -1.4% or 300 people. The City of Evanston's percentage to total county population did change slightly, thus the formula used to calculate the sales tax distribution for the City of Evanston changed from the previous year. We have tried to absorb the resulting inflation costs in our department budgets.

The City of Evanston provides a full range of services, including police, maintenance of streets, recreational activities, water, wastewater, environmental service, and community development.

The annual budget serves as the foundation for the City of Evanston's planning and control. All agencies of the City of Evanston are required to submit requests for appropriation to the government before the First Monday in May of each year. The government uses these requests as the starting point for developing a proposed budget. The government then presents this proposed budget to the council for review. The council is required to hold public hearings on the proposed budget and to adopt a final budget by the third Tuesday in June. The appropriated budget is prepared by fund function and department. Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the special approval of the governing council.

### ***Factors Affecting Financial Condition***

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Evanston operates.

#### ***Local Economy:***

The State CREG Report forecast indicates a decline in Severance Tax and Federal Mineral Royalties by -32.0 million. This is having a negative impact on the state and our local economy. The local economy continues to be driven by the oil and gas industry, and it is anticipated that this industry will remain the major player in Evanston's economy for the next several years.

The Cities economy continues to be driven by the mineral industry and medical profession fields. The location to the Wasatch Front and no state tax helps Evanston remains a prime location for businesses to move to Wyoming if the economy would get better.

The mineral/oil industry has had huge impacts on the economy of Evanston this last year. People are just maintaining instead of spending much money. The decline has affected our sales tax and the economy in our community. Many other companies have had reductions in workforce or some businesses have closed all together and this is not helping our flow of cash in our community therefore, everyone feels the crunch.

Evanston is becoming a retirement location and there have been many employees transferred from our area with the oil companies making changes because of the economy. This year we saw a decline in the housing market in general. This is not indicative of activity in Evanston but the entire country.

Economic development is a high priority within the City to recruit new business adding diversity to the economic picture of our mineral and oil industry which is presently affecting our community. We continue to try to attract new businesses to increase our sales tax revenue. This year the economy has had a large effect on our government.

#### ***Long-term financial planning:***

Declining revenues continue to dictate the City's approach towards capital construction and restricts a conservative approach for operating budgets. This is a difficult challenge, especially with the escalating costs of health insurance and the slower returns on investments.

The increased costs of fuel, housing materials, and other utilities, have required the city to evaluate many policies and operating efficiencies. The declining sales tax has had a large impact on our budgets. We continue to maintain services but capital construction is only accomplished with the funding coming from grants. However, we maintain a positive attitude toward the long term effect on our community and continue to do long term planning.

The City of Evanston continues to move forward with technology, training, and the demand of services. A continued search for grants remains our top focus. The economy of the country with the oil and gas prices fluctuating continues to affect our capital projects.

**Cash management policies and practices:** Cash temporarily idle during the year was invested in WYO-STAR investment pool, Wyoming Government Investment Fund, and GNMA bonds. The maturity of the investments depends on the type of investment.

The government's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by Federal Depository Insurance or collateralized. All collateral on deposits were held either by the government, its agent or a fiscal institution's trust department in the government's name.

**Risk management:** The government continued a limited risk management program with various control techniques, including employee accident prevention training. This training is intended to minimize accident-related losses.

The risk management objectives of the City of Evanston are (1) the contiguity of essential services to the city, (2) the safety of City employees and the public and (3) the avoidance of unnecessary and unreasonable liability exposure.

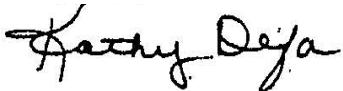
**Pension and other post-employment benefits:** The City of Evanston participates in several single-employer defined benefit pension plans for its employees. The City became involved with the Wyoming Retirement System to help secure employee's retirement. Our health premiums have increased by 50% due to continued health care expenses. During the fiscal year we made several changes to our insurance by increasing the deductible amount to help maintain good effective insurance coverage for our employees.

#### ***Awards and Acknowledgment***

The City of Evanston has received the Government Finance Officers Association award of Certificate of Achievement for Excellence in Financial Reporting for thirteen years. Recent changes to the statistical section requirements to meet GASB standards have required the Evanston City Council to reassess demand of time and record keeping, prompting the city to no longer participate in this reporting. However, this does not lower the level of efficiency in the organization to achieve the highest level of accounting reporting possible by the City of Evanston staff. We maintain the generally accepted accounting principles and applicable legal requirements necessary for detailed financial accountability.

The preparation of this report could not have been accomplished without the dedicated services of the entire staff of the finance department. The members of other departments of the City of Evanston need to be thanked for their contribution in helping the financial department accomplish accurate reports. Sincere appreciation is expressed to the Mayor and the City Council for their continued interest and support in conducting the financial operations of the City in a responsible and progressive manner. We also appreciate assistance from our actuaries, Demsey, Filliger & Associates.

Respectfully submitted,



Kathy Defa, City Treasurer

## **FINANCIAL SECTION**



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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. 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, 2016 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, 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 management's discussion and analysis, pension schedules, and the schedule of funding progress for the post-employment health care plan 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.

The budgetary comparison information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The budgetary information has been subjected to the auditing procedures applied during the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison is fairly stated in all material respects in relation to the basic financial statements as a whole.

### ***Other Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Evanston'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 relate directly to the underlying accounting and other records used to prepare the financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, 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 express no opinion on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated November 02, 2016 on our consideration of the City of Evanston's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Evanston's internal control over financial reporting and compliance.



Porter, Muirhead, Cornia & Howard  
Certified Public Accountants

Casper, Wyoming

November 02, 2016

## CITY OF EVANSTON, WYOMING

### MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016 (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, 2016.

#### ***Financial Highlights***

The assets of the City of Evanston, Wyoming exceeded its liabilities at the close of the most recent fiscal year by \$105,502,918 (*net position*). Of this amount, \$37,832,261 (*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 \$372,679.
- As of the close of the current fiscal year, the City of Evanston, Wyoming's governmental funds reported combined ending fund balances of \$10,897,599.
- At the end of the current fiscal year, fund balance for the general fund was \$8,677,071.

#### ***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, highways, streets, and culture and recreation. The business-type activities of the City of Evanston, Wyoming include water, sewer, environmental service and other non-major enterprise operations.

***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, 2016 (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, 2016 (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, Wyoming Net Position**

	Governmental Activities		Business-type Activities		Total	
	2015	2016	2015	2016	2015	2016
Current assets	\$ 12,509,736	\$ 12,279,859	\$ 29,590,754	\$ 30,825,717	\$ 42,100,490	\$ 43,105,576
Capital assets Net Accum. Dep	37,635,113	37,474,185	31,006,564	29,993,050	68,641,677	67,467,235
Total assets	50,144,849	49,754,044	60,597,318	60,818,767	110,742,167	110,572,811
Deferred outflows of resources	406,999	1,040,561	175,731	499,360	582,730	1,539,921
Current Liabilities	825,169	632,209	273,301	289,958	1,098,470	922,167
Total Non-Current Liabilities	2,090,251	2,982,769	1,609,068	1,981,460	3,699,319	4,964,229
Total Liabilities	2,915,420	3,614,978	1,882,369	2,271,418	4,797,789	5,886,396
Deferred property taxes	651,511	656,606	-	-	651,511	656,606
Total deferred inflows of resources	651,511	690,502	-	32,916	651,511	656,606
Invested in capital assets, net of related debt	37,635,113	37,634,800	30,810,795	29,830,010	68,445,908	67,464,810
Restricted	205,847	205,847	-	-	205,847	205,847
Unrestricted	9,143,957	8,648,478	28,079,885	29,183,783	37,223,842	37,832,261
Total net position	\$ 46,984,917	\$ 46,489,125	\$ 58,890,680	\$ 59,013,793	\$ 105,875,597	\$ 105,502,918

An additional 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* \$37,832,261 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, 2016 (Unaudited)

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

### City of Evanston, Wyoming's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2016	2015	2016	2015	2016
Revenues:						
Program revenues:						
Charges for services	\$ 678,287	\$ 432,451	\$ 4,495,080	\$ 5,032,484	\$ 5,173,367	\$ 5,464,935
Operating grants and contributions	2,213,177	864,183	-	-	2,213,177	864,183
General revenues:						
Property taxes	911,679	641,672	-	-	911,679	641,672
Other taxes	5,571,210	7,069,552	-	-	5,571,210	7,069,552
Grants and contributions not restricted to specific specific programs	2,682,463	1,056,844	-	-	2,682,463	1,056,844
Unrestricted investment earnings	267,816	283,136	66,027	52,338	333,843	335,474
Miscellaneous revenue	267,816	283,136	66,027	52,338	333,843	335,474
Transfers	(490,000)	(560,000)	490,000	560,000	-	-
Total revenues	12,102,448	10,070,974	5,117,134	5,716,249	17,219,582	15,787,223
Expenses:						
General government	4,219,476	4,023,455	-	-	4,219,476	4,023,455
Public safety	2,990,753	2,959,270	-	-	2,990,753	2,959,270
Public Works	2,202,338	1,851,801	-	-	2,202,338	1,851,801
Recreation	1,519,799	1,681,030	-	-	1,519,799	1,681,030
Interest on long-term debt	3,915	9,399	-	-	3,915	9,399
Water	-	-	2,632,092	2,618,626	2,632,092	2,618,626
Sewer	-	-	842,214	940,680	842,214	940,680
Golf	-	-	864,434	868,402	864,434	868,402
Environmental services	-	-	1,093,371	1,184,144	1,093,371	1,184,144
Total expenses	10,936,281	10,524,955	5,432,111	5,611,852	16,368,392	16,136,807
Change in net position	1,126,963	(495,792)	(307,504)	160,613	819,459	(335,179)
Net position – 6/30/15	47,309,124	46,984,917	59,997,287	58,890,680	107,306,411	105,875,597
Prior period adjustment	(1,451,170)	-	(799,103)	(37,500)	(2,250,273)	(37,500)
Net position – 6/30/16	\$ 46,984,917	\$ 46,489,125	\$ 58,890,680	\$ 59,013,793	\$ 105,875,597	\$ 105,502,918

## CITY OF EVANSTON, WYOMING

### MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016 (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, and the Selective Traffic Enforcement Grant.

Other awarded grants, to the City of Evanston, Wyoming furnished resources to support functions such as the Strand Cultural Center, Rail Access Business Plan, Early Childhood Building Expansion and the Bear River Greenway Project.

#### ***Expenses and Program Revenues – Governmental Activities***

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

Our Public Works Departments include Engineering, 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***

Revenues were monitored closely during the fiscal year due to sales tax, mineral royalties, and interest income.

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

With the completion of the new water treatment plant, the City of Evanston, Wyoming feels confident that it will help monitor the water flow to improve service and reduce the negative impact when drought conditions exist. Revenues were increased to help maintain expenses for the water/sewer services.

#### ***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, *unreserved 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, unreserved fund balance of the general fund was \$8,677,071 while total fund balance reached \$10,897,599 as a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. The general fund balance of the City of Evanston, Wyoming decreased by \$252,327 during the current fiscal year.

- Sales tax rate decreased tax revenues by \$2,986,574.
- Property tax decreased by 270,007.
- Transfer of funds to Golf and Cemetery Fund of \$560,000.
- Investments were increased by \$15,040.
- Charges for Services decreased by 245,836.
- Miscellaneous revenue increased by \$15,320.

## CITY OF EVANSTON, WYOMING

### MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016 (Unaudited)

---

The long-term liability (\$5,122,004) including 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, Sanitation and other Enterprise Funds at the end of the year amounted to \$29,183,783. The total growth in unrestricted net position for these funds was \$1,103,898. 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***

Differences between the original and the final amended budget was a \$237,669 increase in appropriations. There were a few unexpected expenditures or grants that were approved during the fiscal year and a brief summary follows:

- \$237,380 capital outlay for grants and proposed capital projects.
- \$289 for Police Department Grants.

#### ***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, 2016 amounts to \$67,467,235 (net of accumulated depreciation). This investment in capital assets included 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:

- Airport Apron Rehab
- Bear River Greenway
- Waste Water Treatment Plant Upgrades
- Community Garden
- Early Childhood Building Expansion
- Urban System Street Repairs

## CITY OF EVANSTON, WYOMING

### MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016 (Unaudited)

#### City of Evanston, Wyoming's Capital Assets (Net of Depreciation)

	Governmental		Business-type		Total	
	Activities	2015	Activities	2016	2015	2016
Land	\$ 11,329,897	\$ 11,329,897	\$ 733,694	\$ 733,694	\$ 12,063,591	\$ 12,063,591
Construction in Progress	876,844	38,353	-	27,929	876,844	66,282
Buildings and Systems	42,440,578	43,286,632	67,370,419	67,367,358	109,810,997	110,653,990
Machinery and Equipment	4,913,237	5,002,075	2,598,990	3,098,146	7,512,227	8,100,221
Infrastructure	17,588,070	18,617,731	-	-	17,588,070	18,617,731
Total Accum. Depreciation	(39,513,513)	(40,800,503)	(39,696,539)	(41,234,077)	(79,210,052)	(82,034,580)
Total	\$ 37,635,113	\$ 37,474,185	\$ 31,006,564	\$ 29,993,050	\$ 68,641,677	\$ 67,467,235

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's Outstanding Debt

	Governmental		Business-type		Total	
	2015	2016	2015	2016	2015	2016
Accrued Compensated Absences	\$ 638,825	\$ 638,825	\$ 284,832	\$ 303,366	\$ 923,657	\$ 942,191
Lease Purchase Obligation	46,548	36,653	338,465	259,100	385,013	295,753
Pension Obligation	1,444,679	2,300,078	1,079,377	1,515,674	2,524,056	3,815,752
Other Post-Employment Benefits	-	68,307	-	-	-	68,307
Total	\$ 2,130,052	\$ 3,043,863	\$ 1,702,674	\$ 2,078,140	\$ 3,832,726	\$ 5,122,003

The City of Evanston, Wyoming's total debt is \$5,122,004 for the current fiscal year. Additional information on the City of Evanston, Wyoming's long-term debt in the notes to the financial statements.

## **CITY OF EVANSTON, WYOMING**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2016**  
**(Unaudited)**

---

#### ***Economic Factors and Next Year's Budgets and Rates***

- The unemployment rate for the City of Evanston, Wyoming is currently 5.7 percent, which is a increase from a rate of 4.2 percent a year ago. This compares to the state's average unemployment rate of 5.2 percent and the national average rate of 4.9 percent.

Across Wyoming, county unemployment rates followed a seasonal pattern and fell slightly or were unchanged. The unemployment rate fell by one percentage point in Uinta County. The local economy continues to suffer driven by the mineral industry and decline of construction. All businesses are just trying to hold on and brave the economic storm. All of these factors were considered in preparing the City of Evanston, Wyoming budget for the 2016 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**

**CITY OF EVANSTON, WYOMING**

**STATEMENT OF NET POSITION**

June 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Pooled cash and investments	\$ 12,090,301	\$ 28,617,416	\$ 40,707,717
Investments at fair value	-	2,988	2,988
Receivables (net of allowance for uncollectibles)			
Accounts receivable	1,028,796	609,678	1,638,474
Accrued interest	10,921	-	10,921
Property taxes	680,791	-	680,791
Internal balances	(1,536,060)	1,536,060	-
Inventory	5,110	59,575	64,685
Capital assets not being depreciated			
Land	11,329,897	733,694	12,063,591
Construction in progress	38,353	27,929	66,282
Capital assets being depreciated			
Buildings and systems	43,286,632	67,367,358	110,653,990
Machinery and equipment	5,002,075	3,098,146	8,100,221
Infrastructure	18,617,731	-	18,617,731
	78,274,688	71,227,127	149,501,815
Less accumulated depreciation	(40,800,503)	(41,234,077)	(82,034,580)
Total capital assets (net of accumulated depreciation)	37,474,185	29,993,050	67,467,235
Total assets	49,754,044	60,818,767	110,572,811
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension plan items	1,040,561	499,360	1,539,921
Total deferred outflows of resources	1,040,561	499,360	1,539,921

See accompanying notes to the financial statements

**CITY OF EVANSTON, WYOMING**

**STATEMENT OF NET POSITION**

June 30, 2016

	Primary Government			
	Governmental Activities		Business-type Activities	
			Total	
<b>LIABILITIES</b>				
Accounts payable	\$ 191,096	\$ 66,450	\$ 257,546	
Accrued payroll	146,676	71,721	218,397	
Accrued liabilities	106,858	-	106,858	
Court bonds payable	10,350	-	10,350	
Unearned - cash in lieu of land development	137,958	-	137,958	
Deposits payable	-	55,107	55,107	
Long-term liabilities				
Due in one year	39,271	96,680	135,951	
Due in more than one year	682,691	465,786	1,148,477	
Net pension liability	2,300,078	1,515,674	3,815,752	
Total liabilities	<u>3,614,978</u>	<u>2,271,418</u>	<u>5,886,396</u>	
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension plan items	33,896	32,916	66,812	
Deferred property taxes	656,606	-	656,606	
Total deferred inflows of resources	<u>690,502</u>	<u>32,916</u>	<u>723,418</u>	
<b>NET POSITION</b>				
Invested in capital assets, net of related debt	37,634,800	29,830,010	67,464,810	
Restricted for				
Perpetual fund				
Expendable	105,847	-	105,847	
Nonexpendable	100,000	-	100,000	
Unrestricted	<u>8,648,478</u>	<u>29,183,783</u>	<u>37,832,261</u>	
Total net position	<u>\$ 46,489,125</u>	<u>\$ 59,013,793</u>	<u>\$ 105,502,918</u>	

See accompanying notes to the financial statements

**CITY OF EVANSTON, WYOMING**

**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2016

<u>Function/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 4,023,455	\$ 112,654	\$ 864,183	\$ 11,507
Public safety	2,959,270	269,936	-	-
Public works	1,851,801	-	-	-
Health, welfare, and recreation	1,681,030	49,861	-	-
Unallocated interest expense	6,504	-	-	-
Total governmental activities	<u>10,522,060</u>	<u>432,451</u>	<u>864,183</u>	<u>11,507</u>
Business-type activities:				
Water fund	2,618,626	2,301,160	-	-
Sewer fund	940,680	1,157,834	-	19,089
Golf fund	868,402	406,472	-	-
Environmental service fund	1,184,144	1,167,018	-	-
Total business-type activities	<u>5,611,852</u>	<u>5,032,484</u>	<u>-</u>	<u>19,089</u>
Total primary government	<u>\$ 16,133,912</u>	<u>\$ 5,464,935</u>	<u>\$ 864,183</u>	<u>\$ 30,596</u>

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, as previously reported

Prior period adjustment

Net position - beginning of year, as restated

Net position - end of year

**Net (Expense) Revenue and Changes in Net Position**

<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (3,035,111)	\$ -	\$ (3,035,111)
(2,689,334)	-	(2,689,334)
(1,851,801)	-	(1,851,801)
(1,631,169)	-	(1,631,169)
(6,504)	-	(6,504)
<b>(9,213,919)</b>	<b>-</b>	<b>(9,213,919)</b>
-	(317,466)	(317,466)
-	236,243	236,243
-	(461,930)	(461,930)
-	(17,126)	(17,126)
-	(560,279)	(560,279)
<b>(9,213,919)</b>	<b>(560,279)</b>	<b>(9,774,198)</b>
641,672	-	641,672
6,588,411	-	6,588,411
188,575	-	188,575
292,566	-	292,566
1,056,844	-	1,056,844
226,923	108,554	335,477
283,136	52,338	335,474
(560,000)	560,000	-
<b>8,718,127</b>	<b>720,892</b>	<b>9,439,019</b>
(495,792)	160,613	(335,179)
46,984,917	58,890,680	105,875,597
-	(37,500)	(37,500)
<b>46,984,917</b>	<b>58,853,180</b>	<b>105,838,097</b>
<b>\$ 46,489,125</b>	<b>\$ 59,013,793</b>	<b>\$ 105,502,918</b>

**CITY OF EVANSTON, WYOMING**

**BALANCE SHEET**  
**Governmental Funds**  
**June 30, 2016**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Pooled cash and investments	\$ 9,808,788	\$ 2,165,812	\$ 11,974,600
Receivables (net of allowance for uncollectibles)			
Accounts receivable	967,229	58,280	1,025,509
Accrued interest	10,921	-	10,921
Property taxes	680,791	-	680,791
<b>Total assets</b>	<b><u>\$ 11,467,729</u></b>	<b><u>\$ 2,224,092</u></b>	<b><u>\$ 13,691,821</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 183,644	\$ 3,564	\$ 187,208
Accrued payroll	146,676	-	146,676
Accrued liabilities	106,858	-	106,858
Court bonds payable	10,350	-	10,350
Unearned - cash in lieu of land development	137,958	-	137,958
Current portion of advance payable to water fund	243,647	-	243,647
<b>Total current liabilities</b>	<b><u>829,133</u></b>	<b><u>3,564</u></b>	<b><u>832,697</u></b>
Noncurrent portion of advance payable to water fund	1,292,413	-	1,292,413
<b>Total noncurrent liabilities</b>	<b><u>1,292,413</u></b>	<b><u>-</u></b>	<b><u>1,292,413</u></b>
<b>Total liabilities</b>	<b><u>2,121,546</u></b>	<b><u>3,564</u></b>	<b><u>2,125,110</u></b>
Deferred inflows of resources			
Deferred property taxes	669,112	-	669,112
<b>Total deferred inflows of resources</b>	<b><u>669,112</u></b>	<b><u>-</u></b>	<b><u>669,112</u></b>
Fund balances			
Nonspendable			
Permanent fund principal	-	100,000	100,000
Restricted, cemetery perpetual care	-	1,731,479	1,731,479
Assigned, emergency repairs	5,500,000	-	5,500,000
Unassigned	3,177,071	389,049	3,566,120
<b>Total fund balances</b>	<b><u>8,677,071</u></b>	<b><u>2,220,528</u></b>	<b><u>10,897,599</u></b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b><u>\$ 11,467,729</u></b>	<b><u>\$ 2,224,092</u></b>	<b><u>\$ 13,691,821</u></b>

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, 2016**

Total governmental fund balances	\$ 10,897,599
----------------------------------	---------------

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	\$ (617,002)
Lease purchase obligation	(36,653)
Other post-employment benefits payable	(68,307)
Pension liability	<u>(2,300,078)</u>
	(3,022,040)

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>(311)</u>
	37,473,874

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	1,040,561
Pension plan items - Deferred inflows of resources	<u>(33,896)</u>
	1,006,665

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

Deferred property taxes in governmental funds	669,112
Deferred property taxes in governmental activities	<u>(656,606)</u>
	12,506

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>120,520</u>
Net position of governmental activities	<u>\$ 46,489,124</u>

**CITY OF EVANSTON, WYOMING**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Governmental Funds**  
**Year Ended June 30, 2016**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Taxes	\$ 2,945,053	\$ 264,876	\$ 3,209,929
Licenses and permits	174,616	-	174,616
Fines and forfeitures	168,373	-	168,373
Intergovernmental revenues	6,488,214	-	6,488,214
Charges for services	39,644	49,861	89,505
Interest and miscellaneous	<u>312,578</u>	<u>197,481</u>	<u>510,059</u>
 Total revenues	 <u>10,128,478</u>	 <u>512,218</u>	 <u>10,640,696</u>
 <b>Expenditures</b>			
<b>Current</b>			
General government	3,498,753	-	3,498,753
Public safety and transportation	2,827,996	-	2,827,996
Public works	854,486	-	854,486
Health, welfare and recreation	1,181,052	493,017	1,674,069
<b>Capital outlay</b>	<u>1,221,724</u>	-	1,221,724
<b>Debt service</b>			
Principal	9,895	-	9,895
Interest	<u>9,399</u>	-	<u>9,399</u>
 Total expenditures	 <u>9,603,305</u>	 <u>493,017</u>	 <u>10,096,322</u>
 Excess of revenues over expenditures	 <u>525,173</u>	 <u>19,201</u>	 <u>544,374</u>
 <b>Other financing sources (uses)</b>			
Transfers in	-	214,500	214,500
Transfers out	<u>(777,500)</u>	-	<u>(777,500)</u>
 Total other financing sources (uses)	 <u>(777,500)</u>	 <u>214,500</u>	 <u>(563,000)</u>
 Net change in fund balances	 (252,327)	 233,701	 (18,626)
 Fund balances - beginning of year	 8,929,398	 1,986,827	 10,916,225
 Fund balances - end of year	 <u>\$ 8,677,071</u>	 <u>\$ 2,220,528</u>	 <u>\$ 10,897,599</u>

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, 2016

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

Net change in fund balances - total governmental funds	\$ (18,626)
--	-------------

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

Additional capital assets	\$ 1,267,175
Depreciation expense	<u>(1,428,101)</u>
	(160,926)

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	9,895
Other post-employment benefits payable as of June 30, 2016	(68,307)
Compensated absences as of June 30, 2015	638,825
Less prior year accrued compensated absences recorded in the general fund	(19,384)
Accrued compensated absences as of June 30, 2016	<u>(617,002)</u>
	(55,973)

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, 2015	1,444,679
Pension liability as of June 30, 2016	(2,300,078)
Deferred outflows - pension items as of June 30, 2015	(406,999)
Deferred outflows - pension items as of June 30, 2016	1,040,561
Deferred inflows - pension items as of June 30, 2016	<u>(33,896)</u>
	(255,733)

(Continued)

## **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, 2016

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	\$ (1,783)
---	------------

Certain revenues are not recognized as current financial resources and, therefore, are not reported as revenues in governmental funds:

Deferred property taxes - governmental funds	
as of June 30, 2015	\$ (666,767)
Deferred property taxes - governmental activities	
as of June 30, 2015	651,509
Deferred property taxes - governmental funds	
as of June 30, 2016	669,112
Deferred property taxes - governmental activities	
as of June 30, 2016	<u>(656,606)</u>
Change in net position of governmental activities	<u><u>(2,752)</u></u>
	<u><u>\$ (495,793)</u></u>

**CITY OF EVANSTON, WYOMING**

**STATEMENT Of NET POSITION**  
**Proprietary Funds**  
**June 30, 2016**

**Business-type Activities - Enterprise Funds**

	Water Fund	Sewer Fund	Golf Fund
<b>ASSETS</b>			
Current assets			
Pooled cash and investments	\$ 13,200,089	\$ 10,547,340	\$ 2,009,536
Investments	2,988	-	-
Accounts receivable (net of allowance for uncollectibles)	326,185	152,894	-
Inventory	-	-	59,575
Current portion of advance receivable from general fund	243,647	-	-
Total current assets	<u>13,772,909</u>	<u>10,700,234</u>	<u>2,069,111</u>
Noncurrent assets			
Long term portion of advance receivable from general fund	1,292,413	-	-
Total noncurrent assets	<u>1,292,413</u>	<u>-</u>	<u>-</u>
Capital assets			
Land	161,500	240,005	312,189
Buildings and systems	45,443,156	15,574,053	6,264,550
Machinery and equipment	435,453	744,651	774,569
Construction in progress	-	27,929	-
	<u>46,040,109</u>	<u>16,586,638</u>	<u>7,351,308</u>
Less accumulated depreciation	23,456,885	14,046,262	2,777,760
	<u>22,583,224</u>	<u>2,540,376</u>	<u>4,573,548</u>
Total capital assets (net of accumulated depreciation)	<u>37,648,546</u>	<u>13,240,610</u>	<u>6,642,659</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension plan items	167,995	125,729	-
Total deferred outflows of resources	<u>167,995</u>	<u>125,729</u>	<u>-</u>

See accompanying notes to the financial statements

<u>Business-type Activities - Enterprise Funds</u>		<u>Governmental Activities</u>
<u>Other Nonmajor Enterprise fund</u>	<u>Totals</u>	<u>Internal Service Fund</u>
\$ 2,860,451	\$ 28,617,416	\$ 115,701
-	2,988	-
130,599	609,678	3,287
-	59,575	5,110
-	243,647	-
<u>2,991,050</u>	<u>29,533,304</u>	<u>124,098</u>
<u>-</u>	<u>1,292,413</u>	<u>-</u>
<u>-</u>	<u>1,292,413</u>	<u>-</u>
20,000	733,694	-
85,599	67,367,358	278,623
1,143,473	3,098,146	29,661
-	27,929	-
<u>1,249,072</u>	<u>71,227,127</u>	<u>308,284</u>
<u>953,170</u>	<u>41,234,077</u>	<u>307,973</u>
<u>295,902</u>	<u>29,993,050</u>	<u>311</u>
<u>3,286,952</u>	<u>60,818,767</u>	<u>124,409</u>
<u>205,636</u>	<u>499,360</u>	<u>-</u>
<u>205,636</u>	<u>499,360</u>	<u>-</u>

(Continued)

**CITY OF EVANSTON, WYOMING**

**STATEMENT OF NET POSITION (CONTINUED)**

Proprietary Funds

June 30, 2016

**Business-type Activities - Enterprise Funds**

	Water Fund	Sewer Fund	Golf Fund
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 6,953	\$ 28,022	\$ 10,468
Accrued payroll	30,767	17,595	-
Deposits payable	<u>55,107</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>92,827</u>	<u>45,617</u>	<u>10,468</u>
Noncurrent liabilities			
Due within one year	7,238	3,453	33,953
Due in more than one year	137,518	65,611	129,087
Net pension liability	<u>530,527</u>	<u>388,959</u>	<u>-</u>
Total noncurrent liabilities	<u>675,283</u>	<u>458,023</u>	<u>163,040</u>
Total liabilities	<u>768,110</u>	<u>503,640</u>	<u>173,508</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension plan items	<u>11,043</u>	<u>8,345</u>	<u>-</u>
Total deferred inflows of resources	<u>11,043</u>	<u>8,345</u>	<u>-</u>
<b>NET POSITION</b>			
Net investment in capital assets	22,583,224	2,540,376	4,410,508
Unrestricted	<u>14,454,164</u>	<u>10,313,978</u>	<u>2,058,643</u>
Total net position	<u>\$ 37,037,388</u>	<u>\$ 12,854,354</u>	<u>\$ 6,469,151</u>

See accompanying notes to the financial statements

<u>Business-type Activities - Enterprise Funds</u>		Governmental Activities	
Other Nonmajor Enterprise fund		Internal Service	
Environmental Service Fund	Totals	Fund	
\$ 21,007	\$ 66,450	\$ 3,889	
23,359	71,721	-	
-	55,107	-	
<u>44,366</u>	<u>193,278</u>	<u>3,889</u>	
52,036	96,680	-	
133,570	465,786	-	
<u>596,188</u>	<u>1,515,674</u>	<u>-</u>	
<u>781,794</u>	<u>2,078,140</u>	<u>-</u>	
<u>826,160</u>	<u>2,271,418</u>	<u>3,889</u>	
<u>13,528</u>	<u>32,916</u>	<u>-</u>	
<u>13,528</u>	<u>32,916</u>	<u>-</u>	
295,902	29,830,010	311	
2,356,998	29,183,783	120,209	
<u>\$ 2,652,900</u>	<u>\$ 59,013,793</u>	<u>\$ 120,520</u>	

**CITY OF EVANSTON, WYOMING**

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

Proprietary Funds  
Year Ended June 30, 2016

**Business-type Activities - Enterprise Funds**

	Water Fund	Sewer Fund	Golf Fund
Operating revenues			
Charges for services	\$ 2,301,160	\$ 1,157,834	\$ 406,472
Intergovernmental	-	19,089	-
Miscellaneous	24,356	3,861	17,273
Total operating revenues	<u>2,325,516</u>	<u>1,180,784</u>	<u>423,745</u>
Operating expenses			
Personnel services	893,490	528,427	-
Contractual services	55,865	-	365,238
Repairs and maintenance	138,233	29,146	112,195
Supplies	345,048	51,798	117,902
Miscellaneous	14,980	21,534	28,209
Capital outlay	15,040	15,388	7,528
Depreciation	1,021,527	167,151	230,677
Utilities	134,443	127,236	-
Total operating expenses	<u>2,618,626</u>	<u>940,680</u>	<u>861,749</u>
Operating income (loss)	<u>(293,110)</u>	<u>240,104</u>	<u>(438,004)</u>
Nonoperating revenues and expenses			
Interest income	62,108	36,628	-
Interest expense	-	-	(6,653)
Gain on disposal of assets	-	5,351	-
Total nonoperating revenues and expenses	<u>62,108</u>	<u>41,979</u>	<u>(6,653)</u>
Income (loss) before contributions and transfers	<u>(231,002)</u>	<u>282,083</u>	<u>(444,657)</u>
Transfers in			
Net transfers	-	-	560,000
Change in net position	<u>(231,002)</u>	<u>282,083</u>	<u>115,343</u>
Total net position - beginning of year, as previously reported	37,268,390	12,572,271	6,391,308
Prior period adjustment	-	-	(37,500)
Total net position - beginning of year, as restated	<u>37,268,390</u>	<u>12,572,271</u>	<u>6,353,808</u>
Total net position - end of year	<u>\$ 37,037,388</u>	<u>\$ 12,854,354</u>	<u>\$ 6,469,151</u>

See accompanying notes to the financial statements

<u>Business-type Activities - Enterprise Funds</u>		<u>Governmental Activities</u>
<u>Other Nonmajor Enterprise Fund</u>		
<u>Environmental Service Fund</u>	<u>Totals</u>	<u>Internal Service Fund</u>
\$ 1,167,018	\$ 5,032,484	\$ 46,897
-	19,089	-
1,497	46,987	-
<u>1,168,515</u>	<u>5,098,560</u>	<u>46,897</u>
765,031	2,186,948	-
-	421,103	-
44,555	324,129	-
276,629	791,377	51,680
17,659	82,382	-
-	37,956	-
77,445	1,496,800	-
-	261,679	-
<u>1,181,319</u>	<u>5,602,374</u>	<u>51,680</u>
<u>(12,804)</u>	<u>(503,814)</u>	<u>(4,783)</u>
9,818	108,554	-
(2,825)	(9,478)	-
-	5,351	-
<u>6,993</u>	<u>104,427</u>	<u>-</u>
<u>(5,811)</u>	<u>(399,387)</u>	<u>(4,783)</u>
-	560,000	3,000
-	560,000	3,000
(5,811)	160,613	(1,783)
2,658,711	58,890,680	122,303
-	(37,500)	-
<u>2,658,711</u>	<u>58,853,180</u>	<u>122,303</u>
<u>\$ 2,652,900</u>	<u>\$ 59,013,793</u>	<u>\$ 120,520</u>

**CITY OF EVANSTON, WYOMING**

**STATEMENT OF CASH FLOWS**

Proprietary Funds  
Year Ended June 30, 2016

**Business-type Activities - Enterprise Funds**

	Water Fund	Sewer Fund	Golf Fund
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 2,247,368	\$ 1,137,031	\$ 423,745
Receipts from other funds	-	-	-
Payments to suppliers for services	(737,399)	(217,061)	(637,655)
Payments to employees for services	(844,249)	(485,618)	-
Net cash and cash equivalents provided (used) by operating activities	665,720	434,352	(213,910)
<b>Cash flows from noncapital financing activities</b>			
Transfers from other funds	-	-	560,000
Net cash and cash equivalents provided (used) by noncapital financing activities	-	-	560,000
<b>Cash flows from capital and related financing activities</b>			
Principal payments	-	-	(32,729)
Acquisitions of property and equipment	-	(386,276)	(76,063)
Interest paid on notes	-	-	(6,653)
Net cash and cash equivalents used by capital and related financing activities	-	(386,276)	(115,445)
<b>Cash flows from investing activities</b>			
Interest received on advance to general fund	36,496	-	-
Interest received on investments	62,539	41,979	-
Net cash and cash equivalents provided by investing activities	99,035	41,979	-
Net increase in cash and cash equivalents	764,755	90,055	230,645
Cash and cash equivalents - beginning of year	12,435,334	10,457,285	1,778,891
Cash and cash equivalents - end of year	<b>\$ 13,200,089</b>	<b>\$ 10,547,340</b>	<b>\$ 2,009,536</b>

See accompanying notes to the financial statements

<u>Business-type Activities - Enterprise Funds</u>		<u>Governmental Activities</u>
<u>Other Nonmajor Enterprise fund</u>	<u>Totals</u>	<u>Internal Service Fund</u>
\$ 1,148,193	\$ 4,956,337	\$ -
-	-	43,610
(319,398)	(1,911,513)	(44,941)
(694,318)	(2,024,185)	-
<u>134,477</u>	<u>1,020,639</u>	<u>(1,331)</u>
<u>-</u>	<u>560,000</u>	<u>3,000</u>
<u>-</u>	<u>560,000</u>	<u>3,000</u>
(46,635)	(79,364)	-
(58,445)	(520,784)	-
(2,825)	(9,478)	-
<u>(107,905)</u>	<u>(609,626)</u>	<u>-</u>
<u>-</u>	<u>36,496</u>	<u>-</u>
<u>9,818</u>	<u>114,336</u>	<u>-</u>
<u>9,818</u>	<u>150,832</u>	<u>-</u>
36,390	1,121,845	1,669
2,824,061	27,495,571	114,032
<u>\$ 2,860,451</u>	<u>\$ 28,617,416</u>	<u>\$ 115,701</u>

(Continued)

**CITY OF EVANSTON, WYOMING**

**STATEMENT OF CASH FLOWS (CONTINUED)**  
**Proprietary Funds**  
**Year Ended June 30, 2016**

**Business-type Activities - Enterprise Funds**

	Water Fund	Sewer Fund	Golf Fund
Reconciliation of operating income (loss) to net cash and cash equivalents provided (used) by operating activities			
Operating income (loss)	\$ (293,110)	\$ 240,104	\$ (438,004)
Adjustments to reconcile operating income (loss) to net cash and cash equivalents provided (used) by operating activities			
Depreciation	1,021,527	167,151	230,677
Amortization of differences on pension plan investment earnings	34,337	25,947	-
Increase (decrease) in cash and cash equivalents resulting from changes in operating assets, deferred outflows, deferred inflows, and liabilities	(78,148)	(43,753)	-
Accounts receivable	-	-	(7,822)
Inventory	-	-	-
Deferred outflows and inflows - pension plan items	(131,411)	(100,510)	-
Accounts payable	(44,214)	24,063	1,239
Accrued payroll	(60)	6,761	-
Accrued liabilities	7,048	3,979	-
Deposits payable	3,377	-	-
Net pension liability and related items	<u>146,375</u>	<u>110,611</u>	-
Net cash and cash equivalents provided (used) by operating activities	<u><u>\$ 665,721</u></u>	<u><u>\$ 434,353</u></u>	<u><u>\$ (213,910)</u></u>
Supplemental Information			
Non-cash investing, capital and related financing activities:			
Net increase in the fair value of investments	\$ 431	\$ -	\$ -

See accompanying notes to the financial statements

<u>Business-type Activities - Enterprise Funds</u>		<u>Governmental Activities</u>	
<u>Other Nonmajor Enterprise fund</u>		<u>Internal Service Fund</u>	
<u>Environmental Service Fund</u>	<u>Totals</u>		
\$ (12,804)	\$ (503,814)	\$ (4,783)	
77,445	1,496,800	-	
42,062	102,346	-	
(20,322)	(142,223)	(3,287)	
-	(7,822)	2,850	
(161,138)	(393,059)	-	
19,445	533	3,889	
10,478	17,179	-	
-	11,027	-	
-	3,377	-	
<u>179,311</u>	<u>436,297</u>	<u>-</u>	
<u>\$ 134,477</u>	<u>\$ 1,020,641</u>	<u>\$ (1,331)</u>	

## CITY OF EVANSTON, WYOMING

### NOTES TO THE FINANCIAL STATEMENTS June 30, 2016

---

#### **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 organization 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, 2016

---

#### **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, 2016

---

#### **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.

State statutes authorize the types of investments in which the City may invest. Among these authorized investments are certificates of deposit, money market funds, commercial paper, 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.

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. Investments in certificates of deposit are reported at amortized cost, which is the equivalent of fair value.

###### ***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.

## CITY OF EVANSTON, WYOMING

### NOTES TO THE FINANCIAL STATEMENTS June 30, 2016

---

#### **Note 1. Summary of Significant Accounting Policies (Continued)**

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

###### ***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, 2016, 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.

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.

## CITY OF EVANSTON, WYOMING

### NOTES TO THE FINANCIAL STATEMENTS June 30, 2016

---

#### **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)***

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
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 of Resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the pension plan items reported in the government-wide and proprietary funds’ statement of net position. The pension plan items are the result of differences between projected and actual earning on pension plan items, as well as, the District’s contributions subsequent to the measurement date used by the Wyoming Retirement System for the pension plan liability.

###### ***Deferred Inflows of Resources***

In addition to liabilities, the statement of net position and governmental funds balance sheet sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The government has two items that qualify for reporting in the category. Unavailable revenue is deferred and reported as a deferred inflow in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and grants. These amounts are deferred and recognized as inflow of resources in the period that the amounts become available. In the government-wide statement of net position, property taxes and pension items are reported as deferred inflows of resources. Property taxes are recognized in inflows of resources in the year they are levied. In addition, pension items related to changes in assumptions have been reported as a deferred inflow of resources.

## CITY OF EVANSTON, WYOMING

### NOTES TO THE FINANCIAL STATEMENTS June 30, 2016

---

#### **Note 1. Summary of Significant Accounting Policies (Continued)**

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

###### ***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.

###### ***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.

# CITY OF EVANSTON, WYOMING

## NOTES TO THE FINANCIAL STATEMENTS June 30, 2016

---

### 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 2016 fiscal year, it was necessary to amend the originally adopted budget. The expenditure budgets for the following general fund departments and funds were amended through transfers between departments or funds and from unanticipated revenues:

##### *General Fund*

Intergovernmental Revenues - Grants	\$ 13,985
Miscellaneous Revenues	223,395
Public Safety and Transportation	289
Capital Outlay	237,380
	<hr/>
	\$ 475,049

## CITY OF EVANSTON, WYOMING

### NOTES TO THE FINANCIAL STATEMENTS June 30, 2016

#### **Note 3. Deposits and Investments**

As of June 30, 2016, the City had the following investments:

Investment Type	Fair Value	Interest Rate	Investment Maturities (In Years)				Investment Ratings
			Less Than 1	1-5	6-10	More Than 10	
GNMA - MBS	\$ 17,412	5-9.50%	\$ -	\$ -	\$ -	\$ 17,412	Not Rated
FNMA - Notes	9,782,803	1-1.25%	-	9,782,803	-	-	AA+/Aaa*
Certificates of deposit	594,995	.65-.75%	594,995	-	-	-	Not Rated
Money market	10,322	0.01%	10,322	-	-	-	Not Rated
State Treasurer's investment pool (WYO-STAR)	<u>23,461,722</u>		<u>23,461,722</u>	<u>-</u>	<u>-</u>	<u>-</u>	Not Rated
	<u><u>\$33,867,254</u></u>		<u><u>\$24,067,039</u></u>	<u><u>\$9,782,803</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 17,412</u></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	\$ 40,707,717
Water fund investments	2,988
Total pooled cash and investments	<u>40,710,705</u>
Less pooled cash	(6,843,451)
Pooled investments	<u><u>\$ 33,867,254</u></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.** 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. As of June 30, 2016, the State Treasurer's Investment Pool (WYO-STAR) did not have a quality service credit rating.

## CITY OF EVANSTON, WYOMING

### NOTES TO THE FINANCIAL STATEMENTS June 30, 2016

#### 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, 2016 is as follows:

Deposit and Investment Types	Fair Value	Percent of Portfolio
FHLB - Notes	9,782,803	28.89%
WYO-STAR Investment Pool	23,461,722	69.28%
Other Investments Less than 5%	622,729	1.83%
	<u>\$ 33,867,254</u>	<u>100.00%</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, 2016, City deposits of \$11,037 were not fully insured or 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, 2016:

*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.

# CITY OF EVANSTON, WYOMING

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

---

### **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, 2016			
	Level 1	Level 2	Level 3	Total
External investment pools	\$ -	\$ 23,461,722	\$ -	\$ 23,461,722
U.S. government agency obligations	- -	9,782,803	- -	\$ 9,782,803
U.S. government agency mortgage backed securities	- -	17,412	- -	\$ 17,412
Total investments at fair value	<u>\$ -</u>	<u>\$ 33,261,937</u>	<u>\$ -</u>	<u>33,261,937</u>
Other investments reported in the following classifications				
Certificates of deposit				594,995
Money market				10,322
Total primary government investments				<u>\$ 33,867,254</u>

As of June 30, 2016, 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, 2016, the City's accounts receivable, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Water Fund	Sewer Fund	Environmental Service Fund	Nonmajor and Other Funds	Total
Receivables						
Customer	\$ -	\$ 326,185	\$ 133,805	\$ 130,599	\$ -	\$ 590,589
Grants	16,936	- -	19,089	- -	- -	36,025
Franchise fees	43,753	- -	- -	- -	- -	43,753
Sales and use tax	837,049	- -	- -	- -	- -	837,049
Pari-mutual and lottery	17,754	- -	- -	- -	- -	17,754
Municipal court	138,247	- -	- -	- -	- -	138,247
Miscellaneous	- -	- -	- -	- -	58,280	58,280
Allowance for bad debts	<u>(86,510)</u>	<u>- -</u>	<u>- -</u>	<u>- -</u>	<u>- -</u>	<u>(86,510)</u>
	<u>\$ 967,229</u>	<u>\$ 326,185</u>	<u>\$ 152,894</u>	<u>\$ 130,599</u>	<u>\$ 58,280</u>	<u>\$ 1,635,187</u>

In addition, the internal service fund accounts receivable of \$3,287 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, 2016

#### **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, 2016:

Advances to/from other funds

Governmental activities

    General fund

\$ - \$ 1,536,060

Business-type activities

    Water fund

1,536,060 -

\$ 1,536,060 \$ 1,536,060

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, 2016.

The following is a detailed schedule of the City's interfund transfers for the year ended June 30, 2016.

	Transfers In	Transfers Out
<b>Governmental Activities:</b>		
General Fund	\$ -	\$ 777,500
Permanent Fund		
Cemetery Fund	214,500	-
Internal Service Fund		
Motor Vehicle Fund	3,000	-
Total governmental activities	<u>217,500</u>	<u>777,500</u>
<b>Business-type Activities:</b>		
Golf Fund		
Total business-type activities	560,000	-
Total government-wide	<u>560,000</u>	<u>-</u>
	<u>\$ 777,500</u>	<u>\$ 777,500</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, 2016

#### **Note 6. Capital Assets**

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

	Beginning Balance	Additions	Deletions	Transfer	Ending Balance
<b>Governmental activities</b>					
Capital assets not being depreciated					
Land	\$11,329,897	\$ -	\$ -	\$ -	\$11,329,897
Construction in progress	876,844	756,911	-	(1,595,402)	38,353
Total capital assets not being depreciated	<u>12,206,741</u>	<u>756,911</u>	<u>-</u>	<u>(1,595,402)</u>	<u>11,368,250</u>
Capital assets being depreciated					
Buildings and systems	42,440,577	-	-	846,055	43,286,632
Machinery and equipment	4,913,237	229,950	119,400	(21,712)	5,002,075
Infrastructure	17,588,070	280,314	-	749,347	18,617,731
Total capital assets being depreciated	<u>64,941,884</u>	<u>510,264</u>	<u>119,400</u>	<u>1,573,690</u>	<u>66,906,438</u>
Less accumulated depreciation for					
Buildings and systems	17,922,281	1,183,186	-	-	19,105,467
Machinery and equipment	4,337,443	193,647	119,400	(21,712)	4,389,978
Infrastructure	17,253,790	51,268	-	-	17,305,058
Total accumulated depreciation	<u>39,513,514</u>	<u>1,428,101</u>	<u>119,400</u>	<u>(21,712)</u>	<u>40,800,503</u>
Total capital assets, being depreciated, net	<u>25,428,370</u>	<u>(917,837)</u>	<u>-</u>	<u>1,595,402</u>	<u>26,105,935</u>
Governmental activities capital assets, net	<u><u>\$37,635,111</u></u>	<u><u>\$ (160,926)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$37,474,185</u></u>

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 \$9,616 and current year depreciation expense of \$9,310 expensed in governmental activities.

**CITY OF EVANSTON, WYOMING**

**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2016

**Note 6. Capital Assets (Continued)**

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

*Governmental activities*

General government	\$ 41,143
Public safety	98,584
Public works, including depreciation of general infrastructure assets	1,237,107
Health, welfare and recreation	18,883
Capital assets held in the permanent fund	<u>32,384</u>
 Total depreciation expense for governmental activities	 <u>\$ 1,428,101</u>

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
 Business-type activities					
Capital assets not being depreciated					
Land	\$ 733,694	\$ -	\$ -	\$ -	\$ 733,694
Construction in progress	<u>-</u>	<u>27,929</u>	<u>-</u>	<u>-</u>	<u>27,929</u>
 Total capital assets not being depreciated	 <u>733,694</u>	 <u>27,929</u>	 <u>-</u>	 <u>-</u>	 <u>761,623</u>
Capital assets being depreciated					
Buildings and systems	67,370,419	15,413	18,474	-	67,367,358
Machinery and equipment	2,598,990	477,444	-	21,712	3,098,146
 Total capital assets being depreciated	 <u>69,969,409</u>	 <u>492,857</u>	 <u>18,474</u>	 <u>21,712</u>	 <u>70,465,504</u>
Less accumulated depreciation for					
Buildings and systems	37,891,290	1,310,237	18,474	-	39,183,053
Machinery and equipment	1,842,749	186,563	-	21,712	2,051,024
 Total accumulated depreciation	 <u>39,734,039</u>	 <u>1,496,800</u>	 <u>18,474</u>	 <u>21,712</u>	 <u>41,234,077</u>
Total capital assets, being depreciated, net	 <u>30,235,370</u>	 <u>(1,003,943)</u>	 <u>-</u>	 <u>-</u>	 <u>29,231,427</u>
Business-type activities capital assets, net	 <u>\$30,969,064</u>	 <u>\$ (976,014)</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 29,993,050</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 \$93,758 and current year depreciation expense of \$52,465 was expensed in business-type activities.

# CITY OF EVANSTON, WYOMING

## NOTES TO THE FINANCIAL STATEMENTS June 30, 2016

### **Note 7. Long Term Debt**

#### ***Long Term Debt – Governmental Activities***

The changes in long-term debt for the year ended June 30, 2016 were as follows:

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
Governmental activities					
Compensated absences	\$ 638,825	\$ -	\$ 21,824	\$ 617,002	\$ 30,850
Lease purchase obligations	46,548	-	9,895	36,653	8,421
Other post-employment benefits payable	-	68,307	-	68,307	-
Pension obligation	<u>1,444,679</u>	<u>855,399</u>	<u>-</u>	<u>2,300,078</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 2,130,052</u>	<u>\$ 923,706</u>	<u>\$ 31,719</u>	<u>\$ 3,022,040</u>	<u>\$ 39,271</u>

For the governmental activities, compensated absences are generally liquidated by the general fund.

Business-type activities					
Compensated absences	\$ 284,832	\$ 18,534	\$ -	\$ 303,366	\$ 15,168
Lease purchase obligation	338,465	-	79,365	259,100	81,512
Pension obligation	<u>1,079,377</u>	<u>436,297</u>	<u>-</u>	<u>1,515,674</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 1,702,674</u>	<u>\$ 454,831</u>	<u>\$ 79,365</u>	<u>\$ 2,078,140</u>	<u>\$ 96,680</u>

Debt outstanding, (excluding accrued compensated absences) at June 30, 2016 is comprised of the following:

#### ***Governmental Activities:***

\$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. \$ 36,653

Future minimum lease payments under all debt except compensated absences outstanding as of June 30, 2016 are as follows:

Year ending June 30,	
2017	\$ 10,232
2018	10,232
2019	10,232
2020	10,232
	<u>40,928</u>
Less amount representing interest	<u>(4,275)</u>
Net present value of minimum lease payment	<u><u>\$ 36,653</u></u>

## CITY OF EVANSTON, WYOMING

### NOTES TO THE FINANCIAL STATEMENTS June 30, 2016

---

#### Note 7. Long Term Debt (Continued)

##### *Long-Term Debt – Business-type Activities*

Debt outstanding, (excluding accrued compensated absences) at June 30, 2016 is comprised of the following:

##### *Business-type Activities:*

\$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.	\$ 163,041
\$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.	96,060
	<hr/>
	\$ 259,101

Future minimum lease payments under all debt except compensated absences outstanding as of June 30, 2016 are as follows:

Year ending June 30,	
2017	\$ 88,842
2018	88,841
2019	96,706
	<hr/>
	274,389
Less amount representing interest	(15,288)
Net present value of minimum lease payment	<hr/> <hr/> \$ 259,101

#### 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, 2016, the City Council had established plans for emergency building repairs as follows:

City Hall	\$ 1,000,000
Police and Fire Buildings	1,500,000
Public Works Buildings	1,000,000
Recreation Center	2,000,000
	<hr/>
	\$ 5,500,000

## CITY OF EVANSTON, WYOMING

### NOTES TO THE FINANCIAL STATEMENTS June 30, 2016

---

#### **Note 9. Commitments and Contingencies**

The City has several outstanding construction projects as of June 30, 2016. 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			
Telephone System/General Services	\$ 50,000	\$ 38,353	\$ 11,647
Total governmental activities	<u>50,000</u>	<u>38,353</u>	<u>11,647</u>
Business-type activities			
Sewer Fund			
County Road Sewerline Replacement	<u>250,013</u>	<u>27,929</u>	<u>222,084</u>
Total business-type activities	<u>250,013</u>	<u>27,929</u>	<u>222,084</u>
Total primary government	<u>\$ 300,013</u>	<u>\$ 66,282</u>	<u>\$ 233,731</u>

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, 2016 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 2016 were approximately \$128,000.

## CITY OF EVANSTON, WYOMING

### NOTES TO THE FINANCIAL STATEMENTS June 30, 2016

#### **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 2016 and 2015 were as follows for the City's participation in the Unemployment Compensation Act Program:

	Fiscal Year Ended 2016	Fiscal Year Ended 2015
Unpaid claims, beginning of year	\$ -	\$ -
Incurred claims	6,487	5,713
Claim payments	(6,487)	(5,713)
Unpaid claims, end of year	<u><u>\$ -</u></u>	<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 public employee retirement system administered by the State of Wyoming Retirement System Board. Substantially all city full-time employees are eligible to participate. The PEPP provides retirement, disability and death benefits according to predetermined formulas. Benefits are established by Title 9, Chapter 3 of the Wyoming Statutes.

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. Contribution rates are established by Title 9, Chapter 3 of the Wyoming Statutes.

The City's contributions to the PEPP for the years ended June 30, 2016, 2015, and 2014, were \$286,797, \$273,488 and \$245,762 respectively and the employees' contributions were \$96,367, \$90,018 and \$66,330, respectively, equal to the required contribution for the year.

## CITY OF EVANSTON, WYOMING

### NOTES TO THE FINANCIAL STATEMENTS June 30, 2016

---

#### Note 11. Pension Plans (Continued)

##### ***Wyoming Law Enforcement Retirement Plan***

The City participates in the Wyoming Law Enforcement Retirement Plan ("WLERP"), a state-wide, cost-sharing, multiple-employer public employee retirement plan administered by the State of Wyoming Retirement System Board. The WLERP is a defined benefit, contributory plan covering 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. The WLERP also statutorily provides for a percentage increase in the benefit amounts beginning July 1, after two full years of retirement by 2% each year. State statutes provide for future annual percent increases in the benefit amount to be the greater of the cost of living as determined by the Board or the percentage determined actuarially sound by the System's actuary, up to 2% each year. 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, 2016, 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, 2016, 2015, and 2014 the contributions to the Wyoming Law Enforcement Retirement Plan were \$227,996, \$226,679, and \$229,649, respectively. The City's portion of these contributions were \$164,900, \$157,357, and \$152,716, respectively, and the employees' contributions were \$63,097, \$69,322, and \$73,472, respectively, equal to the required contributions for each year.

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

At June 30, 2016, the City reported a total liability of \$3,815,752 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation January 1, 2015. 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, 2015, the City's liability as well as their proportion and increase from its proportion measured at December 31, 2014 was as follows for each plan in which the City participates:

	Pension liability at December 31, 2015	Proportion at December 31, 2015	Increase (decrease) from December 31, 2014
Public Employees' Pension Plan	\$ 3,158,191	0.135582615%	0.006800048%
Wyoming Law Enforcement Retirement	657,561	0.875347950%	0.021958330%
	<u>\$ 3,815,752</u>		

# CITY OF EVANSTON, WYOMING

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

---

### Note 11. Pension Plans (Continued)

#### ***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)***

For the year ended June 30, 2016, the City recognized pension expense of \$1,178,074. At June 30, 2016, 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	\$ 766,014	\$ 400,730	\$ 1,166,745	\$ -
Difference between actual and expected experience rate	(66,812)	11,957	11,957	(66,812)
Change in employer's proportion	80,181	2,617	82,798	-
Amortizing deferred outflows and deferred inflows	779,383	415,304	1,261,502	(66,812)
Contributions subsequent to the measurement date	174,449	103,970	278,419	-
<b>Total</b>	<b>\$ 953,832</b>	<b>\$ 519,274</b>	<b>\$ 1,539,921</b>	<b>\$ (66,812)</b>

The City reported \$278,419 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			Plan Total	
	Wyoming Law Enforcement		Retirement Plan		
	Public Employees' Pension Plan				
Year ended June 30:					
2017	\$ 230,670	\$ 110,063	\$ 340,733		
2018	230,670	110,063		340,733	
2019	228,291	110,063		338,354	
2020	156,565	85,116		241,681	
	<b>\$ 846,196</b>	<b>\$ 415,305</b>		<b>\$ 1,261,501</b>	
Deferred Inflows					
	Wyoming Law Enforcement		Plan Total		
	Public Employees' Pension Plan				
	\$ (22,931)	\$ -	\$ (22,931)		
Year ended June 30:					
2017	(22,931)	-	(22,931)		
2018	(22,931)	-	(22,931)		
2019	(20,950)	-	(20,950)		
	<b>\$ (66,812)</b>	<b>\$ -</b>	<b>\$ (66,812)</b>		

## CITY OF EVANSTON, WYOMING

### NOTES TO THE FINANCIAL STATEMENTS June 30, 2016

#### Note 11. Pension Plans (Continued)

##### *Actuarial Assumptions*

The total pension liability at the December 31, 2015 measurement date was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Assumptions and Methods	
Valuation date	1/1/2016
Actuarial cost method	Individual Entry Age Normal
Amortization method	Level percent open
Remaining amortization period	10 to 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, 2015 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 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 adding expected inflation.

For each major asset class that is included in the pension plans' target allocation as of January 1, 2015, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.50%	0.25%
Fixed income	15.00%	0.87%
Equity	59.00%	5.13%
Marketable alternatives	15.50%	4.75%
Private markets	8.00%	5.84%
Total	100.00%	

## CITY OF EVANSTON, WYOMING

### NOTES TO THE FINANCIAL STATEMENTS June 30, 2016

---

#### 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	\$ 4,534,044	\$ 3,158,191	\$ 1,995,028
Wyoming Law Enforcement Retirement Plan	1,334,177	657,561	98,447

##### ***Payables to the Pension Plan***

At June 30, 2016, the City reported no payables to the pension plans.

---

#### Note 12. Prior Period Adjustment

##### ***Prior Period Adjustment***

In the prior year, several assets with a remaining net book value were disposed of and during disposal the current year portion of depreciation was not recorded as current year expense. Therefore, when the asset was disposed of, more depreciation was removed than recorded. The table below illustrates the accumulated depreciation, net position, and depreciation expense as originally stated and restated:

	Business-type Activities		
	As Originally Stated		As Restated
	June 30, 2015	Adjustments	
Accumulated depreciation	\$ 39,696,539	\$ 37,500	\$ 39,734,039
Net position	58,890,680	(37,500)	58,853,180
Depreciation expense	1,443,447	37,500	1,480,947

## CITY OF EVANSTON, WYOMING

### NOTES TO THE FINANCIAL STATEMENTS June 30, 2016

---

#### 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 2016, the City contributed \$3,342 to the plan. Members receiving benefits contributed \$10,319 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, 2016

---

### **Note 13. Postemployment Healthcare Plan (Continued)**

#### ***Annual Other Postemployment Benefit Cost***

The City's annual 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	-
Amortization adjustment to annual required contribution	-
Annual OPEB cost (expense)	81,968
Employer Contribution, including implicit subsidy	<u>(13,661)</u>
Change in net OPEB obligation	68,307
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	<u><u>\$ 68,307</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 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%	13,661

As of June 30, 2016, 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 \$4,075,071, and the ratio of the UAAL to the covered payroll was 16.06 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, 2016

---

#### **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. 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, 2016 was 30 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 as of November 1, 2015. Prior to this date, the monthly rate was \$10,000 per month. The cost of the leased property is \$3,617,843 with accumulated depreciation of \$723,816. Rental income from this lease was \$104,000 for the year ending June 30, 2016.

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 \$107,281. 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, 2016

---

#### **Note 15. Implementation of Governmental Accounting Standards Board Statements 72 and 82**

Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*, defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements.

Governmental Accounting Standards Board Statement No. 82, *Pension Issues*, is designed to improve consistency in the application of the pension standards by clarifying or amending related areas of existing guidance. The City early implemented this standard.

#### **Note 16. Accounting Standards Issued, But Not Implemented**

As of June 30, 2016, 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.

Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants*, permits qualifying external investment pools to measure pool investments at amortized cost for financial reporting purposes and provides guidance that will allow many pools to continue to qualify for amortized cost accounting.

Management has not concluded its assessment of the effect of implementing this guidance.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF EVANSTON, WYOMING**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL**  
General Fund  
Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>PROPERTY TAXES AND OTHER TAXES</b>				
Property taxes	\$ 546,500	\$ 546,500	\$ 644,421	\$ 97,921
Sales and use taxes	2,020,000	2,020,000	2,112,057	92,057
Franchise fees	170,500	170,500	188,575	18,075
	<u>2,737,000</u>	<u>2,737,000</u>	<u>2,945,053</u>	<u>208,053</u>
<b>LICENSES AND PERMITS</b>	<u>114,300</u>	<u>114,300</u>	<u>174,616</u>	<u>60,316</u>
<b>INTERGOVERNMENTAL REVENUES</b>				
State gasoline tax	500,000	500,000	529,539	29,539
Severance tax	443,894	443,894	460,094	16,200
Cigarette tax	100,000	100,000	96,707	(3,293)
State funding	1,000,000	1,000,000	1,056,844	56,844
Grants	4,080,641	4,094,626	3,657,923	(436,703)
Mineral royalties	638,043	638,043	635,470	(2,573)
Pari-Mutual/Lottery tax	40,000	40,000	51,637	11,637
	<u>6,802,578</u>	<u>6,816,563</u>	<u>6,488,214</u>	<u>(328,349)</u>
<b>CHARGES FOR SERVICES</b>				
Public safety fees	24,550	24,550	39,644	15,094
	<u>24,550</u>	<u>24,550</u>	<u>39,644</u>	<u>15,094</u>
<b>FINES AND FORFEITURES</b>	<u>(149,000)</u>	<u>(149,000)</u>	<u>168,373</u>	<u>317,373</u>
<b>MISCELLANEOUS REVENUES</b>				
Interest earnings	115,000	115,000	225,256	110,256
Miscellaneous revenues	3,722,489	3,945,884	87,322	(3,858,562)
Gain on sale of fixed assets	1,000	1,000	-	(1,000)
	<u>3,838,489</u>	<u>4,061,884</u>	<u>312,578</u>	<u>(3,749,306)</u>
<b>Total revenues</b>	<u>13,367,917</u>	<u>13,605,297</u>	<u>10,128,478</u>	<u>(3,476,819)</u>

(Continued)

See accompanying notes to required supplementary information.

**CITY OF EVANSTON, WYOMING**

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

General Fund  
Year Ended June 30, 2016

	Budgeted Amounts		Variance with Final Budget
	Original	Final	Positive (Negative)
General Government	4,276,194	4,276,194	3,518,047
\$   758,147			
Public Safety and Transportation	3,730,466	3,730,755	2,827,996
			902,759
Health, Welfare, and Recreation	1,259,266	1,259,266	1,181,052
			78,214
Public Works	1,648,718	1,648,718	854,486
			794,232
Capital Outlay	1,598,700	1,836,080	1,221,724
			614,356
Total expenditures	<u>12,513,344</u>	<u>12,751,013</u>	<u>9,603,305</u>
			<u>3,147,708</u>
Excess (deficiency) of revenues over expenditures	<u>854,573</u>	<u>854,284</u>	<u>525,173</u>
			<u>(329,111)</u>
Other financing sources (uses)			
Transfers (out)	(1,152,284)	(1,152,284)	(777,500)
			374,784
Total other financing (uses)	<u>(1,152,284)</u>	<u>(1,152,284)</u>	<u>(777,500)</u>
			<u>374,784</u>
Net change in fund balance	(297,711)	(298,000)	(252,327)
			45,673
Fund balance - beginning of year	<u>8,929,398</u>	<u>8,929,398</u>	<u>8,929,398</u>
Fund balance - end of year	<u>\$ 8,631,687</u>	<u>\$ 8,631,398</u>	<u>\$ 8,677,071</u>
			<u>\$   45,673</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)

	2016	2015	2014
<b>Public Employees Pension Plan</b>			
City's proportion of the net pension liability (asset)	0.135582615%	0.128782567%	*
City's proportionate share of the net pension liability (asset)	\$ 3,158,191	\$ 2,272,616	*
City's covered-employee payroll	\$ 2,364,661	\$ 2,201,425	*
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	133.56%	103.23%	*
Plan fiduciary net position as a percentage of the total pension liability	73.40%	79.08%	*
<b>Wyoming Law Enforcement Retirement Plan</b>			
City's proportion of the net pension liability (asset)	0.875347950%	0.853389620%	*
City's proportionate share of the net pension liability (asset)	\$ 657,561	\$ 251,440	*
City's covered-employee payroll	\$ 1,316,521	\$ 1,261,232	*
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	49.95%	19.94%	*
Plan fiduciary net position as a percentage of the total pension liability	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.

2013	2012	2011	2010	2009	2008	2007
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*

## CITY OF EVANSTON, WYOMING

### SCHEDULE OF CITY CONTRIBUTIONS

Last 10 fiscal years  
(Unaudited)

	2016	2015	2014
<b>Public Employees Pension Plan</b>			
Contractually required contribution	\$ 383,165	\$ 363,595	*
Contributions in relation to the contractually required contribution	(383,165)	(363,595)	*
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>*</u>
City's covered-employee payroll	\$ 2,305,445	\$ 2,291,084	*
Contributions as a percentage of covered-employee payroll	16.62%	15.87%	*
<b>Wyoming Law Enforcement Retirement Plan</b>			
Contractually required contribution	\$ 227,996	\$ 226,647	*
Contributions in relation to the contractually required contribution	(227,996)	(226,647)	*
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>*</u>
City's covered-employee payroll	\$ 1,325,558	\$ 1,317,715	*
Contributions as a percentage of covered-employee payroll	17.20%	17.20%	*

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

2013	2012	2011	2010	2009	2008	2007
*	*	*	*	*	*	*
*	*	*	*	*	*	*
**	**	**	**	**	**	**
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
**	**	**	**	**	**	**
*	*	*	*	*	*	*
*	*	*	*	*	*	*

**CITY OF EVANSTON, WYOMING**

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

June 30, 2016

(Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (ALL)- Entry Age			Unfunded ALL (UAAL)	Annual Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Annual Covered Payroll ((b-a)/c)
		(a)	(b)	(b-a)				
July 1, 2015	-	654,360		654,360		0.00%	4,075,071	16.06%

See accompanying notes to required supplementary information.

## CITY OF EVANSTON, WYOMING

### NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2016

---

#### **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 department 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 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.

**COMBINING FUND INFORMATION AND  
OTHER SUPPLEMENTARY INFORMATION**

## **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, 2016

	Special Revenue Funds			Permanent Fund	Total Nonmajor Governmental Funds
	Lodging Tax Fund	Economic Development Fund	Total	Cemetery Fund	
<b>ASSETS</b>					
Pooled cash and investments	\$ 974,976	\$ 601,926	\$ 1,576,902	\$ 588,910	\$ 2,165,812
Accounts receivable	<u>51,880</u>	-	<u>51,880</u>	<u>6,400</u>	<u>58,280</u>
<b>Total assets</b>	<b><u>\$ 1,026,856</u></b>	<b><u>\$ 601,926</u></b>	<b><u>\$ 1,628,782</u></b>	<b><u>\$ 595,310</u></b>	<b><u>\$ 2,224,092</u></b>
<b>LIABILITIES</b>					
Accounts payable	\$ 3,150	\$ -	\$ 3,150	\$ 414	\$ 3,564
<b>Total liabilities</b>	<b><u>3,150</u></b>	<b><u>-</u></b>	<b><u>3,150</u></b>	<b><u>414</u></b>	<b><u>3,564</u></b>
<b>FUND BALANCES</b>					
Nonspendable					
Permanent fund principal	-	-	-	100,000	100,000
Restricted	1,023,706	601,926	1,625,632	105,847	1,731,479
Unassigned	-	-	-	389,049	389,049
<b>Total fund balances</b>	<b><u>1,023,706</u></b>	<b><u>601,926</u></b>	<b><u>1,625,632</u></b>	<b><u>594,896</u></b>	<b><u>2,220,528</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 1,026,856</u></b>	<b><u>\$ 601,926</u></b>	<b><u>\$ 1,628,782</u></b>	<b><u>\$ 595,310</u></b>	<b><u>\$ 2,224,092</u></b>

**CITY OF EVANSTON, WYOMING**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2016**

	Special Revenue Funds			Permanent Fund	Total Nonmajor Governmental Funds
	Lodging Tax Fund	Economic Development Fund	Total	Cemetery Fund	
Revenues					
Lodging tax	\$ 264,876	\$ -	\$ 264,876	\$ -	\$ 264,876
Charges for services	-	-	-	49,861	49,861
Rental income	-	195,764	195,764	-	195,764
Interest and miscellaneous	66	-	66	1,651	1,717
Total revenues	<u>264,942</u>	<u>195,764</u>	<u>460,706</u>	<u>51,512</u>	<u>512,218</u>
Expenditures					
Current					
Health, welfare and recreation	<u>197,803</u>	<u>63,782</u>	<u>261,585</u>	<u>231,432</u>	<u>493,017</u>
Total expenditures	<u>197,803</u>	<u>63,782</u>	<u>261,585</u>	<u>231,432</u>	<u>493,017</u>
Excess (deficiency) of revenues over expenditures	<u>67,139</u>	<u>131,982</u>	<u>199,121</u>	<u>(179,920)</u>	<u>19,201</u>
Other Financing Sources					
Transfers in	-	-	-	214,500	214,500
Total other financing sources	-	-	-	214,500	214,500
Net change in fund balances	67,139	131,982	199,121	34,580	233,701
Fund balances - beginning of year	<u>956,567</u>	<u>469,944</u>	<u>1,426,511</u>	<u>560,316</u>	<u>1,986,827</u>
Fund balances - end of year	<u>\$ 1,023,706</u>	<u>\$ 601,926</u>	<u>\$ 1,625,632</u>	<u>\$ 594,896</u>	<u>\$ 2,220,528</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, 2016

	<u>Budgeted Amounts</u>			Variance with final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Rental income	\$ 235,050	\$ 285,050	\$ 264,876	\$ (20,174)
Interest	50	50	66	16
<b>Total revenues</b>	<b>235,100</b>	<b>285,100</b>	<b>264,942</b>	<b>(20,158)</b>
Expenditures				
General expenses	500	500	67	433
Marketing and promotion	193,400	223,400	158,489	64,911
Matching fund/grants	19,200	39,200	17,247	21,953
Contractual services	22,000	22,000	22,000	-
<b>Total expenditures</b>	<b>235,100</b>	<b>285,100</b>	<b>197,803</b>	<b>87,297</b>
Excess of revenues over expenditures	-	-	67,139	67,139
Fund balance - beginning of year	<u>956,567</u>	<u>956,567</u>	<u>956,567</u>	<u>-</u>
Fund balance - end of year	<u>\$ 956,567</u>	<u>\$ 956,567</u>	<u>\$ 1,023,706</u>	<u>\$ 67,139</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, 2016

	<u>Budgeted Amounts</u>			<u>Variance with final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Rental income	\$ 211,000	\$ 211,000	\$ 195,764	\$ (15,236)
Total revenues	<u>211,000</u>	<u>211,000</u>	<u>195,764</u>	<u>(15,236)</u>
Expenditures				
General expenses	<u>211,000</u>	<u>211,000</u>	<u>63,782</u>	<u>147,218</u>
Total expenditures	<u>211,000</u>	<u>211,000</u>	<u>63,782</u>	<u>147,218</u>
Excess of revenues over expenditures	-	-	131,982	131,982
Fund balance - beginning of year	<u>469,944</u>	<u>469,944</u>	<u>469,944</u>	-
Fund balance - end of year	<u>\$ 469,944</u>	<u>\$ 469,944</u>	<u>\$ 601,926</u>	<u>\$ 131,982</u>

## **COMPLIANCE SECTION**



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, 2016, and the related notes to the financial statements, which collectively comprise the City of Evanston's basic financial statements and have issued our report thereon dated November 02, 2016.

***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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2016-001 that we consider to be a significant deficiency.

### ***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

November 02, 2016

**CITY OF EVANSTON**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**YEAR ENDED JUNE 30, 2016**

---

**Material Weakness in Internal Control**

**Internal Control over Financial Reporting**  
**2016-001**

***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. 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.

***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.