

CITY OF TORRINGTON, WYOMING

FINANCIAL REPORT

JUNE 30, 2017

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Torrington, Wyoming
Torrington, 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 Torrington, Wyoming as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively, comprise the City of Torrington's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 35-38 and the defined pension benefit plan information on pages 39 - 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2018, on our consideration of the City of Torrington, Wyoming's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Torrington, Wyoming's internal control over financial reporting and compliance.

NOTICE

The accompanying financial statements and our independent auditors' reports are for the purpose of meeting local, and state requirements and are for the use of those entities, management, and the City Council, and should not be used or relied upon by any other party for any purpose. Additional users of these financial statements and our independent auditors' reports are hereby advised that the liability of Leo Riley & Co., CPAs to third party users who use or rely on this information may be limited pursuant to 1995 Wyo. Sess. Laws, Chapter 155 creating Wyo. Stat. §33-3-201. However, the financial statements and our independent auditors' report on the financial statements are a matter of public record and their distribution is not limited.

Leo Riley Co.

March 19, 2018

Government Wide- Financial Statements

CITY OF TORRINGTON, WYOMING

STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Pooled cash and cash equivalents	\$ 2,453,512	\$ 8,360,858	\$ 10,814,370
Non-pooled cash and cash equivalents	998,530	185,355	1,183,885
Investments	450,278	-	450,278
Receivables (net of allowance for uncollectibles)			
Taxes	196,233	-	196,233
Accounts receivable	39,324	1,375,824	1,415,148
Unbilled services	-	477,530	477,530
Grants		63,174	
Interest receivable	4,216	-	4,216
Inventory	100,558	453,149	553,707
Total current assets	<u>\$ 4,242,651</u>	<u>\$ 10,915,890</u>	<u>\$ 15,095,367</u>
Non-current assets:			
Nondepreciable capital assets			
Land	\$ 1,414,954	\$ 342,633	\$ 1,757,587
Construction in progress	157,545	1,239,919	1,397,464
	<u>\$ 1,572,499</u>	<u>\$ 1,582,552</u>	<u>\$ 3,155,051</u>
Depreciable capital assets			
Buildings and improvements	\$ 18,625,628	\$ 44,810,921	\$ 63,436,549
Machinery and equipment	6,405,672	6,545,901	12,951,573
Streets	3,062,926	-	3,062,926
Accumulated depreciation	(13,138,862)	(22,953,890)	(36,092,752)
	<u>\$ 14,955,364</u>	<u>\$ 28,402,932</u>	<u>\$ 43,358,296</u>
Total non-current assets	<u>\$ 16,527,863</u>	<u>\$ 29,985,484</u>	<u>\$ 46,513,347</u>
Total assets	<u>\$ 20,770,514</u>	<u>\$ 40,901,374</u>	<u>\$ 61,608,714</u>
DEFERRED OUTFLOW OF RESOURCES			
Retirement contributions	\$ 214,293	\$ 133,797	\$ 348,090
Proportionate share of change in investment earnings	594,110	434,134	1,028,244
Change in proportionate share of collective deferred outflow of resources	70,806	76,483	147,289
Deferred outflow of resources due to assumption changes	-	10,103	10,103
Total deferred outflow of resources	<u>\$ 879,209</u>	<u>\$ 654,517</u>	<u>\$ 1,533,726</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 239,258	\$ 625,380	\$ 864,638
Accrued expenses	150,630	140,687	291,317
Claims payable	101,025	-	101,025
Customer deposits	-	165,952	165,952
Current portion of long-term debt	113,984	426,393	540,377
Total current liabilities	<u>\$ 604,897</u>	<u>\$ 1,358,412</u>	<u>\$ 1,963,309</u>
Non-current liabilities:			
Notes and lease obligations payable	\$ 159,167	\$ 1,971,117	\$ 2,130,284
Net pension liability	2,315,857	2,057,464	4,373,321
Landfill closure and postclosure costs	-	1,570,979	1,570,979
Total non-current liabilities	<u>\$ 2,475,024</u>	<u>\$ 5,599,560</u>	<u>\$ 8,074,584</u>
Total liabilities	<u>\$ 3,079,921</u>	<u>\$ 6,957,972</u>	<u>\$ 10,037,893</u>
DEFERRED INFLOWS			
Change in proportionate share of collective deferred inflow of resources	\$ -	\$ 1,819	\$ 1,819
Proportionate share of change in estimated experience versus actual	85,312	55,865	141,177
Total deferred inflow of resources	<u>\$ 85,312</u>	<u>\$ 57,684</u>	<u>\$ 142,996</u>
NET POSITION			
Net investment in capital assets	\$ 16,254,712	\$ 27,587,974	\$ 43,842,686
Restricted	-	36,476	36,476
Unrestricted	2,229,778	6,915,785	9,145,563
Total net position	<u>\$ 18,484,490</u>	<u>\$ 34,540,235</u>	<u>\$ 53,024,725</u>

(The accompanying notes to the financial statements are an integral part of this statement)

CITY OF TORRINGTON, WYOMING

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Program Revenues			Net (Expense) Revenue and Change in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 1,118,616	\$ 168,401	\$ 48,497	\$ 395,172	\$ (506,546)	\$ -	\$ (506,546)
Public safety	2,276,447	154,495	220,466	-	(1,901,486)	-	(1,901,486)
Public works	675,643	-	-	-	(675,643)	-	(675,643)
Health, welfare and recreation	1,706,669	690,149	-	-	(1,016,520)	-	(1,016,520)
Transportation	337,116	131,332	-	4,145	(201,639)	-	(201,639)
Total governmental activities	<u>\$ 6,114,491</u>	<u>\$ 1,144,377</u>	<u>\$ 268,963</u>	<u>\$ 399,317</u>	<u>\$ (4,301,834)</u>	<u>\$ -</u>	<u>\$ (4,301,834)</u>
Business-type activities:							
Water	\$ 1,931,146	\$ 1,877,310	\$ -	\$ 130,738	\$ -	\$ 76,902	\$ 76,902
Sewer	1,272,931	1,197,841	-	147,319	-	72,229	72,229
Electrical	9,295,889	9,809,114	-	394,375	-	907,600	907,600
Sanitation	1,505,834	1,371,842	-	-	-	(133,992)	(133,992)
Ambulance	654,529	453,229	-	128,800	-	(72,500)	(72,500)
Total business-type activities	<u>\$ 14,660,329</u>	<u>\$ 14,709,336</u>	<u>\$ -</u>	<u>\$ 801,232</u>	<u>\$ -</u>	<u>\$ 850,239</u>	<u>\$ 850,239</u>
Total government-wide	<u>\$ 20,774,820</u>	<u>\$ 15,853,713</u>	<u>\$ 268,963</u>	<u>\$ 1,200,549</u>	<u>\$ (4,301,834)</u>	<u>\$ 850,239</u>	<u>\$ (3,451,595)</u>
General revenues:							
Taxes -							
Sales tax and uses taxes					\$ 917,822	\$ -	\$ 917,822
Property tax					297,298	-	297,298
Motor vehicle					121,771	-	121,771
Cigarette tax					52,292	-	52,292
State gas tax					222,245	-	222,245
Severance tax					241,393	-	241,393
Optional sales tax					804,229	-	804,229
Lottery tax					17,787	-	17,787
Impact revenue					1,133,806	-	1,133,806
Mineral royalty					281,879	-	281,879
Miscellaneous revenue					200,184	-	200,184
Transfer					(72,097)	72,097	-
Unrestricted investment earnings					57,952	-	57,952
Utility franchises					63,856	-	63,856
Total general revenues					<u>\$ 4,340,417</u>	<u>\$ 72,097</u>	<u>\$ 4,412,514</u>
Change in net position					<u>\$ 38,583</u>	<u>\$ 922,336</u>	<u>\$ 960,919</u>
Net position at beginning of year					18,445,907	33,617,899	52,063,806
Net position at end of year					<u>\$ 18,484,490</u>	<u>\$ 34,540,235</u>	<u>\$ 53,024,725</u>

(The accompanying notes to the financial statements are an integral part of this statement)

**Governmental Funds
Financial Statements**

CITY OF TORRINGTON, WYOMING

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Airport Fund	Total Governmental Funds
ASSETS			
Pooled cash and cash equivalents	\$ 2,453,512	\$ -	\$ 2,453,512
Non-pooled cash and cash equivalents	561	-	561
Investments	450,278	-	450,278
Receivables (net of allowance for uncollectibles)			
Taxes	196,233	-	196,233
Accounts receivable	36,278	3,046	39,324
Interest receivable	4,216	-	4,216
Inventory	90,790	9,768	100,558
Total assets	<u>\$ 3,231,868</u>	<u>\$ 12,814</u>	<u>\$ 3,244,682</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 255,148	\$ 14,231	\$ 269,379
Total liabilities	<u>\$ 255,148</u>	<u>\$ 14,231</u>	<u>\$ 269,379</u>
DEFERRED INFLOWS			
Property taxes	\$ 4,919	\$ -	\$ 4,919
Total deferred inflows	<u>\$ 4,919</u>	<u>\$ -</u>	<u>\$ 4,919</u>
FUND BALANCES			
Nonspendable	\$ 90,790	\$ 9,768	\$ 100,558
Unassigned	2,881,011	(11,185)	2,869,826
Total fund balances	<u>\$ 2,971,801</u>	<u>\$ (1,417)</u>	<u>\$ 2,970,384</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,231,868</u>	<u>\$ 12,814</u>	<u>\$ 3,244,682</u>

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

Total fund balance per balance sheet:	\$ 2,970,384
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	16,527,863
Internal service funds are used by management to charge the cost of group health to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	896,944
Long-term liabilities, including bonds payable and compensated absences, are not due and are not reported in the funds.	(1,915,620)
Some revenues are not available in the current period and, therefore, are not reported in the funds. The assets and liabilities of the internal	4,919
Net position of governmental activities	<u>\$ 18,484,490</u>

(The accompanying notes to the financial statements are an integral part of this statement)

CITY OF TORRINGTON, WYOMING

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Airport Fund	Total Governmental Funds
REVENUES			
Intergovernmental revenue	\$ 2,605,750	\$ 4,145	\$ 2,609,895
Taxes and special assessments	2,159,981	-	2,159,981
Fines and forfeitures	154,495	-	154,495
Charges for services	694,635	131,256	825,891
Licenses and permits	59,947	-	59,947
Other	414,827	76	414,903
Total revenues	<u>\$ 6,089,635</u>	<u>\$ 135,477</u>	<u>\$ 6,225,112</u>
EXPENDITURES			
Current			
General government	\$ 775,637	\$ -	\$ 775,637
Public safety	2,024,831	-	2,024,831
Public works	448,980	-	448,980
Health, welfare and recreation	1,449,803	-	1,449,803
Transportation	-	174,441	174,441
Capital outlay	678,120	-	678,120
Debt service -			
Principal retirement	109,916	-	109,916
Interest and fiscal charges	2,734	-	2,734
Total expenditures	<u>\$ 5,490,021</u>	<u>\$ 174,441</u>	<u>\$ 5,664,462</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 599,614</u>	<u>\$ (38,964)</u>	<u>\$ 560,650</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	\$ (108,303)	\$ 36,206	\$ (72,097)
Proceeds from capital lease	26,000	-	26,000
Total other financing sources and uses	<u>\$ (82,303)</u>	<u>\$ 36,206</u>	<u>\$ (46,097)</u>
Net changes in fund balances	\$ 517,311	\$ (2,758)	\$ 514,553
Fund balances - Beginning of year	<u>2,454,490</u>	<u>1,341</u>	<u>2,455,831</u>
Fund balances - End of year	<u>\$ 2,971,801</u>	<u>\$ (1,417)</u>	<u>\$ 2,970,384</u>

(The accompanying notes to the financial statements are an integral part of this statement)

CITY OF TORRINGTON, WYOMING

RECONCILIATION OF THE GOVERNMENTAL STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

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

Net change in fund balance - total governmental funds \$ 514,553

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expenses exceeded capital outlay in the current period. (Note 8) (468,886)

The issuance of long-term debt (e.g. bonds, leases) provide current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items. (Note 9) 84,564

Certain employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year. This year the accrual of these benefits increased by:

Compensated absences	\$ 22,455	
Net pension benefit obligation	<u>(288,600)</u>	(266,145)

Revenues in statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in property taxes	1,075
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Internal service funds are used by management to charge the costs of health claims to individual funds. The net expenses of certain activities of internal service funds is reported within governmental activities. 173,422

Changes in net position of governmental activities \$ 38,583

(The accompanying notes to the financial statements are an integral part of this statement)

Proprietary Funds Financial Statements

CITY OF TORRINGTON, WYOMING

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2017

	Business-type Activities Enterprise Funds					Total	Governmental Activities - Internal Service Fund
	Water Fund	Sewer Fund	Electric Fund	Sanitation Fund	Ambulance Fund		
ASSETS							
Current assets							
Pooled cash and cash equivalents	\$ 1,582,914	\$ 2,836,613	\$ 2,705,925	\$ 1,235,406	\$ -	\$ 8,360,858	\$ -
Non-pooled cash and cash equivalents	-	43,458	-	123,453	18,444	185,355	997,968
Receivables (net of allowance for uncollectibles)							
Accounts receivable	185,258	97,170	795,863	128,245	169,288	1,375,824	-
Unbilled services	99,871	-	377,659	-	-	477,530	-
Grants			63,174			63,174	
Inventory, at cost	80,038	1,635	371,476	-	-	453,149	-
Total current assets	<u>\$ 1,948,081</u>	<u>\$ 2,978,876</u>	<u>\$ 4,314,097</u>	<u>\$ 1,487,104</u>	<u>\$ 187,732</u>	<u>\$ 10,915,890</u>	<u>\$ 997,968</u>
Non-current assets							
Capital assets							
Land	\$ 42,726	\$ 15,737	\$ 71,045	\$ 213,125	\$ -	\$ 342,633	\$ -
Buildings and improvements	19,500,322	10,003,195	14,089,745	653,382	564,277	44,810,921	-
Machinery and equipment	539,019	984,162	991,477	3,462,528	568,715	6,545,901	-
Construction in progress	19,642	364,807	855,470	-	-	1,239,919	-
Accumulated depreciation	(7,640,591)	(4,841,988)	(6,807,978)	(2,972,508)	(690,825)	(22,953,890)	-
Total capital assets net of accumulated depreciation	<u>\$ 12,461,118</u>	<u>\$ 6,525,913</u>	<u>\$ 9,199,759</u>	<u>\$ 1,356,527</u>	<u>\$ 442,167</u>	<u>\$ 29,985,484</u>	<u>\$ -</u>
Total non-current assets	<u>\$ 12,461,118</u>	<u>\$ 6,525,913</u>	<u>\$ 9,199,759</u>	<u>\$ 1,356,527</u>	<u>\$ 442,167</u>	<u>\$ 29,985,484</u>	<u>\$ -</u>
Total assets	<u>\$ 14,409,199</u>	<u>\$ 9,504,789</u>	<u>\$ 13,513,856</u>	<u>\$ 2,843,631</u>	<u>\$ 629,899</u>	<u>\$ 40,901,374</u>	<u>\$ 997,968</u>
DEFERRED OUTFLOW OF RESOURCES							
Retirement contributions	\$ 24,898	\$ 17,001	\$ 42,071	\$ 31,713	\$ 18,114	\$ 133,797	\$ -
Proportionate share of change in investment earnings	72,388	49,429	122,319	92,202	97,796	434,134	-
Change in proportionate share of collective deferred outflow of resources	14,271	9,745	24,114	18,177	10,176	76,483	-
Deferred outflow due to assumption changes	-	-	-	-	10,103	10,103	-
Total deferred outflow of resources	<u>\$ 111,557</u>	<u>\$ 76,175</u>	<u>\$ 188,504</u>	<u>\$ 142,092</u>	<u>\$ 136,189</u>	<u>\$ 654,517</u>	<u>\$ -</u>

(Continued)

(The accompanying notes to the financial statements are an integral part of this statement)

	Business-type Activities Enterprise Funds					Total	Governmental Activities - Internal Service Fund
	Water Fund	Sewer Fund	Electric Fund	Sanitation Fund	Ambulance Fund		
LIABILITIES							
Current liabilities							
Accounts payable	\$ 8,882	\$ 18,047	\$ 577,560	\$ 20,431	\$ 460	\$ 625,380	\$ -
Accrued liabilities	46,158	10,445	53,721	18,288	12,075	140,687	-
Claims payable	-	-	-	-	-	-	101,024
Customer deposits	-	-	165,952	-	-	165,952	-
Current portion of long-term debt	226,428	47,983	-	145,449	6,533	426,393	-
Total current liabilities	<u>\$ 281,468</u>	<u>\$ 76,475</u>	<u>\$ 797,233</u>	<u>\$ 184,168</u>	<u>\$ 19,068</u>	<u>\$ 1,358,412</u>	<u>\$ 101,024</u>
Non-current liabilities							
Notes and lease obligations payable	\$ 1,641,331	\$ 106,116	\$ -	\$ 222,020	\$ 1,650	\$ 1,971,117	\$ -
Net pension liability	373,768	255,222	631,575	476,073	320,826	2,057,464	-
Landfill closure and postclosure costs	-	-	-	1,570,979	-	1,570,979	-
Total non-current liabilities	<u>\$ 2,015,099</u>	<u>\$ 361,338</u>	<u>\$ 631,575</u>	<u>\$ 2,269,072</u>	<u>\$ 322,476</u>	<u>\$ 5,599,560</u>	<u>\$ -</u>
Total liabilities	<u>\$ 2,296,567</u>	<u>\$ 437,813</u>	<u>\$ 1,428,808</u>	<u>\$ 2,453,240</u>	<u>\$ 341,544</u>	<u>\$ 6,957,972</u>	<u>\$ 101,024</u>
DEFERRED INFLOWS							
Change in proportionate share of collective deferred inflow of resources							
	\$ -	\$ -	\$ -	\$ -	\$ 1,819	\$ 1,819	\$ -
Proportionate share of change in estimated experience versus actual							
	10,276	7,017	17,364	13,089	8,119	55,865	-
Total deferred inflow of resources	<u>\$ 10,276</u>	<u>\$ 7,017</u>	<u>\$ 17,364</u>	<u>\$ 13,089</u>	<u>\$ 9,938</u>	<u>\$ 57,684</u>	<u>\$ -</u>
NET POSITION							
Net investment in capital assets							
Restricted	\$ 10,593,359	\$ 6,371,814	\$ 9,199,759	\$ 989,058	\$ 433,984	\$ 27,587,974	\$ -
Unrestricted	-	-	-	-	36,476	36,476	-
	1,620,554	2,764,320	3,056,429	(469,664)	(55,854)	6,915,785	896,944
Total net position	<u>\$ 12,213,913</u>	<u>\$ 9,136,134</u>	<u>\$ 12,256,188</u>	<u>\$ 519,394</u>	<u>\$ 414,606</u>	<u>\$ 34,540,235</u>	<u>\$ 896,944</u>

(The accompanying notes to the financial statements are an integral part of this statement)

CITY OF TORRINGTON, WYOMING

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION -
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Business-type Activities Enterprise Funds					Total	Governmental Activities - Internal Service Fund
	Water Fund	Sewer Fund	Electric Fund	Sanitation Fund	Ambulance Fund		
OPERATING REVENUE							
Charges for services	\$ 1,877,310	\$ 1,174,477	\$ 9,474,699	\$ 1,363,038	\$ 453,229	\$ 14,342,753	\$ 1,100,910
Miscellaneous	-	23,364	334,415	8,804	-	366,583	-
Total operating revenue	<u>\$ 1,877,310</u>	<u>\$ 1,197,841</u>	<u>\$ 9,809,114</u>	<u>\$ 1,371,842</u>	<u>\$ 453,229</u>	<u>\$ 14,709,336</u>	<u>\$ 1,100,910</u>
OPERATING EXPENSES							
Salaries and benefits	\$ 524,763	\$ 290,237	\$ 771,693	\$ 590,848	\$ 420,295	\$ 2,597,836	\$ -
Public works	678,802	602,867	8,021,018	652,009	-	9,954,696	-
Health, welfare and recreation	-	-	-	-	146,982	146,982	-
Claims paid	-	-	-	-	-	-	928,622
Depreciation	678,903	376,421	500,801	256,575	87,054	1,899,754	-
Total operating expenses	<u>\$ 1,882,468</u>	<u>\$ 1,269,525</u>	<u>\$ 9,293,512</u>	<u>\$ 1,499,432</u>	<u>\$ 654,331</u>	<u>\$ 14,599,268</u>	<u>\$ 928,622</u>
OPERATING INCOME (LOSS)	<u>\$ (5,158)</u>	<u>\$ (71,684)</u>	<u>\$ 515,602</u>	<u>\$ (127,590)</u>	<u>\$ (201,102)</u>	<u>\$ 110,068</u>	<u>\$ 172,288</u>
NONOPERATING REVENUES (EXPENSES)							
Grants	\$ 130,738	\$ 147,319	\$ 394,375	\$ -	\$ 128,800	\$ 801,232	\$ -
Interest income	-	-	-	-	-	-	1,134
Interest expense	(48,678)	(3,406)	(2,377)	(6,402)	(198)	(61,061)	-
INCOME (LOSS) BEFORE TRANSFERS	<u>\$ 76,902</u>	<u>\$ 72,229</u>	<u>\$ 907,600</u>	<u>\$ (133,992)</u>	<u>\$ (72,500)</u>	<u>\$ 850,239</u>	<u>\$ 173,422</u>
TRANSFERS IN (OUT) - CASH	-	-	-	-	72,097	72,097	-
CHANGES IN NET POSITION	<u>\$ 76,902</u>	<u>\$ 72,229</u>	<u>\$ 907,600</u>	<u>\$ (133,992)</u>	<u>\$ (403)</u>	<u>\$ 922,336</u>	<u>\$ 173,422</u>
NET POSITION - Beginning of year	12,137,011	9,063,905	11,348,588	653,386	415,009	33,617,899	723,522
NET POSITION - End of year	<u>\$ 12,213,913</u>	<u>\$ 9,136,134</u>	<u>\$ 12,256,188</u>	<u>\$ 519,394</u>	<u>\$ 414,606</u>	<u>\$ 34,540,235</u>	<u>\$ 896,944</u>

(The accompanying notes to the financial statements are an integral part of this statement)

CITY OF TORRINGTON, WYOMING

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Business-type Activities Enterprise Funds					Total	Governmental Activities - Internal Service Fund
	Water Fund	Sewer Fund	Electric Fund	Sanitation Fund	Ambulance Fund		
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers	\$ 1,893,334	\$ 1,184,125	\$ 9,348,163	\$ 1,347,025	\$ 465,848	\$ 14,238,495	\$ 1,100,910
Payments to employees and employee benefits	(508,553)	(255,980)	(631,708)	(522,358)	(353,665)	(2,272,264)	-
Payments to vendors	(644,229)	(595,533)	(8,056,631)	(625,291)	(176,872)	(10,098,556)	-
Payments for insurance premiums and claims	-	-	-	-	-	-	(932,213)
Other receipts (payments)	-	23,364	334,415	-	-	357,779	-
Net cash provided (used) by operating activities	<u>\$ 740,552</u>	<u>\$ 355,976</u>	<u>\$ 994,239</u>	<u>\$ 199,376</u>	<u>\$ (64,689)</u>	<u>\$ 2,225,454</u>	<u>\$ 168,697</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition, disposal and construction of capital assets	\$ (184,242)	\$ (424,724)	\$ (685,751)	\$ (75,401)	\$ (129,581)	\$ (1,499,699)	\$ -
Principal payments on capital leases and other long-term debt	(221,366)	(47,186)	(215,000)	(143,430)	(6,429)	(633,411)	-
Acquisition, disposal and construction of capital long-term debt	(48,678)	(3,406)	(2,377)	(6,402)	(198)	(61,061)	-
Optional sales tax	5,738	147,319	-	-	-	153,057	-
Contribution in aid of construction	125,000	-	331,201	-	128,800	585,001	-
Net cash used for capital and related financing activities	<u>\$ (323,548)</u>	<u>\$ (327,997)</u>	<u>\$ (571,927)</u>	<u>\$ (225,233)</u>	<u>\$ (7,408)</u>	<u>\$ (1,456,113)</u>	<u>\$ -</u>
CASH FLOWS FROM NONOPERATING FINANCING ACTIVITIES							
Operating transfers	\$ -	\$ -	\$ -	\$ -	\$ 72,097	\$ 72,097	\$ -
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest income received	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,134
Net increase (decrease) in cash and cash equivalents	\$ 417,004	\$ 27,979	\$ 422,312	\$ (25,857)	\$ -	\$ 841,438	\$ 169,831
Cash and cash equivalents - Beginning of year	1,165,910	2,852,092	2,283,613	1,384,716	18,444	7,704,775	828,137
Cash and cash equivalents - End of year	<u>\$ 1,582,914</u>	<u>\$ 2,880,071</u>	<u>\$ 2,705,925</u>	<u>\$ 1,358,859</u>	<u>\$ 18,444</u>	<u>\$ 8,546,213</u>	<u>\$ 997,968</u>

(The accompanying notes to the financial statements are an integral part of this statement)

	Business-type Activities Enterprise Funds					Total	Governmental Activities - Internal Service Fund
	Water Fund	Sewer Fund	Electric Fund	Sanitation Fund	Ambulance Fund		
Reconciliation of operating income to net cash provided by (used for) operating activities:							
Operating income	\$ (5,158)	\$ (71,684)	\$ 515,602	\$ (127,590)	\$ (201,102)	\$ 110,068	\$ 172,288
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:							
Depreciation	\$ 678,903	\$ 376,421	\$ 500,801	\$ 256,575	\$ 87,054	\$ 1,899,754	\$ -
Fixed asset adjustment	-	-	-	31,505	-	31,505	-
Provision for bad debts	5,738	(764)	2,253	(518)	(28,229)	(21,520)	-
(Increase) decrease in -							
Receivables	16,024	9,648	(126,536)	(24,816)	12,621	(113,059)	-
Inventory	8,829	(120)	(17,565)	-	-	(8,856)	-
Increase (decrease) in -							
Accounts payable	(11,949)	7,469	3,595	(3,621)	(1,661)	(6,167)	-
Claims payable	-	-	-	-	-	-	(3,591)
Deposits	-	-	6,745	-	-	6,745	-
Accrued expenses	(4,331)	1,150	27,314	4,227	2,186	30,546	-
Net pension	52,496	33,856	82,030	63,614	64,442	296,438	-
Total adjustments	\$ 745,710	\$ 427,660	\$ 478,637	\$ 326,966	\$ 136,413	\$ 2,115,386	\$ (3,591)
Net cash provided by (used for) operating activities	\$ 740,552	\$ 355,976	\$ 994,239	\$ 199,376	\$ (64,689)	\$ 2,225,454	\$ 168,697

(The accompanying notes to the financial statements are an integral part of this statement)

Notes to Financial Statements

CITY OF TORRINGTON, WYOMING
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF THE CITY OF TORRINGTON AND THE REPORTING ENTITY

Reporting Entity

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

The City, for financial purposes, includes all of the funds relevant to the operations of the City of Torrington. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City of Torrington.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The basic criteria for inclusion in the City's financial statements is control by or dependence on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective board. Based upon the application of these criteria, there are no potential component units which should be included in the reporting entity.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

In June, 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the City's activities, including infrastructure (roads, bridges, etc.).
- A change in the fund financial statements to focus on the major funds.

These financial statements reflect the required changes as required by GASB-34.

The City has elected not to present the Management Discussion and Analysis.

The City's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

CITY OF TORRINGTON, WYOMING
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenue and expenses.

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements

During the year, the City segregated transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column.

The major focus of these fund financial statements of the governmental funds is upon determination of financial position and changes in this financial position (sources, uses, and balances of financial resources).

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is 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 revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

CITY OF TORRINGTON, WYOMING
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Based Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected 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, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Proprietary Funds

Enterprise Funds are used to account for any activity for which a fee is charged to external users for goods and services.

GASB 62 codified FASB pre 11/20/1987 pronouncements.

As a general rule, the effect of inter-fund activity has been removed from the government-wide financial statements. Exceptions to this general rule are charges for sales and purchases of goods and services between various functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 expense from non-operating items. Operating revenues and expense 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 enterprise funds are charges to customers for services and benefit fees. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Major Funds

Generally accepted accounting principles require that the general fund be reported as a major fund and that all other governmental or enterprise funds whose assets, liabilities, revenues, or expenditures are at least 10% of the corresponding totals for all governmental or all enterprise funds and for that same element are at least 5% of the combined totals of the governmental and enterprise funds also be reported as major funds. Accordingly, the City reports the following major governmental funds:

CITY OF TORRINGTON, WYOMING
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Fund

This is the City's primary operating fund and it accounts for all financial resources of the City except those required to be accounted for in other funds.

Airport Fund

This fund accounts for airport operations funds provided to the Airport.

Non-Major Funds

The City does not have any non-major funds.

Budgetary Data

The City Treasurer submits an annual budget to the City Council prior to May 15 for the fiscal year commencing the following July 1. In July, a public hearing is conducted to obtain public comments. Subsequently, the City Council adopts the annual fiscal year appropriated budget for City funds. These include General Government, Public Safety and Transportation, Public Works, Health, Welfare and Recreation, and Capital Outlay. Once approved the City Council may transfer any unencumbered or unexpended appropriation balance or part thereof from one fund, department or account to another after publication of notice. Budget amounts have been amended in accordance with Wyoming State Statutes.

The budget for the General Fund is prepared on the cash and expenditures/encumbrance basis. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be issued. All appropriations excluding appropriations for capital projects shall lapse at fiscal year end to the extent they are not expended or encumbered.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: employee services, contractual services, materials and supplies, capital improvements, special departmental expense, and depreciation reserve. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations without Council approval.

Cash and Investments

A portion of the City's funds are held in pooled accounts. Each fund's share of the pooled accounts is maintained. These shares are shown as "Pooled cash and cash equivalents" under assets for balances of cash.

Investments

Wyoming State statute authorizes the City to invest in securities issued or guaranteed by the U.S. Treasury or agencies of the United States government, bank certificates of deposit, shares or savings certificates of savings and loan associations, Tennessee Valley Authority bonds, and notes and export-import bank notes and guaranteed participations.

CITY OF TORRINGTON, WYOMING
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unbilled Services

Utility revenues for services provided between the last billing date and the end of the year are estimated and accrued and recorded as unbilled receivables in the accompanying financial statements for enterprise funds.

Allowance for Doubtful Accounts

The policy of the City has been to retain bad debts on the books until they have been proven to be uncollectible. Customer deposits held by the City normally cover the amounts of unpaid bills. Those amounts still remaining unpaid after applying customer deposits are turned over to a collection agency. The allowance is computed as a percentage of those turned over for collection.

Inventories

Inventory in the General Fund and Enterprise Funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories in the General Fund are equally offset by a fund balance reserve which indicates that they do not constitute available spendable resources even though they are a component of the current assets.

Capital Assets

Capital assets purchased or acquired with an original cost of \$2,500 or more are reported at historical cost or estimated historical cost. Assets with an estimated historical cost have been computed by taking current estimated replacement costs and discounting this cost by using an estimate for the consumer price index. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	25 - 50 years
Improvements	10 - 60 years
Transportation equipment	3 - 12 years
Furniture, fixtures and equipment	3 - 10 years

GASB No. 34 requires the City to report and depreciate new infrastructure assets effective July 1, 2003. Infrastructure assets include roads, bridges, traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City.

In accordance with the provisions of GASB No. 34, the City has elected not to apply the retroactive restatement of infrastructure assets in place at June 30, 2003 and will only include such assets acquired after July 1, 2003.

Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

CITY OF TORRINGTON, WYOMING
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Vacation benefits do not vest with employees and any unused amount lapses at calendar year end. Upon termination employees with ten years of service are paid ten dollars a day to a maximum of 60 days for any unused sick leave.

The estimated portions of the liability for vested vacation attributable to the City's funds is recorded as an expenditure/expense and liability in the respective funds.

Property Taxes

Property taxes are levied, billed, and collected by Goshen County on behalf of the City of Torrington. Taxes are levied on or about August 1 and payable in two installments on September 1 and March 1. The installments are considered delinquent if not paid by November 10 and May 10, respectively. If the taxpayer fails to pay the first installment by November 10, the taxpayer may pay the entire liability by December 31 and avoid an interest charge. If taxes are not paid in accordance with the prescribed delinquent dates, a tax lien attaches to the property on August 1.

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.

For the year ended June 30, 2017, the City has assessed 8 mills for general operations, which is the maximum allowed by statute.

Cash and Cash Equivalents - Enterprise Fund Type

For purposes of the statement of cash flows, the Enterprise Fund and Internal Service Fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Internal Service Fund Claims Liabilities

The City records an estimated liability for health care incurred by participants in the health benefit plan. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred but not reported based on historical experience.

Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF TORRINGTON, WYOMING
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and balance sheet includes 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 statement of net position has deferred outflows related to the net pension obligation of \$1,533,726.

In addition to liabilities, the statement of financial position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has deferred inflows of \$4,919 for the change in outstanding property taxes not received within 60 days of the City's year end in the balance sheet.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, pension expense, information about the fiduciary net pension of the Wyoming Retirement System (WRS) 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.

Net Position

Net positions represent the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the government-wide financial statements. Net positions are classified in the following categories:

Net investment in capital assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvements of the assets.

Restricted net position - This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted net position - This amount is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position".

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available

CITY OF TORRINGTON, WYOMING
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 3. PENSION PLAN

Plan Description

The City participates in the Wyoming Retirement System ("System"), a statewide cost-sharing multiple-employer public employee retirement system administered by the State of Wyoming Retirement System Board. Substantially all of the City's full-time employees are eligible to participate. The System issues a publicly available financial report which includes audited financial statements and required supplementary information for the System. The report may be obtained by writing to the Wyoming Retirement System, 6101 Yellowstone Rd, Suite 500, Cheyenne, Wyoming 82009, or obtained online at retirement.state.wy.us.

Benefits

The System provides retirement, disability and death benefits according to predetermined formulas. Benefits are established by Title 9, Chapter 3 of the Wyoming Statutes. Employees age 60 with 4 years of service or meeting the rule of 85 (age plus years of service equaling or exceeding 85) are eligible for full retirement. Retirement benefits are determined by applying a multiplier (ranging between 2% and 2.25%) to the participants earned service credits and highest average salary over 36 to 60 months of continuous acceptable salary. To qualify for disability benefits the participant must become disabled while participating in the System, have at least 10 years of service before age 60 for Tier 1 participants and age 65 for Tier 2 participants. Death benefits prior to retirement are calculated at 2 times the participant's account balance.

Contributions

Plan members are required to contribute a percentage of their annual covered salary and the City is required to contribute a percentage of the annual covered payroll as follows:

	<u>Plan Member Contributions</u>	<u>City Contributions</u>
Public Employee Pension Plan	8.25%	8.37%
Law Enforcement	8.60%	8.60%
Volunteer EMT Pension Plan	\$15/month	

Legislation enacted in 1979 allows the employer to pay any or all of the employees' contribution in addition to the matching contribution. The City pays 100% of the required employee contribution. Contribution rates are established by Title 9, Chapter 3 of the Wyoming Statutes. The City's contributions to the system for the years ended June 30, 2017, equal to the required contributions for each year follows:

Public Employee Pension Plan	\$ 501,271
Law Enforcement Pension Plan	177,398
Volunteer EMT Pension Plan	600
	\$ 679,269

CITY OF TORRINGTON, WYOMING
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 3. PENSION PLAN (Continued)

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

At June 30, 2017, the City reported a liability for its proportionate share of the net pension liability as follows:

Public Employee Pension Plan	\$ 3,857,613
Law Enforcement Pension Plan	461,406
Volunteer EMT Pension Plan	<u>54,302</u>
	<u>\$ 4,373,321</u>

The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating governments, actuarially determined. At December 31, 2016 and 2015, the City's proportion was:

	December 31, 2016	December 31, 2015
Public Employee Pension Plan	0.15957%	0.16774%
Law Enforcement Pension Plan	0.61120%	0.65324%
Volunteer EMT Pension Plan	0.17105%	0.19219%

For the year ended June 30, 2017, the City recognized an additional pension expense due to the requirements of GASB 68 as follows:

Public Employee Pension Plan	\$ 478,210
Law Enforcement Pension Plan	82,080
Volunteer EMT Pension Plan	<u>(24,796)</u>
	<u>\$ 535,494</u>

CITY OF TORRINGTON, WYOMING
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 3. PENSION PLAN (Continued)

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

The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between Projected and actual earnings on pension plan investments		
Public employee retirement plan	\$ 747,112	\$ -
Law enforcement plan	234,954	-
Volunteer firefighter EMT plan	46,178	-
Changes in proportion and differences between City contributions and proportionate share of contributions		
Public employee retirement plan	147,289	-
Law enforcement plan	-	23,996
Volunteer firefighter EMT plan	-	1,819
Net difference between expected and actual experience		
Public employee retirement plan	-	106,061
Law enforcement plan	-	10,328
Volunteer firefighter EMT plan	-	792
Net difference due to assumption change in discount rate		
Volunteer firefighter EMT plan	10,103	-
City contributions subsequent to the measurement date		
Public employee retirement plan	256,969	-
Law enforcement plan	90,761	-
Volunteer firefighter EMT plan	360	-
	\$ 1,533,726	\$ 142,996

The City reported deferred outflows of resource of \$348,090, related to contributions made subsequent to the measurement date. These deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

CITY OF TORRINGTON, WYOMING
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 3. PENSION PLAN (Continued)

Year Ended June, 30	Outflows	Inflows
2018	\$ 482,941	\$ 53,165
2019	483,012	50,684
2020	239,793	27,686
2021	(20,110)	11,461
	\$ 1,185,636	\$ 142,996

Actuarial Assumptions

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

	<u>Inflation</u>	<u>Salary Increases (including Inflation)</u>	<u>Investment Rate of Return</u>
Public Employee Pension Plan	3.25%	4.25% to 6.00%	7.75%
Law Enforcement Pension Plan	3.25%	4.75% to 8.00%	7.75%
Volunteer EMT Pension Plan	3.25%	0.00%	7.75%

The investment rate of return is net of plan investment expenses and includes inflation.

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

Long-Term Expected Return on Plan Assets

The assumed rate of investment return was adopted by the plan's trustees after considering input from the plan's investment consultant and actuary. Additional information about the assumed rate of investment return is included in the actuarial valuation report as of January 1, 2017. In addition, a five year experience study was completed as of December 31, 2011 and this study provides a detailed analysis regarding recommendations on the long term rates for inflation and the real rate of return. The assumed rate of investment return of 7.75% falls within a reasonable range of the long-term expected rate of return.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The following is an estimate of each major asset class that is included in the Public Employees' Pension Plan, Law Enforcement Pension Plan and Volunteer EMT Pension Plan and the targeted asset allocation as of January 1, 2017.

CITY OF TORRINGTON, WYOMING
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 3. PENSION PLAN (Continued)

<u>Asset Class</u>	<u>Allocation</u>	<u>Rate of Return</u>
Cash	0.00%	-0.20%
Fixed income	20.00%	1.95%
Equity	45.00%	7.73%
Marketable alternatives	17.50%	3.73%
Private markets	17.50%	7.14%
Total	<u>100.00%</u>	

Single Discount Rate

A Single Discount Rate of 7.75% was used to measure the total pension liability for all the Plans the City participates in. This Single Discount Rate was based on the expected rate of return on pension plan investments of 7.75% and incorporates a municipal bond rate of 3.57% based on the weekly rate closest to but not later than the measurement date of the "state and local bonds" rate from the Federal Reserve statistical release. The projection of cash flows used to determine this Single Discount Rate assumed that plan member contributions and the employer contributions will be made at the current schedule contribution rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Results

Regarding the sensitivity of the net pension liability to changes in the Single Discount Rate, the following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.75% for the Public Employee Pension Plan and the Law Enforcement Pension Plan, the Volunteer EMT Pension Plan uses 5.5%, as well as what the plans' net pension liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
City's proportionate share of net pension liability for:			
<u>Public Employee Plan</u>	<u>\$ 5,540,879</u>	<u>\$ 3,857,613</u>	<u>\$ 2,443,905</u>
<u>Law Enforcement Pension Plan</u>	<u>\$ 958,122</u>	<u>\$ 461,406</u>	<u>\$ 51,218</u>
<u>Volunteer EMT Pension Plan</u>	<u>\$ 74,989</u>	<u>\$ 54,302</u>	<u>\$ 37,065</u>

Pension Plan Fiduciary Net Position

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

CITY OF TORRINGTON, WYOMING

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 4. INVESTMENTS

Wyoming statute authorizes the City to invest in obligations of the U.S. Treasury, U.S. guaranteed real estate mortgages, Farm Home Administration (FHA) insured notes, FHA debentures and savings certificates and certificates of deposit which are federally insured, or secured by a pledge of assets, provided the pledge is authorized by the FDIC. All of the securities are held in the City's name.

Investments, other than certificates of deposit, held at June 30, 2017 by the City consisted of U.S. guaranteed real estate mortgages and obligations of the U.S. Treasury. Maturities range from 2023 to 2042. All of the bonds are rated AAA.

	<u>Value</u>	<u>Cost</u>	<u>Allowance</u>
General Fund-			
U.S government securities	<u>\$ 450,278</u>	<u>\$ 467,644</u>	<u>\$ (17,366)</u>

The City is exposed to risk that these investments will decline or increase in value based upon changes in current market interest rates. The future maturities of these investments are as follows:

	<u>Fair Value</u>				<u>Total</u>
	<u>Tennessee</u>				
	<u>Valley</u>	<u>GNMA</u>	<u>FHL</u>	<u>FFC</u>	
<u>Maturities</u>	<u>Bonds</u>	<u>Bonds</u>	<u>Bonds</u>	<u>Bonds</u>	
5 to 10 years	\$ -	\$ 1,408	\$ -	\$ -	\$ 1,408
More than 10 years	200,957	83,156	4,330	160,427	448,870
Total	<u>\$ 200,957</u>	<u>\$ 84,564</u>	<u>\$ 4,330</u>	<u>\$ 160,427</u>	<u>\$ 450,278</u>

NOTE 5. SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require the City to place a final cover on its solid waste landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post-closure care costs in each period based on landfill capacity used as of each balance sheet date. There are two phases in the landfill plan. Phase I has an original estimated life of eleven to sixteen years. Phase II would begin as the cells in Phase I are completely filled and has an estimated life of fifteen years.

The \$1,570,979 reported as landfill closure and post-closure care liability at June 30, 2017, represents the total estimated closure and post-closure costs to date. The closure and post-closure care costs are charged to expense based on annual usage compared to estimated total capacity of the landfill. Estimated closure and post-closure costs for all phases are \$1,064,026 at June 30, 2017, which is lower than last year. This might change due to inflation, changes in technology, or changes in regulations.

The estimated landfill closure costs have been updated due to a reevaluation of the expected life of the landfill and its capacity. The estimated remaining life is about 34.5 years. The landfill is approximately 33% full.

CITY OF TORRINGTON, WYOMING

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 5. SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS (Continued)

The Wyoming Department of Environmental Quality requires that the City provide assurance as to how the costs would be funded prior to April 9, 1995.

The closure and post-closure costs charged to expense based on estimated usage were \$0 for the year ended June 30, 2017.

NOTE 6. ACCOUNTS RECEIVABLE

The accounts receivable recorded consists of user fees and other miscellaneous revenue. Scheduled below is the accounts receivable net of any allowance recorded:

<u>Governmental Activities</u>	<u>General Fund</u>				<u>Airport Fund</u>	<u>Total</u>
	<u>General</u>	<u>Golf</u>	<u>Pool</u>	<u>Cemetery</u>		
Accounts receivable	\$ 33,328	\$ 650	\$ -	\$ 2,300	\$ 3,046	\$ 39,324
<u>Proprietary Funds</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Electric Fund</u>	<u>Sanitation Fund</u>	<u>Ambulance Fund</u>	<u>Total</u>
Accounts receivable	\$ 195,330	\$ 101,820	\$ 840,419	\$ 133,133	\$ 213,378	\$ 1,484,080
Allowance for uncollectible	(10,072)	(4,650)	(44,556)	(4,888)	(44,090)	(108,256)
Net receivables	\$ 185,258	\$ 97,170	\$ 795,863	\$ 128,245	\$ 169,288	\$ 1,375,824
Accounts receivable						\$ 1,523,404
Allowance for uncollectible						(108,256)
Net receivables						\$ 1,415,148

NOTE 7. CASH AND INVESTMENTS

Cash consists of checking, savings and certificate of deposit accounts held at institutions within the City. All cash deposits of the City are fully insured and collateralized at June 30, 2017.

<u>Bank Balance</u>	
Secured by FDIC insurance	\$ 997,089
Secured by security pledged to District	10,911,485
Other	20,296
	<u>\$ 11,928,870</u>

CITY OF TORRINGTON, WYOMING
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 8. FIXED ASSETS

Capital asset activity during 2017 was as follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Government activities:				
Land	\$ 1,414,954	\$ -	\$ -	\$ 1,414,954
Building and improvement	18,150,574	475,054	-	18,625,628
Machinery and equipment	6,296,885	125,788	17,000	6,405,673
Streets	3,062,926	-	-	3,062,926
Construction in progress	80,267	449,626	372,348	157,545
	<u>\$ 29,005,606</u>	<u>\$ 1,050,468</u>	<u>\$ 389,348</u>	<u>\$ 29,666,726</u>
Accumulated depreciation	<u>\$ 12,008,853</u>	<u>\$ 1,147,009</u>	<u>\$ 17,000</u>	<u>\$ 13,138,862</u>
Business-type activities:				
Land	\$ 342,633	\$ -	\$ -	\$ 342,633
Building and improvement	44,146,282	664,640	-	44,810,922
Machinery and equipment	6,451,763	193,037	98,900	6,545,900
Construction in progress	597,897	814,515	172,493	1,239,919
	<u>\$ 51,538,575</u>	<u>\$ 1,672,192</u>	<u>\$ 271,393</u>	<u>\$ 52,939,374</u>
Accumulated depreciation	<u>\$ 21,153,036</u>	<u>\$ 1,899,754</u>	<u>\$ 98,900</u>	<u>\$ 22,953,890</u>

Included in fixed assets are capital leases of \$2,621,149 for vehicles and equipment.

Depreciation expense was charged to function as follows:

Governmental activities:	
General government	\$ 214,258
Public safety	262,979
Public works	253,048
Health, welfare and recreation	254,049
Transportation	162,675
Total governmental activities	<u>\$ 1,147,009</u>
Business-type activities:	
Water Fund	\$ 678,903
Sewer Fund	376,421
Electric Fund	500,801
Sanitation Fund	256,575
Ambulance Fund	87,054
Total business-type activities	<u>\$ 1,899,754</u>

CITY OF TORRINGTON, WYOMING
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 9. GOVERNMENTAL ACTIVITIES LONG-TERM DEBT

A summary of general fund long-term debt except for compensated absences is as follows:

<u>General Fund</u>	<u>2017</u>	<u>Portion</u>
Capital lease with Bank of the West for the purchase of equipment; 1.40% interest; matures December 2019; quarterly payments of \$18,864	\$ 185,060	\$ 73,249
Capital lease with Wyoming Association of Municipalities for the purchase of equipment; 0.00% interest; matures January 2020; quarterly payments of \$2,500	27,500	10,000
Capital lease with Wyoming Association of Municipalities for the purchase of windows; 0.00% interest; matures January 2020; quarterly payments of \$650	25,350	2,600
Capital lease with Pinnacle Bank Wyoming for the purchase of equipment; 1.60% interest; matures July, 2018; quarterly payment of \$35,163	35,241	28,135
	<u>\$ 273,151</u>	<u>\$ 113,984</u>

A summary of changes in the governmental activities long-term debt for the year ended June 30, 2017, is presented below:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Lease purchase obligations	<u>\$ 357,715</u>	<u>\$26,000</u>	<u>\$ 110,564</u>	<u>\$ 273,151</u>

Total annual debt requirements to retire all long-term debt of governmental funds is as follows:

Year ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 113,984	\$ 2,609	\$ 116,593
2019	93,985	1,205	95,190
2020	47,632	197	47,829
2021	2,600	-	2,600
2022	2,600	-	2,600
Thereafter	12,350	-	12,350
	<u>\$ 273,151</u>	<u>\$ 4,011</u>	<u>\$ 277,162</u>

CITY OF TORRINGTON, WYOMING
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 10. LONG-TERM DEBT PROPRIETARY FUNDS

A summary for proprietary funds long-term debt is presented below:

	Balance June 30, 2017	Current
<u>Water Fund</u>		
State of Wyoming, Wyoming State Loan and Investment Board for financing two reverse osmosis units; 2.5% interest rate annual payments of \$49,644; term 20 years; matures August 1, 2020	\$ 188,832	\$ 44,924
State of Wyoming, Wyoming State Loan and Investment Board for financing two reverse osmosis units; 2.5% interest rate; annual payments \$28,066; matures December 1, 2021	130,147	24,812
State of Wyoming, Wyoming State Loan and Investment Board for financing raw water project; 2.5% interest rate annual payments of \$6,144; matures May 1, 2024	38,953	5,170
State of Wyoming, Wyoming State Loan and Investment Board for financing of water system improvements; 2.5% interest rate; annual payments of \$1,341; matures September, 2027	12,734	1,022
State of Wyoming, Wyoming State Loan and Investment Board for financing of water system treatment improvements 2.5% interest rate; annual payment of \$804; matures September 2027	7,632	613
State of Wyoming, Wyoming State Loan and Investment Board for financing of water system improvements and corrosion control study; 2.5% interest rate; annual payments of \$112,266 after the first year; matures February 1, 2027	980,984	87,741
State of Wyoming, Wyoming State Loan and Investment Board for financing of water system improvements; 2.5% interest rate; annual payments of \$36,267; matures September, 2027	344,454	27,656
State of Wyoming, Wyoming State Loan and Investment Board for financing of water system improvements; 2.5% interest rate; annual payments of \$14,144; matures September, 2027	134,331	10,785
Capital lease with Pinnacle Bank of Wyoming for the purchase of equipment: 1.60% interest; matures July, 2019; quarterly payment of \$6,011	29,692	23,705
Total water funds	<u>\$ 1,867,759</u>	<u>\$ 226,428</u>

CITY OF TORRINGTON, WYOMING
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 10. LONG-TERM DEBT PROPRIETARY FUNDS (Continued)

	Balance June 30, 2017	Current
<u>Sewer Fund</u>		
Capital lease with Banker's Bank of the West for the purchase of equipment: 1.40% interest; matures October, 2019; quarterly payment of \$9,243	\$ 90,677	\$ 35,891
State of Wyoming, Wyoming State Loan and Investment Board; for financing sewer lift station and improvements; annual payments \$13,767; 2.5% interest rate; matures May 1, 2022	63,422	12,092
Total sewer fund	\$ 154,099	\$ 47,983
<u>Sanitation Fund</u>		
Capital lease with Banker's Bank of the West for the purchase of equipment: 1.40% interest; matures October, 2019; quarterly payment of \$37,458	\$ 367,469	\$ 145,449
<u>Ambulance Fund</u>		
Capital lease with Pinnacle Bank Wyoming for the purchase of equipment: 1.60% interest; matures July, 2018; quarterly payment of \$1,657	\$ 8,183	\$ 6,533
Total proprietary funds	\$ 2,397,510	\$ 426,393
Comprised of:		
Current portion of long-tem debt	\$ 426,393	
Notes and lease obligation payable	1,971,117	
	\$ 2,397,510	

CITY OF TORRINGTON, WYOMING
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 10. LONG-TERM DEBT PROPRIETARY FUNDS (Continued)

Changes

A summary of changes in the long-term debt of the proprietary funds for the year ending June 30, 2017 follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Water Fund-				
SLIB loans	\$2,036,109	\$ -	\$ 198,041	\$1,838,068
Lease purchase obligations	53,015	-	23,324	29,691
	<u>\$2,089,124</u>	<u>\$ -</u>	<u>\$ 221,365</u>	<u>\$1,867,759</u>
Sewer				
SLIB loans	\$ 75,222	\$ -	\$ 11,800	\$ 63,422
Lease purchase obligations	126,070	-	35,393	90,677
	<u>\$ 201,292</u>	<u>\$ -</u>	<u>\$ 47,193</u>	<u>\$ 154,099</u>
Electric Fund-				
Lease purchase obligations	\$ 215,000	\$ -	\$ 215,000	\$ -
Sanitation Fund-				
Lease purchase obligations	\$ 510,899	\$ -	\$ 143,430	\$ 367,469
Ambulance-				
Lease Purchase obligations	\$ 14,612	\$ -	\$ 6,429	\$ 8,183
	<u>\$3,030,927</u>	<u>\$ -</u>	<u>\$ 633,417</u>	<u>\$2,397,510</u>

Summary

Total annual debt requirements of the enterprise funds are as follows:

Year ended June 30,	Principal	Interest	Total
2018	\$ 426,393	\$ 53,434	\$ 479,827
2019	411,713	45,110	456,823
2020	318,604	37,150	355,754
2021	233,618	31,020	264,638
2022	187,125	25,180	212,305
2023-2027	820,057	68,419	888,476
	<u>\$ 2,397,510</u>	<u>\$ 260,313</u>	<u>\$ 2,657,823</u>

CITY OF TORRINGTON, WYOMING
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 11. FUND BALANCE

Fund Balance

Governmental Fund Equity is classified as fund balances, in accordance with Governmental Accounting Board Statement No. 54 - *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classified governmental fund balances as follows:

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

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

The fund balances for the governmental funds have been classified as non-spendable for inventory as follows:

Major Fund	
General fund	\$ 90,790
Airport fund	9,768
	<u>\$ 100,558</u>

The fund balances for the governmental funds have been classified as committed as follows:

Restricted net position in the enterprise funds consist of:

Ambulance	<u>\$ 36,476</u>
-----------	------------------

NOTE 12. HEALTH INSURANCE TRUST FUND

The City has instituted a limited self-insured health care plan for its employees. This plan is accounted for in the internal service fund.

Revenue of the trust fund represents amounts collected from other funds of the City for insurance costs. Expenditures of the fund represent payments for claims, stop-loss coverage from a private insurance company and payments to an independent insurance company for processing and administration of claims.

CITY OF TORRINGTON, WYOMING
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 12. HEALTH INSURANCE TRUST FUND (continued)

A reconciliation of claims payable and paid at June 30, 2017 is as follows:

Claims incurred but not reported June 30, 2016	\$ 104,615
Claims incurred	928,622
Claims paid	<u>(932,213)</u>
Claims incurred but not reported June 30, 2017	<u>\$ 101,024</u>

NOTE 13. RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has transferred its risk by purchasing insurance from a commercial enterprise. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The City is also exposed to other contingencies through its implementation of a self-insured health benefit plan for the City's employees. The City has purchased stop-loss coverage to minimize their liability.

NOTE 14. CONSOLIDATED WYOMING MUNICIPALITIES ELECTRIC POWER SYSTEM JOINT POWER BOARD

The Consolidated Wyoming Municipalities Electric Power System Joint Power Board issued \$3,285,000 of Electric Facilities Improvement Lease Revenue Bond Series 2009. The bonds are to provide Torrington improvements to its electrical utility system including construction of a portion of the new Western Area Power Administration's substation and transmission and distribution lines in order to provide service to the medium-security prison. The City of Torrington is a member of the Consolidated Wyoming Municipalities Electric Power System Joint Power Board.

During the year ending June 30, 2017, the City made a \$260,728 payment to Wells Fargo Bank, N.A. to cover the cost of the principal and interest of the Lease Revenue Bonds. Since the bonds are issued to the Joint Powers Board and they are liable, the payment is shown as a rent payment in the Electrical Fund.

NOTE 15. SUMMARY OF INTERFUND TRANSFERS

A summary of fund transfers for the year follows:

	Transfers in	Transfers out
General Fund	\$ -	\$ 108,303
Airport Fund	36,206	-
Ambulance Fund	72,097	-
	\$ 108,303	\$ 108,303

This transfer is to cover deficit balances incurred by funds.

Required Supplementary Information

CITY OF TORRINGTON, WYOMING

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Taxes and special assessments				
Sales taxes	\$ 829,777	\$ 829,777	\$ 913,266	\$ 83,489
Optional sales tax	721,922	721,922	800,102	78,180
Property taxes	283,491	283,491	292,074	8,583
Lottery taxes	16,377	16,377	17,787	1,410
Vehicle registration	105,000	105,000	120,498	15,498
Total taxes and special assessments	<u>\$ 1,956,567</u>	<u>\$ 1,956,567</u>	<u>\$ 2,143,727</u>	<u>\$ 187,160</u>
Licenses and permits				
Clerk licenses and permits	\$ 30,000	\$ 30,000	\$ 33,607	\$ 3,607
Building permits	20,000	20,000	26,340	6,340
Total licenses and permits	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 59,947</u>	<u>\$ 9,947</u>
Fines and forfeitures				
Police fines - municipal court	\$ 135,000	\$ 135,000	\$ 148,445	\$ 13,445
Intergovernmental revenue				
Mineral royalties	\$ 280,677	\$ 280,677	\$ 214,864	\$ (65,813)
Severance tax	240,837	240,837	308,408	67,571
Cigarette tax	50,290	50,290	47,947	(2,343)
State gas tax	262,520	262,520	208,678	(53,842)
Grants	748,117	748,117	513,714	(234,403)
City dispatcher, reimbursement and 911	118,000	118,000	125,301	7,301
Rural fire protection reimbursement	44,805	44,805	39,271	(5,534)
Supplemental local government funding	645,907	645,907	1,133,806	487,899
Weed and pest assessment	10,000	10,000	10,000	-
Total intergovernmental revenue	<u>\$ 2,401,153</u>	<u>\$ 2,401,153</u>	<u>\$ 2,601,989</u>	<u>\$ 200,836</u>
Charges for services				
Police copies/report and wage reimbursement	\$ 5,000	\$ 5,000	\$ 4,486	\$ (514)
Golf course	267,000	267,000	231,339	(35,661)
Pool	29,000	29,000	39,354	10,354
Cemetery	50,000	50,000	57,800	7,800
Other	108,000	108,000	123,583	15,583
Total charges for services	<u>\$ 459,000</u>	<u>\$ 459,000</u>	<u>\$ 456,562</u>	<u>\$ (2,438)</u>
Miscellaneous revenue				
Investment interest	\$ 35,000	\$ 35,000	\$ 56,818	\$ 21,818
Industrial park	5,000	5,000	6,385	1,385
Other income	199,200	199,200	199,787	587
Total miscellaneous revenue	<u>\$ 239,200</u>	<u>\$ 239,200</u>	<u>\$ 262,990</u>	<u>\$ 23,790</u>
Utilities revenue				
Administrative fees	\$ 1,750,900	\$ 1,750,900	\$ 1,513,021	\$ (237,879)
Cable television franchise	22,000	22,000	20,747	(1,253)
Natural gas franchise	40,000	40,000	40,710	710
Public Access Fee Income	349,562	349,562	352,053	2,491
Telephone franchise	2,400	2,400	2,400	-
Total utilities revenue	<u>\$ 2,164,862</u>	<u>\$ 2,164,862</u>	<u>\$ 1,928,931</u>	<u>\$ (235,931)</u>
Total revenue	<u>\$ 7,405,782</u>	<u>\$ 7,405,782</u>	<u>\$ 7,602,591</u>	<u>\$ 196,809</u>

(Continued)

(The accompanying notes to the budgetary comparison are an integral part of this schedule)

CITY OF TORRINGTON, WYOMING

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
EXPENDITURES:				
General government				
Mayor and council	\$ 360,022	\$ 360,022	\$ 320,602	\$ 39,420
Judicial	201,883	201,883	184,233	17,650
Clerk	887,269	887,269	869,617	17,652
Maintenance	85,481	85,481	80,574	4,907
Lincoln Community Complex	284,509	284,509	279,272	5,237
Special community projects	121,799	121,799	104,631	17,168
Total general government	<u>\$ 1,940,963</u>	<u>\$ 1,940,963</u>	<u>\$ 1,838,929</u>	<u>\$ 102,034</u>
Public safety				
Police department	\$ 2,181,885	\$ 2,181,885	\$ 1,885,575	\$ 296,310
Fire department	187,202	187,202	168,791	18,411
Building inspector	433,645	433,645	305,061	128,584
Capital outlay	-	-	52,419	(52,419)
Total public safety	<u>\$ 2,802,732</u>	<u>\$ 2,802,732</u>	<u>\$ 2,411,846</u>	<u>\$ 390,886</u>
Public works				
Streets	\$ 1,293,113	\$ 848,617	\$ 655,722	\$ 192,895
Shop	233,857	233,857	214,252	19,605
Storm drain maintenance	374,771	374,771	301,104	73,667
Industrial park	155,797	155,797	16,267	139,530
Capital outlay	610,704	110,180	84,384	25,796
Total public works	<u>\$ 2,668,242</u>	<u>\$ 1,723,222</u>	<u>\$ 1,271,729</u>	<u>\$ 451,493</u>
Health, welfare and recreation				
Parks	\$ 411,659	\$ 411,659	\$ 344,454	\$ 67,205
Museum	134,609	134,609	107,081	27,528
Golf course	645,361	645,361	601,448	43,913
Pool	215,850	215,850	143,822	72,028
Cemetery	260,335	260,335	224,689	35,646
Capital outlay	134,900	134,900	112,650	22,250
Total health, welfare and recreation	<u>\$ 1,802,714</u>	<u>\$ 1,802,714</u>	<u>\$ 1,534,144</u>	<u>\$ 268,570</u>
Total expenditures	<u>\$ 9,214,651</u>	<u>\$ 8,269,631</u>	<u>\$ 7,056,648</u>	<u>\$ 1,212,983</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ (1,808,869)	\$ (863,849)	\$ 545,943	\$ 1,409,792
OTHER FINANCING SOURCES				
Transfers in (out) from other funds	<u>(252,769)</u>	<u>(252,769)</u>	<u>(108,303)</u>	<u>144,466</u>
NET CHANGES IN FUND BALANCE	<u>\$ (2,061,638)</u>	<u>\$ (1,116,618)</u>	<u>\$ 437,640</u>	<u>\$ 1,554,258</u>

(The accompanying notes to the budgetary comparison are an integral part of this schedule)

CITY OF TORRINGTON, WYOMING

BUDGETARY COMPARISON SCHEDULE - AIRPORT FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Gas tax	\$ 2,600	\$ 2,600	\$ 2,637	\$ 37
Grants	160,000	160,000	4,145	(155,855)
Fee service	169,000	169,000	128,619	(40,381)
Miscellaneous income	1,500	1,500	76	(1,424)
Total revenues	<u>\$ 333,100</u>	<u>\$ 333,100</u>	<u>\$ 135,477</u>	<u>\$ (197,623)</u>
EXPENDITURES:				
Transportation	\$ 256,218	\$ 256,218	\$ 174,440	\$ 81,778
Capital outlay	166,667	166,667	-	166,667
Total expenditures	<u>\$ 422,885</u>	<u>\$ 422,885</u>	<u>\$ 174,440</u>	<u>\$ 248,445</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ (89,785)	\$ (89,785)	\$ (38,963)	\$ 50,822
OTHER FINANCING SOURCES				
Transfers to other funds	89,785	89,785	36,206	(53,579)
NET CHANGES IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,757)</u>	<u>\$ (2,757)</u>
FUND BALANCE (Non-GAAP) - Beginning			<u>\$ 1,341</u>	
FUND BALANCE (Non-GAAP) - Ending			<u>\$ (1,416)</u>	

(The accompanying notes to the budgetary comparison are an integral part of this schedule)

CITY OF TORRINGTON, WYOMING

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGTARY DATA

NOTE 1. RECONCILIATION OF BUDGET TO ACTUAL DATA (NON-GAAP BUDGETARY BASIS)

The budget to actual comparison statements are prepared on a basis consistent with the City's budgeting system.

Under this basis (modified cash basis), which differs from generally accepted accounting principles, revenues are recognized when collected and expenditures are recorded as the liabilities are paid, except for certain accounts payable which are paid in the first week of July of the subsequent year and recorded in the current budget year as allowed by Wyoming Statutes. A reconciliation of the budget data to the actual by fund is presented as follows:

	<u>Modified Accrual Basis</u>	<u>Classification Difference</u>	<u>Basis of Accounting Difference</u>	<u>Budget Basis</u>
<u>General Fund</u>				
Revenues	<u>\$ 6,115,635</u>	<u>\$ 1,513,021</u>	<u>\$ (26,065)</u>	<u>\$ 7,602,591</u>
Expenditures	<u>\$ 5,490,021</u>	<u>\$ 1,513,021</u>	<u>\$ 53,606</u>	<u>\$ 7,056,648</u>
Transfers	<u>\$ (108,303)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (108,303)</u>

NOTE 2. BUDGET TO ACTUAL COMPARISON

Wyoming State Statutes requires that no officer or employee of a municipality may make any expenditure in excess of the total appropriation for that department. The City of Torrington did have insignificant overages per budget category. However, the City had no budget violations per department for the year ended June 30, 2017.

CITY OF TORRINGTON, WYOMING

SCHEDULE OF CONTRIBUTIONS - WYOMING RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Public Employee Plan</u>				
Contractually required contributions	\$ 501,271	\$ 511,170	\$ 460,494	\$ 425,276
Contribution in relation to the contractually required contributions	<u>482,428</u>	<u>511,170</u>	<u>460,494</u>	<u>425,276</u>
Contributions (deficiency) excess	<u>\$ (18,843)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	<u>\$ 3,016,073</u>	<u>\$ 3,076,230</u>	<u>\$ 2,901,662</u>	<u>\$ 2,735,138</u>
Contributions as a percentage of covered payroll	<u>16.62%</u>	<u>16.62%</u>	<u>15.87%</u>	<u>15.55%</u>
<u>Law Enforcement Plan</u>				
Contractually required contributions	\$ 177,398	\$ 182,721	\$ 174,089	\$ 167,551
Contribution in relation to the contractually required contributions	<u>170,160</u>	<u>182,721</u>	<u>174,089</u>	<u>167,551</u>
Contributions (deficiency) excess	<u>\$ (7,238)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	<u>\$ 1,031,384</u>	<u>\$ 1,062,326</u>	<u>\$ 1,015,145</u>	<u>\$ 964,884</u>
Contributions as a percentage of covered payroll	<u>17.20%</u>	<u>17.20%</u>	<u>17.15%</u>	<u>17.36%</u>
<u>Volunteer Firefighter & EMT Pension Plan</u>				
Contractually required contributions	\$ 600	\$ 615	\$ 850	\$ 1,225
Contribution in relation to the contractually required contributions	<u>600</u>	<u>615</u>	<u>850</u>	<u>1,225</u>
Contributions (deficiency) excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Contributions as a percentage of covered payroll	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>

CITY OF TORRINGTON, WYOMING

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY -
WYOMING RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016	2015	2014
Proportionate share of net pension liability %				
Public Employee Pension Plan	0.15957%	0.16774%	0.16676%	0.11921%
Law Enforcement Pension Plan	0.61120%	0.65324%	0.66628%	0.61735%
Volunteer Firefighter & EMT Pension Plan	0.17105%	0.19219%	4.62459%	5.24290%
Proportionate share of net pension liability \$				
Public Employee Pension Plan	\$ 3,857,613	\$ 3,907,327	\$ 2,942,850	\$ 1,812,509
Law Enforcement Pension Plan	\$ 461,406	\$ 490,714	\$ 196,309	\$ 112,724
Volunteer Firefighter & EMT Pension Plan	\$ 54,302	\$ 60,907	\$ 6,924	\$ (17,870)
Covered payroll				
Public Employee Pension Plan	\$ 3,016,073	\$ 3,076,230	\$ 2,901,662	\$ 2,813,115
Law Enforcement Pension Plan	\$ 1,031,384	\$ 1,062,326	\$ 1,015,145	\$ 1,010,116
Volunteer Firefighter & EMT Pension Plan	NA	N/A	N/A	N/A
Proportionate share of net pension liability as a percentage of covered payroll				
Public Employee Pension Plan	127.90%	127.02%	101.42%	64.43%
Law Enforcement Pension Plan	44.74%	46.19%	19.34%	11.16%
Volunteer Firefighter & EMT Pension Plan	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of of the total plan liability				
Public Employee Pension Plan	73.42%	73.40%	79.08%	
Law Enforcement Pension Plan	88.11%	87.49%	94.76%	
Volunteer Firefighter & EMT Pension Plan	69.99%	69.16%	90.11%	

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

City Council
City of Torrington, Wyoming
Torrington, 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 City of Torrington, Wyoming as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Torrington, Wyoming's basic financial statements and have issued our report thereon dated March 19, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Torrington, 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 City of Torrington, Wyoming's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Torrington, 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses 2017-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

Auditee's Response to Finding

City of Torrington, Wyoming's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City of Torrington, Wyoming's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Leo Pulley & Co." The signature is written in dark ink and is positioned above the date.

March 19, 2018

CITY OF TORRINGTON, WYOMING
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2017

FINDINGS - FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCIES

2017-001 Separation of Duties

Criteria: An effective internal control of an organization will include procedures and actions to:

1. Protect its assets against theft and waste.
2. Ensure compliance with the organizations' policies, procedures and statutory requirements.
3. Evaluate the performance of personnel to promote efficient operations.
4. Ensure accurate and reliable operating and accounting data.

Separation of duties requires that someone other than the employee responsible for safeguarding the asset must maintain the accounting records for that asset. When an organization separates duties of the employees, it minimizes the probability of an error or irregularity occurring and not being timely detected.

Condition: Due to the small size of some departments of the City of Torrington, Wyoming, the possibility of adequate separation of duties certain transaction cycles are limited.

Recommendation: While we recognize that it is impractical for the City to achieve complete separation of duties over all transaction cycles within the City, it is important that the Board be aware of the chance of errors and irregularities not being timely detected is elevated.

Auditee Response: The City has separated duties to the extent possible and has implemented compensating controls to monitor the accounting activities.

COMPLIANCE AND OTHER MATTERS

NONE

CITY OF TORRINGTON, WYOMING

STATUS OF PRIOR YEAR FINDINGS

2016-001 Separation of Duties

Ongoing comment and condition reflected as Finding 2017-001 in current year.