

Town of Afton, Wyoming

Financial Report

June 30, 2013

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Independent Auditor's Report

The Honorable Mayor and Town Council
Town of Afton, Wyoming
Afton, 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 Town of Afton ("the Town"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town'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 Town'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 Town, as of June 30, 2013, 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

Management has omitted the management's discussion and 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.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 30–34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2013, on our consideration of the Town'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 Town's internal control over financial reporting and compliance.

DeCoria & Company, PC

DeCoria & Company, PC
Afton, Wyoming

November 15, 2013

Basic Financial Statements

Town of Afton, Wyoming
Statement of Net Position - Town-Wide
June 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 811,019	\$ 282,547	\$ 1,093,566
Investments	543,306	-	543,306
Accounts receivable	-	52,904	52,904
Taxes receivable	174,146	-	174,146
Total current assets	<u>1,528,471</u>	<u>335,451</u>	<u>1,863,922</u>
Noncurrent assets:			
Deposits	40,000	-	40,000
Capital assets, net	7,610,981	20,214,118	27,825,099
Total noncurrent assets	<u>7,650,981</u>	<u>20,214,118</u>	<u>27,865,099</u>
Total assets	<u>9,179,452</u>	<u>20,549,569</u>	<u>29,729,021</u>
LIABILITIES			
Current liabilities:			
Accounts payable	50,201	5,308	55,509
Accrued liabilities	12,211	8,241	20,452
Accrued interest	-	24,940	24,940
Customer deposits	-	10,422	10,422
Accrued compensated absences, due within one year	30,716	11,206	41,922
Capital leases, due within one year	-	13,753	13,753
Notes payable, due within one year	-	75,848	75,848
General obligation bonds, due within one year	-	64,000	64,000
Total current liabilities	<u>93,128</u>	<u>213,718</u>	<u>306,846</u>
Noncurrent liabilities:			
Accrued compensated absences, due after one year	26,165	9,544	35,709
Notes payable, due after one year	-	1,006,893	1,006,893
General obligation bonds, due after one year	-	2,407,000	2,407,000
Total noncurrent liabilities	<u>26,165</u>	<u>3,423,437</u>	<u>3,449,602</u>
Total liabilities	<u>119,293</u>	<u>3,637,155</u>	<u>3,756,448</u>
NET POSITION			
Net investment in capital assets	7,610,981	16,646,624	24,257,605
Restricted for providing fire protection services	106,571	-	106,571
Unrestricted	1,342,607	265,790	1,608,397
Total net position	<u>\$ 9,060,159</u>	<u>\$ 16,912,414</u>	<u>\$ 25,972,573</u>

Town of Afton, Wyoming
Statement of Activities - Town-Wide
Year Ended June 30, 2013

Functions/Programs	Primary Government					
	Expenses	Charges for Services	Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental expenditures:						
General government	\$ 357,235	\$ -	\$ -	\$ (357,235)		\$ (357,235)
Public safety	555,456	-	-	(555,456)		(555,456)
Public works	361,504	-	-	(361,504)		(361,504)
Parks and recreation	107,083	-	-	(107,083)		(107,083)
Community development	145,566	-	-	(145,566)		(145,566)
Depreciation	490,563	-	-	(490,563)		(490,563)
Total governmental expenditures	<u>2,017,407</u>	<u>-</u>	<u>-</u>	<u>(2,017,407)</u>		<u>(2,017,407)</u>
Business-type activities:						
Water fund	647,855	474,743	-		\$ (173,112)	(173,112)
Sewer fund	206,547	129,920	-		(76,627)	(76,627)
Golf Fund	423,179	142,653	19,650		(260,876)	(260,876)
Total business-type activities	<u>1,277,581</u>	<u>747,316</u>	<u>19,650</u>		<u>(510,615)</u>	<u>(510,615)</u>
Total Town	<u>\$3,294,988</u>	<u>\$ 747,316</u>	<u>\$ 19,650</u>	<u>(2,017,407)</u>	<u>(510,615)</u>	<u>(2,528,022)</u>
General revenue:						
Property taxes				128,143	-	128,143
Sales and use taxes				820,075	-	820,075
Other taxes				254,658	-	254,658
Intergovernmental revenues				307,314	-	307,314
Court fines				38,560	-	38,560
Town fees and permits				24,519	-	24,519
Other local income				129,404	-	129,404
Interest income				3,742	-	3,742
Total general revenue				<u>1,706,415</u>	<u>-</u>	<u>1,706,415</u>
Deficiency of revenues over expenditures before special items				(310,992)	(510,615)	(821,607)
Special items:						
Gain on disposal of capital asset				133,307	-	133,307
Interfund transfers - prior year				(918,297)	918,297	-
Interfund transfers - current year				(143,134)	143,134	-
Total special items, net				<u>(928,124)</u>	<u>1,061,431</u>	<u>133,307</u>
Changes in net position				(1,239,116)	550,816	(688,300)
Total net position, beginning of year				<u>10,299,275</u>	<u>16,361,598</u>	<u>26,660,873</u>
Total net position, end of year				<u>\$ 9,060,159</u>	<u>\$ 16,912,414</u>	<u>\$ 25,972,573</u>

Town of Afton, Wyoming
Balance Sheet - Governmental Funds
June 30, 2013

	General Fund	(non-major) Fire Fund	Total Governmental Funds
ASSETS	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents	\$ 748,478	\$ 62,541	\$ 811,019
Investments	543,306	-	543,306
Taxes receivable	174,146	-	174,146
Due from other funds	4,931	-	4,931
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,470,861</u>	<u>\$ 62,541</u>	<u>\$ 1,533,402</u>
 LIABILITIES AND FUND BALANCES 			
Liabilities:			
Accounts payable	\$ 50,201	\$ -	\$ 50,201
Accrued liabilities	12,211	-	12,211
Due to other funds	-	4,931	4,931
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>62,412</u>	<u>4,931</u>	<u>67,343</u>
 Fund balances:			
Restricted for providing fire protection services	-	57,610	57,610
Committed for major street repairs	106,571	-	106,571
Assigned	40,535	-	40,535
Unassigned	1,261,343	-	1,261,343
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>1,408,449</u>	<u>57,610</u>	<u>1,466,059</u>
Total liabilities and fund balances	<u>\$ 1,470,861</u>	<u>\$ 62,541</u>	<u>\$ 1,533,402</u>

Town of Afton, Wyoming
Reconciliation of the Balance Sheet - Governmental Funds
with the Statement of Net Position - Town-Wide
June 30, 2013

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

Total fund balances - Governmental Funds		\$ 1,466,059
Money paid as a deposit is expensed when incurred in the governmental funds, but is carried as an asset until collected in the Statement of Net Position - Town-Wide		40,000
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds:		
The cost of capital assets is	\$ 13,322,684	
Accumulated depreciation is	<u>(5,711,703)</u>	
		7,610,981
Noncurrent liabilities, including capital lease obligations, accrued compensated absences and bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds:		
Compensated absences, due within one year	(30,716)	
Compensated absences, due after one year	<u>(26,165)</u>	
		<u>(56,881)</u>
Total net position - Town-Wide		<u>\$ 9,060,159</u>

Town of Afton, Wyoming
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2013

	General Fund	(Non-major) Fire Fund	Total Governmental Funds
Revenues:			
Property taxes	\$ 128,143	\$ -	\$ 128,143
Sales and use taxes	820,075	-	820,075
Other taxes	254,658	-	254,658
Intergovernmental revenues	307,314	-	307,314
Court fines	38,560	-	38,560
Town fees and permits	24,519	-	24,519
Other local income	112,019	17,385	129,404
Interest income	3,098	644	3,742
Total revenues	<u>1,688,386</u>	<u>18,029</u>	<u>1,706,415</u>
Expenditures:			
General government	358,551	-	358,551
Public safety	542,689	14,812	557,501
Public works	362,835	-	362,835
Parks and recreation	107,477	-	107,477
Community development	145,566	-	145,566
Total expenditures	<u>1,517,118</u>	<u>14,812</u>	<u>1,531,930</u>
Excess of revenues over expenditures	<u>171,268</u>	<u>3,217</u>	<u>174,485</u>
Special items:			
Proceeds from sale of capital assets	531,710	-	531,710
Interfund transfers - prior years	(918,297)	-	(918,297)
Interfund transfers - current year	(143,134)	-	(143,134)
Total special items, net	<u>(529,721)</u>	<u>-</u>	<u>(529,721)</u>
Net change in fund balances	<u>(358,453)</u>	<u>3,217</u>	<u>(355,236)</u>
Total fund balances, beginning of year	<u>1,766,902</u>	<u>54,393</u>	<u>1,821,295</u>
Total fund balances, end of year	<u>\$ 1,408,449</u>	<u>\$ 57,610</u>	<u>\$ 1,466,059</u>

Town of Afton, Wyoming
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds with the Statement of Activities - Town-Wide
Year Ended June 30, 2013

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

Net change in fund balances - Governmental Funds \$ (355,236)

Capital outlays to purchase capital assets are reported as expenditures in the governmental funds. However, in the Statement of Activities - Town-Wide, the cost of these assets is allocated over their estimated useful lives as depreciation. This is the amount by which depreciation, \$490,563, exceeded capital assets purchased, \$0, during the current fiscal year. (490,563)

The sale of a capital asset is recorded as a revenue item "Proceeds from sale of capital assets" in the governmental funds at the amount of cash actually received, (\$531,710), from the sale. In the Statement of Activities - Town-Wide, when a capital asset is disposed of, the difference between the cost of the asset and the accumulated depreciation on the asset, \$133,307, is recognized as a gain or (loss) in the Special Items section. (398,403)

In the Statement of Activities - Town-Wide, certain operating expenses (e.g., compensated absences) are measured by the amount earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (i.e., the amount actually paid). In the current year, accrued compensated absences paid exceeded accrued compensated absences earned by \$5,086. 5,086

Changes in net position - Town-Wide \$(1,239,116)

Town of Afton, Wyoming
Statement of Net Position - Proprietary Funds
June 30, 2013

	Water Fund	Sewer Fund	Golf Fund	Total Proprietary Funds
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 20,228	\$ 262,319	\$ -	\$ 282,547
Accounts receivable	43,095	9,809	-	52,904
Total assets	<u>63,323</u>	<u>272,128</u>	<u>-</u>	<u>335,451</u>
Noncurrent assets:				
Capital assets, net	11,231,320	2,119,471	6,863,327	20,214,118
Total noncurrent assets	<u>11,231,320</u>	<u>2,119,471</u>	<u>6,863,327</u>	<u>20,214,118</u>
Total assets	<u>11,294,643</u>	<u>2,391,599</u>	<u>6,863,327</u>	<u>20,549,569</u>
LIABILITIES				
Current liabilities:				
Accounts payable	1,706	123	3,479	5,308
Accrued payroll	2,561	2,604	3,076	8,241
Accrued interest	24,765	-	175	24,940
Customer deposits	10,422	-	-	10,422
Accrued compensated absences, due within one year	4,305	3,885	3,016	11,206
Capital leases, due within one year	-	-	13,753	13,753
Notes payable, due within one year	75,848	-	-	75,848
Bonds payable, due within one year	64,000	-	-	64,000
Total current liabilities	<u>183,607</u>	<u>6,612</u>	<u>23,499</u>	<u>213,718</u>
Noncurrent liabilities:				
Accrued compensated absences, due after one year	3,665	3,310	2,569	9,544
Notes payable, due after one year	1,006,893	-	-	1,006,893
Bonds payable, due after one year	2,407,000	-	-	2,407,000
Total noncurrent liabilities	<u>3,417,558</u>	<u>3,310</u>	<u>2,569</u>	<u>3,423,437</u>
Total liabilities	<u>3,601,165</u>	<u>9,922</u>	<u>26,068</u>	<u>3,637,155</u>
NET POSITION				
Net investment in capital assets	7,677,579	2,119,471	6,849,574	16,646,624
Unrestricted	15,899	262,206	(12,315)	265,790
Total net position	<u>\$ 7,693,478</u>	<u>\$ 2,381,677</u>	<u>\$ 6,837,259</u>	<u>\$ 16,912,414</u>

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

Town of Afton, Wyoming
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds
Year Ended June 30, 2013

	Water Fund	Sewer Fund	Golf Fund	Total Proprietary Funds
Operating revenues:				
Service fees	\$ 446,813	\$ 129,920	\$ 142,653	\$ 719,386
Other	27,930	-	-	27,930
Total operating revenues	<u>474,743</u>	<u>129,920</u>	<u>142,653</u>	<u>747,316</u>
Operating expenses:				
Salaries and benefits	96,867	61,183	175,721	333,771
Other current expenses	103,314	34,084	94,493	231,891
Depreciation	307,440	111,280	149,871	568,591
Total operating expenses	<u>507,621</u>	<u>206,547</u>	<u>420,085</u>	<u>1,134,253</u>
Operating loss	<u>(32,878)</u>	<u>(76,627)</u>	<u>(277,432)</u>	<u>(386,937)</u>
Non-operating revenues (expenses):				
Interest expense	(140,234)	-	(3,094)	(143,328)
Grants	-	-	19,650	19,650
Interfund transfers - prior years	-	-	918,297	918,297
Interfund transfers - current year	-	-	143,134	143,134
Total non-operating revenues (expenses), net	<u>(140,234)</u>	<u>-</u>	<u>1,077,987</u>	<u>937,753</u>
Change in net position	(173,112)	(76,627)	800,555	550,816
Net position, beginning of year	<u>7,866,590</u>	<u>2,458,304</u>	<u>6,036,704</u>	<u>16,361,598</u>
Net position, end of year	<u>\$ 7,693,478</u>	<u>\$ 2,381,677</u>	<u>\$ 6,837,259</u>	<u>\$ 16,912,414</u>

Town of Afton, Wyoming
Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2013

	Water Fund	Sewer Funds	Golf Fund	Total Proprietary Funds
Cash flows from operating activities:				
Cash received from service fees	\$ 452,601	\$ 130,240	\$ 142,653	\$ 725,494
Cash received from other	27,930	-	-	27,930
Cash paid for employee services	(99,639)	(57,314)	(178,068)	(335,021)
Cash paid for other current expenses	(106,777)	(38,010)	(92,862)	(237,649)
Net cash provided (used) by operating activities	<u>274,115</u>	<u>34,916</u>	<u>(128,277)</u>	<u>180,754</u>
Cash flows from financing activities:				
Cash paid for interest expense	(139,296)	-	(2,919)	(142,215)
Grant receipts	-	-	19,650	19,650
Principal payments on capital leases	-	-	(31,588)	(31,588)
Principal payments on notes payable	(75,831)	-	-	(75,831)
Principal payments on bonds payable	(62,000)	-	-	(62,000)
Cash transfers from other funds	-	-	143,134	143,134
Net cash provided (used) by financing activities	<u>(277,127)</u>	<u>-</u>	<u>128,277</u>	<u>(148,850)</u>
Increase (decrease) in cash and cash equivalents	(3,012)	34,916	-	31,904
Cash and cash equivalents, beginning of year	<u>23,240</u>	<u>227,403</u>	<u>-</u>	<u>250,643</u>
Cash and cash equivalents, end of year	<u>\$ 20,228</u>	<u>\$ 262,319</u>	<u>\$ -</u>	<u>\$ 282,547</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:				
Operating loss	\$ (32,878)	\$ (76,627)	\$ (277,432)	\$ (386,937)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation	307,440	111,280	149,871	568,591
Changes in assets and liabilities:				
Accounts receivable	450	320	-	770
Notes receivable	2,000	-	-	2,000
Accounts payable	(3,463)	(3,926)	1,631	(5,758)
Accrued payroll	2,561	2,604	(547)	4,618
Customer deposits	3,338	-	-	3,338
Accrued compensated absences	(5,333)	1,265	(1,800)	(5,868)
Net cash provided (used) by operating activities	<u>\$ 274,115</u>	<u>\$ 34,916</u>	<u>\$ (128,277)</u>	<u>\$ 180,754</u>

Town of Afton, Wyoming
Statement of Assets and Liabilities - Fiduciary Fund
June 30, 2013

**Nield
String
Water
Fund**

ASSETS

Current assets:

Cash and cash equivalents

\$ 1,899

Total assets \$ 1,899

LIABILITIES

Current liabilities:

Due to Nield String Water Service Improvement District

\$ 1,899

Total liabilities \$ 1,899

Town of Afton, Wyoming
Notes to Financial Statements
June 30, 2013

1. Summary of Significant Accounting Policies

A. Organization

The Town of Afton, Wyoming (“the Town”) is located in western Wyoming, has a population of approximately 2,000 people and is governed by a Mayor and four-member Town Council. The Town provides a broad range of services to its citizens, including general government, public safety (police and fire), public works (streets and public improvements) parks and recreation, and community development. In addition, the Town owns and operates a water system, sewer system and golf course. The Town also provides services to the Nield String Water Service Improvement District (Nield String).

The Town is not included in any other governmental reporting entity as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, since council members are elected by the public; have decision-making authority; have the power to designate management; have the responsibility to significantly influence operations; and have primary accountability for fiscal matters.

The Town participates jointly with Lincoln County (“the County”) in the Afton Airport Joint Powers Board (“the Airport Board”). Neither the Town nor the County controls the Airport Board. Both the Town and the County contribute funds to the Airport Board and approve the Airport Board’s budget. During the fiscal year, the Town contributed \$55,000 to the Airport Board.

The Town participates in a Joint venture with certain Town residents to develop land for a business park. The Town contributed water and sewer infrastructure and the participating residents contributed \$100,000 and approximately 22 acres of land. The Town will receive a portion of the proceeds from the sale of any land sales.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements, including the Statement of Net Position and the Statement of Activities, report information on all the *governmental* and *business-type activities* of the Town. Governmental transactions are generally financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and service revenues for the Town’s activities. Direct expenses are those that are associated with a specific service and, therefore, are clearly identifiable to that service. The Town does not charge indirect expenses to programs or functions. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of the identified service. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. Depreciation for governmental activities is not allocated to the various functions of Town, rather it is a single line item on the Statement of Activities – Town-Wide.

Town of Afton, Wyoming
Notes to Financial Statements
June 30, 2013

1. Summary of Significant Accounting Policies, Continued

B. Government-Wide and Fund Financial Statements, continued

Fund Financial Statements

The fund financial statements provide information on the Town's funds. Separate statements for each fund category – *Governmental and Enterprise* – are presented. The emphasis of fund financial statements is on major governmental and business-type funds, each displayed separately.

Budgetary Comparison Schedule

The budgetary comparison schedules are presented as required supplementary information to demonstrate whether resources were obtained and used in accordance with the Town's legally adopted budget. The Town may revise the original budget over the course of the year for various reasons. The schedules include comparisons of the Town's original adopted budget to the final budget and actual results.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide and enterprise fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the accrual basis, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements stipulated by the provider have been met and satisfied.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be measurable when the amount of the transaction can be determined and available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims, judgments, compensated absences, and early retirement liabilities, which are recognized to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town reports the following governmental funds:

General Fund: The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. This is a budgeted fund, and any fund balances are considered as resources available for use.

Town of Afton, Wyoming
Notes to Financial Statements
June 30, 2013

1. Summary of Significant Accounting Policies, Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation, continued

The Town reports the following governmental funds, continued:

Fire Fund: The Fire Fund is used to account for funds received from grants and other local sources that have restrictions on their use. This is a budgeted fund, and the fund balance is restricted.

The Town reports the following enterprise funds:

Enterprise Funds (Water Fund, Sewer Fund and Golf Fund): These Enterprise Funds are used for operations that are financed and operated in a manner similar to private enterprises where the intent of providing goods and services is financed primarily through user charges. The Town's Enterprise Funds are used to account for the water and sewer departments, which provide water and sewer services to individuals and businesses within the Town, and the Golf Fund which runs the Town owned golf course. Operating revenues are comprised of user charges. Non-operating revenues, if any, are generally comprised of interest income, grants and transfers from other funds.

The Town reports the following fiduciary fund:

Nield String Water Fund: The Nield String Water Fund is used to account for the activities of the Nield String Water Service Improvement District which require clearing accounts. This fund has no net assets; assets are equal to liabilities and do not include revenues and expenditures for general operations of the Town.

D. Budgetary Information

Under Wyoming law, the Town's approved budget establishes maximum legal authorization for expenditures during the fiscal year. The budget is prepared on the cash basis of accounting. Unused appropriations lapse at the end of the year, unless the Town Council extends existing encumbrances beyond year-end.

Prior to the beginning of each new fiscal year, the Mayor and Town Council formulate the budget. The proposed budget is placed on file for public inspection and posted in the community for public comment. Beginning in April, the budget is read in three consecutive Council meetings. After the third reading, generally in June, the budget is formally adopted. A verification of the established budget is sent to the State of Wyoming, Department of Audit.

"Actual" expenditures and operating transfers out may not legally exceed "budget" appropriations at the functional level. The legal level of budgetary control is the functional level at which the Town Council must approve any over-expenditures of appropriations or transfers of appropriated amounts.

The Town Council may amend the budget after holding a budget hearing at any time during the year. The administration may transfer between budgetary line items within a function without Town Council approval.

Town of Afton, Wyoming
Notes to Financial Statements
June 30, 2013

1. Summary of Significant Accounting Policies, Continued

E. Generally Accepted Accounting Principles

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles and standards.

F. Cash and Cash Equivalents

The Town considers all highly liquid investments with an initial maturity of three months or less when purchased to be cash equivalents.

G. Receivables

Receivables shown on the governmental fund financial statements are those for which payment was received within 60 days after the financial statement date. All receivables, regardless of when they are collected, are recognized in the government-wide and enterprise fund financial statements. Such receivables are shown net of any allowances for uncollectible amounts.

H. Capital Assets

Capital assets are reported in the government-wide and enterprise fund financial statements. Purchased or constructed capital assets are reported at historical cost. If historical cost is unknown, estimated historical cost is used. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of routine repairs and maintenance that do not improve or extend the useful lives of the related assets are not capitalized. The Town uses a capitalization threshold of \$5,000. When capital assets are sold or otherwise disposed of, the cost and associated accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in the Statement of Activities – Government-Wide, or the Statement of Revenues, Expenses and Changes in Fund Net Assets, in the case of enterprise funds.

All reported capital assets except land and construction in progress are depreciated. Depreciation is calculated on capital assets using the straight-line method over the estimated useful lives of those assets, as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Furniture fixtures and equipment	2 to 40 years	2 to 40 years
Vehicles	5 to 10 years	5 to 10 years
Buildings and improvement	20 to 40 years	20 to 40 years
Infrastructure and improvements	7 to 40 years	--
Water system	--	50 years
Sewer system	--	25 years

Town of Afton, Wyoming
Notes to Financial Statements
June 30, 2013

1. Summary of Significant Accounting Policies, Continued

I. Capitalized Interest

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

J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements and all payables, accrued liabilities and long-term obligations payable from enterprise funds are reported in the enterprise fund financial statements.

In general, governmental funds payables and accrued liabilities that are paid in a timely manner from current financial resources are reported as obligations of the funds.

K. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

L. Net position

Net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M. Fund Balances

Fund Balance Reporting

Fund balances of governmental funds are reported as follows:

Nonspendable: The nonspendable fund balance category is associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned);

Restricted: The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation;

Town of Afton, Wyoming
Notes to Financial Statements
June 30, 2013

1. Summary of Significant Accounting Policies, Continued

M. Fund Balances, continued

Fund Balance Reporting, continued

Committed: The committed fund balance category includes amounts that can be used only for the specific purposes determined by a formal action of the Town Council (the Town's highest level of decision-making authority);

Assigned: The assigned fund balance category is intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Fund balance is assigned by the Towns management;

Unassigned: The unassigned fund balance category is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Order of Fund Balance Spending

The Town's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries.

First non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balance amounts for the non-general funds are classified as restricted fund balance.

N. Property Tax Calendar

The Lincoln County Treasurer is responsible for levying and collecting property taxes on behalf of the Town. Property taxes are levied on or about July 1 and are due in two installments. The first installment becomes due on September 1 and is delinquent on November 10; the second installment becomes due March 1 and is delinquent on May 10. Property taxes attach as an enforceable lien on property on May 11 of each year. Taxes receivable represents taxes levied but uncollected at June 30, 2013.

O. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates and affect the amounts reported in the financial statements.

Town of Afton, Wyoming
Notes to Financial Statements
June 30, 2013

2. Bank Deposits

The Town's bank deposits consist of a checking account and several certificates of deposit at local banks.

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. Wyoming statute 9-4-820 requires the Town to collateralize bank deposits that exceed amounts insured by the Federal Deposit Insurance Corporation (FDIC). In addition, for collateral held by a custodian other than the Federal Reserve, an approved Joint Custody Receipt form must be properly executed to perfect the Town's interest in collateral pledged by depository financial institution. The Town Clerk monitors cash account balances to see that sufficient collateral is pledged to the Town.

The carrying amount of bank deposits at June 30, 2013 was \$1,638,771 (including \$543,306 of certificates of deposit included with investments at Note 3) and bank balances totaled \$1,652,610 (including \$543,306 of certificates of deposit included with investments at Note 3). The differences between the carrying amount of bank deposits and the bank balances consist of outstanding checks and deposits not processed by the bank as of June 30, 2013.

As of June 30, 2013 the Town's bank balances of \$1,652,610 were insured or collateralized as follows:

Insured by the FDIC	\$ 820,637
Collateralized with security held by pledging institution's trust department or correspondent bank under a joint custody receipt in the name of the Town and the financial institution.	<u>831,973</u>
Total bank deposits	<u>\$ 1,652,610</u>

3. Investments

Wyoming statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. agencies, municipal securities and repurchase agreements. Town policy restricts investments to certificates of deposit with local banks, the Wyoming Government Investment Fund, and the Wyoming State Treasurer's Investment Pool, unless specific Town Council action authorizes an alternative investment. The Town has no policies in place related to exposure to credit risk, custodial credit risk, concentration of credit risk, interest rate credit risk, or foreign currency credit risk other than the above-described investment policy.

As of June 30, 2013, the Town had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Interest Rate</u>	<u>Fair Value</u>
Certificate of deposit (included in note 2)	July 18, 2013	.3%	\$ 302,727
Certificate of deposit (included in note 2)	December 9, 2013	.1%	<u>240,579</u>
Total investments			<u>\$ 543,306</u>

Town of Afton, Wyoming
Notes to Financial Statements
June 30, 2013

3. Investments, Continued

Interest Rate Risk The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk State law limits investments to obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements. The Town has no investment policy that would further limit its investment choices. As of June 30, 2013, the Town's investments include insured certificates of deposits.

Concentration of Credit Risk The Town places no limit on the amount the Town may invest in any one issuer. More than five percent of the Town's investments are in a certificate of deposit at the Bank of Star Valley and a certificate of deposit at 1st Bank. The certificate of deposit at the Bank of Star Valley represents 56% of the Town's investments while the certificate of deposit at 1st Bank represents the remaining 44%.

4. Receivables

Accounts Receivable

The Water and Sewer funds had \$52,904 of accounts receivable due from citizens and businesses in the community for water and sewer services provided prior to June 30, 2013. Because no accounts on the Town's records as of June 30, 2013 are expected to be uncollectible, no allowance for doubtful accounts has been provided as of June 30, 2013.

Taxes Receivable

During July and August 2013, the Town received payments from the Lincoln County Treasurer and the State of Wyoming for various taxes which were revenue for the year ended June 30, 2013. The total of all of these taxes as of June 30, 2013 was \$174,146.

5. Deposits

In a prior year the Town obtained funding from Lower Valley Energy Revolving Loan Fund ("the Revolving Loan Fund") and lent this money to Nield String Water Service Improvement District (Nield String) to help Nield String replace its water line. In order to obtain this financing from the Revolving Loan Fund, the Town was required to contribute a \$40,000 match which will remain in the Revolving Loan Fund until such time as the Revolving Loan Fund is discontinued. If that were to occur, the United States Department of Agriculture's contribution to the Revolving Loan Fund would be returned to it, and the Town's \$40,000 contribution would be returned to the Town.

**Town of Afton, Wyoming
Notes to Financial Statements
June 30, 2013**

6. Capital Assets

Capital asset activity for the year ended June 30, 2013 is as follows:

Governmental Activities:

	June 30, 2012	Additions	Disposals	June 30, 2013
Intangibles	\$ 288,092	\$ -	\$ -	\$ 288,092
Building and improvements	5,578,320	-	-	5,578,320
Infrastructure	3,722,320	-	-	3,722,320
Furniture and equipment	2,746,134	-	-	2,746,134
Accumulated depreciation	(5,221,140)	(490,563)	-	(5,711,703)
Net depreciable capital assets	7,113,726	(490,563)	-	6,623,163
Land	1,386,221	-	(398,403)	987,818
Net capital assets	<u>\$ 8,499,947</u>	<u>\$ (490,563)</u>	<u>\$ (398,403)</u>	<u>\$ 7,610,981</u>

Depreciation expense recognized by the Town's governmental activities was \$490,563.

Business-type Activities:

To provide clarity with respect to how assets are distributed among the Town's proprietary funds, each proprietary fund's capital assets will be presented separately.

Water Fund:

	June 30, 2012	Additions	Disposals	June 30, 2013
Water lines	13,608,373	\$ -	\$ -	\$ 13,608,373
Water tank	943,269	-	-	943,269
Water well	893,438	-	-	893,438
Machinery and Equipment	111,597	-	-	111,597
Total capital assets	15,556,677	-	-	15,556,677
Accumulated depreciation	(4,017,917)	(307,440)	-	(4,325,357)
Net capital assets	<u>\$ 11,538,760</u>	<u>\$ (307,440)</u>	<u>\$ -</u>	<u>\$ 11,231,320</u>

Depreciation expense recognized by the Town's Water Fund was \$307,440.

Town of Afton, Wyoming
Notes to Financial Statements
June 30, 2013

6. Capital Assets, Continued

Capital asset activity for the year ended June 30, 2013 is as follows:

Business-type Activities (continued):

Sewer Fund:

	June 30, 2012	Additions	Disposals	June 30, 2013
Sewer pipe	\$ 2,037,438	\$ -	\$ -	\$ 2,037,438
Sewer cells	1,297,936	-	-	1,297,936
Machinery and equipment	190,929	-	-	190,929
Total capital assets	3,526,303	-	-	3,526,303
Accumulated depreciation	(1,295,552)	(111,280)	-	(1,406,832)
Net capital assets	<u>\$ 2,230,751</u>	<u>\$ (111,280)</u>	<u>\$ -</u>	<u>\$ 2,119,471</u>

Depreciation expense recognized by the Town's Sewer Fund was \$111,280.

Golf Fund:

	June 30, 2012	Additions	Disposals	June 30, 2013
Land improvements	\$ 2,516,323	\$ -	\$ -	\$ 2,516,323
Buildings	44,934	-	-	44,934
Machinery and Equipment	459,113	-	-	459,113
Accumulated depreciation	(820,036)	(149,871)	-	(969,907)
Net depreciable capital assets	2,200,334	(149,871)	-	2,050,463
Land	4,812,864	-	-	4,812,864
Net capital assets	<u>\$ 7,013,198</u>	<u>\$ (149,871)</u>	<u>\$ -</u>	<u>\$ 6,863,327</u>

Depreciation expense recognized by the Town's Golf Fund was \$149,871. The Town purchased certain machinery and equipment under long-term agreements that represent capital leases.

Assets purchased under capital leases, which are included in machinery and equipment above, totaled \$143,027 at June 30, 2013. During 2013, amortization expense on this machinery and equipment was \$9,535, and accumulated amortization totaled \$39,695 at June 30, 2013.

7. Short-Term Borrowings

The Town had no short-term borrowings at June 30, 2013, nor were there any short-term borrowings or repayments for the year then ended.

Town of Afton, Wyoming
Notes to Financial Statements
June 30, 2013

8. Interfund Receivables and Payables

Interfund receivables and payables arise primarily from one fund holding cash on behalf of another fund in order to limit the number of bank accounts held by the Town. Interfund receivables and payables may also arise from one fund making payments on behalf of another fund to cover expenditures until grant revenues are received. When grant or other funds are received, the paying fund is reimbursed for the payments made on behalf of the receiving fund.

Interfund receivables and payables at June 30, 2013 are summarized as follows:

<u>Due To</u>	<u>Due From</u>	<u>Total</u>
General Fund	Fire Fund	\$ 4,931

The golf fund payable to the General Fund is not expected to be repaid during 2014.

9. Interfund Transfers

Interfund transfers for the year ended June 30, 2013 are summarized as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Reason for Transfer</u>	<u>Total</u>
General Fund	Golf Fund	Cover Golf Fund Shortfall	\$ 918,297
General Fund	Golf Fund	Cover Golf Fund Shortfall	143,134

10. Long-Term Obligations

Governmental Activities

As of June 30, 2013, the Town's governmental activities long-term obligations consisted of accrued compensated absences and capital leases payable.

Changes in long-term obligations

Changes in long-term obligations for the governmental activities for the year ended June 30, 2013 are as follows:

	Balance June 30, 2012	Additions	Repayments	Balance June 30, 2013	Current Year Balance
Compensated absences	\$ 61,967	\$ 58,329	\$ (63,415)	\$ 56,881	\$ 30,716
Total	<u>\$ 61,967</u>	<u>\$ 58,329</u>	<u>\$ (63,415)</u>	<u>\$ 56,881</u>	<u>\$ 30,716</u>

Town of Afton, Wyoming
Notes to Financial Statements
June 30, 2013

10. Long-Term Obligations, Continued

Business-type Activities

Water Fund

Changes in long-term obligations for the Water Fund for the year ended June 30, 2013 are as follows:

	Balance June 30, 2012	Additions	Repayments	Balance June 30, 2013	Current Year Balance
Compensated absences	\$ 13,303	\$ 5,832	\$ (11,164)	\$ 7,971	\$ 4,305
Notes payable	1,158,572	-	(75,831)	1,082,741	75,848
Bonds payable	2,533,000	-	(62,000)	2,471,000	64,000
Total	<u>\$ 3,704,875</u>	<u>\$ 5,832</u>	<u>\$ (148,995)</u>	<u>\$ 3,561,712</u>	<u>\$ 144,153</u>

Notes Payable

Note payable to the State of Wyoming Water Development Commission. Due in annual installments of \$72,834, including interest at 4%, maturing in 2023. Secured by water revenue. \$ 590,753

Note payable to the State of Wyoming Water Development Commission. Due in annual installments of \$6,070, including interest at 4.00%, maturing in 2028. Secured by water revenue. 70,735

Note payable to the Wyoming State Land and Investments Board. Due in annual installments of \$23,403, maturing in September 2030. Non-interest bearing. 421,253

Total \$ 1,082,741

Town of Afton, Wyoming
Notes to Financial Statements
June 30, 2013

10. Long-Term Obligations, Continued

Business-type Activities, continued

Water Fund, continued

Notes payable debt service requirements

Debt service requirements to pay notes payable are as follows:

<u>Year Ending June 30,</u>	<u>Total</u>
2014	\$ 75,848
2015	77,946
2016	80,128
2017	82,397
2018	84,757
2019-2023	462,619
2024-2028	143,000
2029-2032	<u>76,046</u>
Total	1,082,741
Less amount due within one year	<u>(75,848)</u>
Amount due after one year	<u><u>\$ 1,006,893</u></u>

Bonds Payable

Original issue amount of \$2,217,000, Water Revenue Bond, Series 2006A. Issued for water system improvements. Due in annual installments ranging from \$37,000 to \$129,000, including interest at 4.375%, maturing in June 2036.

\$ 1,921,000

Original issue amount of \$636,000, Water Revenue Bond, Series 2006B. Issued for water system improvements. Due in annual installments ranging from \$11,000 to \$37,000, including interest at 4.375%, maturing in June 2036.

550,000

Total

\$ 2,471,000

Town of Afton, Wyoming
Notes to Financial Statements
June 30, 2013

10. Long-Term Obligations, Continued

Business-type Activities, continued

Water Fund, continued

Debt service requirements to retire bonds payable are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 64,000	\$ 108,106	\$ 172,106
2015	67,000	105,306	172,306
2016	71,000	102,375	173,375
2017	73,000	99,269	172,269
2018	76,000	96,075	172,075
2019-2023	437,000	427,131	864,131
2024-2028	539,000	322,963	861,963
2029-2033	668,000	194,294	862,294
2034-2036	476,000	42,262	518,262
Total	<u>\$ 2,471,000</u>	<u>\$ 1,497,781</u>	<u>\$ 3,968,781</u>

Sewer Fund

Changes in long-term obligations for the Sewer Fund for the year ended June 30, 2013 are as follows:

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Repayments</u>	<u>Balance June 30, 2013</u>	<u>Current Year Balance</u>
Compensated absences	\$ 5,930	\$ 3,863	\$ (2,598)	\$ 7,195	\$ 3,885
Total	<u>\$ 5,930</u>	<u>\$ 3,863</u>	<u>\$ (2,598)</u>	<u>\$ 7,195</u>	<u>\$ 3,885</u>

Town of Afton, Wyoming
Notes to Financial Statements
June 30, 2013

10. Long-Term Obligations, Continued

Business-type Activities, continued

Golf Fund

Changes in long-term obligations for the Golf Fund for the year ended June 30, 2013 are as follows:

	Balance June 30, 2012	Additions	Repayments	Balance June 30, 2013	Current Year Balance
Compensated absences	\$ 7,020	\$ 2,562	\$ (3,997)	\$ 5,585	\$ 3,016
Capital leases	45,341	-	(31,588)	13,753	13,753
Total	<u>\$ 52,361</u>	<u>\$ 2,562</u>	<u>\$ (35,585)</u>	<u>\$ 19,338</u>	<u>\$ 16,769</u>

Capital Leases Payable

Capital lease for the purchase of golf equipment. Due in annual installments of \$14,856, including interest at 7.75%, maturing in May 2014.

\$ 14,856

Year Ending June 30,

2014
Less amount representing interest
Present value of net minimum lease payments
Less amount due within one year
Amount due after one year

Total
\$ 14,856
1,103
13,753
13,753
\$ -

11. Fund Equity

Restrictions of fund balances and net assets are established to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriable for future expenditures. Specific restrictions on fund balances are summarized below:

Fire Fund: The fund balance is restricted for purposes related to providing fire protection services to the Town, its residents and non-residents residing near the Town's boundaries.

11. Fund Equity, Continued

General Fund: The General Fund lent the Golf Fund money to complete the expansion of the golf course and to cover operating losses for the first several years of the expanded courses operations. The Town recorded the money lent to the Golf Fund for both the expansion and the coverage of operating losses as due to the General Fund from the Golf Fund for the period through June 30, 2011. Beginning in 2012, the client made the determination that it was unlikely that the Golf Fund would ever be able to repay the amount owed to the General Fund and began recognizing the amount subsidized by the General Fund to help cover the operating losses of the Golf Course as Interfund transfers in the year that the subsidy took place. Since it is extremely unlikely that the \$918,297 lent to the Golf Fund from the General Fund prior to June 30, 2011 will ever be repaid, this General Fund asset has been classified as nonspendable in the Balance Sheet – Governmental Funds' Fund Balance section.

The Town's Council has committed \$106,571 of the General Fund's Fund balance for major repairs of the Town's streets

12. Wyoming Retirement System Defined Contribution Plan

All full-time and regular part-time employees participate in the State of Wyoming Retirement System ("the Plan"), a multi-employer, cost-sharing public employee retirement plan. The Plan is a defined contribution plan covering substantially all employees of the State, electing local municipalities, and the Public School System of Wyoming.

The Plan statutorily requires 14.12% of the participant's salary to be contributed to the Plan, with the Town required to contribute a minimum of 7.12% of the employee's salary.

The required contribution to the Wyoming Law Enforcement Retirement Plan (WLERP) part of the Plan is statutorily set at 17.2%. Town employees participating in the WLERP are required to contribute 8.60% of their annual salary to the Plan, with the Town required to contribute the remaining 8.60%.

The required contribution to the Volunteer Firefighter's Pension Plan (VFPP) part of the Plan is statutorily set at 17.2%. Town employees participating in the VFPP are required to contribute 8.6% of their annual salary to the Plan, with the Town required to contribute the remaining 8.6%.

Legislation enacted in 1979 allows the Town to pay any or all of the employee's required contribution in addition to the Town's statutorily required contribution. During the period covered by these financial statements, the Town has elected to contribute both the employer and employee portions of the retirement contribution, even though it is not required to do so.

The Plan allows for normal retirement after four years of service and attainment of age 60. Retirees can select one of five options for receiving benefits. Early retirement is allowed, provided the employee has completed four years of service and attained age 50, but results in a reduction of benefits based on the length of time remaining to normal retirement age. Employees terminating prior to normal retirement can elect to withdraw all employee contributions plus accumulated earnings through the date of their termination.

Town of Afton, Wyoming
Notes to Financial Statements
June 30, 2013

12. Wyoming Retirement System Defined Contribution Plan, Continued

The Town's contributions for the years ended June 30, 2013, 2012 and 2011 totaled \$96,516, \$93,334, and \$102,680, respectively.

The Plan issues stand alone financial statements. A copy of the Plan's financial statements may be obtained by contacting the Wyoming Retirement System at First Floor East - Herschler Building, 122 West 25th Street, Cheyenne, WY 82002.

13. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. Settlements have not exceeded coverage in the past three years.

The Town participates in the Local Government Liability Pool ("the LGLP") to provide general liability insurance. As claims arise, they are submitted to and paid by the LGLP. If necessary, the LGLP may assess members additional amounts to cover losses. No such additional assessments were made during 2013. Coverage has not been reduced and settlements have not exceeded coverage in the last three fiscal years.

14. Bond Covenants

The Series 2006 Water Revenue Bond agreement contains certain requirements including the establishment of a separate bond fund account which is to hold a cash balance equal to one year's principal and interest payments, the establishment of a bond reserve fund account which is to be funded through monthly payments of \$1,439 up to a cash balance of approximately \$175,000, and a financial compliance requirement wherein the water fund must achieve annual net revenues exceeding 125% of annual debt service.

The bond agreement indicates that failure to comply with the above listed requirements is not an instance of default unless the lender provides the Town with written notice requiring that the non-compliance be corrected and the Town does not correct the non-compliance within 60 days. Although the Town is currently out of compliance with all three of the above listed requirements, no notice from the bondholder requiring corrective action has been received.

Required Supplementary Information

Town of Afton, Wyoming
Budgetary Comparison Schedule (Budgetary Basis) for the General Fund
Year Ended June 30, 2013

	Budgeted Amounts		Actual Budgetary Basis	Variances Positive/(Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Property taxes	\$ 149,000	\$ 181,406	\$ 181,406	32,406	\$ -
Sales and use taxes	980,000	980,000	833,020	-	(146,980)
Other taxes	260,450	260,450	200,071	-	(60,379)
Intergovernmental revenues	386,446	344,887	344,666	(41,559)	(221)
Court fines	28,000	28,000	38,560	-	10,560
Town fees and permits	23,100	23,100	24,519	-	1,419
Other local income	147,610	209,765	115,461	62,155	(94,304)
Interest income	9,000	9,000	2,455	-	(6,545)
Total revenues	1,983,606	2,036,608	1,740,158	53,002	(296,450)
Expenditures:					
General government	359,642	359,642	356,541	-	3,101
Public safety	587,801	587,801	557,612	-	30,189
Public works	332,670	353,377	348,745	(20,707)	4,632
Parks and recreation	190,096	193,096	145,970	(3,000)	47,126
Community development	387,750	92,639	106,340	295,111	(13,701)
Principal and interest	-	-	-	-	-
Total expenditures	1,857,959	1,586,555	1,515,208	295,111	71,347
Excess of revenues over expenditures before transfers	125,647	450,053	224,950	(242,109)	(225,103)
Special items:					
Proceeds from sale of capital assets	100,000	631,710	531,710	531,710	(100,000)
Transfer to other fund - prior years	-	-	(918,297)	-	(918,297)
Transfer to other fund - current year	(126,230)	(126,230)	(143,134)	-	(16,904)
Total special items, net	(26,230)	505,480	(529,721)	531,710	(1,035,201)
Change in net position before accrual adjustments	\$ 99,417	\$ 955,533	(304,771)	\$ 289,601	\$ (1,260,304)
Net adjustments to accrual basis of accounting			(50,465)		
Change in net position			\$ (355,236)		

Town of Afton, Wyoming
Budgetary Comparison Schedule (Budgetary Basis) for the Water Fund
Year Ended June 30, 2013

	Budgeted Amounts		Actual Budgetary Basis	Variances Positive/(Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Service fees	\$ 432,200	\$ 432,200	\$ 428,511	\$ -	\$ (3,689)
Other	15,701	15,701	19,836	-	4,135
Total revenues	447,901	447,901	448,347	-	446
Expenses:					
Salaries and benefits	86,153	86,153	93,334	-	(7,181)
Other current expenses	100,402	133,603	123,861	(33,201)	9,742
Total expenses	186,555	219,756	217,195	(33,201)	2,561
Excess of revenues over expenditures before transfers	261,346	228,145	231,152	33,201	3,007
Special items:					
Interest expense	(261,346)	(261,346)	(252,794)	-	(8,552)
Total special items, net	(261,346)	(261,346)	(252,794)	-	(8,552)
Change in net assets before accrual adjustments	\$ -	\$ (33,201)	(21,642)	\$ 33,201	\$ (5,545)
Net adjustments to accrual basis of accounting			(151,470)		
Change in net position			\$ (173,112)		

Town of Afton, Wyoming
Budgetary Comparison Schedule (Budgetary Basis) for the Sewer Fund
Year Ended June 30, 2013

	Budgeted Amounts		Actual Budgetary Basis	Variances Positive/(Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Service fees	\$ 108,261	\$ 108,261	\$ 129,920	\$ -	\$ 21,659
Other	-	-	-	-	-
Total revenues	<u>108,261</u>	<u>108,261</u>	<u>129,920</u>	<u>-</u>	<u>21,659</u>
Expenses:					
Salaries and benefits	60,981	60,981	57,314	-	3,667
Other current expenses	47,280	47,280	38,010	-	9,270
Total expenses	<u>108,261</u>	<u>108,261</u>	<u>95,324</u>	<u>-</u>	<u>12,937</u>
Excess (deficiency) of revenues over (under) expenditures before transfers	<u>-</u>	<u>-</u>	<u>34,596</u>	<u>-</u>	<u>34,596</u>
Special items:					
Interest expense	-	-	-	-	-
Total special items, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets before accrual adjustments	<u>\$ -</u>	<u>\$ -</u>	<u>34,596</u>	<u>\$ -</u>	<u>\$ 34,596</u>
Net adjustments to accrual basis of accounting			<u>(111,223)</u>		
Change in net assets			<u>\$ (76,627)</u>		

Town of Afton, Wyoming
Budgetary Comparison Schedule (Budgetary Basis) for the Golf Fund
Year Ended June 30, 2013

	Budgeted Amounts		Actual Budgetary Basis	Variances Positive/(Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Service fees	\$ 170,000	\$ 170,000	\$ 142,653	\$ -	\$ (27,347)
Other	-	-	-	-	-
Total revenues	170,000	170,000	142,653	-	(27,347)
Expenses:					
Salaries and benefits	167,625	167,625	178,069	-	(10,444)
Other current expenses	143,605	143,605	112,968	-	30,637
Depreciation	-	-	-	-	-
Total expenses	311,230	311,230	291,037	-	30,637
Excess (deficiency) of revenues over (under) expenditures before transfers	(141,230)	(141,230)	(148,384)	-	(7,154)
Special items:					
Interest expense	(14,400)	(14,400)	(14,400)	-	-
Grants	19,700	19,700	19,700	-	-
Interfund transfers - prior years	-	-	918,297	-	(918,297)
Interfund transfers - current year	126,230	126,230	143,134	-	(16,904)
Total special items, net	131,530	131,530	1,066,731	-	(935,201)
Change in net assets before accrual adjustments	\$ (9,700)	\$ (9,700)	918,347	\$ -	\$ (942,355)
Net adjustments to accrual basis of accounting			(117,792)		
Change in net assets			\$ 800,555		

Town of Afton, Wyoming
Notes to Budgetary Comparison Schedules
June 30, 2013

1. Basis of Presentation

The budgetary comparison schedules have been prepared on the cash basis of accounting, which is the same budgetary basis used by the Town.

2. Expenditures in Excess of Budgeted Amounts

Wyoming statute W.S. 16-4-108(a) states “No officer or employee of a municipality shall make any expenditure or encumbrance in excess of the total appropriation for any department”.

Proprietary fund budgets are required for adequate management control and for public information. However, these funds accounts shall not be deemed to have spent amounts in excess of those budgeted when the funds available from all sources are sufficient to cover the additional operating expenditures which have been approved by the governing bodies.

The Town overspent its adopted budget in the General Fund.

Compliance Reports

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

The Honorable Mayor and Town Council
Town of Afton, Wyoming
Afton, 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 Town of Afton, Wyoming, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Town of Afton, Wyoming's basic financial statements and have issued our report thereon dated November 15, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Afton, 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 Town of Afton, Wyoming's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Afton, 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. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as 2013-01, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Afton, 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, and has been included in the accompanying schedule of findings and responses as 2013-02.

Town of Afton, Wyoming's Response to Findings

Town of Afton, Wyoming's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Town of Afton, 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.

DeCoria & Company, PC

DeCoria & Company, PC
Afton, Wyoming

November 15, 2013

**Town of Afton, Wyoming
Schedule of Findings and Responses
Year Ended June 30, 2013**

Finding 2013-1

Condition/Context:

The size of the Town's staff is not large enough to permit an adequate segregation of duties for an effective system of internal control.

Criteria:

An effective system of internal controls requires that closely related duties be segregated.

Effect:

The concentration of duties and responsibilities by a small staff makes it difficult to establish an adequate system of automatic internal checks on the accuracy and reliability of the accounting records.

Cause:

The Town's staff is too small to allow an adequate segregation of duties.

Recommendation:

Although the Town is not large enough to permit a complete segregation of duties for an effective system of internal accounting control, we recommend that officials be aware that the condition does exist and take steps to identify opportunities to further segregate duties where possible.

Views of Responsible Officials and Planned Corrective Actions:

Management, the Mayor and the Town Council are aware of this condition and have made a conscious decision to accept the resulting degree of risk because of cost or other considerations.

**Town of Afton, Wyoming
Schedule of Findings and Responses
Year Ended June 30, 2013**

Finding 2011-2

Condition/Context:

The Town overspent its adopted budget in the General Fund.

Criteria:

W.S. 16-4-108(a) states: “No officer or employee of a municipality shall make any expenditure or encumbrance in excess of the total appropriation for any department.” According to W.S. 16-4-102(a)(vii) “department” means “a functional unit within a fund which carries on a specific activity, such as ... a major program category such as “public safety” in a Town fund.”

Effect:

The Town is out of compliance with W.S.16-4-108(a).

Cause:

The Town adopted a budget for each of the funds, but appears to have not had an effective process in place to monitor budget to actual comparisons, and amend the budget as necessary.

Recommendation:

We recommend that the Town implement a process for monitoring budget to actual comparisons periodically to ensure proper budgetary control.

Views of Responsible Officials and Planned Corrective Actions:

The Town will more closely monitor its budget to actual comparison, and will amend its budgets as needed.

**Town of Afton, Wyoming
Status of Prior Year Findings
Year Ended June 30, 2013**

Finding 2012-1

Condition The size of the Town’s staff is not large enough to permit a complete segregation of duties for an effective system of internal controls.

Status This condition existed again in the current year – see Finding 2013-1.

Finding 2012-2

Condition The Town’s records lack the necessary support for the Town-Wide financial statements.

Status This condition was corrected in the current year.