

TOWN OF MILLS
FINANCIAL STATEMENTS
JUNE 30, 2019

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Larry D. Graham, CPA
Richard P. Reimann, CPA
Stephen A. Willadson, CPA
Stephanie L. Means, CPA
Jack E. Lenhart, CPA - Of Counsel



Joni Kumor, CPA
John A. Smith, CPA
Scott Buckingham, CPA
Andrew J. Beyeler, CPA
Rick Mason, CPA - Of Counsel
Larry G. Bean, CPA - Of Counsel

INDEPENDENT AUDITORS' REPORT

To the Members of the Town Council
Town of Mills
Mills, 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 Mills, as of and for the year ended June 30, 2019, 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.

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 auditors' 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 auditors consider 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 Town of Mills, as of June 30, 2019, and the respective changes in financial position 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 analysis and budgetary comparison information and the Schedule of the Town's Proportionate Share of the Net Pension Liability and Schedule of the Town's Contributions on pages 25 & 26 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2020 on our consideration of the Town of Mills' 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Mills' 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 of Mills' internal control over financial reporting and compliance.

Lenhart, Mason & Associates, LLC

Lenhart, Mason & Associates, LLC
Casper, Wyoming
May 15, 2020

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

TOWN OF MILLS
STATEMENTS OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and cash equivalents (includes pooled cash)	\$ 412,640	\$ 1,612,505	\$ 2,025,145
Accounts receivable	448,803	168,602	617,405
Investments	76,187	-	76,187
Prepaid expenses	736	-	736
Capital assets, not being depreciated	1,132,578	183,959	1,316,537
Capital assets, net of depreciation	10,171,601	4,001,635	14,173,236
Total assets	<u>12,242,545</u>	<u>5,966,701</u>	<u>18,209,246</u>
DEFERRED OUTFLOWS OF RESOURCES			
FOR PENSION PLAN	<u>2,346,205</u>	<u>258,051</u>	<u>2,604,256</u>
LIABILITIES			
Accounts payable	220,194	58,426	278,620
Accrued liabilities	197,141	46,273	243,414
Unearned revenue/customer deposits	-	52,432	52,432
Noncurrent liabilities			
Due within one year	21,290	45,405	66,695
Due in more than one year	182,897	2,281,104	2,464,001
Net pension liability	3,157,785	684,866	3,842,651
Total liabilities	<u>3,779,307</u>	<u>3,168,506</u>	<u>6,947,813</u>
DEFERRED INFLOWS OF RESOURCES			
FOR PENSION PLAN	<u>1,179,643</u>	<u>80,552</u>	<u>1,260,195</u>
NET POSITION			
Invested in capital assets	11,304,179	4,185,594	15,489,773
Restricted	281,883	-	281,883
Unrestricted	(1,956,262)	(1,209,900)	(3,166,162)
Total net position	<u>\$ 9,629,800</u>	<u>\$ 2,975,694</u>	<u>\$ 12,605,494</u>

**TOWN OF MILLS
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Function/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 3,587,236	\$ 196,586	\$ 449,671	\$ (2,940,979)	\$ -	\$ (2,940,979)
Public safety	2,557,922	-	-	(2,557,922)	-	(2,557,922)
Highways and public works	137,200	-	-	(137,200)	-	(137,200)
Parks, recreation, and Community Center	366,347	-	-	(366,347)	-	(366,347)
Total governmental activities	<u>6,648,705</u>	<u>196,586</u>	<u>449,671</u>	<u>(6,002,448)</u>	<u>-</u>	<u>(6,002,448)</u>
Business-type activities:						
Wastewater, water distribution and sanitation	1,855,516	1,800,152	-	-	(55,364)	(55,364)
Total business-type activities	<u>1,855,516</u>	<u>1,800,152</u>	<u>-</u>	<u>-</u>	<u>(55,364)</u>	<u>(55,364)</u>
Total primary government	<u>\$ 8,504,221</u>	<u>\$ 1,996,738</u>	<u>\$ 449,671</u>	<u>(6,002,448)</u>	<u>(55,364)</u>	<u>(6,057,812)</u>
General revenues:						
Property taxes				340,815	-	340,815
General sales and use tax				2,485,675	-	2,485,675
Severance and mineral royalties				272,555	-	272,555
Cigarette tax				56,826	-	56,826
Fuel tax				192,330	-	192,330
Intergovernmental				597,773	-	597,773
Licenses and permits				141,428	-	141,428
Fines and forfeitures				333,040	-	333,040
Unrestricted investment earnings				34,897	-	34,897
Transfers				(101,151)	101,151	-
Miscellaneous income				865,908	853	866,761
Total general revenues				<u>5,220,096</u>	<u>102,004</u>	<u>5,322,100</u>
Change in net position				(782,352)	46,640	(735,712)
Net position - beginning				<u>10,412,152</u>	<u>2,929,054</u>	<u>13,341,206</u>
Net position - ending				<u>\$ 9,629,800</u>	<u>\$ 2,975,694</u>	<u>\$ 12,605,494</u>

**FUND
FINANCIAL STATEMENTS**

**TOWN OF MILLS
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2019**

	General Fund	Total Governmental Fund
ASSETS		
Cash and cash equivalents	\$ 412,640	\$ 412,640
Receivables, net		
Other receivables	243,557	243,557
Sales tax	185,909	185,909
Property tax	2,680	2,680
Other taxes	16,657	16,657
Investments	76,187	76,187
Prepaid expense	736	736
Total assets	\$ 938,366	\$ 938,366
 LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ 220,194	\$ 220,194
Accrued liabilities	197,141	197,141
Notes payable	21,290	21,290
Total liabilities	438,625	438,625
 FUND BALANCES		
Restricted	281,883	281,883
Unassigned:		
General Fund	217,858	217,858
Total fund balances	499,741	499,741
Total liabilities and fund balances	\$ 938,366	\$ 938,366

TOWN OF MILLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Total Governmental Fund
REVENUES		
Taxes		
Sales and use	\$ 2,485,675	\$ 2,485,675
Property	340,815	340,815
Fuels	192,330	192,330
Cigarette	56,826	56,826
Severance and mineral royalties	272,555	272,555
Licenses and permits	141,428	141,428
Fines and forfeitures	333,040	333,040
Intergovernmental	597,773	597,773
Grant revenue	449,671	449,671
Charges for services	196,586	196,586
Miscellaneous revenue	865,911	865,911
Investment earnings	34,897	34,897
Total revenues	5,967,507	5,967,507
EXPENDITURES		
Current		
Public safety	2,557,922	2,557,922
General government	2,306,000	2,306,000
Grants	45,455	45,455
Highways and public works	91,745	91,745
Planning	177,641	177,641
Intergovernmental	188,706	188,706
Debt service		
Principal	98,225	98,225
Interest	4,489	4,489
Capital outlay - land	65,500	65,500
Capital outlay - vehicles	46,581	46,581
Capital outlay - construction in progress	444,421	444,421
Total expenditures	6,026,685	6,026,685
Excess revenues over expenditures	(59,178)	(59,178)
Other financing uses		
Transfers out	(101,151)	(101,151)
Total other financing uses	(101,151)	(101,151)
Net changes in fund balances	(160,329)	(160,329)
Fund balances - beginning	660,070	660,070
Fund balances - ending	\$ 499,741	\$ 499,741

**TOWN OF MILLS
RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET POSITION - GOVERNMENTAL FUND
JUNE 30, 2019**

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

Total fund balances - governmental fund types:		\$ 499,741
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Total capital assets, governmental funds		11,304,179
Long-term liabilities that pertain to governmental funds are not due and payable in the current period and therefor are not reported as fund liability. All liabilities - both current and long-term are reported in the statement of net assets.		
Notes payable	(182,897)	
Net pension liability	<u>(3,157,785)</u>	(3,340,682)
Deferred outflows and inflows of resources are not available revenue or available to pay for current period expenditures, and therefore, the underlying resources are not reported in the governmental funds.		
Deferred outflows of resources for pension plan	2,346,205	
Deferred inflows of resources for pension plan	<u>(1,179,643)</u>	<u>1,166,562</u>
Net position of governmental activities		<u><u>\$ 9,629,800</u></u>

**TOWN OF MILLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2019**

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

Net changes in fund balances - total governmental funds	\$	(160,329)
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Amount reported for governmental activities in the statement of activities are different because:

Borrowings and repayment of principal on long-term debt is revenue and expenditure in the governmental funds, but these amount impact long-term liabilities in the statement of net position. This amount is them amount that borrowings exceed repayments.

Payment of principal on notes payable	98,225	98,225
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Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period, net of dispositions.

Total additions to capital assets	556,502	
Depreciation expense	(667,341)	(110,839)

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

Pension liability prior year	2,150,767	
Pension liability current year	(3,157,785)	
Deferred outflow of resources for pension plan prior year	(1,393,324)	
Deferred outflow of resources for pension plan current year	2,346,205	
Deferred inflows of resources for pension plan prior year	624,371	
Deferred inflows of resources for pension plan current year	(1,179,643)	(609,409)

Change in net position of governmental activities		\$ (782,352)
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**TOWN OF MILLS
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2019**

	Wastewater/ Water Distribution/ Sanitation
ASSETS	
Current assets	
Cash	\$ 1,612,505
Accounts receivable	168,602
Total current assets	1,781,107
Capital assets, not being depreciated	183,959
Capital assets, net of depreciation	4,001,635
Net capital assets	4,185,594
Total assets	5,966,701
DEFERRED OUTFLOWS OF RESOURCES	
Pension plan items	258,051
LIABILITIES AND NET POSITION	
LIABILITIES	
Current liabilities	
Accounts payable	58,426
Accrued liabilities	46,273
Unearned revenue and refundable customer deposits	52,432
Note payable, current	45,405
Total current liabilities	202,536
Noncurrent liabilities, net of current maturities	
Note payable	2,281,104
Net pension liability	684,866
Total noncurrent liabilities	2,965,970
Total liabilities	3,168,506
DEFERRED INFLOWS OF RESOURCES	
Pension plan items	80,552
NET POSITION	
Unreserved, undesignated	2,975,694
Total net position	\$ 2,975,694

TOWN OF MILLS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Wastewater/ Water Distribution/ Sanitation</u>
Operating revenues	
Charges for services	<u>\$ 1,800,152</u>
Operating expenses	
Wastewater	
Personnel	284,411
Pension expense	32,846
Supplies, materials & other	578,467
Depreciation expense	361,294
Water Distribution	
Personnel	69,666
Pension expense	18,565
Supplies, materials & other	31,625
Sanitation	
Personnel	118,879
Pension expense	19,139
Supplies, materials & other	228,175
Total operating expenses	<u>1,743,067</u>
Operating income	<u>57,085</u>
Nonoperating revenues (expenses)	
Gain on sale of equipment	853
Interest	<u>(112,449)</u>
Total nonoperating revenues (expenses)	<u>(111,596)</u>
Transfers in	<u>101,151</u>
Change in net position	46,640
Net position - beginning	<u>2,929,054</u>
Total net position - ending	<u><u>\$ 2,975,694</u></u>

**TOWN OF MILLS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Wastewater/ Water Distribution/ Sanitation</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,800,152
Payments to suppliers	(821,925)
Payments to employees	<u>(472,956)</u>
Net cash provided by operating activities	<u>505,271</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on notes payable	(57,551)
Interest paid	(112,449)
Operating transfers in	<u>101,151</u>
Net cash used in capital and related financing activities	<u>(68,849)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of fixed assets	<u>68,200</u>
Net cash provided by investing activities	<u>68,200</u>
Net increase in cash and cash equivalents	504,622
Cash and cash equivalents - beginning	<u>1,107,883</u>
Cash and cash equivalents - ending	<u>\$ 1,612,505</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 57,085</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	361,293
Decrease in accounts receivable	(2,613)
Increase in accounts payable	11,819
Increase in accrued expenses	1,677
Unearned revenues and refundable customer deposits	5,460
Deferred inflows/outflows	(122,381)
Pension liability	<u>192,931</u>
Total adjustments	<u>448,186</u>
Net cash provided by operating activities	<u>\$ 505,271</u>

TOWN OF MILLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity – The Town has a number of departments to provide police, fire services, water, sewer & sanitation. In addition, the Town Hall houses various general governmental employees.

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

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

Measurement focus, basis of accounting and financial statement presentation – The government-wide financial statements are reported using the *economic resources measurements focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Rent and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government.

The *Enterprise Fund* is used to account for the operations on a self-supporting basis as required by Wyoming statute.

Amounts reported as *program revenues* include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments.

**TOWN OF MILLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, liabilities and net position/fund balance – When both restricted and unrestricted resources are available for use, it is the Board’s policy to use restricted resources first, then unrestricted resources as they are needed.

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

Receivables and payables – The Town records receivables for utility services, tax collections and other miscellaneous services. Accounts due exceeding 30 days are sent delinquent notices with applicable services being shut off 15 days later.

Capital assets – Capital assets which include property, plant, and equipment are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at cost for insurance purposes.

Normal repairs and maintenance of capital assets are not capitalized. These are costs that do not add to the value of the asset, or materially extend the asset’s life.

Property, plant, and equipment is depreciated using the straight line method over the following estimated useful lives:

Asset	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings and improvements	15 - 40	-
Infrastructure	20 - 50	-
Furniture and equipment	5 - 20	5 - 40
Transportation equipment	5	5 - 10

Compensated Absences – It is the Town’s policy to permit employees to accumulate a limited amount of earned and unused vacation and sick leave, which will be paid to employees upon separation from the Town’s service. In governmental funds, the cost of vacation and sick leave is recognized when payments are made to employees. The long-term obligation is recorded and expense recognized as the leave is earned in the governmental activities and proprietary funds.

Defined Benefit Pensions – For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wyoming Retirement System (WRS) and additions to/deductions from the WRS’s fiduciary net position have been determined on the same basis as they are reported by the 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.

TOWN OF MILLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, liabilities and net position/fund balance(continued)

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 on the enterprise fund financial statements.

Fund balance/net position – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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

NOTE 2 – ADJUSTMENTS TO GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION AND ADJUSTMENTS TO STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES

Explanation of certain differences between the governmental fund balance sheet and the statement of net position – The governmental fund balance sheet/statement of net position includes several adjustments between fund balances – total governmental funds and statement of net position. The details of these adjustments are as follows:

Capital assets used in governmental activities are not financial resources and; therefore, are not reported in the governmental fund statements. As capital assets used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in the governmental funds.

The unassigned fund balances for each fund reported in the governmental fund statements have been eliminated in order to reflect the total unrestricted net position in the full-accrual government-wide statement of net position.

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and change in fund balances/statement of activities – The governmental fund statement of revenues, expenditures, and changes in fund balances/statement of activities includes several adjustments between the governmental fund statement of revenues, expenditures, and changes in fund balances/statement of activities. The details of these adjustments are as follows:

Governmental funds report capital outlays as expenditures.

TOWN OF MILLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary information – The Town adopts an annual budget for the General Fund. The budget is presented in the Statement of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual (Budgetary Basis) - General Fund. The budgets for the general fund and enterprise fund are adopted on a cash basis (Budgetary). Such basis is not consistent with generally accepted accounting principles (GAAP).

NOTE 4 – DEPOSITS AND INVESTMENTS

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. Wyoming statutes require that the Town’s deposits in excess of the Federal depository insurance amount be collateralized. At June 30, 2019, the Town’s deposits were fully collateralized or insured.

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments that are in the possession of an outside party. At June 30, 2019 The Town had investments totaling \$729,000. All investments are in certificates of deposit and each has an interest rate of 2.3% and a maturity date of March 30, 2020.

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TOWN OF MILLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 – CAPITAL ASSETS

Capital asset activity for governmental and business-type activities for the year ended June 30, 2019 was as follows:

	Beginning Balance July 1, 2018	Additions	Retirements/ Reclassifications	Ending Balance June 30, 2019
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 613,157	\$ 65,500	\$ 9,500	\$ 688,157
Construction in progress	9,500	444,421	(9,500)	444,421
Total capital assets not being depreciated	<u>622,657</u>	<u>509,921</u>	<u>-</u>	<u>1,132,578</u>
Capital assets being depreciated				
Buildings, improvements and infrastructure	19,587,173	-	-	19,587,173
Vehicles & Equipment	4,331,178	46,581	-	4,377,759
Total capital assets being depreciated	<u>23,918,351</u>	<u>46,581</u>	<u>-</u>	<u>23,964,932</u>
Less accumulated depreciation for				
Buildings, improvements and infrastructure	9,449,777	403,453	-	9,853,230
Vehicles & Equipment	3,676,213	263,888	-	3,940,101
Total accumulated depreciation	<u>13,125,990</u>	<u>667,341</u>	<u>-</u>	<u>13,793,331</u>
Total capital assets being depreciated, net	<u>10,792,361</u>	<u>(620,760)</u>	<u>-</u>	<u>10,171,601</u>
Governmental activities capital assets, net	<u>\$ 11,415,018</u>	<u>\$ (110,839)</u>	<u>\$ -</u>	<u>\$ 11,304,179</u>
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 183,959	\$ -	\$ -	\$ 183,959
Total capital assets not being depreciated	<u>183,959</u>	<u>-</u>	<u>-</u>	<u>183,959</u>
Capital assets being depreciated				
Buildings, improvements and infrastructure	7,545,726	-	68,200	7,477,526
Vehicles & Equipment	3,358,546	-	-	3,358,546
Total depreciable assets	<u>10,904,272</u>	<u>-</u>	<u>68,200</u>	<u>10,836,072</u>
Less accumulated depreciation for				
Buildings, improvements and infrastructure	3,886,269	175,860	(852)	4,061,277
Vehicles & Equipment	2,587,727	185,433	-	2,773,160
Total accumulated depreciation	<u>6,473,996</u>	<u>361,293</u>	<u>(852)</u>	<u>6,834,437</u>
Total capital assets being depreciated, net	<u>4,430,276</u>	<u>(361,293)</u>	<u>69,052</u>	<u>4,001,635</u>
Business-type activities capital assets, net	<u>\$ 4,614,235</u>	<u>\$ (361,293)</u>	<u>\$ 69,052</u>	<u>\$ 4,185,594</u>

TOWN OF MILLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6 – DEFINED BENEFIT PENSION PLAN

All eligible Town employees are covered under one of three retirement plans in the Wyoming Retirement System:

Wyoming Retirement System

Public Employee Pension Plan

The Public Employee Pension Plan is a cost sharing multiple-employer defined benefit pension plan. The Plan provides retirement, disability benefits, and death benefits to plan participants and beneficiaries. The Wyoming Legislature statutorily establishes and amends the benefit provisions.

Benefits provided – The determination of retirement benefits is dependent upon the employee's initial employment date.

Service Retirement Tier 1: Full retirement at age 60 with four years of service or qualified for the Rule of 85. Early retirement is permitted at age 50 or 25 years of services. Formula for retirement equals 2.125% times the number of years of services times three year highest average salary for the first fifteen years and 2.25% times the number of years of services times the three year highest average salary over fifteen years.

Service Retirement Tier 2: Full retirement at age 65 with four years of service or qualified for the Rule of 85. Early retirement is permitted at age 55 or 25 years of service. Formula for retirement equals 2% time the number of years of service times the five year highest average salary.

Law Enforcement Pension Plan

The Wyoming Law Enforcement Pension Plan is a cost sharing multiple employer defined benefit, contributory plan covering the Town's law enforcement officers. The plan statutorily provides retirement, disability and death benefits according to predetermined amounts determined by salary, age and years of service of the participant. Participants may withdraw from the Plan at any time and receive refunds of participant contributions plus accumulated interest.

Benefits provided – The determination of retirement benefits is dependent upon the employee's length of service. Full retirement is obtained at age 60 with four or more years of service or at any age with 20 or more years of service. The formula for retirement equals 2.5% times the number of years of service times the five year highest average salary with a maximum of 75%.

**TOWN OF MILLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Wyoming Retirement System (continued)

Paid Firemen’s Pension Plan B

The Paid Firemen’s Pension Plan B is a cost sharing multiple employer defined benefit, contributory retirement plan covering paid firemen who were employed after July 1, 1981. The Plan provides retirement, disability and death benefits according to predetermined formulas. Participants may withdraw from the Plan at any time and receive refunds of participant contributions without interest.

Benefits provided – The determination of retirement benefits is dependent upon the employee’s length of service. Full retirement is obtained at age 50 with four or more years of service. The formula for retirement equals 2.8% times the number of years of service times the three year highest average salary with a maximum of 25 years of service or 70%.

Wyoming Retirement System Contributions – The plans are funded by amounts withheld from participating employees’ salaries and by contributions from the Town. These contributions are determined by state statutes. Contribution rates applicable to the Town are as follows for the years ended June 30:

	2019	2018	2017
Public Employees Plan			
Employer contribution rate	8.620%	8.375%	8.375%
Employee contribution rate	8.500%	8.250%	8.250%
Total Contribution Rate	<u>17.120%</u>	<u>16.625%</u>	<u>16.625%</u>
Law Enforcement Plan			
Employer contribution rate	8.600%	8.600%	8.600%
Employee contribution rate	8.600%	8.600%	8.600%
Total Contribution Rate	<u>17.200%</u>	<u>17.200%</u>	<u>17.200%</u>
Paid Firemen's Plan			
Employer contribution rate	12.000%	12.000%	12.000%
Employee contribution rate	9.245%	9.245%	9.245%
Total Contribution Rate	<u>21.245%</u>	<u>21.245%</u>	<u>21.245%</u>

TOWN OF MILLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Wyoming Retirement System Contributions (continued) –Contributions by the Town to the Plans are as follows for the years ended June 30:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Employer contributions			
Public Employees Plan	\$ 103,120	\$ 93,850	\$ 97,394
Law Enforcement Plan	84,551	75,218	76,379
Paid Firemen's Plan	58,240	68,170	72,274
Total contributions	<u>\$ 245,911</u>	<u>\$ 237,238</u>	<u>\$ 246,047</u>

Pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions - At June 30, 2019 the Town reported a liability of \$3,842,651 for its proportionate share of the net pension liability. The liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019. The Town portion of the net pension liability was based on the relationship of the Town’s total contributions to the plan for the year ended December 31, 2018 to the contributions of all participant employers for the same period. At December 31, 2018, the Town’s liability as well as their proportion were as follows for each plan in which the Town participates:

	<u>Pension Liability at December 31, 2018</u>	<u>Proportion at December 31, 2018</u>	<u>Increase (decrease) from December 31, 2017</u>
Public Employees' Plan	\$ 2,020,334	0.06634%	0.00629%
Law Enforcement Plan	1,424,301	0.58838%	0.06219%
Paid Firemen's Plan	398,016	1.89683%	-0.09456%
	<u>\$ 3,842,651</u>		

For the year ended June 30, 2019, the Town recognized pension expense of \$679,954.

**TOWN OF MILLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions (continued) – At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

\$69,379 reported as deferred outflows of resources related to pensions resulting from the Town’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

	<u>Deferred Outflows of Resources</u>			<u>Total Outflows</u>
	<u>Public Employees</u>	<u>Law Enforcement</u>	<u>Paid Firemen</u>	
Change in employer's proportionate share	\$ 162,018	\$ 77,306	\$ 76,375	\$ 315,699
Net difference between projected and actual earnings on pension plan investment	475,953	273,765	361,301	1,111,019
Difference between expected and actual experience of the Total Pension Liability	91,370	425,838	590,951	1,108,159
Amortizing deferred outflows	729,341	776,909	1,028,627	2,534,877
Contributions subsequent to the measurement date	31,900	21,271	16,208	69,379
Total outflows	<u>\$ 761,241</u>	<u>\$ 798,180</u>	<u>\$ 1,044,835</u>	<u>\$ 2,604,256</u>

	<u>Deferred Inflows of Resources</u>			<u>Total Inflows</u>
	<u>Public Employees</u>	<u>Law Enforcement</u>	<u>Paid Firemen</u>	
Change in employer's proportionate share	\$ 22,028	\$ 36,629	\$ 48,938	\$ 107,595
Net difference between projected and actual earnings on pension plan investment	167,518	123,258	106,221	396,997
Difference between expected and actual experience of the Total Pension Liability	48,081	61,087	646,435	755,603
Amortizing deferred inflows	<u>\$ 237,627</u>	<u>\$ 220,974</u>	<u>\$ 801,594</u>	<u>\$ 1,260,195</u>

**TOWN OF MILLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions (continued) – Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	Deferred Outflows	Deferred Inflows
2020	\$ 799,023	\$ (315,745)
2021	640,297	(292,039)
2022	568,050	(280,306)
2023	413,334	(119,434)
2024	71,260	(109,034)
Thereafter	42,913	(143,637)
	\$ 2,534,877	\$ (1,260,195)

Actuarial assumptions – The total pension liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	4.50% - 8.75%, including inflation
Payroll growth rate	2.50%
Cost of living increase	0.00%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale BB.

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 investments 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 the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Arithmetic Real Rate of Return
Cash	0.00%	0.30%
Fixed income	20.00%	2.00%
Equity	49.00%	7.40%
Marketable alternatives	19.00%	3.50%
Private markets	12.00%	7.00%
Total	100.00%	

TOWN OF MILLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Experience analysis – An experience study was conducted on behalf of all WRS’ plans covering the five-year period ended December 31, 2016. That study provided a detailed analysis concerning the development of the long-term inflation rate, real rate of return and discount rate. The study also analyzed each major actuarial assumption (e.g., mortality, salary increases, retirement, termination and disability) and proposed assumptions consistent with the findings.

Discount rate – The discount rates used to measure the total pension liability were 7.00% and 5.92% for the Public Employee and Law Enforcement Plans and the Paid Firemen’s Plan respectively. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the current contribution rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the employer’s proportionate share of the net pension liability to changes in the discount rate – The following presents the Town’s proportionate share of the net pension liability calculated using the above discount rates, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using discount rates that are 1-percentage-point lower or 1-percentage-point higher than the current rates:

Proportionate share of the net pension liabilities	Current Single Discount		
	1% Decrease	Rate Assumption	1% Increase
Public Employee's Plan	6.000%	7.000%	8.000%
	\$ 2,801,931	\$ 2,020,334	\$ 1,368,099
Law Enforcement Plan	4.920%	5.920%	6.920%
	\$ 2,144,414	\$ 1,424,301	\$ 840,502
Paid Firemen's Plan	6.000%	7.000%	8.000%
	\$ 829,164	\$ 398,016	\$ 40,383

Pension plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued WRS financial report available from the Wyoming Retirement System, 6101 Yellowstone Road, Cheyenne, Wyoming 82002 or at <https://retirement.state.wy.us/home/index.html>.

TOWN OF MILLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7 –LONG TERM OBLIGATIONS

Long-term debt obligations consist of the following:

Note payable to a government agency, payable in quarterly installments of \$5,322, due October 2023	\$ 90,481
Note payable to a government agency, payable in annual installments of \$6,689, due October 2036	113,706
5.38% Note payable to a government agency, payable in annual installments of \$169,740 including interest, due June 2047	<u>2,326,509</u>
	2,530,696
Less current portion	<u>(66,695)</u>
Long-term portion	<u><u>\$ 2,464,001</u></u>

Principal maturities and interest payable on long-term debt over future periods are as follows:

Year	Principal	Interest	Total
2020	\$ 66,695	\$ 126,623	\$ 193,318
2021	73,384	124,335	197,719
2022	78,330	121,925	200,255
2023	81,002	119,388	200,390
2024	67,848	116,716	184,564
2025 - 2029	360,346	504,452	864,798
2030 - 2034	456,785	402,896	859,681
2035 - 2039	568,296	271,381	839,676
2040 - 2044	709,961	101,068	811,029
2045	68,049	4,366	72,415
	<u>\$ 2,530,696</u>	<u>\$ 1,893,149</u>	<u>\$ 4,423,845</u>

For the year ended June 30, 2019, interest expense on long-term debt obligations totaled \$112,449.

The agreements contain restrictive covenants which, among other things, require annual financial statements be provided within 150 days of the close of each fiscal year. The Town was not in compliance with this covenant for the year ended June 30, 2019.

TOWN OF MILLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7 – LONG TERM OBLIGATIONS (CONTINUED)

Changes in long-term debt obligations are as follows:

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Amounts Due Within One Year
Governmental activities:					
Compensated absences	\$ 131,135	\$ 154,467	\$ 159,526	\$ 126,076	\$ 75,646
Notes payable	233,531	-	29,345	204,186	21,290
Capital leases	68,880	-	68,880	-	-
Total governmental activities	<u>433,546</u>	<u>154,467</u>	<u>257,751</u>	<u>330,262</u>	<u>96,936</u>
Business-type activities:					
Compensated absences	\$ 36,399	\$ 56,663	\$ 54,986	\$ 38,076	\$ 22,846
Note payable	2,384,060	-	57,550	2,326,510	45,405
Total business-type activities	<u>2,420,459</u>	<u>56,663</u>	<u>112,536</u>	<u>2,364,586</u>	<u>68,251</u>
Total long-term obligations	<u>\$ 2,854,005</u>	<u>\$ 211,130</u>	<u>\$ 370,287</u>	<u>\$ 2,694,848</u>	<u>\$ 165,186</u>

NOTE 9 – RISK MANAGEMENT

The Town is exposed to various risks of loss including torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Town has purchased commercial insurance for these risks that include insurance for property and liability. The coverage under each type of insurance policy varies in amounts and deductibles. The uninsured risk retention is the amount by which claims exceeded coverage. The Town has not had significant settlements exceeding insurance coverage in any of the past three fiscal years. The Town has had no significant reductions in insurance coverage from coverage in prior years.

NOTE 10 – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 87, *Leases*, is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This standard is effective for reporting periods beginning after December 15, 2020. Management is currently evaluating the impact that the provisions of the statement will have on the Town's financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF MILLS
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF
THE NET PENSION ASSET / LIABILITY
LAST 5 FISCAL YEARS***

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Public Employees Plan						
Proportion of the net pension liability	0.066%	0.060%	0.058%	0.057%	0.052%	0.046%
Proportionate share of the net pension liability	\$ (2,020,334)	\$ (1,368,806)	\$ (1,407,616)	\$ (1,316,328)	\$ (910,391)	\$ (703,933)
Covered employee payroll	\$ 1,196,186	\$ 1,121,264	\$ 1,128,255	\$ 934,771	\$ 939,118	\$ 1,149,001
Proportionate share of the net pension liability as a percentage of covered employee payroll	168.90%	122.08%	124.76%	140.82%	96.94%	61.26%
Plan fiduciary net position as a percentage of the total pension liability	69.17%	76.35%	73.42%	73.40%	79.08%	**
Law Enforcement Plan						
Proportion of the net pension liability	0.588%	0.526%	0.527%	0.482%	0.787%	0.448%
Proportionate share of the net pension liability	\$ (1,424,301)	\$ (452,753)	\$ (397,496)	\$ (361,981)	\$ (231,987)	\$ (81,838)
Covered employee payroll	\$ 1,000,599	\$ 874,628	\$ 888,494	\$ 707,064	\$ 737,169	\$ 654,843
Proportionate share of the net pension liability as a percentage of covered employee payroll	142.34%	51.77%	44.74%	51.19%	31.47%	12.50%
Plan fiduciary net position as a percentage of the total pension liability	71.22%	87.99%	88.11%	87.49%	94.76%	**
Paid Firemen's Plan						
Proportion of the net pension liability	1.896%	1.991%	1.902%	1.676%	1.535%	1.370%
Proportionate share of the net pension liability	\$ (398,016)	\$ (821,147)	\$ (600,168)	\$ (512,323)	\$ 17,264	\$ 49,420
Covered employee payroll	\$ 485,328	\$ 559,827	\$ 602,645	\$ 450,628	\$ 425,775	\$ 414,678
Proportionate share of the net pension liability as a percentage of covered employee payroll	82.01%	146.68%	99.59%	113.69%	4.05%	11.92%
Plan fiduciary net position as a percentage of the total pension liability	87.07%	77.98%	80.16%	79.33%	100.98%	**

*This schedule is to be built prospectively until it contains ten years of data.

**Information not available.

**TOWN OF MILLS
SCHEDULE OF THE TOWN'S CONTRIBUTIONS
LAST 5 FISCAL YEARS***

	2019	2018	2017	2016	2015	2014
Public Employees Plan						
Contractually required contribution	\$ 204,787	\$ 186,354	\$ 187,516	\$ 155,359	\$ 149,038	\$ 167,984
Contributions in relation to contractually required contributions	<u>204,787</u>	<u>186,354</u>	<u>187,516</u>	<u>155,359</u>	<u>149,038</u>	<u>167,984</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 1,196,186	\$ 1,121,264	\$ 1,128,255	\$ 934,771	\$ 939,118	\$ 1,149,001
Contributions as a percentage of covered employee payroll	17.12%	16.62%	16.62%	16.62%	15.87%	14.62%
Law Enforcement Plan						
Contractually required contribution	\$ 172,103	\$ 150,436	\$ 152,821	\$ 121,615	\$ 126,793	\$ 112,633
Contributions in relation to contractually required contributions	<u>172,103</u>	<u>150,436</u>	<u>152,821</u>	<u>121,615</u>	<u>126,793</u>	<u>112,633</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 1,000,599	\$ 874,628	\$ 888,494	\$ 707,064	\$ 737,169	\$ 654,843
Contributions as a percentage of covered employee payroll	17.2%	17.2%	17.2%	17.2%	17.2%	17.2%
Paid Firemen's Plan						
Contractually required contribution	\$ 103,108	\$ 118,935	\$ 128,032	\$ 95,736	\$ 90,456	\$ 85,942
Contributions in relation to contractually required contributions	<u>103,108</u>	<u>118,935</u>	<u>128,032</u>	<u>95,736</u>	<u>90,456</u>	<u>85,942</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 485,328	\$ 559,827	\$ 602,645	\$ 450,628	\$ 425,775	\$ 414,678
Contributions as a percentage of covered employee payroll	21.245%	21.245%	21.245%	21.245%	21.245%	20.725%

*This schedule is to be built prospectively until it contains ten years of data.

**Information not available.

SCHEDULE 3

TOWN OF MILLS
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes and intergovernmental	\$ 3,974,350	\$ 3,867,350	3,945,972	\$ 78,622
Licenses and permits	124,600	124,600	141,428	16,828
Special revenues - State Grant	855,080	855,080	449,671	(405,409)
Charges for services	365,000	300,000	196,586	(103,414)
Fines and forfeitures	165,000	200,000	333,040	133,040
Miscellaneous revenue	843,620	1,004,320	1,020,380	16,060
Investment earnings	40,000	20,000	34,897	14,897
Total revenues	<u>6,367,650</u>	<u>6,371,350</u>	<u>6,121,974</u>	<u>(249,376)</u>
EXPENDITURES				
Current:				
General government	2,335,911	2,220,735	2,502,724	(281,989)
Public safety	2,904,818	2,806,514	2,557,924	248,590
Highways and public works	966,439	969,439	137,199	832,240
Parks and recreation	485,577	519,077	366,346	152,731
Total expenditures	<u>6,692,745</u>	<u>6,515,765</u>	<u>5,564,193</u>	<u>951,572</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>\$ (325,095)</u>	<u>\$ (144,415)</u>	<u>\$ 557,781</u>	<u>\$ 702,196</u>

TOWN OF MILLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

NOTE 1 – CHANGES IN BENEFIT TERMS

There were no changes in benefit terms between the December 31, 2017 measurement date and the December 31, 2018 measurement date.

NOTE 2 – CHANGES IN ASSUMPTIONS

Changes in assumptions December 31, 2015 – There were changes in assumptions made between the December 31, 2014 measurement date and the December 31, 2015 measurement date for the Paid Firemen's Plan. The changes resulted in a \$20,165,038 increase to deferred outflows of resources by source to be recognized in future pension expenses. The portion allocable to the Town was \$337,895.

Changes in assumptions December 31, 2016 – There were changes in assumptions made between the December 31, 2015 measurement date and the December 31, 2016 measurement date for the Paid Firemen's Plan. The changes resulted in a \$1,498,059 increase to deferred inflows of resources by source to be recognized in future pension expenses. The portion allocable to the Town was \$28,487.

Changes in assumptions December 31, 2017 – There were changes in assumptions made between the December 31, 2016 measurement date and the December 31, 2017 measurement date for the Public Employees Plan, the Law Enforcement Plan, and the Paid Firemen's Plan. The changes resulted in a \$358,962,042 increase to deferred outflows of resources by source to be recognized in future pension expenses. The portion allocable to the Town was \$778,544.

Changes in assumptions December 31, 2018 – There were changes in assumptions made between the December 31, 2017 measurement date and the December 31, 2018 measurement date for the Law Enforcement Plan and the Paid Firemen's Plan. The Law Enforcement Plan changes resulted in a \$94,255,216 increase to deferred outflows of resources to be recognized in future pension expenses. The portion allocable to the Town was \$554,577. The Paid Firemen's Plan changes resulted in a \$29,804,719 increase to deferred inflows of resources to be recognized in future pension expenses. The portion allocable to the Town was \$565,344.

TOWN OF MILLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

NOTE 3 – BASIS OF BUDGETING

The Town’s budgets are prepared on the budgetary (cash) basis of accounting and exclude noncash items; the Town’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The adjustments necessary to convert the budgetary basis revenues and expenditures to GAAP basis revenues and expenditures of the general fund are as follows:

Revenues

Actual amounts (budgetary basis) from budgetary comparison schedule	\$ 6,121,974
Difference - Budgetary Basis to GAAP	
Loan proceeds	(154,467)
	(154,467)
Total revenues are reported on the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund	\$ 5,967,507
	5,967,507

Expenditures

Actual amounts (budgetary basis) from budgetary comparison schedule	\$ 5,564,193
Differences	
Capital expenditures	(556,502)
Loan reductions	(257,751)
Accrual of pension expenses	609,404
Depreciation expense	667,341
	667,341
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund	\$ 6,026,685
	6,026,685

**INDEPENDENT AUDITORS' 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**

Members of the Town Council
Town of Mills
Mills, 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 government activities, the business-type activities, and each major fund of Town of Mills, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Mills basic financial statements, and have issued our report thereon dated May 15, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Mills' 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 Mills' internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Mills' 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 have not been identified. We did identify certain deficiencies in internal control, described below as items 2019-001, and 2019-002, that we consider to be material weaknesses.

2019-001: Check Signers – Material Weakness

Condition: The Town has designated the Town Clerk and the Town Treasurer as check signers on multiple bank accounts.

Criteria: A sound internal control system separates the functions of a transaction so that no one person authorizes, records and has control of the asset.

Cause: The Town was not aware that this creates a weakness in internal control.

Identification as a Repeat Finding: See 2018-001

Effect: Having the same person recording a transaction that can sign a check allows the opportunity for fraud to occur.

Recommendation: The Town should review the check signers on all accounts and remove signers that also have access to the accounting function.

Views of responsible officials and planned corrective actions: Management concurs with the recommendation and is implementing it.

2019-002: Town Court – Material Weakness

Condition: The Town Court assesses fines and maintains a record of these. However, the fines do not get recorded by the Town until they are actually paid. The court is using the court module of the accounting software used by the Town, but the outstanding fines owed to the Town have not been recorded as a receivable and therefore have not included the fines as revenue when assessed.

Criteria: Under professional standards, for the government wide financial statements, the amount of fines should be recorded at the time the fine is assessed and a subledger of outstanding amounts should be maintained.

Cause: The Town Court and the Town have not established a procedure that integrates the court data into the general ledger to timely record fines.

Identification as a Repeat Finding: See 2018-003

Effect: The balance sheet does not reflect outstanding fines, however daily receipted payments and bonds are recorded. Revenues may not be recorded in the proper accounting period.

Recommendation: The Town should integrate the general ledger to record fines maintained by the Town Court in the court module of Caselle. This will provide assurance that all fines are properly recorded in addition to providing Town Council with details of the outstanding balances.

View of Responsible Officials and Planned Corrective Actions: The Court utilizes the accounting system to track fines and will work with the Town Treasurer to integrate the Court tracking of fines with the Town's general ledger.

Compliance and Other Matters

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

Purpose of this Report

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

Lenhart, Mason & Associates, LLC

Lenhart, Mason & Associates, LLC

Casper, Wyoming

May 15, 2020

**TOWN OF MILLS, WYOMING
STATUS OF PRIOR YEAR'S FINDINGS
JUNE 30, 2019**

Prior year's finding that has been corrected:

2018-002: Audit Adjustments – Material Weakness

Condition: For the year ended June 30, 2019, adjustments that collectively were material to the basic financial statements were proposed related to various asset and liability accounts and the related revenue and expenses.

Criteria: Under professional standards, the control deficiency exists as the Town personnel did not identify the adjusting and reclassification journal entries, which were necessary in order to properly state the Town's financial statements in accordance with GAAP.

Cause: The Town did not have an effective control system in place to identify the adjustments proposed.

This finding was not noted in the current year.



704 Fourth St

P.O. Box 789

Mills, WY 82644

P: 307-234-6679

F: 307-234-6528

February 19, 2020

In reference to Audit 2019 Internal Controls 2019-001 Check Signers - Material Weakness, the below is an explanation as to how this is rectified to the best of the ability of the Town given the staffing and requirements available.

While there is the possibility for either the Clerk or the Treasurer to cut a check and also sign that check, the Mayor (or designated Councilman in the Mayor's absence) is also required to sign the check as well. It is the procedure of the Clerk and Treasurer Offices to have the Clerk enter any manual checks for immediate payment and give them to the Treasurer to verify and sign the check. It is the procedure also for the Treasurer to enter all the Accounts Payable invoices for the check runs approved by Council and for the Clerk to verify and sign the checks.

The Clerk of Court submits documentation for any Bond Refunds, which the Town Clerk cuts the check and then the Clerk of Court signs once it is returned to her with the Mayors signature.

Considering the number of employees working in an administrative capacity for the Town, this procedure that has been adopted is the most feasible option. It requires a minimum of three people to execute and therefore the Town does not believe this to be a weakness in our internal controls. Also, every member of the Town Administrative staff that cuts and signs checks has undergone a background investigation that also includes a polygraph.


Christina Pope - Treasurer


Christine Trumbull - Clerk


Seth Coleman - Mayor