

TOWN OF MILLS
FINANCIAL STATEMENTS
JUNE 30, 2017

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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, 2017, 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.

Basis for Qualified Opinion

As discussed in Note 5, management had not maintained a fixed asset listing, nor had they recorded depreciation on the fixed assets. Accounting principles require that fixed assets be recorded at cost and that they be depreciated over their estimated useful lives. Instead, the fixed assets on the government wide financials are reported at the value insured as of June 30, 2014 plus the cost of items purchased since that time. No provision has been made for depreciation on the fixed assets.

In addition, the statement of cash flows for the enterprise funds has been omitted.

The Town has elected not to follow GASB 68 regarding defined benefit pension plans, as disclosed in Note 7.

The amount by which these departures would affect the assets, fund balance, and revenues has not been determined.

Opinions

In our opinion, except for the effects of the matters described in the “Basis for Qualified Opinion on General Fund” paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Mills, as of June 30, 2017, 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

Management has omitted *Management’s Discussion & Analysis* and budgetary comparison information 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 April 2, 2018, 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 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 of Mills’ internal control over financial reporting and compliance.

Lenhart, Mason & Associates, LLC

Lenhart, Mason & Associates, LLC
Casper, Wyoming
April 2, 2018

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

**TOWN OF MILLS
STATEMENT OF NET POSITION
JUNE 30, 2017**

ASSETS	Governmental Activities	Business-type Activities	Totals
Cash and cash equivalents (includes pooled cash)	\$ 2,210,267	\$ 557,188	\$ 2,767,455
Accounts receivable	293,325	300,354	593,679
Prepaid expenses	17,557	-	17,557
Capital assets			
Land	405,079	-	405,079
Buildings and improvements	6,580,000	7,477,300	14,057,300
Furniture and fixtures	715,400	3,110,000	3,825,400
Vehicles and equipment	2,588,625	164,390	2,753,015
Total assets	<u>12,810,253</u>	<u>11,609,232</u>	<u>24,419,485</u>
LIABILITIES			
Accounts payable	134,782	44,520	179,302
Accrued liabilities	117,786	24,145	141,931
Note payable	6,689	-	6,689
Noncurrent liabilities			
Due within one year	134,996	-	134,996
Due in more than one year	127,084	-	127,084
Total liabilities	<u>521,337</u>	<u>68,665</u>	<u>590,002</u>
NET POSITION			
Invested in capital assets	10,020,336	10,751,690	20,772,026
Unrestricted	2,275,139	788,877	3,064,016
Total net position	<u>\$ 12,295,475</u>	<u>\$ 11,540,567</u>	<u>\$ 23,836,042</u>

**TOWN OF MILLS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 2,472,744	\$ 337,455	\$ 539,963	\$ (1,595,326)	\$ -	\$ (1,595,326)
Public safety	1,332,128	-	-	(1,332,128)	-	(1,332,128)
Highways and public works	212,961	-	-	(212,961)	-	(212,961)
Parks, recreation, and Community Center	333,978	-	-	(333,978)	-	(333,978)
Total governmental activities	4,351,811	337,455	539,963	(3,474,393)	-	(3,474,393)
Business-type activities:						
Wastewater, water distribution and sanitation	1,200,886	1,380,479	-	-	179,593	179,593
Total business-type activities	1,200,886	1,380,479	-	-	179,593	179,593
Total primary government	\$ 5,552,697	\$ 1,717,934	\$ 539,963	(3,474,393)	179,593	(3,294,800)
General revenues:						
Property taxes				322,037	-	322,037
General sales and use tax				2,033,807	-	2,033,807
Severance and mineral royalties				272,299	-	272,299
Cigarette tax				66,448	-	66,448
Fuel tax				188,104	-	188,104
Intergovernmental				628,476	-	628,476
Licenses and permits				119,162	-	119,162
Fines and forfeitures				108,372	-	108,372
Unrestricted investment earnings				11,041	-	11,041
Miscellaneous income				286,997	-	286,997
Total general revenues				4,036,743	-	4,036,743
Change in net position				562,350	179,593	741,943
Net position - beginning, as restated				11,733,125	11,360,974	23,094,099
Net position - ending				\$ 12,295,475	\$ 11,540,567	\$ 23,836,042

**FUND
FINANCIAL STATEMENTS**

**TOWN OF MILLS
BALANCE SHEETS
GOVERNMENTAL FUNDS
JUNE 30, 2017**

	General Fund	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 2,210,267	\$ 2,210,267
Receivables, net		
Other receivables	121,069	121,069
Sales tax	151,685	151,685
Property tax	4,529	4,529
Other taxes	16,041	16,041
Prepaid expense	17,557	17,557
Total assets	\$ 2,521,148	\$ 2,521,148
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ 134,782	\$ 134,782
Accrued liabilities	117,786	117,786
Note payable	6,689	6,689
Total liabilities	259,257	259,257
FUND BALANCES		
Unassigned:		
General Fund	2,261,891	2,261,891
Total fund balances	2,261,891	2,261,891
Total liabilities and fund balances	\$ 2,521,148	\$ 2,521,148

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

	General Fund	Total Governmental Funds
REVENUES		
Taxes		
Sales and use	\$ 2,033,807	\$ 2,033,807
Property	322,037	322,037
Fuels	188,104	188,104
Cigarette	66,448	66,448
Severance and mineral royalties	272,299	272,299
Licenses and permits	119,162	119,162
Fines and forfeitures	108,372	108,372
Intergovernmental	628,476	628,476
Grant revenue	539,963	539,963
Charges for services	337,455	337,455
Miscellaneous revenue	286,997	286,997
Proceeds from long term debt	99,306	99,306
Investment earnings	11,041	11,041
Total revenues	5,013,467	5,013,467
EXPENDITURES		
Current		
Public safety	2,472,744	2,472,744
General government	1,332,128	1,332,128
Grants	84,114	84,114
Highways and public works	128,847	128,847
Planning	177,854	177,854
Intergovernmental	156,124	156,124
Debt service		
Principal	64,669	64,669
Interest	6,559	6,559
Capital outlay - radio reads	248,645	248,645
Capital outlay - vehicles	71,499	71,499
Total expenditures	4,743,183	4,743,183
Excess revenues over expenditures	270,284	270,284
Net changes in fund balances	270,284	270,284
Fund balances - beginning, as restated	1,991,607	1,991,607
Fund balances - ending	\$ 2,261,891	\$ 2,261,891

**TOWN OF MILLS
BALANCE SHEET RECONCILIATION TO
STATEMENT OF NET POSITION
JUNE 30, 2017**

Total fund balances - governmental fund types: \$ 2,261,891

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

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. (262,079)

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 10,289,104

Net position of governmental activities \$ 12,288,916

**TOWN OF MILLS
STATEMENT OF CHANGES IN FUND BALANCES RECONCILIATION TO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Net changes in fund balances - total governmental funds	\$	270,284
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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 the amount that borrowings exceed repayments.		(34,637)
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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.		320,144
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Change in net position of governmental activities	\$	<u>555,791</u>
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**TOWN OF MILLS
STATEMENT OF FUND NET POSITION
ENTERPRISE FUND
JUNE 30, 2017**

	<u>Wastewater/ Water Distribution/ Sanitation</u>
ASSETS	
Current assets:	
Cash	\$ 557,188
Accounts receivable	300,354
Total current assets	<u>857,542</u>
Capital assets	
Buildings and improvements	7,477,300
Furniture and fixtures	3,110,000
Vehicles and equipment	164,390
Total capital assets	<u>10,751,690</u>
Total assets	<u>11,609,232</u>
LIABILITIES AND NET POSITION	
LIABILITIES	
Current liabilities:	
Accounts payable	44,520
Accrued liabilities	24,145
Total current liabilities	<u>68,665</u>
NET POSITION	
Unreserved, undesignated	11,540,567
Total net position	<u>\$ 11,540,567</u>

TOWN OF MILLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Wastewater/ Water Distribution/ Sanitation
Operating revenues:	
Charges for services	\$ 1,380,479
Operating expenses:	
Wastewater	
Personnel	243,757
Supplies, materials & other	450,080
Water Distribution	
Personnel	81,597
Supplies, materials & other	75,436
Sanitation	
Personnel	128,299
Supplies, materials & other	221,717
Total operating expenses	1,200,886
Operating income	179,593
Change in net position	179,593
Total net position - beginning, as restated	11,360,974
Total net position - ending	\$ 11,540,567

TOWN OF MILLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. 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, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, liabilities and net position or equity – 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.

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.

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 equity – 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.

TOWN OF MILLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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.

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, 2017, the Town's deposits were under collateralized.

**TOWN OF MILLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 – PROPERTY AND EQUIPMENT

Management has not maintained a fixed asset listing, nor have they recorded depreciation on the fixed assets. Instead, the fixed assets on the government wide financials are reported at the value insured as of June 30, 2014 plus the cost of items purchased since that time. No provision has been made for depreciation on the fixed assets.

Accounting standards generally accepted in the United States of America require that fixed assets be recorded at cost and that depreciation be recorded based on the estimated useful lives of the assets. Thus, this is a departure from generally accepted accounting standards.

NOTE 6 – CAPITAL LEASES

In 2013 the Town acquired two ambulances, totaling \$360,000, under a non-cancellable lease agreement which requires annual payments of \$71,050 through July 2018, including interest imputed at 3.15%.

Interest expense on the capital lease obligation was \$6,559 for the year-ended June 30, 2017.

The following is a schedule of the future minimum lease payments under the capital leases and the present value of the net minimum lease payments at June 30, 2017:

Fiscal year Ending June 30,	Governmental Fund
2018	\$ 71,050
2019	70,446
Total Minimum lease payments	141,496
Less: amount representing interest	(6,500)
Present value of future minimum lease payments	\$ 134,996

NOTE 7 – DEFINED BENEFIT PENSION PLAN

The Town's employees participate in the Wyoming Retirement System (Plan), a cost sharing multiple-employer defined benefit pension plan administered by the Wyoming Retirement Board. The Plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to Plan participants and beneficiaries. The Wyoming Legislature statutorily establishes and amends the benefit provisions. The Plan issues a publicly available financial report that includes financial statements and required supplementary information which may be obtained at <http://retirement.state.wy.us/home/index/html>.

TOWN OF MILLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

The Public Employees' Pension Plan statutorily requires 16.62% of the participant's wages to be contributed to the Plan, paid by the participant and the employer in the following manner: The employer must pay the entire employer amount which is currently 8.37%. The employer determines (generally annually) how much, if any, of the employee portion will be paid by the employer on behalf of the employee which is currently 8.25%. For those employees hired before October 1, 2014, the Town contributed 8.37% and the employee contributed 8.25% through December 31, 2016. For those employees hired after October 1, 2014, the Town contributes 8.37% and the employee contributes 8.25%. The Town's contributions to the Plan for the years ended June 30, 2017 was \$94,394.

The Public Employees' Pension Plan has calculated the total pension liability to be \$2,417,500,218 as of December 31, 2016. The Town's proportionate share of the net pension liability, which is based on the Town's actual historical contributions to the Plan, is approximately \$1,208,750 as of December 31, 2016. This amount has been presented for informational purposes and is not a current liability and is expected to decrease over time with normal contribution rates.

The Paid Firemen's Pension Plan B statutorily requires 21.245% of the participant's wages to be contributed to the Plan, paid by the participant and the employer in the following manner: The employer must pay the entire employer amount which is currently 12%. The employer determines (generally annually) how much, if any, of the employee portion will be paid by the employer on behalf of the employee which is currently 9.245%. For those employees hired before October 1, 2014, the Town contributed 12% and the employee contributed 9.245% through December 31, 2016. For those employees hired after October 1, 2014, the Town contributes 8.37% and the employee contributes 8.25%. The Town's contributions to the Plan for the years ended June 30, 2017 was \$72,274.

The Paid Firemen's Pension Plan B has calculated the total pension liability to be \$31,561,325 as of December 31, 2016. The Town's proportionate share of the net pension liability, which is based on the Town's actual historical contributions to the Plan, is approximately \$599,665 as of December 31, 2016. This amount has been presented for informational purposes and is not a current liability and is expected to decrease over time with normal contribution rates.

The Law Enforcement' Pension Plan statutorily requires 17.2% of the participant's wages to be contributed to the Plan, paid by the participant and the employer in the following manner: The employer must pay the entire employer amount which is currently 8.6%. The employer determines (generally annually) how much, if any, of the employee portion will be paid by the employer on behalf of the employee which is currently 8.6%. For those employees hired before October 1, 2014, the Town contributed 8.6% and the employee contributed 8.6% through December 31, 2016. For those employees hired after October 1, 2014, the Town contributes 8.6% and the employee contributes 8.6%. The Town's contributions to the Plan for the years ended June 30, 2017 was \$76,379.

The Law Enforcement's Pension Plan has calculated the total pension liability to be \$75,491,927 as of December 31, 2016. The Town's proportionate share of the net pension liability, which is based on the Town's actual historical contributions to the Plan, is approximately \$397,496 as of December 31, 2016. This amount has been presented for informational purposes and is not a current liability and is expected to decrease over time with normal contribution rates.

GASB 68 requires the Town to report the net pension obligations for these plans. Management has elected to report only the current expense and not make calculations to determine the net pension obligations based on actuarial figures.

**TOWN OF MILLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 – LONG TERM OBLIGATIONS

The following is a summary of long-term debt obligations for the Town for the year ended June 30, 2017:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Employee compensated absences	\$ 97,278	\$ 137,048	\$ 121,549	\$ 112,777	\$ 90,222
Note payable	34,466	99,306	-	133,772	6,689
Capital leases	199,665	-	64,669	134,996	66,634
Total governmental activities	<u>331,409</u>	<u>236,354</u>	<u>186,218</u>	<u>381,545</u>	<u>163,545</u>
Business-type activities:					
Employee compensated Absences	24,166	40,337	40,358	24,145	19,316
Total business-type activities	<u>24,166</u>	<u>40,337</u>	<u>40,358</u>	<u>24,145</u>	<u>19,316</u>
Total long-term obligations	<u>\$ 355,575</u>	<u>\$ 276,691</u>	<u>\$ 226,576</u>	<u>\$ 405,690</u>	<u>\$ 182,861</u>

NOTE 10 – 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 11 – PRIOR PERIOD ADJUSTMENT

Fund balances have been adjusted as of June 30, 2016. The corrections have no effect on the results of the current year's operations; however, beginning retained earnings has been adjusted by \$103,318.

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 and each major fund of Town of Mills, as of and for the year ended June 30, 2017, 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 April 2, 2018.

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 deficiencies in internal control, described s item 2017-001 and 2017-002, that we consider to be material weaknesses.

2017-001: Accounting and Financial Reporting for Capital Assets – Material Weakness

Condition: The Town has not properly accounted for and maintained a schedule of capital assets. Generally accepted accounting principles (GAAP) also require that the capital assets be depreciated over their estimated useful lives

Criteria: Capital projects and assets should be capitalized in the period in which they are placed in service or are substantially completed at their cost and depreciation recorded for financial statement purposes.

Cause: The Town did not have an effective control system in place to maintain a schedule of capital assets.

Effect: Failure to maintain a schedule of capital assets has resulted in misstatement of the reported cost and depreciation expense for the year.

Recommendation: The Town should establish policies and procedures to ensure that capital assets are properly recorded and a schedule of capital assets is maintained on a regular basis. These policies and procedures should include processes to ensure that all financial statement balances are properly supported by accurate records, balances are adjusted to the proper amounts, and reconciliations are performed as necessary. It is also recommended that the Town review their capitalization policy and update as needed.

Views of responsible officials and planned corrective actions: Management concurs with the recommendation. The Town's employees have developed a list of assets and will work on determining the cost basis of these items and then will compute the applicable accumulated depreciation and depreciation expense. The capitalization policy will be reviewed and updated, if needed.

2017-002: Audit Adjustments

Condition: For the year ended June 30, 2017, 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.

Effect: Prior to the proposed audit adjustments, the financial statements contained errors.

Recommendation: The Town should establish policies and procedures to ensure that complete and accurate information is available to properly record transactions in accordance with GAAP. These policies and procedures should include processes to ensure that all financial statement balances are properly supported by accurate records, balances are adjusted to the proper amounts and reconciliations are performed as necessary.

View of Responsible Officials and Planned Corrective Actions: The Town has provided training with the accounting software and retains support from the software provider. In addition, the Town is considering the use of a CPA firm to assist when there are questions as to how to record certain transactions, when questions arise.

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
April 2, 2018