



Town of Upton, Wyoming

Financial and Compliance Report

As of June 30, 2020, and for the Year then Ended

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of the Town Council
Town of Upton, Wyoming

We have audited the accompanying cash-basis financial statements of the governmental activities, business-type activities and each major fund of the Town of Upton, Wyoming as of and for the year ended June 30, 2020, 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 the cash basis of accounting described in Note 1. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstance. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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



Emphasis of Matter

As discussed in Note 9 to the financial statements, in January 2020, the World Health Organization has declared COVID-19 to constitute a “Public Health Emergency of International Concern.” Given the uncertainty of the situation, the duration of any business disruption and related financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to the matter.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash-basis financial position of the governmental activities, the business-type activities and each major fund of the Town of Upton, Wyoming, as of June 30, 2020, and the respective changes in the cash-basis financial position.

Basis of Accounting

We draw attention to Note 1 of the financial statements that describe the basis of accounting. The financial statements are prepared on the cash-basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Report on Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the Town of Upton, Wyoming’s basic financial statements. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements on pages 23-24 are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

The budgetary comparison information on page 22 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on such information.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2020 on our consideration of the Town of Upton, Wyoming's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Upton, Wyoming's 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 Town of Upton, Wyoming's internal control over financial reporting and compliance.

BDO USA, LLP

Laramie, Wyoming
December 10, 2020

TOWN OF UPTON, WYOMING

**COMBINED STATEMENT OF ASSETS, LIABILITIES, AND FUND
BALANCES—CASH BASIS—ALL FUND TYPES**

June 30, 2020

	Governmental <u>Fund Type</u> <u>General</u>	Proprietary <u>Fund Type</u> <u>Enterprise</u>	Totals <u>2020</u>
ASSETS			
Cash and investments (Note 3)	\$ 1,119,324	\$ 286,619	\$ 1,405,943
Total Assets	<u>\$ 1,119,324</u>	<u>\$ 286,619</u>	<u>\$ 1,405,943</u>
LIABILITIES			
Customer deposits	\$ -	\$ 42,179	\$ 42,179
Total Liabilities	<u>-</u>	<u>42,179</u>	<u>42,179</u>
FUND BALANCE			
Fund balance	<u>1,119,324</u>	<u>244,440</u>	<u>1,363,764</u>
Total Fund Balance	<u>1,119,324</u>	<u>244,440</u>	<u>1,363,764</u>
Total Liabilities and Fund Balance	<u>\$ 1,119,324</u>	<u>\$ 286,619</u>	<u>\$ 1,405,943</u>

See Notes to Financial Statements.

TOWN OF UPTON, WYOMING

**COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES
PAID, AND CHANGES IN FUND BALANCES—CASH BASIS
—ALL GOVERNMENTAL FUND TYPES**

For the Year Ended June 30, 2020

	Governmental Fund Types
	<u>General</u>
REVENUE	
Taxes and special assessments	\$ 593,478
Licenses and permits	3,085
Intergovernmental	453,676
Charges for services	1,115
Fines and forfeits	6,582
Interest	19,078
Miscellaneous	<u>42,720</u>
Total revenue	<u>1,119,734</u>
EXPENDITURES	
General government	286,290
Public safety	264,824
Highways and streets	514,666
Culture and recreation	<u>128,217</u>
Total expenditures	<u>1,193,997</u>
Expenditures over revenues	<u>(74,263)</u>
Net change in fund balance	(74,263)
Fund balances, beginning	<u>1,193,587</u>
Fund balances, ending	<u><u>\$ 1,119,324</u></u>

See Notes to Financial Statements.

TOWN OF UPTON, WYOMING

**COMBINED STATEMENT OF REVENUES COLLECTED, EXPENSES PAID, AND
CHANGES IN FUND BALANCE—CASH BASIS
—ALL PROPRIETARY FUND TYPES**

For the Year Ended June 30, 2020

	Proprietary Fund Types
	<u>Enterprise</u>
Operating revenue	
Water charges	\$ 187,535
Sewer service	121,149
Landfill assessments	<u>248,258</u>
Total operating revenue	556,942
Operating expenses	<u>547,333</u>
Net operating income	<u>9,609</u>
Nonoperating revenue	
Grant revenue	373,816
Capital improvements	(469,507)
Debt service	(61,005)
Interest income	<u>3,136</u>
Total nonoperating revenue	<u>(153,560)</u>
Net (loss)	(143,951)
Fund balance, beginning	<u>388,391</u>
Fund balance, ending	<u><u>\$ 244,440</u></u>

See Notes to Financial Statements.

TOWN OF UPTON, WYOMING

NOTES TO FINANCIAL STATEMENTS

Note 1. The Entity, Description of Funds, and Significant Accounting Policies

Reporting Entity

The Town of Upton's (the "Town") combined financial statements include the accounts of all its operations. The Town includes all funds, agencies, boards, commissions and authorities where the Town has the ability to exercise oversight responsibility. Oversight responsibility implies that one governmental unit is dependent on another and that dependent unit should be reported as part of the other. Oversight responsibility is derived from the governmental unit's power and includes, but is not limited to:

- Financial interdependency
- Selection of governing authority
- Designation of management
- Ability to significantly influence operations
- Accountability for fiscal matters
- Scope of public service
- Financing relationships

The Town provides the full range of municipal services contemplated by statute or charter. This includes public safety, public works, culture and recreation, landfill, water, sewer and general administrative services.

Basis of Accounting

Governmental funds are accounted for using the cash basis of accounting. Revenues and other financial resource increments (for example, bond issue proceeds) are recognized in the accounting period when received. Under the cash basis of accounting, revenues are recognized when received and expenditures are recognized when paid from currently available resources.

Proprietary funds are accounted for on the cash basis of accounting. Under this method, revenues are recorded when received and expenditures are recognized when paid from currently available resources.

The financial statements are presented on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board (GASB). This basis of accounting involves the reporting of only cash and cash equivalents and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) reported in the period in which they occurred.

NOTES TO FINANCIAL STATEMENTS

The cash basis of accounting differs from GAAP primarily because revenues (cash receipts) are recognized when received in cash rather than when earned and susceptible to accrual, and expenditures or expenses (cash disbursements) are recognized when paid rather than when incurred or subject to accrual.

The cash basis of accounting is consistent with the acceptable and prescribed basis of accounting and budget laws of Wyoming. Management believes the cash basis of accounting is preferable for the Town due to the Town's small size and the necessity of assessing available cash resources. The cash basis of accounting is allowed under Wyoming State Statute.

Description of Funds

The accounts of the Town are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund balance, revenue and expenditure/expenses. The major funds of the financial reporting entity are described below:

Governmental Funds

General Fund - The General Fund is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Proprietary Funds

Enterprise Funds - Enterprise Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following major enterprise funds:

Water Fund, which is used to account for the operations of providing water on a user charge basis to the general public. The Town owns the water rights and bears the costs of maintaining the water system.

Sewer Fund, which is used to account for the operations of providing sewer services on a user charge basis to the general public.

Landfill Fund, which is used to account for the operations of providing refuse collection and disposal on a user charge basis to the general public.

NOTES TO FINANCIAL STATEMENTS

Budgetary Comparison Statements

Budgetary statements were prepared on the same basis, utilizing the same accounting principles, as were used to account for and prepare the financial statements of the funds. The Town is authorized to transfer budgeted amounts within and among departments; however, any revisions that alter the total expenditures paid must be approved by the Town Council after a public hearing has been held.

Cash and Cash Equivalents

For the purpose of the Statement of Assets, Liabilities, and Fund Balances “cash and cash equivalents” includes all demand, savings account, and certificates of deposits with maturities of less than three months held by the Town.

Investments are carried at fair value. Additional cash and investment disclosures are presented in Note 3.

Fund Balance Reporting

The Government Accounting Standards Board (GASB) has issued Statement No. 54 “Fund Balance Reporting and Governmental Type Definitions,” effective for financial statements for periods beginning after June 15, 2010. This Statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The initial distinction that is made in reporting fund balance information is identifying amounts that are considered nonspendable, such as fund balances associated with loans. This statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. The definitions used by the Town to distinguish fund allocations are as follows:

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are either (1) not in spendable form; or (2) legally or contractually required to be maintained intact. The Town does not have fund balances that meet the criteria above.

Restricted – The restricted fund balance classification includes amounts that are (1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. The Town has fund balances that meet the criteria above.

NOTES TO FINANCIAL STATEMENTS

Committed – The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority, i.e. State of Wyoming or Granting Federal Agency. The Town does not have fund balances that meet the criteria above.

Assigned – The assigned fund balance classification includes amounts constrained by the government’s intent (Town Council) to be used for specific purposes, but are neither restricted nor committed. The Town has fund balances that meet the criteria above.

Unassigned – The unassigned fund balance classification is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The Town's fund balance meets the criteria above.

Subsequent Events

Management has evaluated subsequent events through December 10, 2020, the date which the financial statements were available for use. See Note 9 Subsequent Events.

Note 2. Budgets

The Town annually adopts a budget and appropriations for the General Fund. Budget amounts shown in these financial statements, in addition to the amounts originally adopted by the government, include any additional approved appropriations for the fiscal year ended June 30, 2020. The budgets and related appropriations are prepared on the same basis of accounting that is used in preparation of the Town’s financial statements.

Legal spending control is at the department level. Budgets may be amended by the Town Council through a public hearing process as required by state statute. Appropriations lapse at year end.

Note 3. Cash and Investments

Wyoming Statute 9-4-817 authorizes agencies of the State to deposit public funds in financial institutions authorized to do business in the State of Wyoming. These deposits must be fully insured by the Federal Deposit Insurance Corporation (FDIC) or secured by a pledge of assets including bonds, debentures and other securities in which the State Treasurer may by law invest in. Alternatively, a depository may pledge to deposits with conventional real estate mortgages and loans connected with mortgages at a ratio of one and one half (1 ½:1) of the value of public funds secured by the securities.

NOTES TO FINANCIAL STATEMENTS

Deposits

The Town maintains a cash investments pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and cash equivalents" under each fund caption.

At June 30, 2020, the carrying amounts of the Town's deposits in financial institutions was fully insured through a combination of Federal Deposit Insurance Corporation (FDIC) coverage and pledged collateral held in the Town's name.

Investments

As of June 30, 2020, the Town had the following had investments with weighted average maturities as shown in the following tables:

Investment Type	Fair Value
Peak Investments	\$ 437,109
Wyoming Government Investment Fund	466,228
Total	\$ 903,337

Due to the nature of investments held with Peak Investments and the Wyoming Government Investment Fund, the fair value at year end approximates the carrying value as noted below:

Investment Type	Carrying Amount	Fair Value	Weighted Average Maturity in Years
Certificates of Deposit	\$ 414,656	\$ 414,656	2.41
Total	\$ 414,656	\$ 414,656	

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a formal policy for interest rate risk due to the nature of their investments.

NOTES TO FINANCIAL STATEMENTS

Credit Risk

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The following table shows investment amounts insured:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Insured</u>	<u>Unrated</u>
Peak Investments	\$ 437,109	\$ -	\$ 437,109
Wyoming Government Investment Fund	<u>466,228</u>	<u>-</u>	<u>466,228</u>
Total	<u>\$ 903,337</u>	<u>\$ -</u>	<u>\$ 903,337</u>

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the Town will not be able to recover the value of the investments or collateral securities that are in possession of an outside party. The Town does not have a formal policy for custodial credit risk. Investments are held in safekeeping by external custodians in the Town's name.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town does not have a formal policy concerning concentration of risk. At June 30, 2020, the Town held investments from the following issuers in excess of 5% of the total portfolio:

Peak Investments	\$ 437,109
Wyoming Government Investment Fund	<u>466,228</u>
Total	<u>\$ 903,337</u>

Note 4. Defined Benefit Pension Plan

The Town participates in the Wyoming Retirement System ("System"), a cost sharing multiple-employer public employee retirement system. The covered payroll for the year ended June 30, 2020 was \$475,337; the Town's total payroll was \$506,811.

Public Employee's Pension Plan

Benefited employees, other than those eligible to participate in the Law Enforcement and Fire state pension plans, participate in the Wyoming Retirement System's (WRS) Public Employee Pension Plan, a cost sharing multiple-employer defined benefit contributory pension plan. Participation is mandatory. Retirement benefits are administered in two tiers - the second tier applying to employees with a first contribution on or after September 1, 2012 – and are established by state statute. Any cost of living adjustments (COLA) provided to retirees must be granted by the state legislature, which will not approve such adjustments unless the plan is 100% funded after a potential

NOTES TO FINANCIAL STATEMENTS

COLA is awarded. Employees terminating participation in the plan prior to normal retirement can elect to withdraw all employee contributions plus accumulated interest through the date of termination, or, if they are vested, they may elect to remain in the Plan and be eligible for retirement benefits at age 50 (Tier 1 employees) or age 60 (Tier 2 employees). Vesting occurs after obtaining 48 months of service.

Tier 1 Benefits

Tier 1 employees who retire at or after age 60 with four years of credited service or are eligible for full retirement under the rule of 85 (age plus years of service = 85), are entitled to a retirement benefit according to predetermined formulas and allowed to select one of seven optional methods for receiving benefits. The benefit is calculated using a multiplier of 2.125 percent for the first 15 years of service and 2.25 percent for years of service above 15 and the highest 36 months of continuous acceptable salary. Early retirement is allowed provided the employee has completed four years of service and attained age 50, but results in a reduction of benefits based on the length of time remaining to normal retirement age. The pre-retirement death benefit depends on whether the employee is vested or non-vested, and the post-retirement death benefit is governed by the option the employee selects at retirement. To be eligible for a disability benefit, employees must have at least 10 years of service and be less than age 60.

Tier 2 Benefits

Tier 2 employees who retire at or after age 65 with four years of credited service or are eligible for full retirement under the rule of 85 (age plus years of service = 85), are entitled to a retirement benefit according to predetermined formulas and allowed to select one of seven optional methods for receiving benefits. The benefit is calculated using a multiplier of 2 percent for all years of service and the highest 60 months of continuous acceptable salary. Early retirement is allowed provided the employee has completed four years of service and attained age 55, but results in a reduction of benefits based on the length of time remaining to normal retirement age. The pre-retirement death benefit depends on whether the employee is vested or non-vested, and the post-retirement death benefit is governed by the option the employee selects at retirement. To be eligible for a disability benefit, employees must have at least 10 years of service and be less than age 65.

The statutorily required contribution is 17.12% as of June 30, 2020, of which 8.50% has been paid by the employee and 8.62% paid by the City. Employer contributions to the pension plan for the fiscal year ended June 30, 2020 totaled \$25,920, and 100% of the statutorily required contributions were made. Future rate increases have been approved by the legislature.

NOTES TO FINANCIAL STATEMENTS

Law Enforcement Pension Fund

The Town contributes to the State of Wyoming Law Enforcement Pension Fund (“Fund”), a cost sharing multiple-employer defined benefit contributory pension plan which is part of the Wyoming Retirement System. All City policemen are mandated to participate in the Fund. Benefits vest after 48 months of service.

Benefits

Any police officer who retires at age 60 with 4 years of service or with 20 years of credited service, regardless of age, is entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.5% of the average salary during their highest paid five year period multiplied by the number of years of service (up to a maximum of 75% of the highest average salary). The Fund also provides death and disability benefits to participating employees. Benefit provisions and all other requirements are established by state statute. Any cost of living adjustments (COLA) provided to retirees must be granted by the state legislature, which will not approve such adjustments unless the plan is 100% funded after a potential COLA is awarded. Participants may withdraw from the Plan at any time and receive refunds of participant contributions plus accumulated interest.

The Law Enforcement Pension Fund statutorily requires 17.2% of the covered employees’ salary to be contributed, of which 8.6% is paid by the employee and 8.6% is paid by the City. Employer contributions to the pension plan for the fiscal year ended June 30, 2020 totaled \$14,980 and 100% of the statutorily required contributions were made.

Volunteer Firefighter, EMT, and Search & Rescue Pension Fund

The Town contributes to the State of Wyoming Volunteer Firefighter Pension Fund (“Fund”), a cost sharing multiple-employer defined benefit contributory pension plan covering volunteer firefighters, emergency medical technicians (EMTs), and search and rescuers who elect to participate in the plan.

The Plan provides retirement and death benefits according to predetermined amounts primarily determined by entry age and years of service of the participant. Participants may withdraw from the Plan at any time and receive refunds of participant contributions and accumulated interest. The Volunteer Firefighter and EMT plan was created on July 1, 2015, combining the assets and liabilities of two predecessor plans (Volunteer Fireman’s Plan and Volunteer EMT Plan). The new plan features revised contribution and benefit provisions and governance by one board instead of two. It provides a modest benefit increase to retired volunteers whose benefit structure had remained static for some time. It also provided a long-term funding source to stabilize the finances of Volunteer EMT plan, while establishing consistent provisions for both firefighter and EMT volunteers. On July 1, 2019, Search and Rescue Volunteers were added to the plan

NOTES TO FINANCIAL STATEMENTS

and contributions were increased by transferring an additional 10% of the fire insurance premium tax revenue. Benefits vest after 60 months of service.

Volunteer firefighters and EMTs are statutorily required to contribute \$15.00 monthly to the Plan. Upon the inclusion of search and rescue volunteers to the plan as of July 1, 2019, their statutorily required contribution is \$30.00 monthly to the Plan. Any contributions to the Plan may be fully or partially paid by political subdivisions on behalf of participants, if approved by the governing board. Employer contributions to the pension plan for the fiscal year ended June 30, 2020 totaled \$2,310 and 100% of the statutorily required contributions were made.

Historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's December 31, 2019 annual financial report for the periods for which the information is available. That report may be obtained by contacting the Wyoming Retirement System, 6106 Yellowstone Road, Suite 500, Cheyenne, Wyoming 82002 or by calling (307) 777-5995.

The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68 in June of 2012. This GASB statement became effective for fiscal years beginning after June 15, 2014. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. Note disclosure and required supplementary information requirements about pensions are also addressed in this Statement.

Since the Town of Upton presents their financial statements on the cash basis of accounting, GASB Statement No. 68 has not been implemented by Town of Upton and no provision for any liability, deferred outflows of resources, deferred inflows of resources or any expense/expenditure has been recorded in the accompanying financial statements. If the Town of Upton had presented their financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP), then based on information provided by the Wyoming Retirement System the Town of Upton's share of the unfunded pension liability is \$708,451 as of December 31, 2019, the measurement date.

The breakdown of the pension liability is as follows:

Public Employees Pension Plan	\$ 365,045
Law Enforcement Pension Plan	92,506
Volunteer Firefighter Pension Plan	<u>250,900</u>
Total	<u>\$ 708,451</u>

NOTES TO FINANCIAL STATEMENTS

The System's annual financial report is available by contacting the Wyoming Retirement System at 6101 Yellowstone Road, Suite 500, Cheyenne, Wyoming, 82002, (307) 777-7691 or online at <http://retirement.state.wy.us>.

Note 5. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disaster for which the government covers commercial insurance. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Note 6. Fund Balance

The Town's restricted and assigned fund balances as of June 30, 2020 were for the following purposes:

General Fund	
Community development	\$ 569
Streets	51,563
Police	24,532
Fire	<u>26,925</u>
Total assigned fund balance	<u>\$ 103,589</u>
Proprietary Funds	
Water well #8	\$ 11,980
Water tank replacement	37,608
Landfill closure	<u>44,181</u>
Total restricted proprietary reserves	<u>\$ 93,769</u>

The remaining fund balance amounts of \$1,015,735 in the General Fund and \$150,671 in the Proprietary Funds, are classified as unrestricted or unassigned.

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt

The long-term debt at June 30, 2020 consisted of the following:

The following is a summary of the changes in long-term liabilities of the Town for the year ended June 30, 2020:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Notes payable	\$ 130,000	\$ -	\$ 13,184	\$ 116,816	\$ 12,368
Compensated absences	<u>13,631</u>	<u>322</u>	<u>-</u>	<u>13,953</u>	<u>13,953</u>
Governmental activity long-term liabilities	<u>\$ 143,631</u>	<u>\$ 322</u>	<u>\$ 13,184</u>	<u>\$ 130,769</u>	<u>\$ 26,321</u>
Business-type activities					
Notes payable	\$ 587,172	\$ -	\$ 36,754	\$ 550,418	\$ 35,501
Compensated absences	<u>4,684</u>	<u>286</u>	<u>-</u>	<u>4,970</u>	<u>4,970</u>
Business-type activity long-term liabilities	<u>\$ 591,856</u>	<u>\$ 286</u>	<u>\$ 36,754</u>	<u>\$ 555,388</u>	<u>\$ 40,471</u>

As of June 30, 2020, the governmental-type long-term debt consisted of the following:

General Fund

Note payable, CCL#19001, to the Wyoming State Land and Investment Board, due in annual installments of \$19,389, including interest at 1.38%, maturing December 2028.

	<u>\$ 116,816</u>
Total general fund	<u>\$ 116,816</u>

NOTES TO FINANCIAL STATEMENTS

As of June 30, 2020, the business-type long-term debt consisted of the following:

Water Fund

Note payable, Vactor Truck, to First State Bank in Newcastle, due in annual installments of \$16,518, including interest at 4%, maturing December 2022.	\$ 30,250
Note payable, CCL#19001, to the Wyoming State Land and Investment Board, due in annual installments of \$19,389, including interest at 1.38%, maturing December 2028.	22,436
Note payable, JPA-17589, to the Wyoming State Land and Investment Board, due in annual installments of \$26,615, including interest at 5.38%, maturing December 2047.	376,423
Note payable, DWSRF Loan #54, to the Wyoming State Land and Investment Board, due in annual installments of \$7,621, including interest at 2.5%, maturing January 2027.	47,947
Note payable, DWSRF Loan #103, to the Wyoming State Land and Investment Board, due in annual installments of \$601, including interest at 2.5%, maturing October 2030.	5,697
Note payable, CWSRF Loan #103(AR), to the Wyoming State Land and Investment Board, due in annual installments of \$1,873, including interest at 0%, maturing April 2030.	<u>20,603</u>
Total water fund	<u>\$ 503,356</u>

(continued)

NOTES TO FINANCIAL STATEMENTS

Business-type long-term debt, continued

Sewer Fund

Note payable, Vactor Truck, to First State Bank in Newcatle, due in annual installments of \$16,518, including interest at 4%, maturing December 2022. \$ 15,584

Note payable, CCL#19001, to the Wyoming State Land and Investment Board, due in annual installments of \$19,389, including interest at 1.38%, maturing December 2028. 22,436

Note payable, CWSRF Loan #111, to the Wyoming State Land and Investment Board, due in annual installments of \$822, including interest at 0%, maturing October 2030. 9,042

Total sewer fund \$ 47,062

Total business-type activities notes payable \$ 550,418

NOTES TO FINANCIAL STATEMENTS

Annual Debt Service Requirements

The annual requirements to amortize all notes payable outstanding as of June 30, 2020 are as follows:

General Fund:

Years ended June 30,	Principal	Interest	Total
2021	\$ 12,368	\$ 1,592	\$ 13,960
2022	12,536	1,424	13,960
2023	12,706	1,254	13,960
2024	12,878	1,082	13,960
2025	13,053	907	13,960
2026-2029	53,275	1,983	55,258
	<u>\$ 116,816</u>	<u>\$ 8,242</u>	<u>\$ 125,058</u>

Water Fund:

Years ended June 30,	Principal	Interest	Total
2021	\$ 27,283	\$ 23,043	\$ 50,326
2022	28,221	22,105	50,326
2023	29,193	21,133	50,326
2024	19,304	20,120	39,424
2025	19,922	19,501	39,424
2026-2030	83,671	87,873	171,544
2031-2035	62,578	72,972	135,550
2036-2040	77,854	55,222	133,076
2041-2045	100,821	32,255	133,076
2046-2050	54,510	5,586	60,096
	<u>\$ 503,356</u>	<u>\$ 359,810</u>	<u>\$ 863,167</u>

Sewer Fund:

Years ended June 30,	Principal	Interest	Total
2021	\$ 8,218	\$ 935	\$ 9,153
2022	8,452	701	9,153
2023	8,693	460	9,153
2024	3,326	210	3,536
2025	3,360	176	3,536
2026-2030	14,582	386	14,968
2031-2035	431	-	431
	<u>\$ 47,062</u>	<u>\$ 2,868</u>	<u>\$ 49,930</u>

NOTES TO FINANCIAL STATEMENTS

Note 8. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disaster for which the government covers commercial insurance. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Note 9. Subsequent Events

The COVID-19 outbreak, which was declared a worldwide pandemic on March 11, 2020 by the World Health Organization (“WHO”), has caused business disruption in a variety of industries, markets and geographic regions. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, while we expect this matter to negatively impact the Town, results of operations, and financial position, the related financial impact cannot be reasonably estimated at this time.

SUPPLEMENTARY INFORMATION

TOWN OF UPTON, WYOMING

**COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID,
AND CHANGES IN FUND BALANCE – CASH BASIS – BUDGET AND ACTUAL –
GENERAL FUND**

For the Year Ended June 30, 2020

	General Fund			Variance - Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUE				
Taxes and special assessments	\$ 496,200	\$ 496,200	\$ 593,478	\$ 97,278
Licenses and permits	3,300	3,300	3,085	(215)
Intergovernmental	622,572	622,572	453,676	(168,896)
Charges for services	800	800	1,115	315
Fines and forfeits	6,000	6,000	6,582	582
Interest	9,000	9,000	19,078	10,078
Miscellaneous	534,231	534,231	42,720	(491,511)
Total revenue	<u>1,672,103</u>	<u>1,672,103</u>	<u>1,119,734</u>	<u>(552,369)</u>
EXPENDITURES				
General government	264,239	292,982	286,290	6,692
Public safety	372,777	420,049	264,824	155,225
Highways and streets	580,094	580,094	514,666	65,428
Culture and recreation	131,444	143,619	128,217	15,402
Total expenditures	<u>1,348,554</u>	<u>1,436,744</u>	<u>1,193,997</u>	<u>242,747</u>
Revenue over expenditures	<u>323,549</u>	<u>235,359</u>	<u>(74,263)</u>	<u>(309,622)</u>
Net change in fund balance	323,549	235,359	(74,263)	(309,622)
Fund balances, beginning	<u>1,193,587</u>	<u>1,193,587</u>	<u>1,193,587</u>	<u>-</u>
Fund balances, ending	<u>\$ 1,517,136</u>	<u>\$ 1,428,946</u>	<u>\$ 1,119,324</u>	<u>\$ (309,622)</u>

TOWN OF UPTON, WYOMING

**COMBINING STATEMENT OF NET POSITION – CASH BASIS
– ALL PROPRIETARY FUNDS**

For the Year Ended June 30, 2020

	<u>Water</u>	<u>Sewer</u>	<u>Landfill</u>	<u>Totals Enterprise</u>
ASSETS				
Cash and cash equivalents	\$ 31,728	\$ 71,116	\$ 183,775	\$ 286,619
Total Assets	<u>\$ 31,728</u>	<u>\$ 71,116</u>	<u>\$ 183,775</u>	<u>\$ 286,619</u>
LIABILITIES				
Customer deposits	\$ 42,179	\$ -	\$ -	\$ 42,179
Total liabilities	<u>42,179</u>	<u>-</u>	<u>-</u>	<u>42,179</u>
FUND BALANCE				
Fund balance (deficit)	<u>(10,451)</u>	<u>71,116</u>	<u>183,775</u>	<u>244,440</u>
Total fund balance	<u>(10,451)</u>	<u>71,116</u>	<u>183,775</u>	<u>244,440</u>
Total Liabilities and Fund Balance	<u>\$ 31,728</u>	<u>\$ 71,116</u>	<u>\$ 183,775</u>	<u>\$ 286,619</u>

TOWN OF UPTON, WYOMING

**COMBINING STATEMENT OF REVENUES COLLECTED, EXPENSES PAID,
AND CHANGES IN FUND BALANCE—CASH BASIS
—ALL PROPRIETARY FUNDS**

For the Year Ended June 30, 2020

	<u>Water</u>	<u>Sewer</u>	<u>Landfill</u>	<u>Totals Enterprise</u>
Operating revenue				
Water charges	\$ 187,535	\$ -	\$ -	\$ 187,535
Sewer service	-	121,149	-	121,149
Landfill assessments	-	-	248,258	248,258
Total operating revenue	<u>187,535</u>	<u>121,149</u>	<u>248,258</u>	<u>556,942</u>
Operating expenses	<u>259,888</u>	<u>125,183</u>	<u>162,262</u>	<u>547,333</u>
Operating income (loss)	<u>(72,353)</u>	<u>(4,034)</u>	<u>85,996</u>	<u>9,609</u>
Nonoperating revenue (expense)				
Grant revenue	296,508	77,308	-	373,816
Capital improvements	(395,944)	(73,563)	-	(469,507)
Debt service	(38,655)	(22,350)	-	(61,005)
Interest income	<u>1,629</u>	<u>640</u>	<u>867</u>	<u>3,136</u>
Total nonoperating revenue (expenses)	<u>(136,462)</u>	<u>(17,965)</u>	<u>867</u>	<u>(153,560)</u>
Net income (loss)	(208,815)	(21,999)	86,863	(143,951)
Fund balance, beginning	<u>198,364</u>	<u>93,115</u>	<u>96,912</u>	<u>388,391</u>
Fund balance (deficit), ending	<u>\$ (10,451)</u>	<u>\$ 71,116</u>	<u>\$ 183,775</u>	<u>\$ 244,440</u>



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

To the Honorable Mayor and Members of
the Town Council
Town of Upton, Wyoming

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the business-type activities of the Town of Upton, Wyoming as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Upton, Wyoming's basic financial statements, and have issued our report thereon dated December 10, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Upton, Wyoming's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Upton, Wyoming's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Upton's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings 2020-001 and 2020-002, which we consider to be significant deficiencies.

Compliance and Other Matters

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

Town of Upton, Wyoming's Response to Findings

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

Purpose of this Report

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

BDO USA, LLP

Laramie, Wyoming
December 10, 2020

TOWN OF UPTON, WYOMING
SCHEDULE OF FINDINGS AND RESPONSES
For the year ended June 30, 2020

Significant Deficiency in Internal Control

2020-001: Segregation of Duties

Criteria

Internal controls are designed to safeguard assets and help prevent loss from employee dishonesty or error. A fundamental concept in an adequate system of internal control is the segregation of duties.

Condition

A small number of personnel have primary responsibility for performing most of the accounting and financial duties. As a result, some of the aspects of internal accounting control which rely upon adequate segregation of duties are absent.

Recommendation

A good system of internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion. Due to the size of the Town of Upton, Wyoming, however, it is not practical to maintain an adequate segregation of duties. To compensate for this weakness, the Town Council needs to continue its close review of financial activity within the Town of Upton, Wyoming.

Response

Management and the Town Council will continue to search for ways to segregate duties in their day to day operations. The Town Council will continue its close review of financial activity within the Town.

Significant Deficiency in Internal Control Over Compliance

2020-002: Deficit Fund Balance

Criteria

Wyoming State Statute requires that fund balances maintain a positive balance.

Condition

The Town's Water Fund had a deficit fund balance at June 30, 2020, which could be a violation of state statute.

Recommendation

The Town Council should be actively involved in the fiscal activities during the year and should closely monitor fund balance requirements.

Response

Management will work the Town Council to closely monitor fund balance requirements and work to ensure a deficit doesn't occur.