

**TOWN OF
LUSK, WYOMING**

Basic Financial Statements
(Modified Cash Basis)

Year Ended June 30, 2021
(With Independent Auditors' Report Thereon)

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MANAGEMENT DISCUSSION AND ANALYSIS

THE TOWN OF LUSK, WYOMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2021
(Unaudited)

The Town of Lusk's discussion and analysis provides an overview of the Town of Lusk's financial activities for the fiscal year ended June 30, 2021. Please read it in conjunction with the Town's financial statements which follows this section.

FINANCIAL HIGHLIGHTS

The Town's combined net assets were \$9,760,195 as of June 30, 2021. The governmental activities increased by \$79,027. Business-type activities for the Town had an increase of \$202,517. This made a combined increase in net assets of \$281,544. The Town of Lusk received \$736,219 from 3%, 1% Sales and Use Taxes, \$9,536 from the Wyoming Lottery Distribution and \$210,645 from the Severance and Mineral Royalties tax. The 8 Mill Property Tax Revenue was \$109,489, and the Fuel, Cigarette, Lodging and Other Tax totaled \$160,806. Other revenue collected totaled \$1,680,151; this includes state and federal grants, licenses, permits, charges for services, fines and forfeitures, direct distribution, miscellaneous revenue, debt proceeds, transfers and investment earnings.

The Business-type activities for the Town saw an increase in Electric Fund of \$162,990, a decrease in the Water Fund of \$20,121, the Sewer Fund had an increase of \$21,926, and the Sanitation Fund had an increase of \$37,723. This is a total increase of the major enterprise funds of \$202,518.

GASB 68 addresses accounting and financial reporting for pensions that are provided to the employees by the Town of Lusk.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information.

The basic financial statements include three kinds of statements that present different views of the Town.

The first two statements are government-wide financial statements that provide both long-term and short-term information about the Town's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Town's government, reporting the Town's operations.

Governmental Fund statements tell how general governmental services are financed in the short term as well as what remains for future spending.

Proprietary Fund statements offer short- and long-term financial information about the activities and how the fund operates.

The financial statements also include notes and explain some of the information in the financial statements. The statements are followed by a section of required information that further explains and supports the information in the financial statements. Figure A-1 show how the required parts of the annual report are arranged and related.

**THE TOWN OF LUSK, WYOMING
MANAGEMENT’S DISCUSSION AND ANALYSIS
Year Ended June 30, 2021
(Unaudited)**

**Figure A-1
Town of Lusk’s Annual Financial Report**

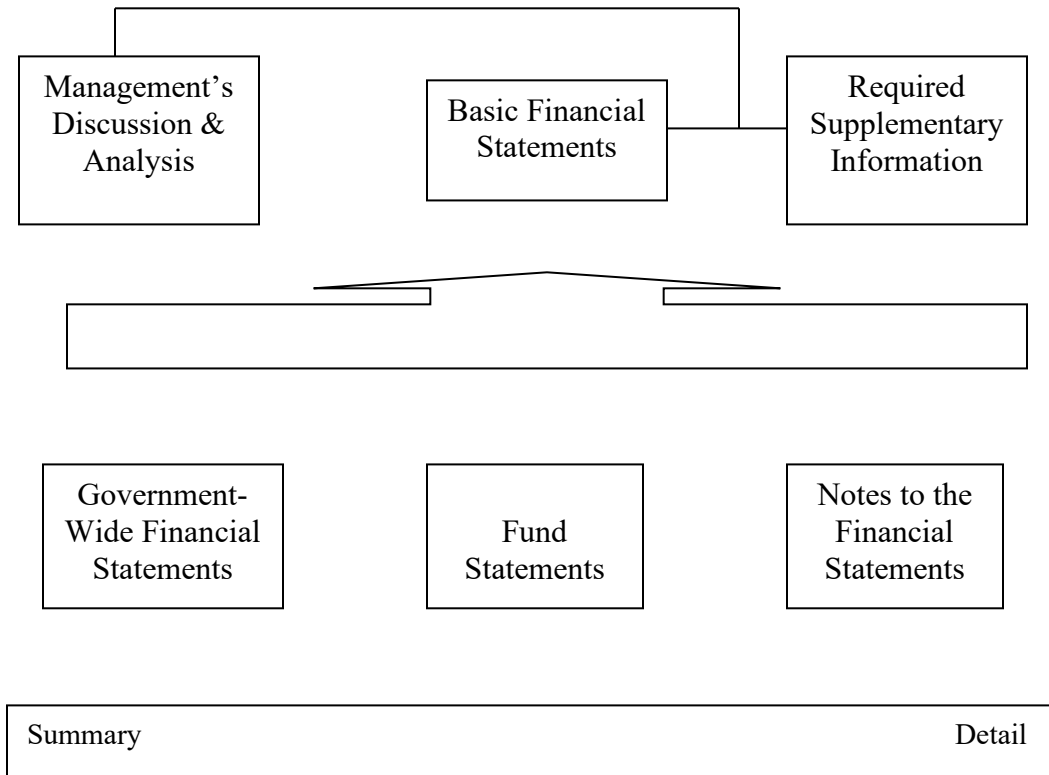


Figure A-2 summarizes the major features of the Town’s financial statements, including the portion of the Town government they cover and the types of information they contain.

The remainder of this overview section of the management’s discussion and analysis explains the structure and contents of each of the statements.

**THE TOWN OF LUSK, WYOMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2021
(Unaudited)**

Figure A-2

	Government-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Town Government	The activities of the Town that is not proprietary such as police, fire cemetery, etc.	Activities the Town operates similar to private business such as electric, water, sewer, and sanitation.	Instances in which the Town administers resources on behalf of someone else.
Required Financial Statements	Statement of net position and Statement of activities	Balance sheet, Statement of revenues, expenditures, and changes in fund balances.	Statement of net position, Statement of revenues, expenses, and changes in net position. Statement cash flows.	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting Basis And Measurement Focus	Modified cash basis of accounting	Modified cash basis accounting and current financial resources focus.	Modified cash basis accounting and economic resources focus.	Modified cash basis of accounting
Type of Asset/ Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included.	All assets and liabilities both financial and capital, and short-term and long-term.	All assets and liabilities both financial and capital, and short-term and long-term.
Type of inflow/outflow information	All revenues and expenses during the year on the modified cash basis of accounting.	Revenues for which cash is received, expenditures when goods or services have been paid for.	All revenues and expenses during the year on the modified cash basis of accounting.	All revenues and expenses during the year on the modified cash basis of accounting.

THE TOWN OF LUSK, WYOMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2021
(Unaudited)

Government-wide Statements

The government-wide statements report information about the Town as a whole using modified cash basis accounting. The statements of net assets included all of the government's assets and liabilities. Note 1 to the financial statements explains the Reporting Entity, Nature of Operations, Basis of Presentation, Description of funds, and Significant Accounting Policies.

The two government-wide statements report the Town's net position and how it has changed. The net position (the difference between the Town's assets and liabilities) is one way to measure the Town's financial health and position.

Over time, increases, or decreases in the Town's net assets is an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements for the Town are divided into two categories:

Governmental activities – Most of the Town's basic services are included here. These services are police, fire dept., streets, airport, shop, ambulance, cemetery, recreation, parks, golf course, swimming pool, recycling and general administration of the Town. Mill Levy and sales taxes, one cent sales tax, charges for services, mineral royalties, severance taxes, state and federal grants fund these activities.

Business-type activities – The Town of Lusk charges fees to customers to help cover the cost of certain services it provides. The Town's electric, water, sewer, and sanitation are under the business-activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Town of Lusk's most significant funds as opposed to the Town as a whole. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State Law.
- The Town Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

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THE TOWN OF LUSK, WYOMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2021
(Unaudited)

The Town has three kinds of funds:

Governmental Fund – Most of the Town of Lusk's basic services are included in the government funds, which focus on: 1) how cash and other financial assets can readily be converted to cash flow in and out. 2) The balances left at year-end that are available for spending in the next fiscal year. The governmental funds statements provide a detailed short-term view that helps determine whether or not there are more or fewer financial resources that can be spent in the future to finance Town programs.

Proprietary Fund – Services for which the Town charges customers a fee are generally reported in the proprietary funds. Proprietary funds, like the government-wide statements provide both long and short term financial information. The Town of Lusk's enterprise funds are the same as its business-type activities.

Fiduciary Fund – Fiduciary funds are used to account for resources held for the benefit outside the government. The Town currently has two fiduciary funds, The Utility Endowment fund and the Private Purpose Trust. The Town is responsible for ensuring that the assets reported in these funds are used only for their intended purposes.

Net Assets

Table A-3 summarizes the Town of Lusk's net assets. The Town of Lusk's net assets exceeded the liabilities by \$9,760,195 at the end of the 12 months ending June 30, 2021 and \$9,478,651 at the end of fiscal year 2020.

Governmental Activities – The governmental activities of the Town of Lusk include general government, police, fire department, streets, airport, shop, recycling, ambulance, cemetery, recreation, parks, golf course, and swimming pool.

Business Type Activities – The business type activities include electric, water, sewer, and sanitation.

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THE TOWN OF LUSK, WYOMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2021
(Unaudited)

Table A-3 General Government

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u> 2021
	2021	2020	2021	2020	
Assets					
Current Assets					
Cash and Cash Equivalents	\$ 144,984	\$ 406,325	\$ 2,460,045	\$ 2,153,366	\$ 2,605,029
Cash with Fiscal Agent	3,827	4,289	-	-	3,827
Restricted Cash	-	-	24,600	24,600	24,600
Internal Balances	28,687	-	(28,687)	-	-
Total Current Assets	177,498	410,614	2,455,958	2,177,966	2,633,456
Noncurrent Assets					
Capital Assets, Non-Depreciable	2,023,235	1,067,471	329,370	62,279	2,352,605
Capital Assets, net of accumulated depreciation	4,534,805	5,126,484	2,838,074	3,107,507	7,372,879
Total noncurrent assets	6,558,040	6,193,955	3,167,444	3,169,786	9,725,484
Total Assets	6,735,538	6,604,569	5,623,402	5,347,752	12,358,940
Deferred Outflows of Resources					
Deferred outflows relating to pension	193,519	233,895	36,636	46,738	230,155
Total Assets and Deferred Outflows	6,929,057	6,838,464	5,660,038	5,394,490	12,589,095
Liabilities					
Accounts payable and accrued liabilities	116,051	161,680	110,572	71,874	226,623
Current portion of long-term obligations	5,477	16,065	67,812	66,495	73,289
Non-current portion of long-term obligations	20,727	26,204	951,899	908,326	972,626
Net pension liability	700,740	675,988	410,088	448,374	1,110,828
Total liabilities	842,995	879,937	1,540,371	1,495,069	2,383,366
Deferred Inflows of Resources					
Deferred inflows relating to pension	352,060	303,552	93,474	75,745	445,534
Total liabilities and Deferred Inflows	1,195,055	1,183,489	1,633,845	1,570,814	2,828,900
Net Positions					
Net investment in capital assets	6,531,836	6,281,247	2,147,733	1,214,765	8,679,569
Restricted for WY Water Development Reserves	-	-	24,600	24,600	24,600
Restricted for recreation activities	6,776	6,776	-	-	6,776
Restricted for other	25,799	-	-	-	25,799
Restricted for cemetery maintenance	16,946	-	-	-	16,946
Restricted for utilities endowment	18,892	-	-	-	18,892
Unrestricted	(866,247)	(633,048)	1,853,860	2,584,311	987,613
Total Net Assets	\$ 5,734,002	\$ 5,654,975	\$ 4,026,193	\$ 3,823,676	\$ 9,760,195

The largest contributor to the Town's revenue is the general sales and use taxes as well as the federal mineral royalty and severance taxes. The Town received money from the State in Direct Distribution money. The Town also received 8 Mill Levy from the County, sold some property in the Business Park, and received grants both federal and state.

**THE TOWN OF LUSK, WYOMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2021
(Unaudited)**

The Net Assets of the Town of Lusk's Governmental Activities saw decrease this year and the Business activities saw an increase.

Table A-4 and A-5 shows the Changes in the Town's net assets for the 12 months ending June 30, 2021.

**Table A-4 General Government
Changes in the Town of Lusk's Net Assets**

	<u>Governmental Activities</u>		
	<u>2021</u>	<u>2020</u>	<u>Change</u>
Revenues			
Program Revenues			
Charges for goods services	\$ 253,758	\$ 236,094	\$ 17,664
Operating grants and contributions	380,009	215,049	164,960
Capital grants and contributions	923,831	169,229	754,602
General Revenues			
General sales and use tax	736,219	1,345,836	(609,617)
Other taxes	490,476	361,015	129,461
Investment earnings	2,497	28,161	(25,664)
Miscellaneous	91,956	209,812	(117,856)
Total Revenues	<u>2,878,746</u>	<u>2,565,196</u>	<u>313,550</u>
Expenses			
General Government	327,163	549,226	(222,063)
Public Safety	995,622	700,854	294,768
Streets and Public Works	909,499	745,744	163,755
Parks and Recreation	345,348	311,376	33,972
Airport	290,857	304,557	(13,700)
Benenfit Payments	10,983	-	10,983
Total Expenses	<u>2,879,472</u>	<u>2,611,757</u>	<u>267,715</u>
Change in net assets before transfers	<u>(726)</u>	<u>(46,561)</u>	<u>45,835</u>
Transfers	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	<u>\$ (726)</u>	<u>\$ (46,561)</u>	<u>\$ 45,835</u>

The Town of Lusk's total revenue increased this year due to the increase in operating and capital grants and contributions, which was offset by a decrease in general sales and use tax, investment earnings, and miscellaneous revenue. The Town of Lusk's 3% and 1% sales and use tax decrease by over \$600,000. The Town received less in cigarette tax and gas tax. Expenses show an increase in public safety and streets/public works.

**THE TOWN OF LUSK, WYOMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2021
(Unaudited)**

**Table A-5 Business-Type
Changes in the Town of Lusk's Net Assets (Continued)**

	<u>Business-Type Activities</u>		
	<u>2021</u>	<u>2020</u>	<u>Change</u>
Revenues			
Program Revenues			
Charges for Services			
Electric	\$ 1,975,102	\$ 1,814,812	\$ 160,290
Water	348,863	303,326	45,537
Sanitation	377,280	297,182	80,098
Sewer	224,891	201,456	23,435
Capital Grants & Contributions			
Electric	-	-	
Water	-	245,507	(245,507)
Sanitation	-	-	-
Sewer	-	-	-
Investment Earnings	518	2,018	(1,500)
Miscellaneous	2,335	-	2,335
Total Revenues	<u>2,928,989</u>	<u>2,864,301</u>	<u>64,688</u>
Expenses			
Electric	1,812,331	1,755,251	57,080
Water	369,283	387,324	(18,041)
Sanitation	339,557	358,954	(19,397)
Sewer	205,300	177,706	27,594
Total Expenses	<u>2,726,471</u>	<u>2,679,235</u>	<u>47,236</u>
Change in net assets before transfers	202,518	185,066	17,452
Transfers	<u>-</u>	<u>-</u>	<u>-</u>
Increase in net assets	<u>\$ 202,518</u>	<u>\$ 185,066</u>	<u>\$ 17,452</u>

The business-type activities showed an overall increase in revenue and increase in expenses. All departments showed an increase in revenue. This is a result of an increase in rates. None of the departments received capital grants and contributions. The Electric Department and the Sewer Department had an increase in expenses, while the Water and Sanitation had a decrease in expenses. The Water Department finished the Water Well project at the Wyoming Women's Center.

**THE TOWN OF LUSK, WYOMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2021
(Unaudited)**

General Fund Budgetary Highlights

During the 12 months beginning July 1, 2020 and ending June 30, 2021, the Town of Lusk ended the year with a negative budget vs. actual variance of \$766,903. The variance in revenue is primarily due to the following: The Town over budgeted in the area of taxes and intergovernmental by \$1,117,841. Charges for Services, Licenses & Permits, and Miscellaneous were under budgeted by \$353,190.

The Town of Lusk made budget changes throughout the year to accommodate expenditures not foreseen. At the end of June 2021, expenditures final budget amounts were less than budgeted for general government, public safety, highways and public works, parks and recreations and airport.

For fiscal year 2020-2021, actual expenditures on a budgetary basis were \$3,376,302 compared to the final budget of \$3,896,757. This is a positive variance of \$520,455. Actual revenue on a budgetary basis was \$3,076,978 compared to the final budget of \$3,843,881. This is a negative variance of \$766,903. This shows a net change in fund balances of \$246,448 which does not include transfers in or out.

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THE TOWN OF LUSK, WYOMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2021
(Unaudited)

Capital Assets

As presented in Tables A-4 and A-5, the Town of Lusk completed 12 Months ending June 30, 2021 with the governmental activities capital assets showing an increase and the business-type activities capital assets showing a decrease. The total depreciation expense for fiscal year 2021 was \$804,899.

Capital Assets
Table A-6

	Beginning Balance	Transfers / Increase	Transfers/ Decrease	Ending Balance
Primary Government				
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 906,407	\$ -	\$ (42,126)	\$ 864,281
Construction-in-progress (restated, see Note 15)	207,896	951,058	-	1,158,954
Total	<u>\$ 1,114,303</u>	<u>\$ 951,058</u>	<u>\$ (42,126)</u>	<u>\$ 2,023,235</u>
Depreciable capital assets:				
Buildings and improvements	\$ 4,509,176	\$ -	\$ (209,592)	\$ 4,299,584
Furniture, fixtures and equipment	2,689,776	18,675	(2,000)	2,706,451
Infrastructure	6,989,297	49,630	-	7,038,927
Airport	3,444,276	-	-	3,444,276
Vehicles	981,771	38,576	-	1,020,347
Buildings and improvements under capital lease	36,370	-	-	36,370
Equipment under capital lease	22,030	-	-	22,030
Total	<u>18,672,696</u>	<u>106,881</u>	<u>(211,592)</u>	<u>18,567,985</u>
Accumulated depreciation for:				
Buildings and improvements	(1,184,596)	(92,308)	42,048	(1,234,856)
Furniture, fixtures and equipment	(2,102,119)	(79,499)	-	(2,181,618)
Infrastructure	(6,864,217)	(32,066)	-	(6,896,283)
Airport	(2,575,504)	(265,059)	-	(2,840,563)
Vehicles	(776,935)	(53,485)	-	(830,420)
Buildings and improvements under capital lease	(27,013)	(3,637)	-	(30,650)
Equipment under capital lease	(15,828)	(2,962)	-	(18,790)
Total accumulated depreciation	<u>(13,546,212)</u>	<u>(529,016)</u>	<u>42,048</u>	<u>(14,033,180)</u>
Total capital assets, being depreciated, net	<u>\$ 5,126,484</u>			<u>\$ 4,534,805</u>
Governmental activities capital assets, net	<u>\$ 6,240,787</u>			<u>\$ 6,558,040</u>

THE TOWN OF LUSK, WYOMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2021
(Unaudited)

Capital Assets
Table A-6 (Continued)

	Beginning Balance	Transfers / Increase	Transfers/ Decrease	Ending Balance
Business-Type Activities:				
Capital assets not being depreciated:				
Land - Water	\$ 1,462	\$ -	\$ -	\$ 1,462
Land - Sewer	35,081	-	-	35,081
Land - Sanitation	25,255	-	-	25,255
Land - Electric	481	-	-	481
Construction in Progress	-	267,091	-	267,091
Total	<u>\$ 62,279</u>	<u>\$ 267,091</u>	<u>\$ -</u>	<u>\$ 329,370</u>
Depreciable capital assets:				
Buildings - Water	\$ 4,690	\$ -	\$ -	\$ 4,690
Buildings - Sewer	21,280	-	-	21,280
Buildings - Sanitation	1,759,693	-	-	1,759,693
Buildings - Electric	207,230	-	-	207,230
Equipment - Water	1,000,498	-	-	1,000,498
Equipment - Sewer	302,174	-	-	302,174
Equipment - Sanitation	310,451	-	-	310,451
Equipment - Electric	79,818	-	-	79,818
Vehicles - Water	48,975	-	-	48,975
Vehicles - Sanitation	180,724	-	-	180,724
Vehicles - Electric	339,407	-	-	339,407
Water distribution system	4,326,347	-	-	4,326,347
Sewer system	898,796	-	-	898,796
Electrical system	2,648,017	6,450	-	2,654,467
Total	<u>12,128,100</u>	<u>6,450</u>	<u>-</u>	<u>12,134,550</u>
Accumulated depreciation for:				
Buildings	(539,971)	(30,374)	-	(570,345)
Equipment	(1,390,366)	(32,480)	-	(1,422,846)
Vehicles	(485,736)	(26,576)	-	(512,312)
Water distribution system	(3,647,271)	(124,410)	-	(3,771,681)
Sewer system	(504,423)	(8,496)	-	(512,919)
Electrical system	(2,452,826)	(53,547)	-	(2,506,373)
Total accumulated depreciation	<u>(9,020,593)</u>	<u>(275,883)</u>	<u>-</u>	<u>(9,296,476)</u>
Total capital assets, being depreciated, net	<u>\$ 3,107,507</u>			<u>\$ 2,838,074</u>
Business-type activities capital assets, net	<u>\$ 3,169,786</u>			<u>\$ 3,167,444</u>

THE TOWN OF LUSK, WYOMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2021
(Unaudited)

Long-Term Debt

The Town of Lusk's long-term obligations amount, including interest, for Governmental Activities was \$26,204 and for Business-Type activities was \$1,019,711. The General Government makes payments to Great American Financial for a copier lease, to WAM/WCCA for shop heaters and light plant refurbish, and John Deere for golf course equipment. For the business type activities, the Town has loans for the Water Department and the Sanitation Department. The Water Department has a USDA water loan, a Wyoming Water Development loan, and a State Lands and Investment loan. The Sanitation Department has loans with the State Lands and Investment Board, one for the building of the Transfer Station and the closure and post-closure of the Landfill.

Request for Information

This financial report is intended to provide an overview of the finances of the Town of Lusk for those with an interest in this organization. Questions concerning any information contained in this report may be directed to the Town Clerk, Town of Lusk, Wyoming, 201 East Third Street, PO Box 390, Lusk, Wyoming, 82225 or by calling 307-334-3612.

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of the Town Council
Town of Lusk, Wyoming
201 E. 3rd Street
Lusk, Wyoming 82225

Report on the Audit of the Financial Statements

Opinions

We have audited the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lusk, Wyoming, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2021, and the respective changes in financial position-modified cash basis and, where applicable, cash flows, thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter — Basis of Accounting

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and General Fund budgetary comparison information, schedule of proportionate share of the net pension liability – Wyoming Retirement System and the schedule of contributions – Wyoming Retirement System, as listed in the table of contents, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards is 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. Such 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 26, 2021, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Carver Florek & James, CPAs

October 26, 2021
Sheridan, Wyoming

BASIC FINANCIAL STATEMENTS

TOWN OF LUSK
STATEMENT OF NET POSITION
MODIFIED CASH BASIS
June 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	\$ 144,984	\$ 2,460,045	\$ 2,605,029
Cash with fiscal agent	3,827	-	3,827
Restricted cash	-	24,600	24,600
Internal balances	28,687	(28,687)	-
Total current assets	177,498	2,455,958	2,633,456
Noncurrent assets			
Capital assets:			
Non-depreciable	2,023,235	329,370	2,352,605
Depreciable, net of accumulated depreciation	4,534,805	2,838,074	7,372,879
Total capital assets, net	6,558,040	3,167,444	9,725,484
Total assets	6,735,538	5,623,402	12,358,940
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows - related to pensions	193,519	36,636	230,155
Total assets and deferred outflows	6,929,057	5,660,038	12,589,095
<u>LIABILITIES</u>			
Current liabilities			
Accounts payable and accrued liabilities	116,051	110,572	226,623
Current portion of long-term obligations	5,477	67,812	73,289
Total current liabilities	121,528	178,384	299,912
Long-term liabilities			
Noncurrent portion of long-term obligations	20,727	951,899	972,626
Net pension liability	700,740	410,088	1,110,828
Total long-term liabilities	721,467	1,361,987	2,083,454
Total liabilities	842,995	1,540,371	2,383,366
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflows - related to pensions	352,060	93,474	445,534
Total liabilities and deferred inflows	1,195,055	1,633,845	2,828,900
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	6,531,836	2,147,733	8,679,569
Restricted for:			
Wyoming water development reserves	-	24,600	24,600
Recreation activities	6,776	-	6,776
Other	25,799	-	25,799
Cemetery maintenance	16,946	-	16,946
Utilities endowment	18,892	-	18,892
Unrestricted	(866,247)	1,853,860	987,613
Total net position	\$ 5,734,002	\$ 4,026,193	\$ 9,760,195

The notes to financial statements are an integral part of this statement.

**TOWN OF LUSK, WYOMING
STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
Year Ended June 30, 2021**

	Net (Expense) Revenues and Changes in Net Position						
	Program Revenues				Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<u>PRIMARY GOVERNMENT</u>							
Governmental activities:							
General government	\$ 327,163	\$ 51,136	\$ 284,221	\$ -	\$ 8,194	\$ -	\$ 8,194
Public safety	995,622	105,304	-	-	(890,318)	-	(890,318)
Streets and public works	909,499	11,874	72,114	-	(825,511)	-	(825,511)
Parks and recreation	345,348	66,785	10,000	-	(268,563)	-	(268,563)
Airport	290,857	18,659	-	923,831	651,633	-	651,633
Benenfit payments	10,983	-	13,674	-	2,691	-	2,691
Total governmental activities	<u>\$ 2,879,472</u>	<u>\$ 253,758</u>	<u>\$ 380,009</u>	<u>\$ 923,831</u>	<u>(1,321,874)</u>	<u>-</u>	<u>(1,321,874)</u>
Business-type activities:							
Electric	\$ 1,812,331	\$ 1,975,102	\$ -	\$ -	-	162,771	162,771
Water	369,283	348,863	-	-	-	(20,420)	(20,420)
Sanitation	339,557	377,280	-	-	-	37,723	37,723
Sewer	205,300	224,891	-	-	-	19,591	19,591
Total business-type activities	<u>2,726,471</u>	<u>2,926,136</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>199,665</u>	<u>199,665</u>
Total primary government	<u>\$ 5,605,943</u>	<u>\$ 3,179,894</u>	<u>\$ 380,009</u>	<u>\$ 923,831</u>	<u>(1,321,874)</u>	<u>199,665</u>	<u>(1,122,209)</u>
General revenues:							
Property taxes					109,489	-	109,489
General sales and use tax					736,219	-	736,219
Cigarette tax					10,512	-	10,512
Lodging tax					41,947	-	41,947
Fuels tax					82,548	-	82,548
Mineral severance and royalties tax					210,645	-	210,645
Lottery tax					9,536	-	9,536
Other taxes					25,799	-	25,799
Investment earnings					2,497	518	3,015
Miscellaneous					91,956	2,335	94,291
Total general revenues, special items					<u>1,321,148</u>	<u>2,853</u>	<u>1,324,001</u>
Change in net position					(726)	202,518	201,792
Net position - beginning (restated, see Note 15)					<u>5,734,728</u>	<u>3,823,675</u>	<u>9,558,403</u>
Net position - ending					<u>\$ 5,734,002</u>	<u>\$ 4,026,193</u>	<u>\$ 9,760,195</u>

The notes to financial statements are an integral part of this statement.

TOWN OF LUSK, WYOMING
BALANCE SHEET
GOVERNMENTAL FUNDS
MODIFIED CASH BASIS
June 30, 2021

	<u>Major Fund</u>				Total Governmental Funds
	<u>General Fund</u>	<u>1% Specific Purpose Tax</u>	<u>Cemetery Maintenance</u>	<u>Utility Endowment Fund</u>	
<u>ASSETS</u>					
Cash and cash equivalents	\$ 109,146	\$ -	\$ 16,946	\$ 18,892	\$ 144,984
Cash with fiscal agent	3,827	-	-	-	3,827
Due from other funds	28,687	25,799	-	-	54,486
Total assets	<u>\$ 141,660</u>	<u>\$ 25,799</u>	<u>\$ 16,946</u>	<u>\$ 18,892</u>	<u>\$ 203,297</u>
<u>LIABILITIES</u>					
Accounts payable and accrued liabilities	\$ 116,051	\$ -	\$ -	\$ -	\$ 116,051
Due to other funds	25,799	-	-	-	25,799
Total liabilities	<u>141,850</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>141,850</u>
<u>FUND BALANCE</u>					
Restricted:					
Recreational activities	6,776	-	-	-	6,776
Other	-	25,799	-	-	25,799
Cemetery maintenance	-	-	16,946	-	16,946
Utilities endowment	-	-	-	18,892	18,892
Unassigned	(6,966)	-	-	-	(6,966)
Total fund balance	<u>(190)</u>	<u>25,799</u>	<u>16,946</u>	<u>18,892</u>	<u>61,447</u>
Total liabilities and fund balance	<u>\$ 141,660</u>	<u>\$ 25,799</u>	<u>\$ 16,946</u>	<u>\$ 18,892</u>	<u>\$ 203,297</u>

The notes to financial statements are an integral part of this statement.

TOWN OF LUSK, WYOMING
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION MODIFIED CASH BASIS
June 30, 2021

Total fund balance for government funds	\$	61,447
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Asset cost and accumulated depreciation is as follows:

Asset cost	20,591,220	
Accumulated Depreciation	(14,033,180)	
Total		6,558,040

The assets and liabilities of the government-wide statement of net position include certain deferred outflows and inflows related to pensions and the net pension liability which do not require the use of current financial resources and are therefore excluded from the governmental fund balance sheet. Pension activities at year end consist of :

Net pension liability	(700,740)	
Deferred inflows of resources related to pensions	(352,060)	
Deferred outflows of resources related to pension	193,519	
Total		(859,281)

Long-term liabilities are not reported as liabilities in the governmental funds. Long-term liabilities included in the government-wide financial statements at year-end consist of:

Note payable		(26,204)
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Net position of government activities	\$	5,734,002
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The notes to financial statements are an integral part of this statement.

TOWN OF LUSK, WYOMING
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
MODIFIED CASH BASIS
Year Ended June 30, 2021

	<u>Major Fund</u>				Total Governmental Funds
	<u>General Fund</u>	<u>1% Specific Purpose Tax</u>	<u>Cemetery Maintenance</u>	<u>Utility Endowment Fund</u>	
<u>REVENUES</u>					
Taxes					
Sales and use	\$ 736,219	\$ -	\$ -	\$ -	\$ 736,219
Property	109,489	-	-	-	109,489
Fuels	82,548	-	-	-	82,548
Cigarette	10,512	-	-	-	10,512
Lodging	41,947	-	-	-	41,947
Severance and mineral royalties	210,645	-	-	-	210,645
Other	-	25,799	-	-	25,799
Licenses and permits	10,866	-	-	-	10,866
Wyoming Lottery distribution	9,536	-	-	-	9,536
Intergovernmental	1,290,166	-	-	-	1,290,166
Charges for services	206,417	-	-	-	206,417
Fines and forfeitures	36,475	-	-	-	36,475
Miscellaneous	303,625	-	-	13,674	317,299
Investment earnings	2,272	-	226	-	2,498
Total revenues	<u>3,050,717</u>	<u>25,799</u>	<u>226</u>	<u>13,674</u>	<u>3,090,416</u>
<u>EXPENDITURES</u>					
Current:					
General government	255,789	-	-	-	255,789
Public safety	873,977	-	-	-	873,977
Streets and public works	787,435	-	-	-	787,435
Parks and recreation	298,903	-	-	-	298,903
Airport	25,798	-	-	-	25,798
Benefit payments	-	-	-	10,983	10,983
Capital outlay	1,057,939	-	-	-	1,057,939
Total expenditures	<u>3,299,841</u>	<u>-</u>	<u>-</u>	<u>10,983</u>	<u>3,310,824</u>
Excess revenues over (under) expenditures	<u>(249,124)</u>	<u>25,799</u>	<u>226</u>	<u>2,691</u>	<u>(220,408)</u>
<u>FUND BALANCE - BEGINNING</u>					
(restated, see Note 15)	<u>248,934</u>	<u>-</u>	<u>16,720</u>	<u>16,201</u>	<u>281,855</u>
<u>FUND BALANCE - ENDING</u>					
	<u>\$ (190)</u>	<u>\$ 25,799</u>	<u>\$ 16,946</u>	<u>\$ 18,892</u>	<u>\$ 61,447</u>

The notes to financial statements are an integral part of this statement.

TOWN OF LUSK, WYOMING
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES MODIFIED CASH BASIS
Year Ended June 30, 2021

Net changes in fund balances - total governmental funds		\$ (220,408)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays are exceeded by depreciation expense in the period:</p>		
Capital Outlays	1,057,939	
Less: depreciation expense	(529,016)	
Gain (loss) on disposal of assets	<u>(211,670)</u>	
Difference between expenditures and depreciation		317,253
<p>Pension expense reported in the government-wide statement of activities does not require the use of current financial resources and therefore is not reported as an expense in governmental funds.</p>		
		(113,636)
<p>Repayment of loan principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the government-wide statement of net position.</p>		
		16,065
Change in net position of governmental activities		<u><u>\$ (726)</u></u>

The notes to financial statements are an integral part of this statement.

TOWN OF LUSK, WYOMING
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
MODIFIED CASH BASIS
June 30, 2021

	Major Funds				Total Enterprise Funds
	Electric Fund	Water Fund	Sanitation Fund	Sewer Fund	
<u>ASSETS</u>					
Current assets:					
Cash and cash equivalents	\$ 1,562,426	\$ 263,149	\$ 140,841	\$ 493,629	\$ 2,460,045
Restricted cash	-	24,600	-	-	24,600
Total current assets	<u>1,562,426</u>	<u>287,749</u>	<u>140,841</u>	<u>493,629</u>	<u>2,484,645</u>
Noncurrent assets:					
Capital assets:					
Non-depreciable	481	124,539	25,255	179,095	329,370
Depreciable, net of accumulated depreciation	182,632	570,281	1,556,557	528,604	2,838,074
Total noncurrent assets	<u>183,113</u>	<u>694,820</u>	<u>1,581,812</u>	<u>707,699</u>	<u>3,167,444</u>
Total assets	<u>1,745,539</u>	<u>982,569</u>	<u>1,722,653</u>	<u>1,201,328</u>	<u>5,652,089</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>					
Deferred outflows - related to pensions	13,371	6,805	9,654	6,806	36,636
Total deferred outflows of resources	<u>13,371</u>	<u>6,805</u>	<u>9,654</u>	<u>6,806</u>	<u>36,636</u>
Total assets and deferred outflows	<u>1,758,910</u>	<u>989,374</u>	<u>1,732,307</u>	<u>1,208,134</u>	<u>5,688,725</u>
<u>LIABILITIES</u>					
Current liabilities:					
Sales tax payable	10,142	-	-	-	10,142
Accounts payable and accrued liabilities	68,670	18,751	10,503	2,506	100,430
Due to other funds	-	13,487	-	15,200	28,687
Current portion of long term liabilities	-	41,237	26,575	-	67,812
Total current liabilities	<u>78,812</u>	<u>73,475</u>	<u>37,078</u>	<u>17,706</u>	<u>207,071</u>
Noncurrent liabilities:					
Net pension liability	149,671	76,179	108,059	76,179	410,088
Long term liabilities	-	400,574	408,005	143,320	951,899
Total noncurrent liabilities	<u>149,671</u>	<u>476,753</u>	<u>516,064</u>	<u>219,499</u>	<u>1,361,987</u>
Total liabilities	<u>228,483</u>	<u>550,228</u>	<u>553,142</u>	<u>237,205</u>	<u>1,569,058</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>					
Deferred inflows - related to pensions	34,115	17,364	24,631	17,364	93,474
Total deferred inflows of resources	<u>34,115</u>	<u>17,364</u>	<u>24,631</u>	<u>17,364</u>	<u>93,474</u>
Total liabilities and deferred inflows	<u>262,598</u>	<u>567,592</u>	<u>577,773</u>	<u>254,569</u>	<u>1,662,532</u>
<u>NET POSITION</u>					
Invested in capital assets, net of related debt	183,113	253,009	1,147,232	564,379	2,147,733
Restricted for:					
Wyoming water development reserves	-	24,600	-	-	24,600
Unrestricted	1,313,199	144,173	7,302	389,186	1,853,860
Total net position	<u>\$ 1,496,312</u>	<u>\$ 421,782</u>	<u>\$ 1,154,534</u>	<u>\$ 953,565</u>	<u>\$ 4,026,193</u>

The notes to financial statements are an integral part of this statement.

TOWN OF LUSK, WYOMING
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
MODIFIED CASH BASIS
Year Ended June 30, 2021

	Major Funds				Total Enterprise Funds
	Electric Fund	Water Fund	Sanitation Fund	Sewer Fund	
<u>OPERATING REVENUES</u>					
Charges for sales and services	\$ 1,975,102	\$ 348,863	\$ 377,280	\$ 227,226	\$ 2,928,471
Total operating revenues	1,975,102	348,863	377,280	227,226	2,928,471
<u>OPERATING EXPENSES</u>					
Salaries and benefits	255,225	129,439	175,875	131,610	692,149
Repairs and maintenance	1,448,913	16,939	10,668	11,613	1,488,133
Materials and supplies	43,774	62,331	97,070	22,612	225,787
Depreciation	64,419	131,255	55,944	24,265	275,883
Total operating expenses	1,812,331	339,964	339,557	190,100	2,681,952
Operating income (loss)	162,771	8,899	37,723	37,126	246,519
<u>NONOPERATING REVENUES (EXPENSES)</u>					
Interest revenue	219	299	-	-	518
Interest and fees expense	-	(29,319)	-	(15,200)	(44,519)
Total non-operating revenues	219	(29,020)	-	(15,200)	(44,001)
Income (loss) before transfers	162,990	(20,121)	37,723	21,926	202,518
Change in net position	162,990	(20,121)	37,723	21,926	202,518
<u>NET POSITION - BEGINNING</u>	1,333,322	441,903	1,116,811	931,639	3,823,675
<u>NET POSITION - ENDING</u>	\$ 1,496,312	\$ 421,782	\$ 1,154,534	\$ 953,565	\$ 4,026,193

The notes to financial statements are an integral part of this statement.

TOWN OF LUSK, WYOMING
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
MODIFIED CASH BASIS
Year Ended June 30, 2021

	Major Funds				Total Enterprise Funds
	Electric Fund	Water Fund	Sanitation Fund	Sewer Fund	
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>					
Receipts from customers	\$ 1,975,102	\$ 348,863	\$ 377,280	\$ 227,226	\$ 2,928,471
Payments to suppliers	(1,450,399)	(79,447)	(111,483)	(33,893)	(1,675,222)
Payments to employees	(254,613)	(129,650)	(186,521)	(131,822)	(702,606)
Net cash provided by (used in) operating activities	<u>270,090</u>	<u>139,766</u>	<u>79,276</u>	<u>61,511</u>	<u>550,643</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>					
Interfund activity	-	13,487	-	15,200	28,687
Net cash provided by (used in) non-capital financing activities	<u>-</u>	<u>13,487</u>	<u>-</u>	<u>15,200</u>	<u>28,687</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>					
Purchases of capital assets	(6,450)	(123,077)	-	(144,013)	(273,540)
Principal paid on capital debt	-	(194,275)	(26,575)	-	(220,850)
Proceeds from debt issuance	-	122,420	-	143,320	265,740
Interest paid on capital debt	-	(29,319)	-	(15,200)	(44,519)
Net cash provided (used) by capital and related financing activities	<u>(6,450)</u>	<u>(224,251)</u>	<u>(26,575)</u>	<u>(15,893)</u>	<u>(273,169)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>					
Interest and dividends received	219	299	-	-	518
Net cash provided by (used in) investing activities	<u>219</u>	<u>299</u>	<u>-</u>	<u>-</u>	<u>518</u>
Net increase (decrease) in cash and cash equivalents	263,859	(70,699)	52,701	60,818	306,679
Cash and cash equivalents, beginning	1,298,567	358,448	88,140	432,811	2,177,966
Cash and cash equivalents, ending	<u>\$ 1,562,426</u>	<u>\$ 287,749</u>	<u>\$ 140,841</u>	<u>\$ 493,629</u>	<u>\$ 2,484,645</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 162,771	\$ 8,899	\$ 37,723	\$ 37,126	\$ 246,519
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	64,419	131,255	55,944	24,265	275,883
(Increase) Decrease in net pension resources	612	(211)	(10,646)	(212)	(10,457)
Increase (Decrease) in sales tax payable	931	-	-	-	931
Increase (Decrease) in accrued liabilities	41,357	(177)	(3,745)	332	37,767
Total adjustments	<u>107,319</u>	<u>130,867</u>	<u>41,553</u>	<u>24,385</u>	<u>304,124</u>
Net cash provided (used) by operating activities	<u>\$ 270,090</u>	<u>\$ 139,766</u>	<u>\$ 79,276</u>	<u>\$ 61,511</u>	<u>\$ 550,643</u>

The notes to financial statements are an integral part of this statement.

TOWN OF LUSK, WYOMING
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Town of Lusk (the Town), located in Niobrara County, Wyoming, provides a broad range of services to citizens, including general government, public safety (police), streets, cultural, recreational, public improvements, planning, and utilities (water, sewer, and sanitation). The Town is managed by an elected four-member Town Council (the Council) and an elected Mayor. Generally, the Mayor appoints all department heads, subject to approval by the Council. The department heads are under the direct supervision of the Mayor.

The accompanying financial statements of the Town have been prepared on a modified cash basis of accounting. This modified basis of accounting differs from generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Town are described below.

Basis of Presentation

The Town's basic financial statements consist of government-wide statements, including a Statement of Net Position, Statement of Activities, and separate governmental fund financial statements.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Town as a whole. Both the governmental and business-type activities are presented on a consolidated basis by column and are reflected on a modified cash and economic resource basis which incorporates long-term assets, payables and long-term debt and obligations. These statements include the financial activities of the primary government, except fiduciary funds. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which generally rely on fees and charges for support.

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

Fund Financial Statements

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

TOWN OF LUSK, WYOMING
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The following is a brief description of the specific funds used by the Town.

Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities are reported as fund balance. The following are the Town's governmental funds.

Major Governmental Funds:

General Fund

The General Fund is used to account for all financial transactions of the Town not properly accounted for in other funds or account groups.

The revenue of the fund is derived mainly from sales and use taxes, other taxes, intergovernmental sources and charges for services with expenditures relating to general government, public safety, public works, culture and recreation, debt payments and capital outlays.

Proprietary Funds

Enterprise Funds

The Proprietary Utility Funds record the Town's activities that are operated similar to private business enterprises, where determination of net income is necessary or useful for financial administration. The four proprietary funds of the Town are the Electric Fund which provides electricity to the residents of the Town; Water Fund which provides water to the residents of the Town; the Sewer Fund which receives and treats wastewater; and the Sanitation Fund which collects garbage. Proprietary funds are accounted for using a modified cash basis of accounting.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus within the limitations of the modified cash basis of accounting. Revenues are recorded when received and expenses are recorded when paid, the Town has chosen to accrue and show long term obligations and current payables. Property taxes are recognized as revenues in the year they are received. Grants are recognized as revenue when cash is received.

TOWN OF LUSK, WYOMING
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Governmental fund level financial statements are reported using current financial resources measurement focus within the limitations of the modified cash basis of accounting. Revenues are recognized when they are received. Expenditures are recorded when cash is paid; however, the Town has accrued current liabilities related to payroll and goods and services provided, and long-term obligations related to financing and the Town's portion of an unfunded pension liability.

Proprietary funds distinguish operating revenues and expenses from non-operating. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

Budgetary Data

The Town prepares its annual operating budget under the provisions of Wyoming State Statutes for all the funds. The legal level of control at which expenditures may not legally exceed appropriations is the function level within a fund. The Council adopts a budget at the beginning of each fiscal year and then they may amend the budget and authorize transfers within various budgetary programs, in any fund. Unused appropriations typically lapse at the end of the year.

While the Town is reporting financial position, results of operations, and changes in fund balance on the modified cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenues, expenditures, and changes in fund balance budget and actual presented for the general fund is presented on the budgetary basis to provide meaningful comparison of actual results with the budget. The major difference between budget basis and modified cash basis are as follows: Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (Modified Cash Basis).

Assets, Liabilities and Net Position

Cash and Cash Equivalents

Cash and cash equivalents include all demand and savings accounts and certificates of deposits or short-term investments with an original maturity of twelve months or less. These deposits are fully insured by the Federal Deposit Insurance Corporation (FDIC) or secured by pledge of assets including bonds, debentures and other securities, which by law, the State Treasurer may invest. At June 30, 2021, all deposits were not fully insured with a combination of FDIC insurance and pledged collateral held in the name of the Town. See Schedule of Findings and Questioned Costs for further information.

TOWN OF LUSK, WYOMING
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

The Town's investment policy requires investments to comply with state statutes, which generally allows the Town to invest in U.S. state and local government securities and accounts of any bank and savings associations which are federally insured or secured by pledge of assets including bonds, debentures and other securities in which the State Treasurer may by law invest. All investments made during the year were made within these statutory limits. The Town's investment policy does require all time deposits and repurchase agreements to be collateralized at 120% of the amount invested including accrued interest, based on the lower of par or market value of the collateral.

Capital Assets and Depreciation

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business type activity columns in the government-wide financial statements.

Acquired or constructed capital assets are valued at historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs to these assets that do not add materially to the value of the asset are expensed as incurred.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Street infrastructure assets are entered into the system on a network basis since these assets consist of several different components of road and street construction.

Capital assets are defined by the Town as assets with an estimated useful life in excess of one year and cost in excess of \$1,000.

All property, plant and equipment of governmental or business type activities are depreciated using the straight-line method with the following estimated useful lives:

<u>Classes of Assets</u>	<u>Useful Life</u>
Buildings and improvements	7-50 years
Furniture, fixtures and equipment	5-30 years
Infrastructure	7-20 years
Vehicles	3-7 years

In the governmental fund financial statements, capital purchases are accounted for as capital outlay expenditures.

Accounts Payable and Other Accrued Liabilities

Accounts Payable – Accounts payable in the governmental activities includes the payables recorded by the Town at June 30, 2021 related to normal operating and capital expenditures for all funds.

TOWN OF LUSK, WYOMING
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

Long-Term Debt

Accounting for long-term debt varies depending upon the source of repayment and the measurement focus applied, and whether the debt is reported in the government-wide or fund financial statements.

All long-term debt to be repaid from proprietary fund resources are reported as liabilities, as incurred. Long-term debt consists primarily of net pension liability and notes payable.

Equity Classifications

1. Government-Wide and Proprietary Fund Financial Statements:

Equity is classified as net position and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net positions that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

2. Governmental Fund Financial Statements:

Governmental fund equity is classified as fund balance. The Town reports fund balance in the governmental fund financial statements in one of the following two categories:

- a. Restricted Fund Balances – These fund balances are the net balance of assets and liabilities that are externally imposed. These are grants or other funds that are restricted by the debt covenants, grantor, contributor, or by laws or regulations of external governments. In general, these include legally enforceable requirements that the resources be used only for specific purposes stipulated in the grant, debt covenant, or by law.
- b. Assigned Fund Balances – This fund balance represent amounts intended to be used by the government for specific purposes.
- c. Unassigned Fund Balances – These fund balances represent amounts that have not been restricted, committed or assigned to a specific purpose.

TOWN OF LUSK, WYOMING
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Internal and Inter-Fund Balances and Activities

In the process of aggregating the financial information for the government-wide financial statements, some amounts reported as inter-fund activity and balances in the fund financial statements, have been eliminated or reclassified.

Government-Wide Financial Statements:

Inter-fund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities

Amounts reported as inter-fund transfers in the fund financial statements are eliminated in the government-wide statement of activities except for the net amount of transfers between governmental and business-type activities, which are reported as transfers.

Property Taxes

The Town is permitted to and has levied eight mills of the assessed valuation in the Town. The Town levies taxes on assessed property through Niobrara County (the County), who act as the agents to levy and collect property tax within the county. The taxes are levied on the assessed valuation of the prior year according to the tax calendar below. Collections are distributed after the end of each month. Consequently, the vast majority of taxes have been levied and collected within the Town's fiscal year. Assessed valuation and tax levies are subject to adjustment for prior years (rebates and supplemental), as controlled by the County or State. The Town does not adjust or record estimates for these adjustments, as they are adjusted to current year tax receipts when they are approved. All taxes are included as revenue in the financial statements when received from the County. The tax calendar is as follows:

August 10	Taxes are levied and become an enforceable lien on properties.
September 1	First of two equal installment payments is due.
November 10	First installment is delinquent.
March 1	Second installment is due.
May 10	Second installment is delinquent.

Use of estimates

The preparation of the financial statements in conformity with other comprehensive basis of accounting (OCBOA) requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results may differ from those estimates. The estimate of pension liabilities is especially significant to the Town. It is reasonably possible that this estimate will change within one year of the date of the financial statements due to one or more future events. The effect of the change could be material to the financial statements and could result in a loss.

TOWN OF LUSK, WYOMING
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements

GASB Statement No. 84, Fiduciary Activities - This Statement establishes standards of accounting and financial reporting for fiduciary activities, including establishing criteria on whether a government is controlling the assets of the fiduciary activity, and the beneficiaries with whom a fiduciary relationship exists.

As a result of implementing this Statement, the Town now reports the Cemetery Maintenance Fund and the Utility Endowment Fund as nonmajor governmental funds. These funds were previously reported as fiduciary funds and did not meet the criteria to be reported as a custodial fund.

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TOWN OF LUSK, WYOMING
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2021

2. CAPITAL ASSETS

Capital asset activity related to governmental and business-type activities for the year ended June 30, 2021 was as follows:

	Beginning Balance	Transfers / Increase	Transfers/ Decrease	Ending Balance
Primary Government				
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 906,407	\$ -	\$ (42,126)	\$ 864,281
Construction-in-progress (restated, see Note 15)	207,896	951,058	-	1,158,954
Total	<u>\$ 1,114,303</u>	<u>\$ 951,058</u>	<u>\$ (42,126)</u>	<u>\$ 2,023,235</u>
Depreciable capital assets:				
Buildings and improvements	\$ 4,509,176	\$ -	\$ (209,592)	\$ 4,299,584
Furniture, fixtures and equipment	2,689,776	18,675	(2,000)	2,706,451
Infrastructure	6,989,297	49,630	-	7,038,927
Airport	3,444,276	-	-	3,444,276
Vehicles	981,771	38,576	-	1,020,347
Buildings and improvements under capital lease	36,370	-	-	36,370
Equipment under capital lease	22,030	-	-	22,030
Total	<u>18,672,696</u>	<u>106,881</u>	<u>(211,592)</u>	<u>18,567,985</u>
Accumulated depreciation for:				
Buildings and improvements	(1,184,596)	(92,308)	42,048	(1,234,856)
Furniture, fixtures and equipment	(2,102,119)	(79,499)	-	(2,181,618)
Infrastructure	(6,864,217)	(32,066)	-	(6,896,283)
Airport	(2,575,504)	(265,059)	-	(2,840,563)
Vehicles	(776,935)	(53,485)	-	(830,420)
Buildings and improvements under capital lease	(27,013)	(3,637)	-	(30,650)
Equipment under capital lease	(15,828)	(2,962)	-	(18,790)
Total accumulated depreciation	<u>(13,546,212)</u>	<u>(529,016)</u>	<u>42,048</u>	<u>(14,033,180)</u>
Total capital assets, being depreciated, net	<u>\$ 5,126,484</u>			<u>\$ 4,534,805</u>
Governmental activities capital assets, net	<u>\$ 6,240,787</u>			<u>\$ 6,558,040</u>

TOWN OF LUSK, WYOMING
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2021

2. CAPITAL ASSETS (Continued)

	Beginning Balance	Transfers / Increase	Transfers/ Decrease	Ending Balance
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 62,279	\$ -	\$ -	\$ 62,279
Construction in Progress	-	267,091	-	267,091
Total	<u>\$ 62,279</u>	<u>\$ 267,091</u>	<u>\$ -</u>	<u>\$ 329,370</u>
Depreciable capital assets:				
Buildings	\$ 1,992,893	\$ -	\$ -	\$ 1,992,893
Equipment	1,692,941	-	-	1,692,941
Vehicles	569,106	-	-	569,106
Water distribution system	4,326,347	-	-	4,326,347
Sewer system	898,796	-	-	898,796
Electrical system	2,648,017	6,450	-	2,654,467
Total	<u>12,128,100</u>	<u>6,450</u>	<u>-</u>	<u>12,134,550</u>
Accumulated depreciation for:				
Buildings	(539,971)	(30,374)	-	(570,345)
Equipment	(1,390,366)	(32,480)	-	(1,422,846)
Vehicles	(485,736)	(26,576)	-	(512,312)
Water distribution system	(3,647,271)	(124,410)	-	(3,771,681)
Sewer system	(504,423)	(8,496)	-	(512,919)
Electrical system	(2,452,826)	(53,547)	-	(2,506,373)
Total accumulated depreciation	<u>(9,020,593)</u>	<u>(275,883)</u>	<u>-</u>	<u>(9,296,476)</u>
Total capital assets, being depreciated, net	<u>\$ 3,107,507</u>			<u>\$ 2,838,074</u>
Business-type activities capital assets, net	<u>\$ 3,169,786</u>			<u>\$ 3,167,444</u>

Depreciation expense for the fiscal year ended June 30, 2021, was charged to the following activities in the statement of activities.

Governmental Activities:

General Government	\$ 62,835
Public Safety	80,182
Streets and Public Works	85,317
Parks and Recreation	35,623
Airport	265,059
	<u>\$ 529,016</u>

TOWN OF LUSK, WYOMING
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2021

3. INTERFUND ACTIVITY

Transfers were used to move cash to the fund for which statute or budget requires the expenditure to be made and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The transfer between governmental funds was to recognize the use of monies associated with the special purpose tax collections that occurred in the General Fund.

The primary government's operating transfers for the year ended June 30, 2021, were as follows:

	Due from Other Funds	Due to Other Funds	Net
Governmental Activities:			
General Fund	\$ 28,687	\$ 25,799	\$ 2,888
1% Specific Purpose Tax	25,799	-	25,799
	\$ 54,486	\$ 25,799	\$ 28,687
Business-type Activities:			
Water	\$ -	\$ 13,487	\$ (13,487)
Sewer	-	15,200	(15,200)
	-	28,687	(28,687)
	\$ 54,486	\$ 54,486	\$ -

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TOWN OF LUSK, WYOMING
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2021

4. DEBT

The following is a summary of long-term liability transactions for the Town for the year ended June 30, 2021:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Primary Government					
Governmental Activities:					
Note payable:					
Golf course equipment	\$ 7,433	\$ -	\$ 7,433	\$ -	\$ -
Total note payable	7,433	-	7,433	-	-
Capital lease payables:					
Copier	6,366	-	2,186	4,180	2,200
Light plant refurbishment	3,300	-	3,300	-	-
Shop heaters	25,170	-	3,146	22,024	3,277
Total capital leases	34,836	-	8,632	26,204	5,477
Net pension liability (Note 5)	1,090,614	-	389,874	700,740	-
Total	\$ 1,132,883	\$ -	\$ 405,939	\$ 726,944	\$ 5,477
Business-Type Activities:					
Note payables:					
Water Fund					
Water system	\$ 296,000	\$ -	\$ 185,354	\$ 110,646	\$ 32,000
Lusk Well No. 10	76,376	-	5,664	70,712	5,890
Water system improvements	141,290	-	3,257	138,033	3,347
Water system replacement	-	122,420	-	122,420	-
Total Water Fund	513,666	122,420	194,275	441,811	41,237
Sanitation Fund					
Transfer station	372,058	-	21,886	350,172	21,886
MSW Cease and Transfer	89,097	-	4,689	84,408	4,689
Total Sanitation Fund	461,155	-	26,575	434,580	26,575
Sewer Fund					
Sewer system replacement	-	143,320	-	143,320	-
Total Water Fund	-	143,320	-	143,320	-
Total notes payable	974,821	265,740	220,850	1,019,711	67,812
Net pension liability (Note 5)					
Electric Fund	159,485	-	9,814	149,671	-
Water Fund	81,665	-	5,486	76,179	-
Sanitation Fund	125,559	-	17,500	108,059	-
Sewer Fund	81,665	-	5,486	76,179	-
Total	\$ 1,423,195	\$ 265,740	\$ 259,136	\$ 1,429,799	\$ 67,812

TOWN OF LUSK, WYOMING
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2021

4. DEBT (Continued)

Water System: The Town obtained a \$704,000 loan with 4.875 percent interest from the USDA Rural Utilities Service on August 25, 1997 to finance improvements of the Town's water system. As part of the loan agreement, the Town agreed to secure the loan with the water system equipment and all revenues generated by user fees. Annual payments varying in amounts of \$11,000 to \$47,000 are due on August 26th through 2027.

Lusk Well No. 10: The Town obtained a \$136,950 loan with 4.00 percent interest from the State of Wyoming Water Development Commission to finance connection of the Lusk Well No. 10 to the Town's water system. As part of the loan agreement, the Town agreed to secure the loan with the water system equipment and all revenues generated by user fees. Annual payments in the amount of \$8,718 are due on December 1st through 2030 with the final payment being due October 1, 2030.

Water System Improvements: The Town obtained a \$268,950 loan with 2.50 percent interest from the State of Wyoming Office of State Lands and Investments to finance improvements in the Town's water system. As part of the loan agreement, the Town agreed to secure the loan with the water system equipment and all revenues generated by user fees. Annual payments in the amount of \$12,850 are due on April 1st through 2048.

Transfer Station: The Town obtained a not to exceed \$381,250 loan with 0 percent interest from the State of Wyoming Office of State Lands and Investments on June 4, 2015, amended April 17, 2017 not to exceed \$455,500 to finance the Town's transfer station. Total draws on the loan as of June 30, 2021 was \$437,715. As part of the loan agreement, the Town agreed to secure the loan with the sanitation department's revenues generated by user fees.

MSW Cease and Transfer: The Town obtained a not to exceed \$157,500 loan with 0% interest from the State of Wyoming Office of State Lands and Investments on June 4, 2015, to finance the Town's landfill closure. As part of the loan agreement, the Town agreed to secure the loan with the sanitation department's revenues generated by user fees. Annual payments in the amount of \$4,689 are due on December 1st through 2038.

Water System Replacement Project: The Town obtained a drinking water state revolving fund loan for \$2,497,302 with a 2.50 percent interest rate and \$200,000 with a 0 percent interest rate from the State of Wyoming Office of State Lands and Investments to finance the replacement of the Town's water system. As part of the loan agreement, the Town agreed to secure the loan with the water system equipment and all revenues generated by user fees and 6th Penny Tax proceeds. Upon completion of the project and prior to repayment of the loan, the loan shall be granted principal forgiveness up to 57.67 percent of the drawn loan funds, not to exceed \$1,555,409. The Town will be required to pay the accrued loan interest in full at the time of the principal forgiveness award and calculated repayment amounts will be required over 30 years. As of the date of this report, the project was not complete and had not entered the forgiveness/repayment phase.

Sewer System Replacement Project: The Town obtained a clean water state revolving fund loan for \$3,040,000 with a 2.50 percent interest rate from the State of Wyoming Office of State Lands and Investments to finance the replacement of the Town's sewer system. As part of the loan agreement, the Town agreed to secure the loan with the water system equipment and all revenues generated by user fees and 6th Penny Tax proceeds. Upon completion of the project and prior to repayment of the loan, the loan shall be granted principal forgiveness up to 75 percent of the drawn loan funds, not to exceed \$2,280,000. The Town will be required to pay the accrued loan interest in full at the time of the principal forgiveness award and calculated repayment amounts will be required over 30 years. As of the date of this report, the project was not complete and had not entered the forgiveness/repayment phase.

Copier Lease: The Town obtained a lease for a copier from Great America Financial Services Corporation with 6.44 percent interest, dated March 7, 2018. This copier met the definition of a capital lease and the copier was capitalized at the fair value of \$10,800. Payments are due in monthly installments of \$211 through March 2023.

TOWN OF LUSK, WYOMING
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2021

4. DEBT (Continued)

Shop Heaters: The Town obtained a lease for purchase of shop heaters from Wyoming Local Government Energy Lease Purchase Program with 0% interest, dated February 14, 2018. This money was paid upfront to the Town and was used to purchase new shop heaters. Payments are due in quarterly installments of \$787 through September 2028.

Capital Construction: The Town obtained a \$2,620,000 capital construction loan with a 2.5 percent interest rate from the State of Wyoming Office of State Lands and Investments to finance the streets replacement project. Payments are due annually on the December 1st in the amount of \$145,203 through December 2025. The loan funded subsequent to June 30, 2021.

Principal and interest payments due on long-term debt other than capital lease debt for the years ending June 30, are as follows:

Governmental Activities:

Capital leases

Payment Date	Principal	Interest	Total
2022	\$ 5,477	\$ 201	\$ 5,678
2023	4,995	50	5,045
2024	3,146	-	3,146
2025	3,146	-	3,146
2026	3,148	-	3,148
2027 - 2031	6,292	-	6,292
	<u>\$ 26,204</u>	<u>\$ 251</u>	<u>\$ 26,455</u>

As stated previously, the water system replacement and sewer system replacement loans are not yet in repayment, accordingly, their outstanding balance of \$265,750 are not included below. Principal and interest payments due on long-term capital lease debt for the years ending June 30, are as follows:

Business-Type Activities:

Notes payable

Payment Date	Principal	Interest	Total
2022	\$ 67,812	\$ 19,150	\$ 86,962
2023	70,129	17,273	87,402
2024	71,459	15,285	86,744
2025	46,447	13,237	59,684
2026	37,154	4,889	42,043
2027 - 2031	191,544	23,617	215,161
2032 - 2036	155,304	11,322	166,626
2037 - 2041	61,290	8,418	69,708
2042 - 2046	28,616	5,137	33,753
2047 - 2051	24,216	1,463	25,679
	<u>\$ 753,971</u>	<u>\$ 119,791</u>	<u>\$ 873,762</u>

TOWN OF LUSK, WYOMING
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2021

5. PARTICIPATION IN THE WYOMING RETIREMENT SYSTEM

The Town employees participate in either the Public Employee Pension Plan or the Law Enforcement Pension Plan within the Wyoming Retirement System (WRS or the Plan), which is a multiple employer cost sharing defined benefit plan. GASB standards require that the Town recognize a liability for its proportionate share of the net pension liability. This proportion is required to be determined on a basis that is consistent with the manner in which contributions to the plan are determined. The Town derived their portion of the net pension liability by applying the actual contribution as a percentage of total contributions to the Plan.

In addition to reporting the Town's share of the net pension liability, deferred inflows and deferred outflows on the statement of net position and the related expense on the statement of activities, this standard requires the Town to present two additional schedules in the required supplementary information section of this report.

These two additional schedules are referred to as: Schedule of Proportionate Share of the Net Pension Liability and the Schedule of Contributions.

Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and pension expense, this information has been determined using the same basis as reported by WRS. Benefit payments are recognized when due and payable in accordance with benefit terms and investments are reported at fair value.

General Information about the Plans

Public Employee Pension Plan: An actuarial valuation of the Plan's assets and net pension liability is performed annually. At the date of the most recent actuarial valuation, January 1, 2021, the fiduciary net position as a percentage of total pension liability increased from 76.83% on January 1, 2020 to 79.24% on January 1, 2021. The net pension liability as a percentage of covered employee payroll decreased from 132.11% to 118.65% as of January 1, 2020 and 2021, respectively. The net pension liability was \$2.17 billion as of January 1, 2021 compared to \$2.35 billion as of January 1, 2020. This is a decrease from the prior year.

Law Enforcement Pension Plan: Actuarial valuation of the Plan's assets and net pension liability is performed annually. At the date of the most recent actuarial valuation, January 1, 2021, the fiduciary net position as a percentage of total pension liability increased from 89.05% on January 1, 2020 to 91.82% on January 1, 2021. The net pension liability as a percentage of covered employee payroll decreased from 55.31% to 42.38% as of January 1, 2020 and 2021, respectively. The net pension liability was \$68.12 million as of January 1, 2021 compared to \$86.20 million as of January 1, 2020. This is a decrease from the prior year.

Determination of Tier 1 versus Tier 2 Employees - Public Employee Plan

Tier 1 employees are those whose first contribution to the Plan is before September 1, 2012; whereas, Tier 2 employees are those whose first contribution to the Plan is after September 1, 2012.

Vesting

Participants are fully vested within the Plan after the equivalent of four years of service for the Public Employee and Law Enforcement Plans.

TOWN OF LUSK, WYOMING
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2021

5. PARTICIPATION IN THE WYOMING RETIREMENT SYSTEM (Continued)

Contributions

As a condition of participation in the Plan, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by Wyoming State Statute and specified by the WRS Board. Contributions are actuarially determined as an amount that is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. During 2014, House Bill 46 increased the required contributions for participants in the Public Employee's Pension Plan as follows: This bill provided for an increase to take effect on July 1, 2015, which increased the total contribution from 15.87% to 16.62%. During 2018, House Bill 109 increased required pension plan contributions rates by 0.50% per fiscal year through fiscal year 2022.

The Law Enforcement Pension Plan requires a contribution of 17.2% of eligible wages.

Benefits – Public Employee Pension Plan

The Public Employees Plan provides retirement, disability and death benefits according to predetermined formulas and allows retirees to select one of seven optional methods for receiving benefits, including two joint and survivor forms of benefits: a 100% joint and survivor annuity, and a 50% joint and survivor annuity. The benefit amounts under these options are determined on an actuarially equivalent basis. Any cost of living adjustment (COLA) provided to retirees must be granted by the State Legislature. In addition, a cost of living adjustment will not be approved by the legislature unless the plan is 100% funded after the COLA is awarded.

Employees terminating prior to normal retirement can elect to withdraw all employee contributions plus accumulated interest through date of termination or, if they are vested, they may elect to remain in the Plan and be eligible for unreduced retirement benefits at age 60 (Tier 1 employee) or 65 (Tier 2 employee).

Tier 1, the Plan allows for normal retirement after four years of service and attainment of age 60. Early retirement is allowed provided the employee has completed four years of service and attained age 50 or 25 years of service but will result in a reduction of benefits based on the length of time remaining to age 60.

Tier 2, the Plan allows for normal retirement after four years of service and attainment of age 65. Early retirement is allowed provided the employee has completed four years of service and attained age 55, or 25 or more years of service but will result in a reduction of benefits based on the length of time remaining to age 65. All employees may also retire upon normal retirement on the basis that the sum of the member's age and service is at least 85.

Benefits – Law Enforcement Pension Plan

The Plan statutorily provides retirement, disability and death benefits according to predetermined amounts determined by salary, age and years of service of the participant. Any cost of living adjustment provided to retirees must be granted by the State Legislature. In addition, a cost of living adjustment will not be approved by the legislature unless the plan is 100% funded after the COLA is awarded. Participants may withdraw from the Plan at any time and receive refunds of participant contributions plus accumulated interest.

Actuarial Assumptions

The current assumptions used in the actuarial valuation were adopted by the Wyoming Retirement System's Board effective August 23, 2017 and were first utilized with the January 1, 2018 valuation report. There have been no actuarial assumption changes or methods since the prior valuation for all plans.

TOWN OF LUSK, WYOMING
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2021

5. PARTICIPATION IN THE WYOMING RETIREMENT SYSTEM (Continued)

Pension Liabilities, Deferred Outflows and Deferred Inflows

The net pension liability was measured as of December 31, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2021. The Town's proportion of the net pension liability was based on the Town's share of contributions to the Plan relative to the total contributions of all participating Plan members, the following table presents the changes in the Town's proportion as compared to the prior year:

	Proportionate Share of the Net Pension (The Town's Percentage of total Plan contributions)		
	<u>2020</u>	<u>2019</u>	Increase (Decrease)
Public Employee Pension Plan	0.044574%	0.041504%	0.003070%
Wyoming Law Enforcement Pension Plan	0.208556%	0.172925%	0.035631%

At June 30, 2021, the composition of the Town's net pension liability is as follows:

	<u>Net Pension Liability</u>
Governmental Activities:	
Public Employee Plan	\$ 558,667
Law Enforcement Plan	142,073
Total	<u>\$ 700,740</u>
Business-Type Activities:	
Electric, Public Employee Pension	\$ 149,671
Water, Public Employee Pension	76,179
Sanitation, Public Employee Pension	108,059
Sewer, Public Employee Pension	76,179
Total	<u>\$ 410,088</u>

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TOWN OF LUSK, WYOMING
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2021

5. PARTICIPATION IN THE WYOMING RETIREMENT SYSTEM (Continued)

At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Public Employee Pension Plan	Law Enforcement Pension Plan	Total
Pension expense (non-cash)	<u>\$ 75,082</u>	<u>\$ 38,554</u>	<u>\$ 113,636</u>
Deferred outflow of resources			
Difference between expected and actual experience	\$ 18,412	\$ 35,083	\$ 53,495
Change in assumptions	6,016	83,947	89,963
Contributions subsequent to the measurement date	<u>62,111</u>	<u>24,586</u>	<u>86,697</u>
Total deferred outflows of resources	<u>\$ 86,539</u>	<u>\$ 143,616</u>	<u>\$ 230,155</u>
Deferred inflows of resources			
Difference between expected and actual experience	\$ 8,424	\$ 7,408	\$ 15,832
Change in assumptions	-	126,514	126,514
Net difference between projected and actual earning on pension plan investments	<u>212,388</u>	<u>90,800</u>	<u>303,188</u>
Total deferred inflows of resources	<u>\$ 220,812</u>	<u>\$ 224,722</u>	<u>\$ 445,534</u>

The Town reported \$62,111 and \$24,586 for the public employee pension plan and law enforcement pension plan respectively, as deferred outflows of resources related to the pension resulting from the Town's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized in pension expense as follows:

	<u>Public Employee Pension Plan</u>		<u>Law Enforcement Pension Plan</u>		<u>Total</u>	
Year ended	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
December 31,						
2021	\$ 12,375	\$ (75,224)	\$ 73,270	\$ (86,881)	\$ 85,645	\$ (162,105)
2022	6,356	(27,441)	37,303	(66,919)	43,659	(94,360)
2023	5,697	(93,992)	7,538	(60,170)	13,235	(154,162)
2024	<u>-</u>	<u>(24,155)</u>	<u>919</u>	<u>(10,752)</u>	<u>919</u>	<u>(34,907)</u>
	<u>\$ 24,428</u>	<u>\$ (220,812)</u>	<u>\$ 119,030</u>	<u>\$ (224,722)</u>	<u>\$ 143,458</u>	<u>\$ (445,534)</u>

TOWN OF LUSK, WYOMING
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2021

5. PARTICIPATION IN THE WYOMING RETIREMENT SYSTEM (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table sets forth the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.00% for the Public Employee Plan and a 7.00% discount rate for the Law Enforcement Plan. This table also presents what would be if it were calculated using a discount rate that is both 1 percentage point higher and lower than the current rate:

	1% Decrease	Discount Rate	1% Increase
Public Employee Plan	\$ 1,517,925	\$ 968,755	\$ 510,463
Law Enforcement Plan	375,536	142,073	(48,775)
Total	\$ 1,893,461	\$ 1,110,828	\$ 461,688

Other Detailed Information

For more detailed information regarding the Plan see the separately issued 2020 Wyoming Retirement System Comprehensive Annual Financial Report which is available at <http://retirement.state.wy.us>.

6. JOINT VENTURES

Niobrara County Long Term Recovery Joint Powers Board (NCLTR JPB)

Pursuant to certain provisions of Wyoming State Statutes, the Town entered into an agreement with the Board of Commissioners of Niobrara County, the Town of Manville, Wyoming, and the Town of Van Tassell, Wyoming, to oversee the long term recovery of the areas of the Participating Agencies damaged or otherwise affected by the flood occurring in June of 2015. The NCLTR JPB has the authority to make applications for grants, enter into contracts with organizations or professionals, and to provide a point of contact person, as may be necessary to facilitate the long-term recovery process.

NCLTR JPB consists of five voting members. Each Participating Agency appoints one member. The Participating Agencies shall each own an undivided one-quarter interest in any property, real or personal, acquired by the NCLTR JPB. For the year ended June 30, 2021, the Town paid no monies to NCLTR JPB. This project has been completed, however no formal resolution dissolving the NCLTR JPB has been proposed or approved.

There were no financial transactions entered into by the NCLTR JPB and all funds were processed through Niobrara County.

TOWN OF LUSK, WYOMING
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2021

7. CONTINGENCIES AND COMMITMENTS

At various times, claims and lawsuits are pending against the Town. The Town is of the opinion that the liability, if any, arising from such claims will not have a material adverse effect on its financial statements. Under the terms of federal and state grants, periodic audits are required, and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. Town management believes disallowances, if any, would not be significant to the Town's financial statements.

Risk of loss: The Town is subject to risk of loss from various events, including torts, theft, damage to assets, business interruption, errors and omissions, and job-related injuries to employees, as well as acts of God.

The Town purchased commercial insurance and workers' compensation coverage to minimize their risks of loss. No settlements occurred during the current year, and no significant reduction in coverage against losses from year to year has occurred.

Employees of the Town are covered by the Town's medical plan. The Town's costs for this plan are reflected in the funds paying the coverage, premiums, and administrative costs.

Vendor Contracts: The Town had the remaining construction project commitments at June 30, 2021:

Vendor	Original Contract Amount	Paid	Contract Remaining
AVI Engineers, Bruce Perryman, Senior Engineer	\$ 1,095,100	\$ 490,288	\$ 604,812
Oftedal Construction	10,182,400	-	10,182,400

8. SOLID WASTE LANDFILL CLOSURE AND POST CLOSURE COSTS

The Town has completed closure of the landfill and is no longer accepting waste. The total outstanding liability associated with the closure of the landfill is listed in Note 4 and is made up of two outstanding notes with the State of Wyoming Office of State Lands and Investment in the Sanitation Fund. The Town expects to incur costs for annual testing to be conducted at the landfill to ensure compliance with all state and federal laws and regulations.

9. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. The Town's general liability insurance is provided by participation in the Local Government Liability Pool (LGLP). LGLP manages risk by receiving an annual actuarial assessment of funding needs. The LGLP have never requested a reserve call on its members. All risk management activities are accounted for in each fund as appropriate. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

All property, equipment, and autos owned by the Town, and crime are covered under a policy issued by Alliant Alternative Insurance Services, Inc.

TOWN OF LUSK, WYOMING
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2021

9. RISK MANAGEMENT (Continued)

The Town also participates in two other risk management programs: Worker’s Compensation Act and Unemployment Compensation Act.

Wyoming Statute 27-14-101 created the Wyoming Worker’s Compensation Act, which is administered as an enterprise fund by the State of Wyoming. All employers within the State of Wyoming are participants of this plan unless the employer elects not to be covered under the plan. This Act requires the Town to obtain liability coverage for payment of benefits to employees for job-related injuries and diseases through the Worker’s Compensation Fund. This Act provides general protection from suits filed by employees against the Town. The Town makes quarterly payments to the Department of Employment, State of Wyoming.

Wyoming Statute 27-3-101 created the Unemployment Compensation Act. This act requires the Town to pay the cost of the actual claims incurred. For the period ending June 30, 2021, the Town paid no unemployment claims.

10. RELATED PARTY TRANSACTIONS

The Town collects lodging taxes on behalf of the local Lodging Tax Board and forwards the funds collected to the Board on a monthly basis. Payments to the Lodging Tax Board are included in general government expenditures shown in the statement of revenues, expenditures and changes in fund balances – governmental funds – modified cash basis.

11. OPERATING LEASES

The Town has one lease which is accounted for as an operating lease in the financial statements. The Town leases a postage machine under a quarterly lease agreement. Total lease payments under operating leases for the year ended June 30, 2021 were \$5,869.

13. WYOMING EDUCATORS BENEFIT TRUST

The Town is a member of the Wyoming Educators Benefit Trust, which was established for the purpose of pooling employers to stabilize employee benefit costs. The pool is available to Wyoming public educational employers and public-sector municipalities. The pool is partially self-insured and has developed substantial reserves for long-term financial stability. This financial security is enhanced by purchasing stop loss insurance to protect the Trust from large claims. Centennial Employee Benefit Consultants, Inc. is the exclusive agent/consultant for the Trust and Blue Cross Blue Shield of Wyoming is responsible for payment of claims. The Town pays the premium at the beginning of the month for that respective month’s coverage.

14. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 26, 2021, the date the financial statements were available to be issued, and there were no matters other than those described above that materially affect the carrying amounts of assets, liabilities, and fund balance as of June 30, 2021.

TOWN OF LUSK, WYOMING
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2021

15. PRIOR PERIOD ADJUSTMENTS AND RESTATEMENTS

Capital Assets

During the year ended June 30, 2021, it was noted that capital outlays for governmental activities incurred during year ended June 30, 2020 were not properly capitalized in the amount of \$46,832. Accordingly, beginning net position and construction-in-progress for governmental activities increased by \$46,832.

GASB Statement No. 84

As a result of implementing GASB Statement No. 84 Fiduciary Activities, the restated beginning fund balance for the Cemetery Maintenance Fund and the Utility Endowment Fund was increased by \$16,720 and \$16,201, respectively.

Additionally, beginning net position for governmental activities increased by \$32,921.

REQUIRED SUPPLEMENTAL INFORMATION

TOWN OF LUSK, WYOMING
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2020

	<u>Budget Amounts</u>		Acutal Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<u>REVENUES</u>				
Taxes				
Sales and use	\$ 1,280,000	\$ 1,280,000	\$ 736,219	\$ (543,781)
Property	105,000	105,000	109,951	4,951
Fuels	80,000	80,000	82,548	2,548
Cigarette	14,000	14,000	10,512	(3,488)
Lodging	60,000	60,000	41,947	(18,053)
Severance and mineral royalties	234,000	234,000	210,645	(23,355)
Licenses and permits	10,400	10,400	10,866	466
Wyoming Lottery distribution	18,000	18,000	9,536	(8,464)
Intergovernmental	1,434,225	1,694,496	1,157,833	(536,663)
Charges for services	229,190	229,190	459,486	230,296
Fines and forfeitures	7,500	7,500	36,475	28,975
Miscellaneous	34,000	86,260	208,688	122,428
Investment earnings	25,035	25,035	2,272	(22,763)
Total revenues	<u>3,531,350</u>	<u>3,843,881</u>	<u>3,076,978</u>	<u>(766,903)</u>
<u>EXPENDITURES</u>				
General government	433,090	489,090	467,674	21,416
Public safety	962,536	1,053,258	911,138	142,120
Highways and public works	824,200	973,009	826,708	146,301
Parks and recreation	374,600	391,600	318,204	73,396
Airport	989,800	989,800	852,578	137,222
Total expenditures	<u>3,584,226</u>	<u>3,896,757</u>	<u>3,376,302</u>	<u>520,455</u>
Excess of revenues over expenditures - budget basis	<u>\$ (52,876)</u>	<u>\$ (52,876)</u>	<u>\$ (299,324)</u>	<u>\$ (246,448)</u>

BUDGETARY TO MODIFIED CASH BASIS REPORTING RECONCILIATION

Excess of revenues over expenditure and other financing uses - budget basis	\$ (299,324)
Revenue adjustments	(26,261)
Expenditure accruals	76,461
Excess of revenues over (under) expenditures - modified cash basis	<u>\$ (249,124)</u>

The notes to financial statements are an integral part of this statement.

TOWN OF LUSK, WYOMING
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
WYOMING RETIREMENT SYSTEM
As of December 31, 2020
Last 10 Years *

	Year ended December 31,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered-employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
Public Employee Pension Plan	2014	0.0391000%	\$689,203	\$675,352	102.05%	79.08%
	2015	0.0373613%	\$870,273	\$675,036	128.92%	73.40%
	2016	0.0386983%	\$935,531	\$700,714	133.51%	73.42%
	2017	0.0406228%	\$925,932	\$721,129	128.40%	76.35%
	2018	0.0415752%	\$1,266,084	\$724,161	174.83%	69.17%
	2019	0.0415036%	\$975,302	\$738,230	132.11%	76.83%
	2020	0.0445740%	\$968,754	\$816,485	118.65%	79.24%
Law Enforcement Pension Plan	2014	0.1518000%	\$44,737	\$237,213	18.86%	94.76%
	2015	0.1289278%	\$96,851	\$196,816	49.21%	87.49%
	2016	0.1487927%	\$112,326	\$250,882	44.77%	88.11%
	2017	0.1473563%	\$126,792	\$228,201	55.56%	87.99%
	2018	0.1694013%	\$410,074	\$265,462	154.48%	71.22%
	2018	0.1729253%	\$149,060	\$278,860	53.45%	89.05%
	2020	0.2085562%	\$142,074	\$350,860	40.49%	91.82%

The notes to financial statements are an integral part of this statement.

TOWN OF LUSK, WYOMING
SCHEDULE OF CONTRIBUTIONS
WYOMING RETIREMENT SYSTEM
As of December 31, 2020
Last 10 Years *

	As of fiscal year ended December 31,	Actuarial Determined Contributions	Contributions in relation to the contractually required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered employee payroll
Public Employee Pension Plan	2014	\$ 107,178	\$ 107,178	\$ -	\$ 675,352	15.87%
	2015	112,191	112,191	-	675,036	16.62%
	2016	116,459	116,459	-	700,714	16.62%
	2017	119,852	119,852	-	721,129	16.62%
	2018	121,469	121,469	-	724,161	16.77%
	2019	128,262	128,262	-	742,525	17.27%
	2020	145,120	145,120	-	816,485	17.77%
Law Enforcement Pension Plan	2014	40,801	40,801	-	237,213	17.20%
	2015	33,852	33,852	-	196,816	17.20%
	2016	43,152	43,152	-	250,882	17.20%
	2017	39,251	39,251	-	228,201	17.20%
	2018	45,660	45,660	-	265,462	17.20%
	2019	47,964	47,964	-	278,860	17.20%
	2020	60,348	60,348	-	350,860	17.20%

The notes to financial statements are an integral part of this statement.

OTHER SUPPLEMENTAL INFORMATION

TOWN OF LUSK, WYOMING
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2021

Program Title	Federal CFDA Number	State Project Number	Expenditures
U.S. Department of Transportation			
Passed through State of Wyoming			
Department of Transportation			
Airport Improvement Program	20.106	ALS002A	\$ 752,338
COVID 19 - Airport Coronavirus Response Grant Program	20.106	ALS007A	7,034
			<u>\$ 759,372</u>
Subtotal Department of Transportation			<u>759,372</u>
Environmental Protection Agency			
Passed through State of Wyoming			
Wyoming Office State Lands and Investments			
Drinking Water State Revolving Fund	66.468	DWSRF#237	122,420
Clean Water State Revolving Fund	66.458	CWSRF#186	<u>143,320</u>
Subtotal Environmental Protection Agency			<u>265,740</u>
U.S. Department of Homeland Security			
Passed through State of Wyoming			
Department of Homeland Security			
Homeland Security Grant Program	97.067	20-SHSP-LUS-HRP20	<u>39,916</u>
Subtotal Department of Homeland Security			<u>39,916</u>
Total Federal Funds Expended			<u><u>\$ 1,065,028</u></u>

The notes to financial statements are an integral part of this statement.

TOWN OF LUSK, WYOMING
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2021

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes federal grant activity of the Town of Lusk, Wyoming (the Town). The SEFA presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town.

Summary of Significant Accounting Policies

Federal program expenditures included in the accompanying schedule are presented on the modified accrual basis of accounting. The information in the schedule is presented in accordance with requirements of Title 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

Indirect Cost Rate

The Town has not elected to utilize the 10 percent de minimis indirect cost rate.

Subrecipients

The Town did not pass any portion of federal awards to subrecipients.

Loans Outstanding

There were no outstanding balances on these loans at the beginning of the year, accordingly, the proceeds from loans during the year are included in the SEFA. These loans were not fully drawn and accordingly had not entered the forgiveness/repayment phase at June 30, 2021. The Town had the following loan balances outstanding at June 30, 2021:

<u>Program Title</u>	<u>CFDA#</u>	<u>Amount Outstanding</u>
Drinking Water State Revolving Fund	66.468	\$ 122,420
Clean Water State Revolving Fund	66.458	\$ 143,320

OTHER INDEPENDENT AUDITORS' REPORT

**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***

To the Honorable Mayor and Members of the Town Council
Town of Lusk, 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, business-type activities, each major fund, and the aggregate remaining fund information of Town of Lusk (the Town) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 26, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2021-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town'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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2021-002.

The Town's Response to Finding

The Town's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Town'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.

Carver Florek & James, CPAs

October 26, 2021
Sheridan, Wyoming

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

The Honorable Mayor and Members of the Town Council
Town of Lusk, Wyoming
201 E. 3rd Street
Lusk, Wyoming 82225

Report on Compliance for Each Major Federal Program

We have audited the Town of Lusk, Wyoming (the Town) in compliance with the requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2021. The Town's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Carver Flock & James, CPAs

October 26, 2021
Sheridan, Wyoming

TOWN OF LUSK, WYOMING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2021

SECTION I – Summary of the Auditors' Results:

Financial Statements

An unmodified opinion was issued regarding the financial statements of the Town of Lusk, Wyoming.

Internal control over financial reporting:

- Material weakness identified? ___ Yes ___ X No
- Significant deficiency identified? ___ X Yes ___ No

Noncompliance material to financial statements noted? ___ Yes ___ X No

Federal Awards

Internal control over major federal programs:

- Material weakness identified? ___ Yes ___ X No
- Significant deficiency identified? ___ Yes ___ X No

An unmodified report was issued regarding compliance for each major program and on internal control over compliance required by the OMB's Uniform Guidance.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ___ Yes ___ X No

For the year ended June 30, 2021, the Town had one major program:

Internal control over major federal programs:

- Airport Improvement Program, CFDA# 20.106.

The threshold for Type A programs was \$750,000.

The Town was determined to be a high-risk auditee.

TOWN OF LUSK, WYOMING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2021

SECTION II – GAGAS Financial Statement Findings

Significant Deficiency in Internal Control

2021-001: Segregation of Duties

- Criteria: Segregation of duties is a basic, key internal control and often one of the most difficult to achieve, especially in a small organization. The concept is that one individual should not be able to handle or dominate transactions from initiation to posting, having access to both assets and accounting records.
- Reconciling all cash balances on a monthly basis and reporting such balances to those charged with governance is a basic key control.
- Condition: The Town has a limited number of administrative staff and accordingly a proper segregation of duties does not exist. Neither is it practicable for the Town to maintain such segregation.
- Effect: Certain personnel often handle the recording of transactions and the control of assets or results of those transactions. As it relates to the financial statements, this is a significant deficiency. Reviews by management, the Council and other agencies are in place to help mitigate this condition.
- Recommendation: The Town should be aware of and continue to evaluate the impact of this deficiency.

Non-Compliance Finding

2021-002: Bank Deposit Pledging

- Criteria: In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Wyoming or political subdivision debt obligations or surety bonds.
- Condition: During our review of bank deposits as of June 30, 2021, we found that total bank deposits were uninsured by \$153,626 for deposits held at Lusk State Bank.
- Effect: This led to the Town being in violation of Wyoming Statute.
- Recommendation: The Town should implement procedures to ensure that bank deposits do not exceed insured limits. If deposits are expected to exceed the current insured limit, management should contact the depository institute to increase the limits.
- Response: Please see page 46.

TOWN OF LUSK, WYOMING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2021

SECTION III – Federal Awards Findings – None noted

Status of Prior Audit Findings

Finding: 2020-001 Segregation of Duties

Current Year Status: This has not been corrected. Segregation of duties has been and will continue to be a significant deficiency.

Finding: 2020-002 Budget Amendment

Current Year Status: This has been resolved.

Town of Lusk

October 19, 2021

RE: Segregation of Duties, Bank Deposit Pledging

To Whom It May Concern,

During the 2020 – 2021 Audit of the financials for the Town of Lusk, it revealed a lack of segregation of duties. "Segregation of duties is a basic, key internal control and often one of the most difficult to achieve, especially in a small organization." Also noted was the Bank Deposit Pledging. Due to the infrastructure project that started this past year, the Town's deposit at Lusk State Bank exceeded the amount secured by the bank.

To address "Significant Deficiency in Internal Controls" *2021-001 Segregation of Duties* the Town of Lusk has implemented the following separation of duties:

Utility Billing Clerk:

- All duties related to Utility billing and customers
- Receives and distributes daily mail
- Enters payments received in person and via mail or phone

Deputy Clerk / Treasurer:

- Picks up mail and gives to Utility Billing Clerk
- Reconciles daily payments and receipts received by Utility Billing Clerk
- Prepares the Bank Deposit and takes the deposit to the bank
- Enters invoices in A/P and prepares checks for council approval/ payment
- Has access to all bank statements
- Prepares payroll

Town Clerk / Treasurer:

- Picks up mail when the Deputy Clerk/Treasurer is gone
- Reconciles Bank Statements
- Reviews payrolls
- Prepares and presents financial condition reports for Town Council Meetings/approval
- Prepares quarterly financial reports for Town Council
- Prepares departmental financial statements for review of expenditures quarterly

Mayor/Town Council

- Receives separate set of bank statements (Mayor)
- The Mayor signs checks for A/P and payroll
- Reviews report of financial condition
- Reviews/approves invoices/vouchers for payment

P.O. Box 390 • 201 East 3rd St. • Lusk, Wyoming 82225 • (307) 334-3612 • Fax (307) 334-2154
TTY/TDD 1-800-877-9965

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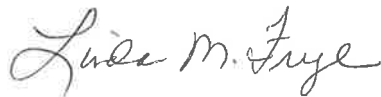
Town of Lusk

To address "Bank Deposit Pledging" 2021-002 Non-Compliance Finding the Town of Lusk took the following:

I contacted Lusk State Bank via letter and requested an additional "Safekeeping Pledge". Lusk State Bank complied with "Safekeeping Pledge #88991". I have attached copies of Pledge #636605 and #88991.

If you have further questions, do not hesitate to contact me.

Sincerely,



Linda M. Frye
Clerk/Treasurer

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