CITY OF CODY
WYOMING

Financial Trends Report

January 2016

INTRODUCTION

Financial management is one of the most challenging responsibilities facing local governments and cities across the country are more aware than ever that they must achieve a level of fiscal health to be sustainable over the long term. Governments can utilize analytical skills and financial indicators to perform assessments of the organization's fiscal health. With the information gained from this kind of assessment, the organization can determine what symptoms might be contributing to its fiscal distress and what additional testing and analysis needs to be done in order to get a more accurate picture of the organization's fiscal problems. Problems can then be treated in the most effective way to achieve the level of fiscal health needed in order to serve its citizens. There are several advantages to providing a long-range assessment of financial condition including:

- Improving the quality of information for making policy and budgetary decisions
- Identifying emerging trends in order to take corrective or proactive action
- Providing a graphical analysis for review and tracking of trends
- Utilizing the trends of specific financial indicators to guide budget decisions and priorities

Financial Condition

Financial condition is defined as the ability of a local government to balance recurring expenditures with recurring revenues, allowing cities to provide necessary services on a continuing basis. A city in good financial condition is able to maintain adequate service levels during economic downturns and is able to develop resources to meet future needs. In contrast, a city in fiscal stress struggles to balance the budget, experiences service disruptions and has limited resources to finance future needs. Maintaining a sound financial condition requires governments to adjust to long-term changes in community needs and develop the ability to plan for the future.

There is no single measure that fully captures the financial condition of a governmental entity therefore it is necessary to take a comprehensive approach that focuses on both external and internal fiscal factors.

Financial condition is affected by a combination of environmental, political, fiscal and organizational factors. For example a steady population decline can lead to an erosion of the property tax base. However, the ways in which local officials respond to this decline (such as cutting services, increasing tax rates, or engaging in economic development) also affect the financial condition of a city.

Environmental factors include measures of community needs and resources such as population, property value and poverty, and economic factors such as inflation, personal income and employment. These indicators often provide the best "early warning" of future fiscal stress.

Financial factors include intergovernmental constraints such as tax and debt limits, access to major revenue sources (such as sales tax), and mandated expenditure requirements. These fiscal constraints often limit the choices available to local officials in managing their budgets.

Organizational factors include management practices and governing body policies that guide fiscal decision making, often in response to environmental or political factors. While sound budgeting and management practices can help protect the financial condition of local governments, these factors cannot always avert fiscal stress — especially when negative environmental trends are severe. However, ineffective budgeting and management practices can create fiscal problems despite a sound economic environment.

Financial Trend Monitoring

The Financial Trend Monitoring System (FTMS) was developed by the International City/County Management Association (ICMA) as a method for monitoring the financial condition of local governments and identifying factors that affect financial condition. The indicators described in the ICMA publication, Evaluating Financial Condition, A Handbook for Local Government, are designed to give local governments a method of monitoring financial condition using data that is easily accessible. The FTMS is intended to be used as a management tool that can help shape long term policies and priorities.

Financial Indicators

There are over 40 standard indicators that can serve as an evaluation basis for the financial condition of a city. For this report the indicators that best fit the City of Cody's environment were chosen and are broken into the following sections: Community Resource Indicators, Revenue Indicators, Expenditure Indicators, and Operating Position Indicators.

Adjusting For Inflation

Adjusting for inflation converts current dollars into constant dollars. The conversion from actual dollars to constant dollars allows for analysts to take into account the appearance of growth that may be due to inflation. Adjusting for inflation involves three steps. The first step is selecting a price index. For this report the 2015 CPI average estimates from the Office of Management and Budget (OMB) and the Congressional Budget Office (CBO) were used. The second step is selecting a base year as the starting point for comparison. The year 2007 is used as the base year in this report to stay consistent with prior years' report. The third step is the conversion from actual to constant dollars. This is achieved by multiplying the actual dollar amount for a given year by the conversion factor for the year you want to convert. For example, to convert $1,000 of 2015 dollars to 2007 dollars the formula would be: $1,000 x .871 = $871. Not all of the indicators use the constant dollar formula. Data presented in constant dollars is identified as such in the appropriate trends.

Report Focus

Information in this report has been developed in order to provide a long-range picture of the financial condition of the City. The focus of this report is mainly on General Fund operations however there are some trend indicators which include Enterprise Fund operations as well. These are identified as such in the affected sections.

Caveats of Financial Analysis

It is important to keep in mind that financial analysis is more of an art than a science. There are not many absolutes when it comes to assessing the financial status of a government because of the wide variety in aspects of financial health. Additionally, judgments and interpretations of financial data can often be subjective as users of financial information often focus on different aspects and priorities.

Despite all the positive uses of financial ratios, however, users of financial trend data should be aware of the limitations of ratios. It is important to remember that the numbers used to compute financial ratios are often based on assumptions and varying accounting principles therefore different organizations may arrive at their numbers differently which can make comparisons difficult.

Changes from Prior Reports

Since the City has not had any debt for the past three years the debt service indicators are not included in this year's report. They will be included in future reports if the City should incur any debt in the future.

Data Sources

The financial indicators used in this report have been derived from the International City and County Management Association (ICMA) and the Government Finance Officers Association (GFOA) financial trend monitoring models, as well as Standard & Poor's Municipal benchmarking system. The community economic and demographic statistical data was obtained from the Bureau of Economic Analysis, State of Wyoming Economic Analysis Division, U.S. Census Bureau, U.S. Bureau of Labor Statistics, Park County Assessor, the Office of Management and Budget (OMB) and the Congressional Budget Office (CBO).

List of Other Sources:

- City of Cody Basic Financial Statements for FY07-08 through FY14-15
- City of Cody Budgets for FY07-08 through FY14-15
- Government Finance Officers Association
- International City/County Management Association
- Standard & Poor's Municipal Benchmarks Assessing Local Performance and Establishing Community Standards

OVERVIEW

The historical trends presented in this report are a reminder of the significant changes the City has experienced over the past several years. In the more recent years we have seen a decline in revenue and the need to cut expenditures. The message of most economic forecasters is that the return to growth will require more patience as the economic recovery is not repeating the past where recessionary periods were followed by very robust growth. In this era of fiscal uncertainty, it is important for the City to define priorities, develop processes and implement policies that support the priorities that will move the City forward to improved financial stability.

Trend Changes from Last Year's Report

Personal Income per Capita (downgraded from Positive to Caution)

Property Tax Revenue (upgraded from Neutral to Positive)

Employee Wages & Benefits (downgraded from Neutral to Caution)

Liquidity (upgraded from Neutral to Positive)

Positive Trends

Condition: Positive

- Property Valuation (page 10) – the City of Cody has experienced solid growth over the past four years, showing an overall 10.4% increase since FY09-10. The 2015 valuation showed a 6.95% increase over the prior year.

- Property Tax Revenue (page 17) – property tax revenue has increased approximately 5% since FY09-10. With the rising trend in valuation and low delinquency rate this revenue source has been stable. The delinquency rate has been less than 2% over the past 5 years. Credit rating agencies assume that local governments typically do not collect from two to three percent of its property taxes within the year the taxes are due. If current year uncollected property taxes rise to more than five percent, credit rating agencies consider this a negative factor because it signals potential problems in the stability of the tax base. The City has historically been well below this threshold.

  This indicator was upgraded from Neutral to Positive due to increasing trend over the last two years. Property valuations are increasing and there has not been a significant increase in delinquent property taxes.

- Employees per Capita (page 23)– the City's number of employees per capita have decreased 5% over the past several years from 115 in FY09-10 to 109 in FY14-15. During the same period there was a 2% increase in population. This indicates that the City has been able to continue providing services to an increasing population without increasing the employee base.

- Liquidity (page 32) – in FY14-15 the City's liquidity ratio increased to 3.13. This means that the General Fund had, on average, cash balances 3.13 times greater than its current liabilities. The General Fund has no debt so most of the liabilities are short term and expected to be paid with current resources. Accounts payable is the largest of the liabilities in this fund and it fluctuates from year to year depending on the amount of spending occurring towards the end of the fiscal year.

  This indicator was upgraded from Neutral to Positive due to the two year increasing trend in the ratio of cash to current liabilities. Although financial trend monitoring cannot state categorically how large this ratio should be for a government entity, it is commonly held that the smaller the ratio the less likely the entity is able to cover its obligations as they become due.

- Efficiency Ratio for Utility Billing (page 33) - the efficiency ratio for Utility Billing is very good for active account holders. The lower the ratio, the faster customers are paying their bills. The average Days Receivable Ratio is around 23 days, meaning that most active customers pay their bills on average within 30 days of being billed. By Ordinance, the due date for utility bills is 15 days from the billing date so the majority of customers are only around 7 days past due on average. There are still ongoing collection issues with obtaining payment on terminated accounts but the processes in place for active accounts are working well.

Condition: Neutral

Neutral Trends – ongoing monitoring recommended

- Employment Base (page 12) – the unemployment rate for Park County decreased slightly to 3.5% from 4.1% the prior year. The state and national unemployment rates also decreased slightly however with the decline in the oil and mineral industry unemployment in Park County and Wyoming may rise again. If they do, the City may be affected by lower sales tax revenue.

- Operating Transfers as Percent of Operating Revenue (page 20) – operating transfers from the Enterprise Funds to the General Fund account for between 12% and 16% of operating revenues. These transfers cover costs incurred by the General Fund in providing services on behalf of the Enterprise Funds including administrative, financial, and billing services. This percentage will fluctuate based on increases or decreases in other types of operating revenue such as sales and use taxes.

- Efficiency Ratio for Inventory Management (page 35) – a significant portion of the City's inventory is invested in the Enterprise Funds. These funds have the highest ratio due to the fact that much of their inventory is comprised of items that are necessary to have immediately available in the event of a system failure and/or have long lead times for ordering and cannot be obtained quickly in an emergency. Because of the nature of the inventory in the Enterprise Funds the higher ratios are reasonable. Inventory in the General Fund consists of point of sale items at the Rec Center, grading "h" and 3/8" chips in the Streets department and parts and fluids in the Vehicle Maintenance department. The Recreation Center and Vehicle Maintenance show a higher than average ratio, indicating that inventory is not moving quickly. Because of the low dollar value associated with these items the high ratios are not material to the City's financial statements or indicative of a significant management problem.

Cautionary Trends – action may be required soon

Condition: Caution

- Personal Income per Capita (page 11) – after a two-year increasing trend, the 2015 personal income per capita for Park County decreased 9.68% from the prior year, returning to 2009-2010 levels. With the downturn in oil and mineral industry the City could be affected by a loss in consumer purchasing power resulting in lower sales taxes. If sales taxes are affected by the decline in per capita income the City's ability to provide basic services will be compromised. This indicator was downgraded from Positive to Caution due to the decrease in FY14-15. Wyoming's personal income per capita has also declined by about 12% from the prior year while the National income per capita increased about 18%.

- Intergovernmental Revenue (page 16) – historically, the City's dependence on intergovernmental revenues such as sales & use tax, mineral royalties & severance taxes, cigarette taxes, etc. has been about 40-45% of the total General Fund operating revenue. This dependence makes the City vulnerable to fluctuations in consumer spending and confidence as well as the unstable gas and mineral industry.

- Sales & Use Tax Revenue per Capita (page 19) – this is a volatile revenue source which is reliant on consumer spending and confidence as well as fluctuations in the gas and mineral industry in Wyoming. Sales and use tax per capita is down approximately 6% compared to the prior year but up about 9% over FY09-10. The City is unable to assess a sales tax on its own and must rely on the legislature or a public vote for any tax rate increases.

- Employee Wages & Benefits (page 24) –The percent of benefits to wages has been on an increasing trend and is approximately 7% higher than FY09-10. The cost of benefits has increased approximately 24% since FY09-10. Additionally, there is a spike in FY14-15 in the wages and benefits as a percent of net operating income in the Enterprise Funds of approximately 4%. This is due to the amount of call out time paid out in FY14-15. Prior to this year, this indictor has been on a 4-year decreasing trend. This indicator was downgraded from Neutral to Caution due to the increasing trend in total benefits compared to total wages and a spike in wages and benefits as a percentage of net operating expenditures in the Enterprise Funds.

Critical Trends – immediate action necessary

Condition: Critical

- Operating Revenue per Capita and Operating Expenditures per Capita (pages 14 & 22) - these indicators show there has been no significant improvement in the City's operating position. While Net Operating Expenditures per Capita has barely stayed above the Net Operating Revenues per Capita in most of the years analyzed, this was mainly due to the temporary cuts made to operating expenditures necessary to balance the budgets rather than through utilizing sustainable methods. These temporary cuts are not addressing the underlying fiscal problems and unless significant changes are made the City will continue to experience fiscal distress. The indicator was at 1.04 in FY13-14 and FY14-15 due to one-time, unanticipated revenues. While only 2 of the last 6 years reflect a ratio of less than 1-to-1, there are not sufficient operating revenues to cover capital expenses or supplement the City's cash reserves.

- Maintenance Effort (page 28)– the Maintenance Effort indicator continues to show a fluctuating trend. This is one area which is heavily impacted by budget cuts and is currently at less than 2% of asset book value. If this trend continues the City's infrastructure assets will deteriorate and create more expensive repairs and replacements in the future. Although on the surface it appears that the underfunding of infrastructure maintenance is an easy way to temporarily reduce expenditures the ultimate consequences of sustained inattention can be severe and include the decreasing usefulness of the asset, increasing costs to maintain and replace the assets, and decreasing attractiveness of the community as a place to live or visit.

- Capital Outlay (page 29) – the City's capital outlay is heavily dependent upon grants and direct distribution funding from the State. Capital outlay reflects a declining trend in 5 out of the last 8 years. This is also an area which is heavily impacted by budget cuts when revenues are down. The General Fund's capital improvements plan shows $6.2 million in capital projects and equipment between FY16-17 and FY19-20 and nearly 80% of these projects are contingent upon State direct distribution money and consensus funds. If these funds are not available there will be an additional burden on the General Fund to either continue deferring necessary projects, significantly reducing operating expenditures, or depleting cash reserves to pay for capital improvements.

- Net Operating Ratio (page 31) – the General Fund has had a negative Net Operating Ratio for the past 7 years. The last year a positive ratio was achieved was in FY07-08 and even then it was less than 1. The operating deficit has ranged from a low of $111,396 in FY13-14 to a high of $1.5 million in FY12-13. The City benefited significantly from a one-time use tax windfall in FY13-14 which helped reduce the deficit for that year. Historically, the City has utilized transfers from the Enterprise Funds to offset the deficit.

- Efficiency Ratio for Municipal Court (page 34) - the City's collection efforts with Court assessments are significantly less successful than with utility billing. Although several different measures have been taken over the last few years there has been little success in collecting on delinquent fine. The ratio is still increasing and on average it takes almost 2 1/2 years to collect on fines from the date they are assessed. As of FY14-15 90% of the City's court fines receivable was considered uncollectible and approximately $145,000 has been written off over the past 6 years.

COMMUNITY RESOURCES INDICATORS

Community Resources Indicators encompass economic and demographic characteristics including population, personal income, property value, and employment. These indicators describe a community's wealth and its ability to generate revenues. It also constitutes the demand which the community will make on its government such as public safety, capital improvements and social services. Changes in economic and demographic characteristics are most useful for long term financial analysis.

Community needs and resources are all closely interrelated and affect each other in a continuous cycle of cause and effect. In addition, changes in these characteristics tend to be cumulative. An evaluation of local economic and demographic characteristics can identify the following types of conditions:

- A decline in tax base as measured by population, property value and employment history
- A need to shift public service priorities because of a change in demographics in the community
- A need to reassess public policies due to changes in economic and demographic conditions

The following Community Resources Indicators have been chosen for this report:

1. Property Valuation
2. Personal Income Per Capita
3. Employment Base

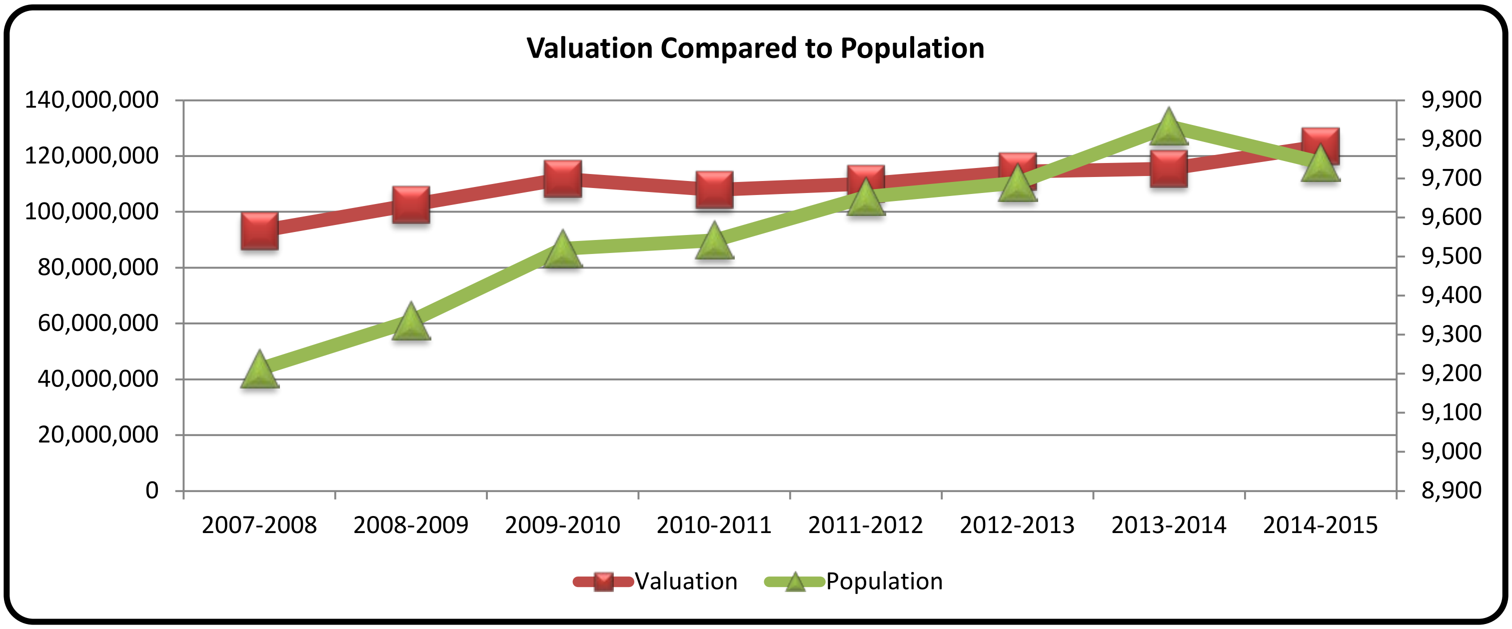
Property Valuation

Description: Property values reflect the overall strength of a community's real estate market. This market, in turn, reflects the strength of a city as a whole. Changes in property value are important because the City depends on property taxes to help support core services such as police and streets. Declining property values are often a symptom, rather than a cause, of other underlying problems.

Warning Trend:
Declining growth or drop in the market value of property

Condition: Positive

No change from prior year



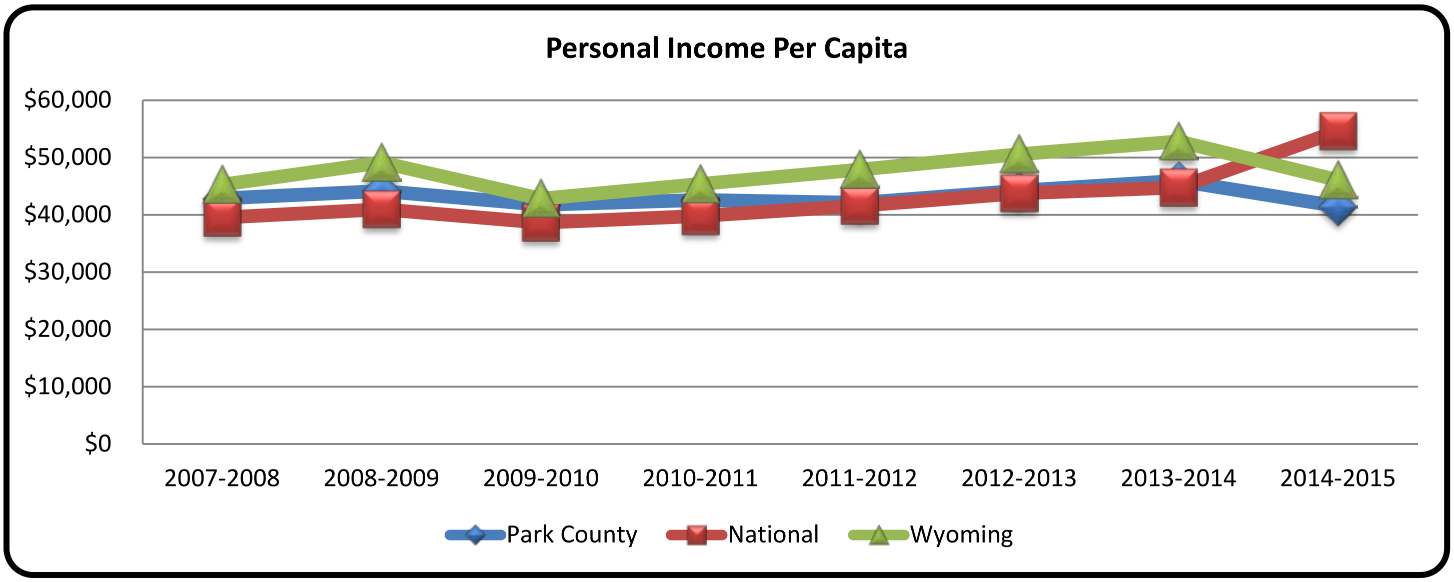
	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Valuation	$111,766,898	$107,877,754	$110,081,642	$114,410,334	$115,434,315	$123,459,802
% Change in Valuation	9.02%	-3.48%	2.04%	3.93%	0.90%	6.95%
Population	9,520	9,541	9,653	9,689	9,833	9,740
% Change Population	1.98%	0.22%	1.17%	0.37%	1.49%	-0.95%
Valuation per Capita (in constant dollars)	$11,341	$10,753	$10,514	$10,663	$10,284	$11,040
% Change in Valuation per Capita	7.24%	-5.19%	-2.22%	1.41%	-3.56%	7.36%

Personal Income per Capita

Description: Personal income per capita is a measure of a community's spending ability. Generally, the higher the personal income per capita the more sales tax a community can generate. A decline in per capita income results in loss of consumer purchasing power and can provide advance notice that businesses, especially in the retail sector, will suffer a decline that can ripple through the rest of a city's economy. Credit rating firms use per capita income as an important measure of a city's ability to meet its financial obligations.

Warning Trend:
Decline in the level of growth rate of personal income per capita

Condition: Caution
Downgraded from prior year



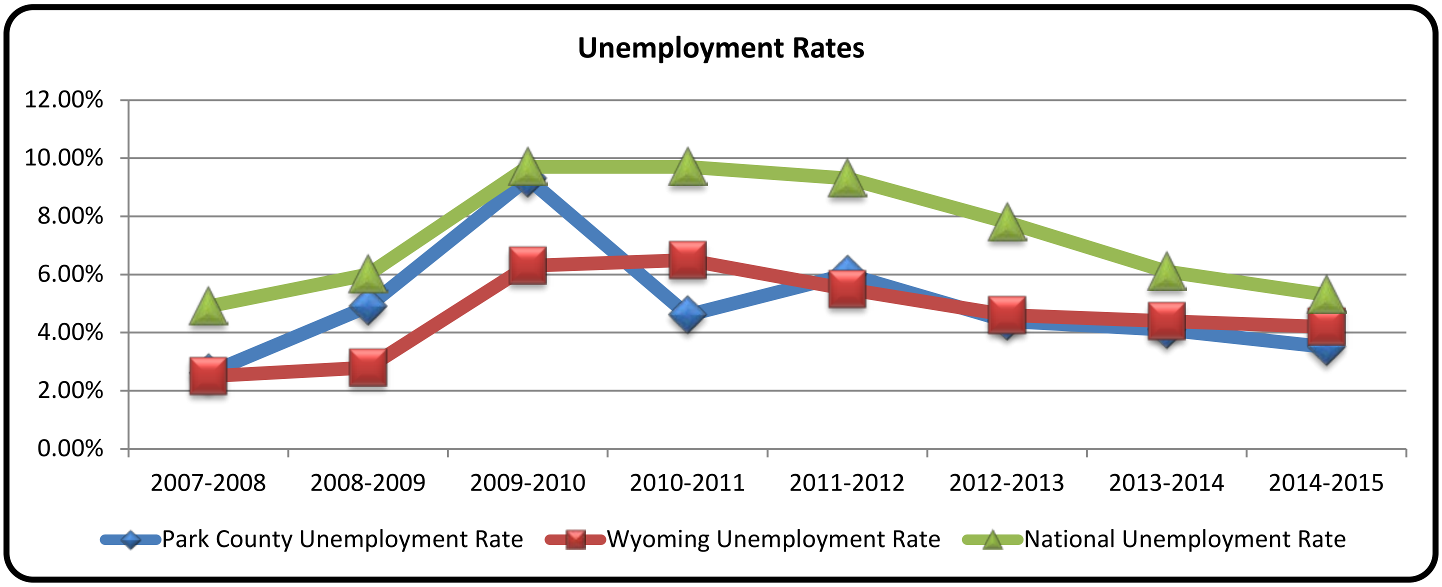
	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Park County (in constant dollars)	$41,759	$42,569	$42,096	$44,186	$45,925	$41,481
% Change in Income per Capita	-5.42%	1.94%	-1.11%	4.97%	3.93%	-9.68%
National	$38,637	$39,791	$41,560	$43,735	$44,765	$54,584
Wyoming	$42,828	$45,353	$47,898	$50,567	$52,826	$46,049

Description: A growing employment base will help to provide a cushion against economic downturn in individual business categories. A decline in the employment base can indicate the early signs of an overall decline in economic activity and a decline in government revenues as well. Unemployment rates are a traditional indicator of the relative economic health of a community. Consumers who lose their jobs curtail spending in response to the loss of income while others who remain employed may also curtail spending in anticipation of future job losses. As a result, even small increases in unemployment can have a major impact on tax-dependent revenue sources.

Warning Trend:
Increasing rate of local unemployment

Condition: Neutral

No change from prior year



	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Park County	9.3%	4.6%	6.0%	4.4%	4.1%	3.5%
% Change in Unemployment Rates	4.4%	-4.7%	1.4%	-1.6%	-.30%	-.60%
Wyoming	6.3%	6.5%	5.5%	4.6%	4.4%	4.2%
National	9.7%	9.7%	9.3%	7.8%	6.1%	5.3%

REVENUE INDICATORS

Revenues determine a city's capacity to provide services. Important issues to consider relative to revenues are growth, diversity, reliability, flexibility and administration. Under ideal conditions revenues will grow at a rate equal to or greater than the combined effects of inflation and expenditure pressures from new and/or expanded services. They should be sufficiently flexible to allow necessary adjustments in response to changing conditions. They should be diversified in their resources so as not to be overly dependent on residential, commercial or industrial land uses or on external funding sources such as federal grants or discretionary state aid. User fees should be regularly evaluated and revised to cover the true cost of providing services. Analyzing a revenue structure will aid in identifying the following types of problems:

- Deterioration in revenue base
- Internal procedures or priorities that may adversely affect revenue
- Over-dependence on obsolete or external revenue sources
- User fees that are not covering the cost of providing services
- Changes in tax burden
- Inefficiency in collection or administration of revenue

The following Revenue Indicators have been chosen for this report:

1. Operating Revenues per Capita
2. Intergovernmental Revenue
3. Property Tax Revenue
4. Sales & Use Tax Revenue per Capita
5. Operating Transfers as a Percent of Operating Revenue

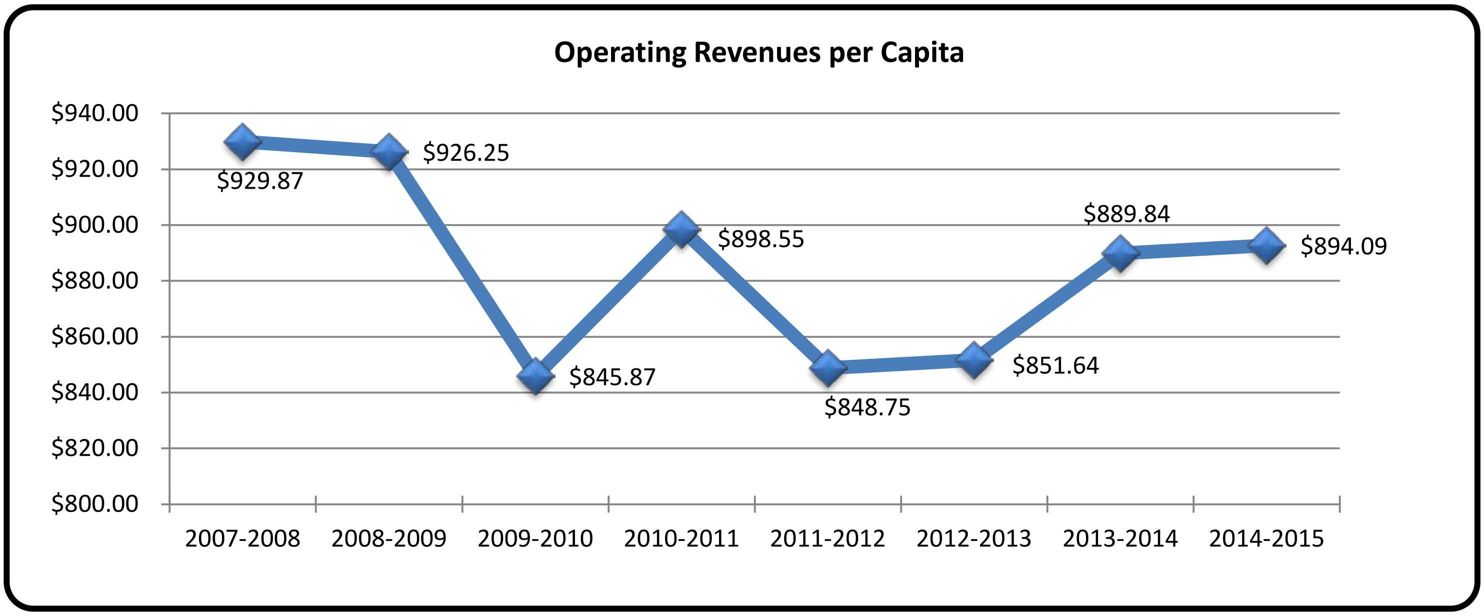
Operating Revenue per Capita

Description: As a city's population grows, it is anticipated that the need for services will increase in a direct relationship. Therefore, the level of revenues per capita should at least remain constant and at a minimum, equal to operating expenditures per capita. If operating revenues per capita decrease or become lower than operating expenditures per capita, it may hamper a city's ability to maintain the existing level of services unless new sources of revenues or ways of trimming expenses can be found.

Warning Trend:
Decreasing net operating revenues per capita

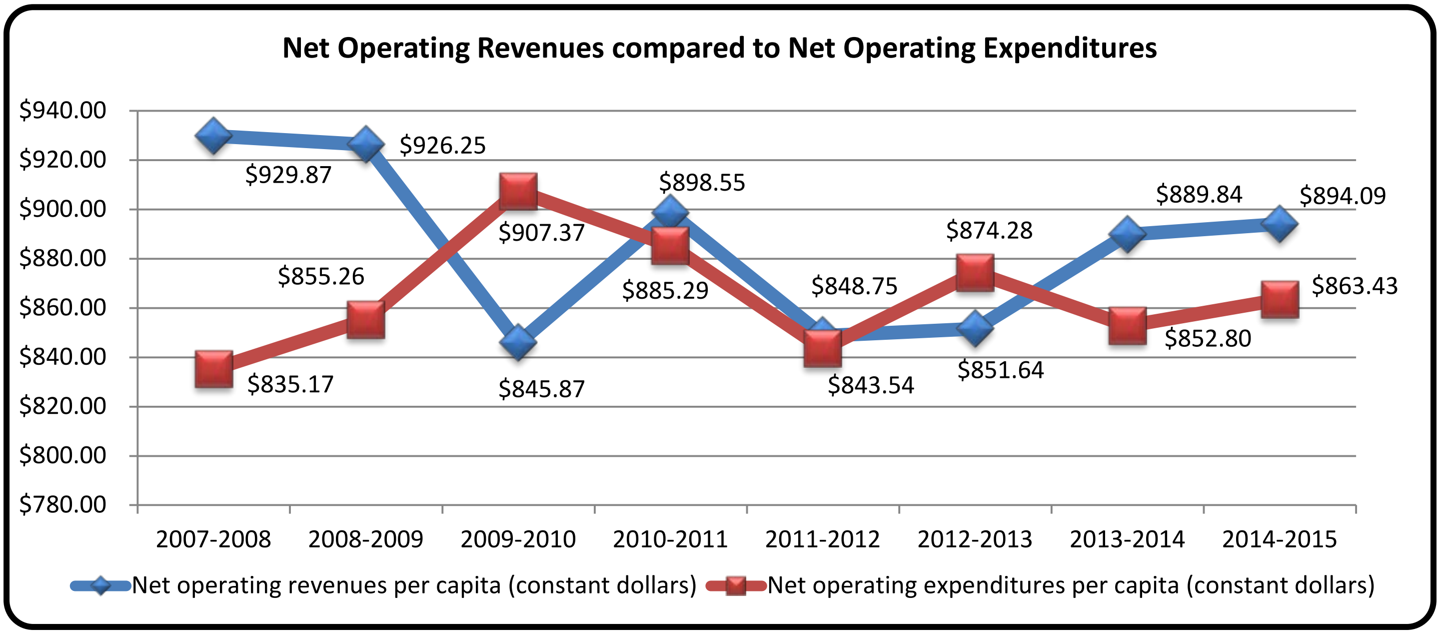
Condition: Critical

No change from prior year



	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Net Operating Revenues (constant dollars)*	$8,052,678	$8,573,080	$8,192,984	$8,251,549	$8,749,831	$8,708,403
Population	9,520	9,541	9,653	9,689	9,833	9,740
Net Operating Revenues per Capita (in constant dollars)	$845.87	$898.55	$848.75	$851.64	$889.84	$894.09
% Change in Net Operating Revenues per Capita	-8.68%	6.23%	-5.54%	.34%	4.49%	.33%

Another aspect of this financial indicator is the relationship to operating expenditures per capita. A comparison of revenues vs. expenditures is the most basic measure of operating position. A city's financial well-being can be gauged by looking at how much money was spent as compared with the amount that was brought in. If more money is spent than is brought in then the city will have to make adjustments in order to maintain operations. If the expenditures are outpacing revenue too quickly than the city will have to cut costs, decrease the level of services provided or find new revenue sources. The level of fund balances allows for a cushion in times when revenues don't meet projections and if expenditures outpace revenue for long enough to bring fund balances down then the ability to pay short term liabilities will be diminished.



	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Net Operating Revenues per Capita (in constant dollars)*	$845.87	$898.55	$848.75	$851.64	$889.84	$894.09
Net Operating Expenditures per Capita (in constant dollars)*	$907.37	$885.29	$843.54	$874.28	$852.80	$863.43
Ratio of Revenues to Expenditures	.93	1.01	1.01	.97	1.04	1.04

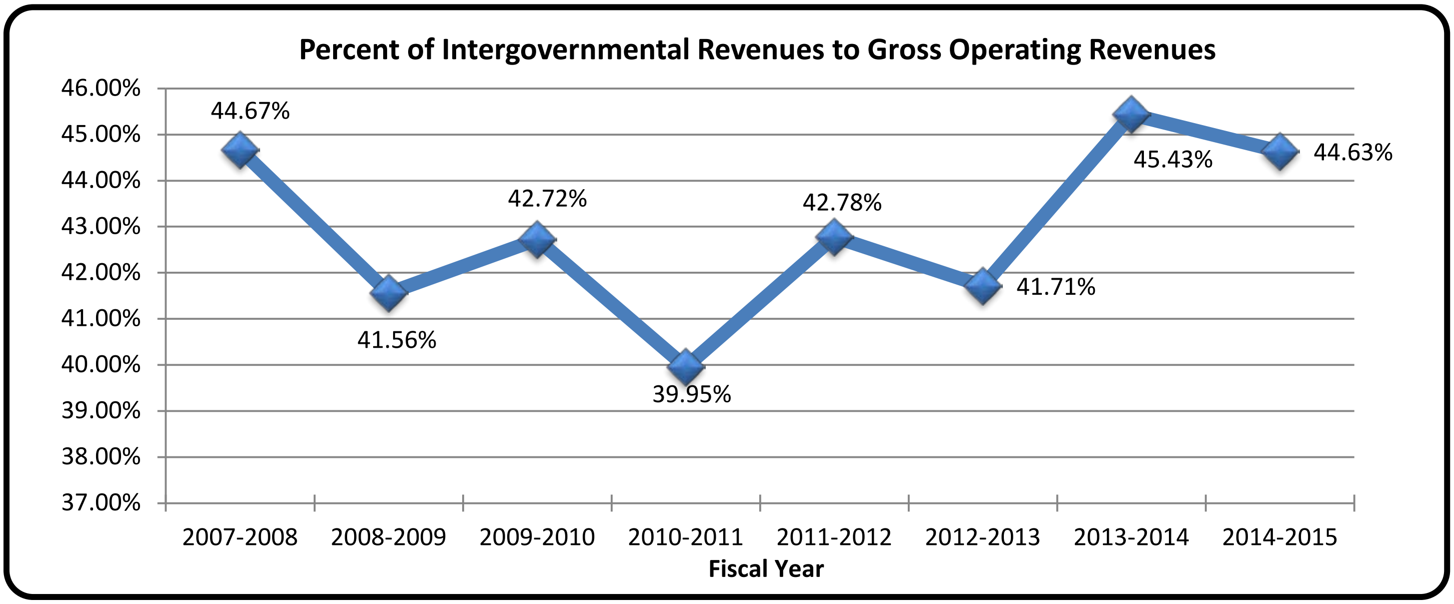
Intergovernmental Revenue

Description: Intergovernmental operating revenues are those revenues received from other governmental entities. An over-dependence on intergovernmental revenues can have an adverse impact on financial condition if there are restrictions or stipulations that the other governmental entities attach to the revenue. These revenues can also be volatile since they are often consumer-driven or subject to legislative appropriation. The overriding concern in analyzing intergovernmental revenues is to determine whether a city is controlling its use of the revenues or whether these revenues are controlling the City.

Warning Trend:
Increasing amount of intergovernmental operating revenue as a percentage of total operating revenue & inter-fund transfers

Condition Caution

No change from prior year



	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Intergovernmental Operating Revenues	$3,736,243	$3,713,689	$3,926,833	$3,906,505	$4,705,714	$4,591,116
Gross Operating Revenues	$8,746,118	$9,295,092	$9,180,054	$9,365,565	$10,357,890	$10,287,118
% of Intergovernmental Revenues to Operating Revenues	42.72%	39.95%	42.78%	41.71%	45.43%	44.63%

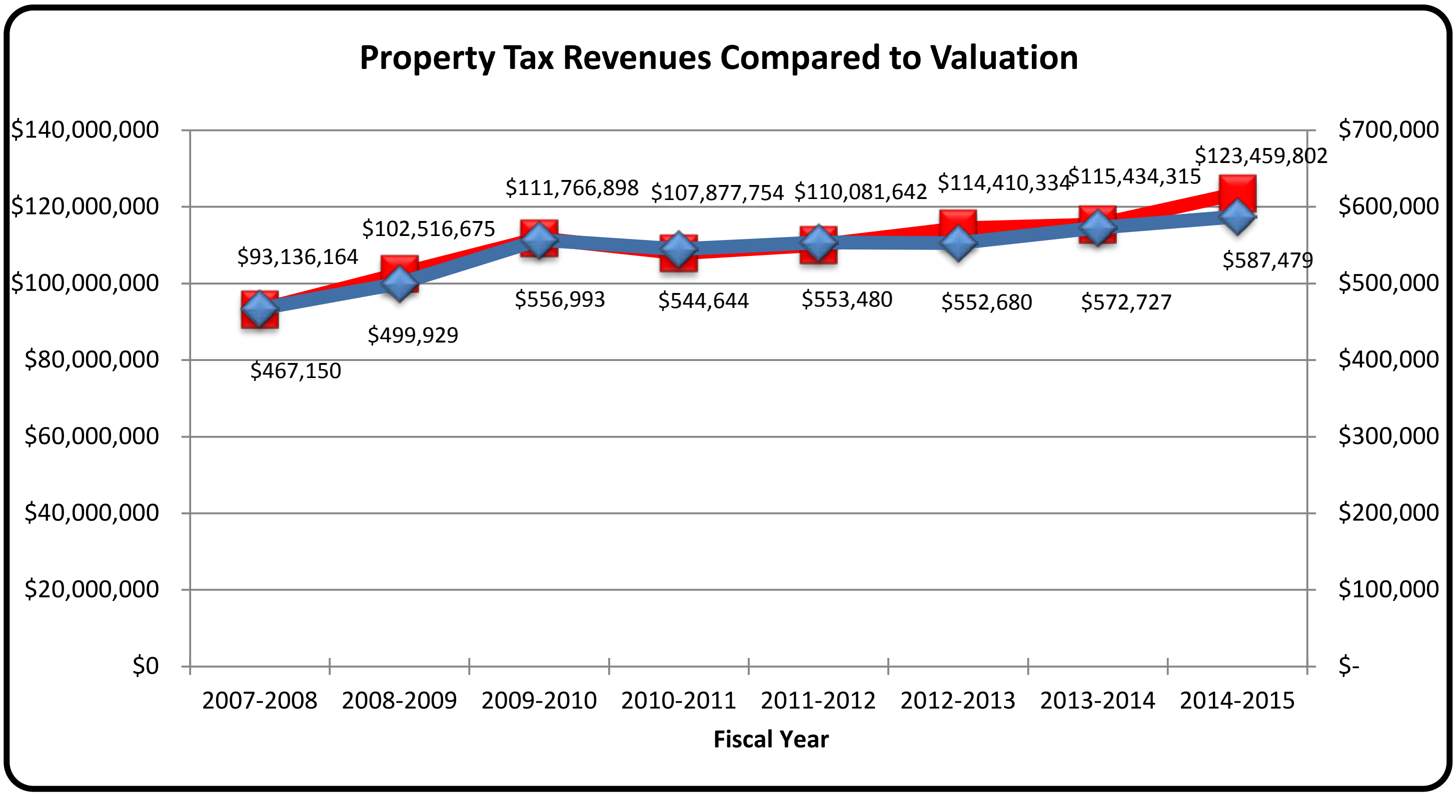
Description: Local property tax revenues are driven primarily by the value of residential and commercial property, with property tax bills determined by the local government's assessed mill levy on the value of property. Property tax collections lag the real estate market, because local assessment practices take time to catch up with changes. As a result, current property tax bills and property tax collections typically reflect values of property from twelve to eighteen months prior.

A decline or diminished growth rate in taxable value may result from a number of causes such as an overall decline in property values, the transfer of taxable property to tax exempt organizations or a decline in new development.

Warning Trend:
Declining or negative growth in property tax revenues

Condition: Positive

Upgraded from prior year



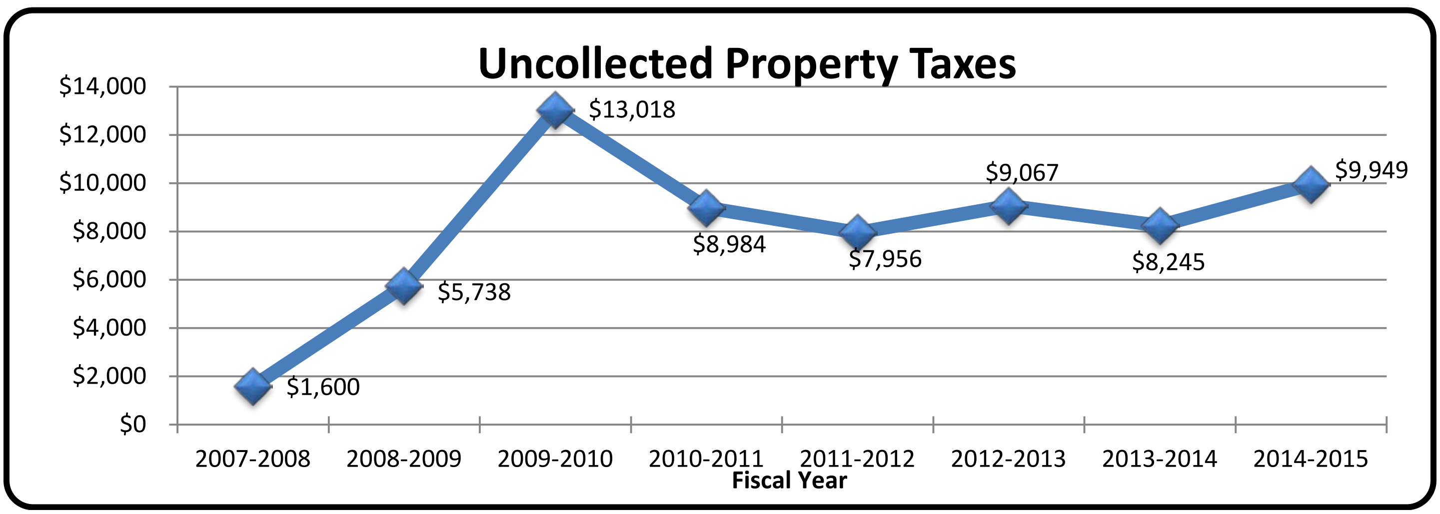
	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Property Tax Revenues	$556,993	$544,644	$553,480	$552,680	$572,727	$587,479
% Change in Property Tax Revenues	11.41%	-2.22%	1.62%	-.14%	3.63%	2.58%
Valuation	$111,766,898	$107,877,754	$110,081,642	$114,410,334	$115,434,315	$123,459,802

The City receives a very small portion of the total property tax assessed. The following chart shows an example of how an average homeowner's property taxes are divided amongst the entities in Park County:

Average Single Family Home Value 2015	**$ 228,770**
Assessment Rate	9.5%
Assessed Value	$ 21,733

District	Mill Levy	Property Tax	% of Tax
School District #6	0.03100	$ 673.73	40.79%
School Foundation Fund (State)	0.01200	$ 260.80	15.79%
Park County	0.01200	$ 260.80	15.79%
City of Cody	0.00500	$ 108.67	6.58%
Northwest College	0.00500	$ 108.67	6.58%
Cemetery District	0.00300	$ 65.20	3.95%
Fire District	0.00300	$ 65.20	3.95%
West Park Hospital	0.00300	$ 65.20	3.95%
Recreation District	0.00100	$ 21.73	1.32%
Weed & Pest District	0.00100	$ 21.73	1.32%
TOTAL	0.07600	$ 1,651.72	100%

Out of the total tax bill for the average home's value in Cody the City receives only 6.58%, which in the example provided results in $108 per the average home. Since property tax revenues are based on the valuation of properties the revenues should show a consistent trend with property valuation. When there is a disparity between the two the usual cause is uncollected property tax. Of the 5 mils assessed, the City typically collects 98%. The delinquency rate is low due to the County's annual tax sale which recoups a majority of the unpaid property taxes. If current year uncollected property taxes rise to more than five percent, credit rating agencies consider this a negative factor because it signals potential problems in the stability of the tax base.



	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Property Tax Levy	$558,834	$539,389	$550,408	$572,052	$577,172	$617,299
Uncollected Property Taxes	$13,018	$8,984	$7,956	$9,067	$8,245	$9,949
% of Uncollected Taxes Compared to Levy	2.33%	1.67%	1.45%	1.58%	1.43%	1.61%

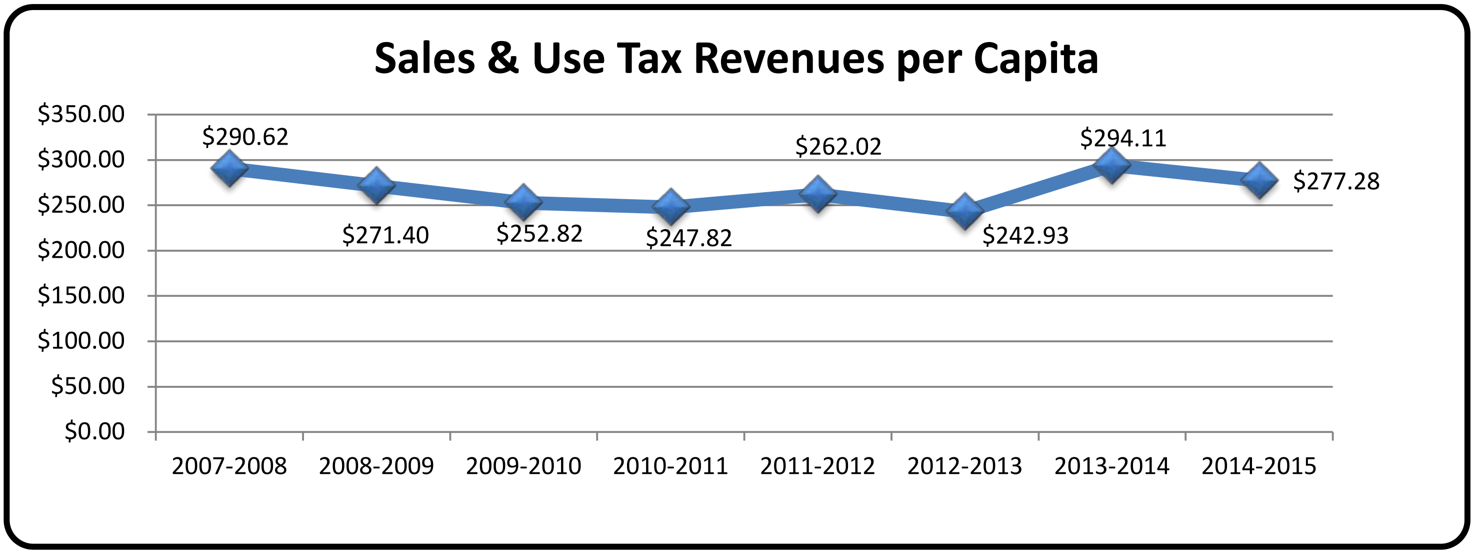
Sales & Use Tax Revenue per Capita

Description: Changes in economic conditions are also evident in terms of changes in sales tax collections. When consumer confidence is high, people spend more on goods and services, and city governments benefit through increases in sales tax collections.

Warning Trend:
Declining or negative growth in sales & use tax revenue

Condition Caution

No change from prior year



	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Sales & Use Tax Revenue (constant dollars)	$2,406,857	$2,364,442	$2,529,322	$2,353,794	$2,891,976	$2,700,753
Population	9,520	9,541	9,653	9,689	9,833	9,740
Sales & Use Tax per Capita (constant dollars)	$252.82	$247.82	$262.02	$242.93	$294.11	$277.28
% Change in Sales & Use Tax per Capita	-6.85%	-1.98%	5.73%	-7.29%	21.07%	-5.72%

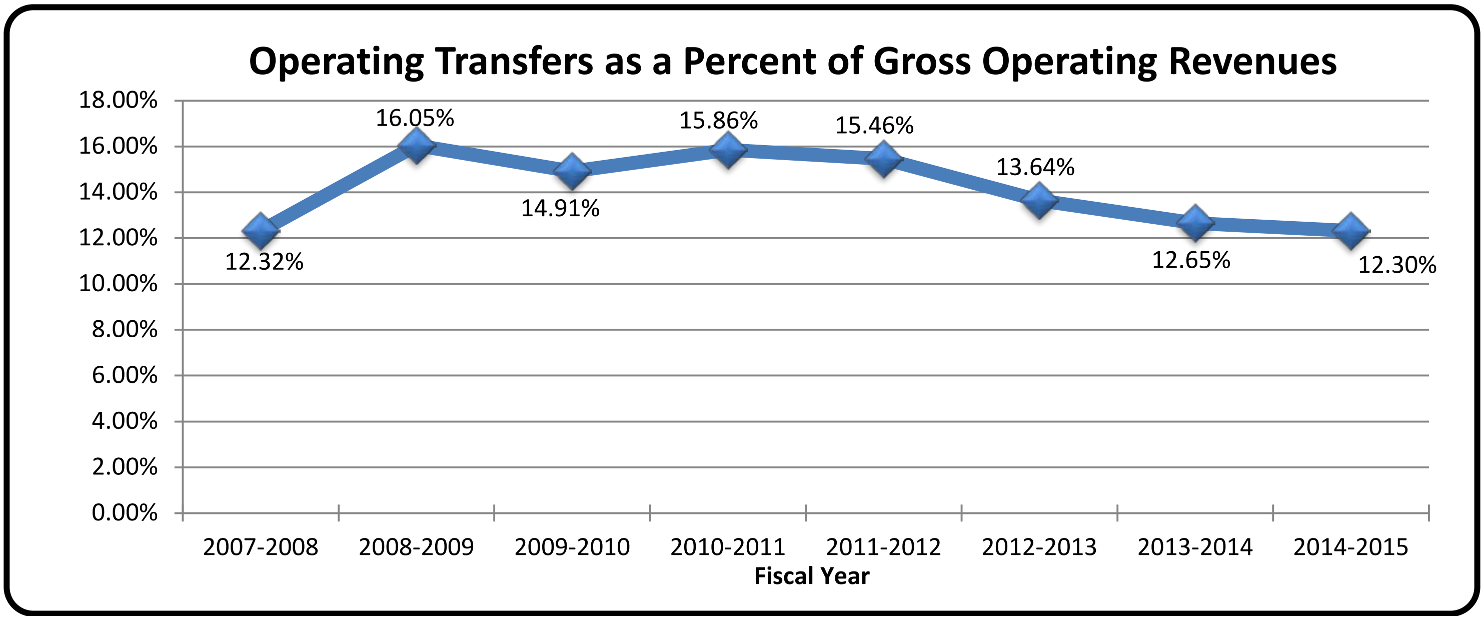
Operating Transfers as a Percent of Total Operating Revenue

Description: Operating Transfers are received from other internal funds to partially offset expenditures in the General Fund. While there is some concern about too heavy of a reliance on operating transfers as a revenue source, it can be argued that the sources and basis of operating transfers for various cities is more relevant than the amounts.

Warning Trend:
High ratio of operating transfers to gross operating revenues

Condition: Neutral

No change from prior year



	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Operating Transfers	$1,304,153	$1,473,749	$1,419,560	$1,277,771	$1,310,603	$1,264,913
Gross Operating Revenues	$8,746,118	$9,295,092	$9,180,054	$9,365,565	$10,357,890	$10,287,118
% of Operating Transfers of Gross Operating Revenues	14.91%	15.86%	15.46%	13.64%	12.65%	12.30%

EXPENDITURE INDICATORS

Expenditures are a rough measure of a city's output effort. Generally, the more a city spends, the more service it is providing or it is providing higher quality service however increased expenditures can also be a sign of problems with ineffective budget control, excessive growth, decline in personnel productivity and growth in services not supported by revenues.

Most cities are required to have balanced budgets; however, there are a number of subtle ways to balance an annual budget yet create long-term imbalances. Some of the more common ways are to use bond proceeds for operations, defer maintenance, or utilize temporary cuts from year-to-year. In each case, the budget remains balanced, but in the long-term significant deficits could be developing.

Ideally, a city will have an expenditure growth rate that does not exceed its revenue growth rate and will have maximum spending flexibility to adjust to changing factors. A review of city expenditures can identify deficiencies should they exist such as:

- Excessive growth of overall expenditures as compared to revenue growth
- An undesired increase in fixed costs
- Ineffective budget controls & models
- Excessive growth in programs that create future expenditure liabilities

The following Expenditure Indicators have been chosen for this report:

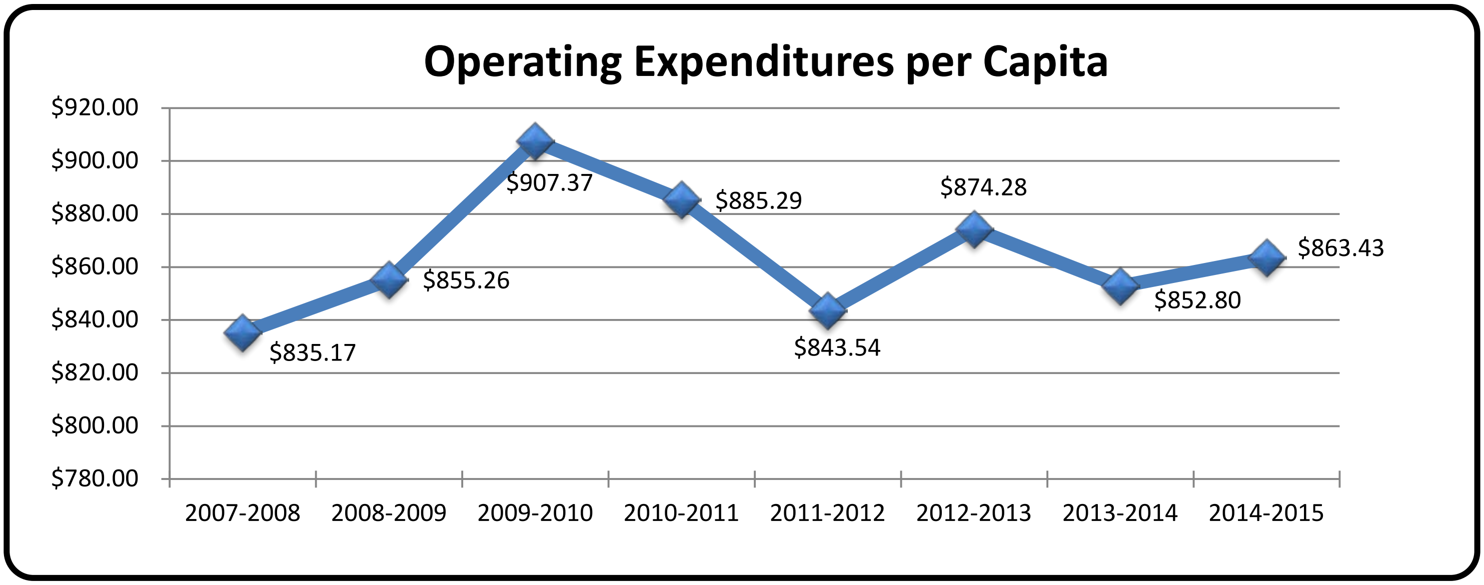
1. Operating Expenditures per Capita
2. Employees per Capita
3. Employee Wages & Benefits
4. Maintenance Efforts
5. Capital Outlay

Description: Operating expenditures per capita reflect changes in expenditures relative to changes in population. Increasing per capita expenditures can indicate that the cost of providing services is increasing at a pace beyond the community's ability to pay. If spending is increasing faster than can be accounted for by inflation or new programs, it may indicate that a city is spending more funds to support the same level of services or the methods of providing the services are inefficient.

Warning Trend:
Increasing operating expenses per capita

Condition: Critical

No change from prior year



	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Net Operating Expenditures (constant dollars)*	$8,638,165	$8,446,535	$8,142,647	$8,470,875	$8,385,597	$8,409,813
Population	9,520	9,541	9,653	9,689	9,833	9,740
Net Operating Expenditures per Capita (in constant dollars)	$907.37	$885.29	$843.54	$874.28	$852.80	$863,43
% Change	6.09%	-2.43%	-4.72%	3.64%	-2.46%	1.25%

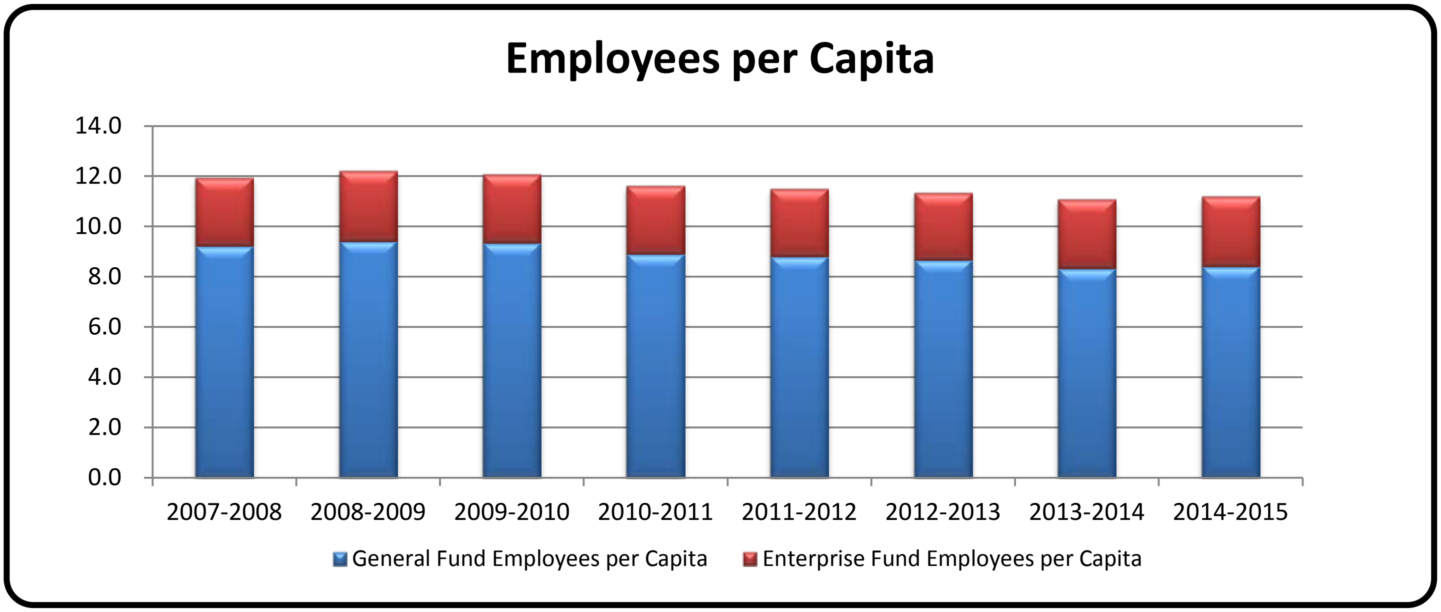
Employees per Capita

Description: Because personnel costs are a major portion of operating expenditures, plotting changes in the number of employees per capita is another way to measure changes in expenditures. A substantial increase in employees per capita might indicate that expenditures are rising faster than revenues that a city is becoming more labor intensive, services are expanding, or personnel productivity is declining. An increase in employees per capita is not negative if a direct correlation can made to increased services.

Warning Trend:
Increasing number of employees per capita

Condition: Positive

No change from prior year



	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
General Fund Employees	89	85	85	84	82	82
Enterprise Funds Employees	26	26	26	26	27	27
Total Employees	115	111	111	110	109	109
Population	9,520	9,541	9,653	9,689	9,833	9,740
Employees per Capita (per thousand)	12.08	11.63	11.50	11.35	11.09	11.19
% Change in Employees per Capita	-1.08%	-3.69	-1.16	-1.27%	-2.36%	0.95%

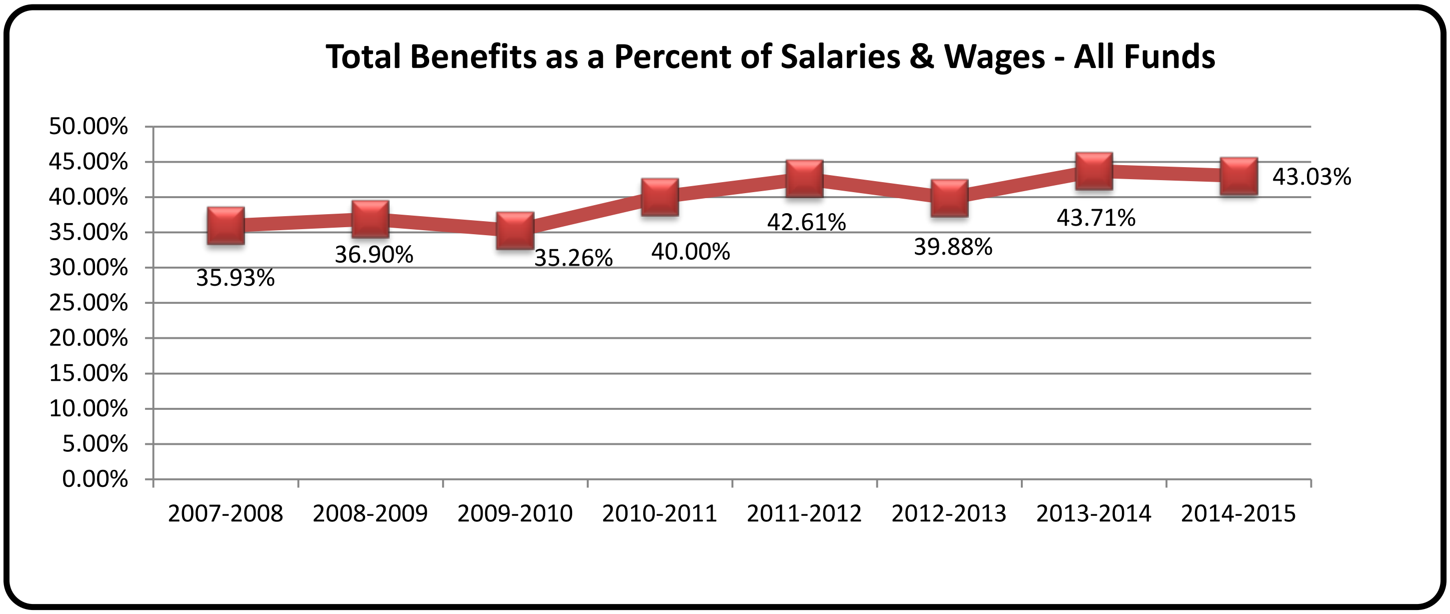
Employee Wages and Benefits

Description: Employee wages and benefits can represent a significant cost to a city. Some benefits are mandated such as FICA, workers compensation and unemployment. Others, such as health insurance and retirement are discretionary.

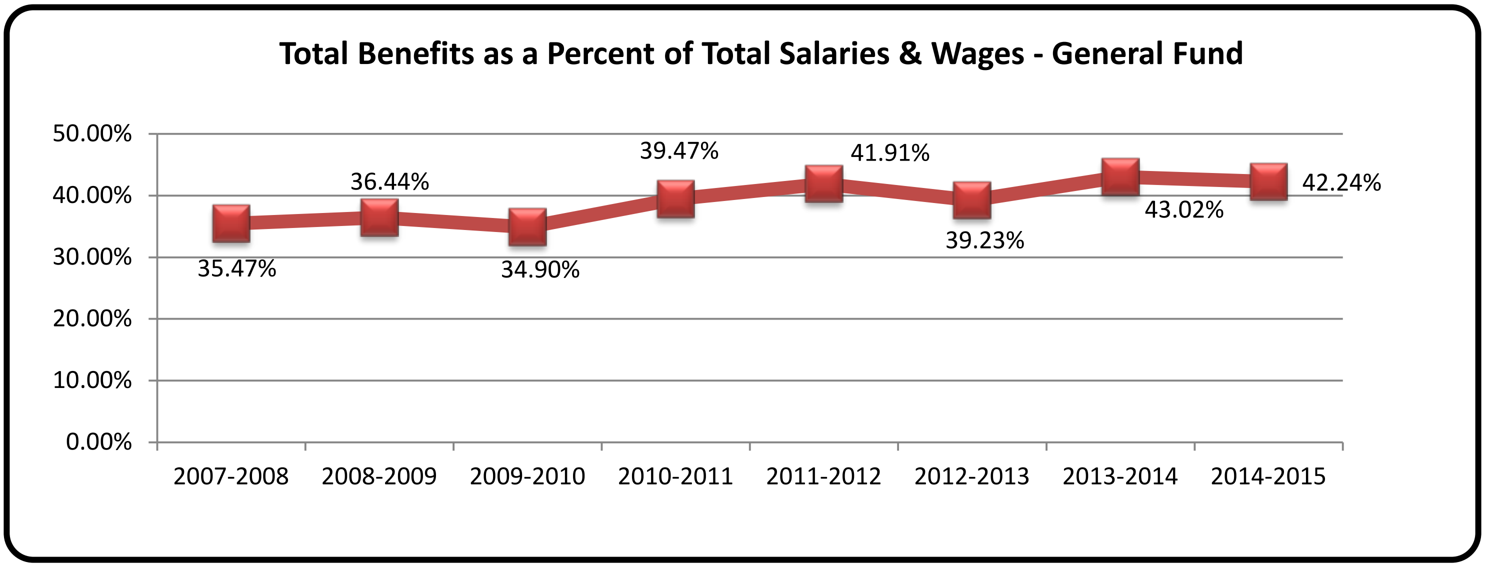
Warning Trend:
Increasing benefits as a percent of salaries & wages or increasing wages & benefits as percentage of operating expenditures

Condition Caution

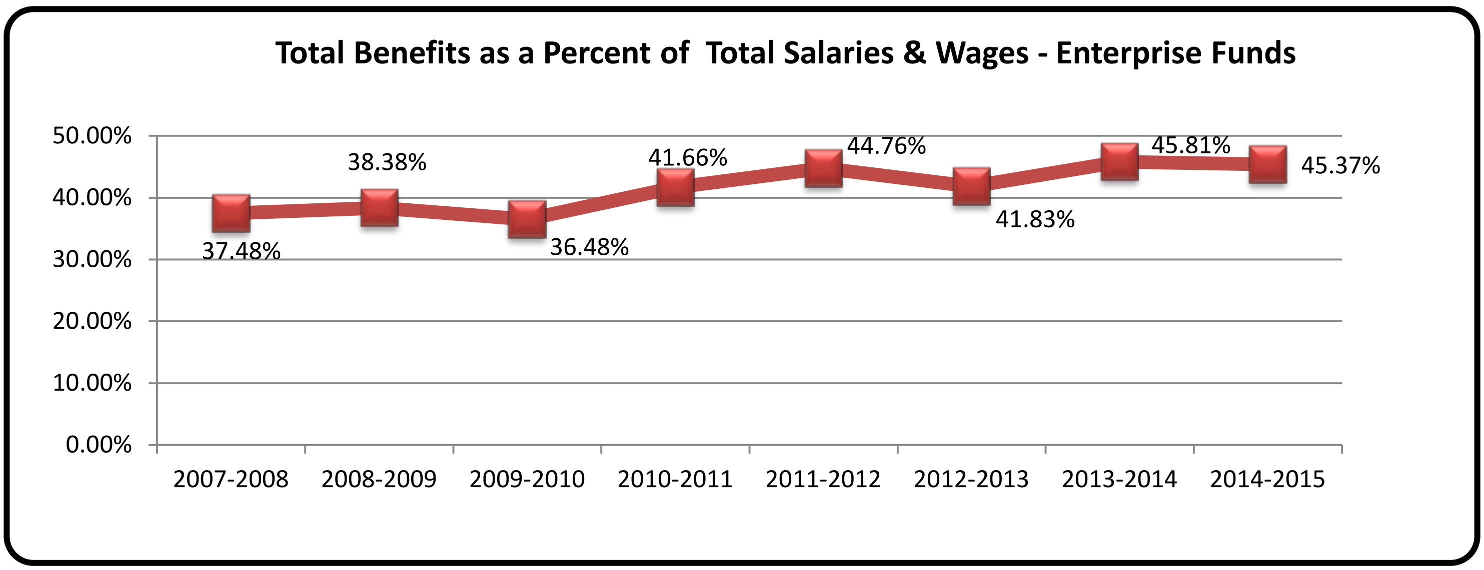
Downgraded from prior year



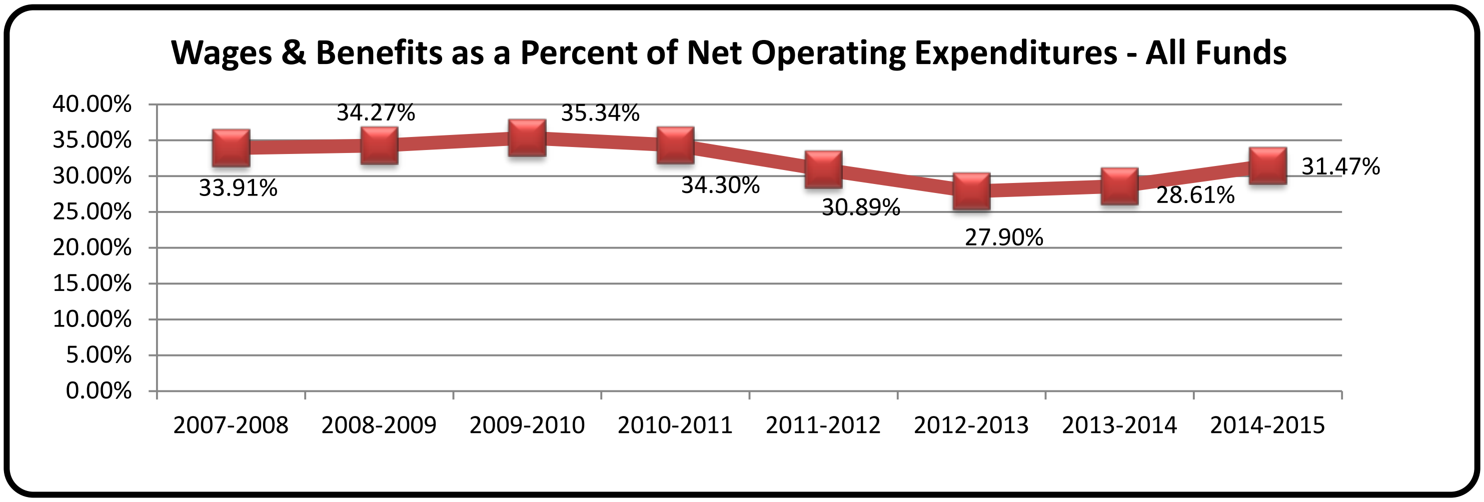
	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
All Funds Total Benefits	$2,095,848	$2,325,658	$2,424,805	$2,383,251	$2,529,613	$2,588,709
All Funds Salaries & Wages	$5,943,173	$5,814,624	$5,691,294	$5,975,419	$5,787,019	$6,015,652
% of Total Benefits to Salaries & Wages	35.26%	40.00%	42.61%	39.88%	43.71%	43.03%
% Change	-1.63%	4.73%	2.61%	-2.72%	3.83%	-.68%



	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
General Fund Total Benefits	$1,591,716	$1,746,094	$1,801,699	$1,756,900	$1,869,602	$1,897,705
General Fund Salaries & Wages	$4,561,208	$4,423,338	$4,299,203	$4,478,097	$4,346,241	$4,492,753
% of Total Benefits to Salaries & Wages	34.90%	39.47%	41.91%	39.23%	43.02%	42.24%
% Change	-1.55%	4.58%	2.43%	-2.67%	3.78%	-.78%



	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Enterprise Funds Total Benefits	$504,132	$579,564	$623,106	$626,351	$660,011	$691,004
Enterprise Funds Total Salaries & Wages	$1,381,965	$1,391,286	$1,392,091	$1,497,322	$1,440,779	$1,522,899
% of Benefits to Salaries & Wages	36.48%	41.66%	44.76%	41.83%	45.81%	45.37%
% Change	-1.90%	5.18%	3.10%	-2.93%	3.98%	-.44%



	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Total Wages & Benefits	$7,534,887	$7,560,716	$7,492,993	$7,734,594	$7,656,576	$8,602,214
Total Net Operating Expenditures	$21,323,051	$22,041,590	$24,253,663	$27,722,402	$26,762,435	$27,338,357
% of Personnel Costs to Net Operating Expenditures	35.34%	34.30%	30.89%	27.90%	28.61%	31.47%
% Change in Personnel Costs to Net Operating Expenditures	1.06%	-1.03%	-3.41%	-2.99%	.71%	2.86%

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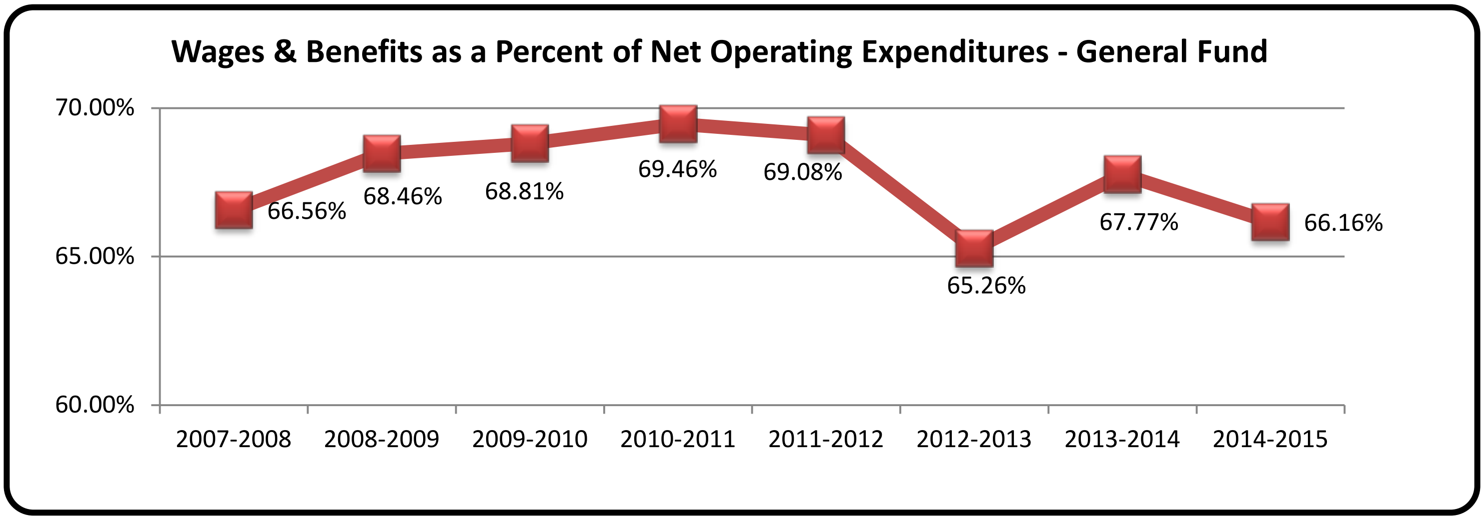
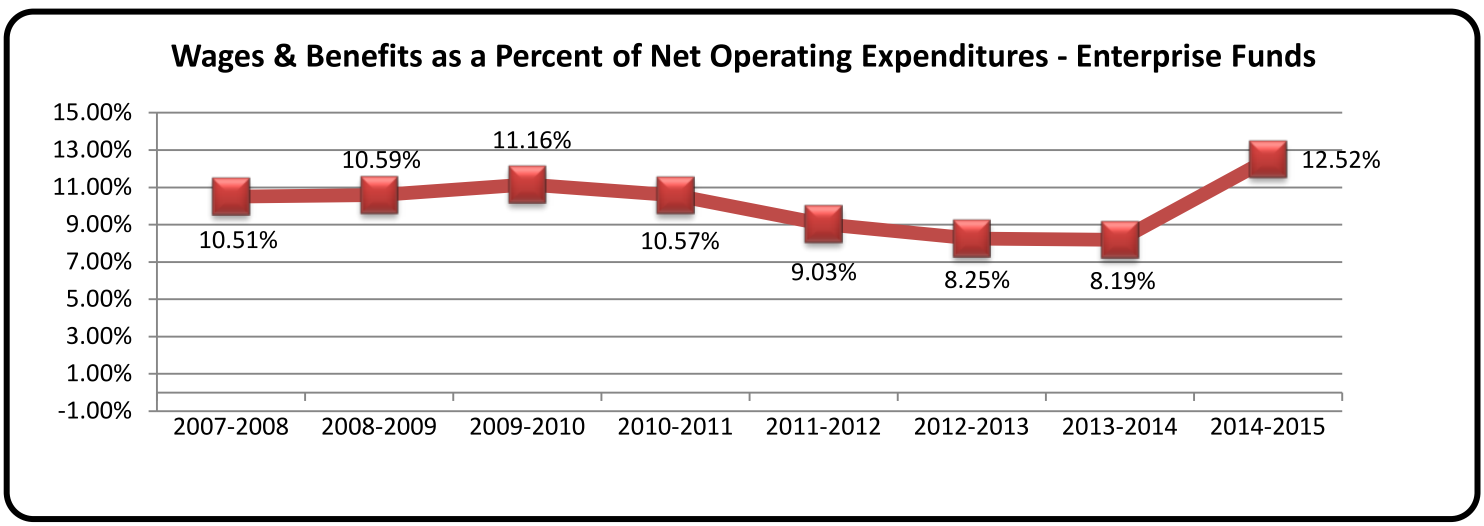


	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
General Fund Wages & Benefits	$6,152,922	$6,169,430	$6,100,901	$6,235,944	$6,215,797	$6,388,463
General Fund Net Operating Expenditures	$8,942,200	$8,881,740	$8,831,504	$9,555,236	$9,172,280	$9,655,354
% of Personnel Costs to Net Operating Expenditures	68.81%	69.46%	69.08%	65.26%	67.77%	66.16%
% Change in Personnel Costs to Net Operating Expenditures	0.34%	0.65%	-0.38%	-3.82%	2.51%	-1.60%



	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Enterprise Funds Wages & Benefits	$1,381,965	$1,391,286	$1,392,092	$1,498,650	$1,440,779	$2,213,751
Enterprise Funds Net Operating Expenditures	$12,380,852	$13,159,849	$15,422,159	$18,167,166	$17,590,155	$17,683,003
% of Personnel Costs to Net Operating Expenditures	11.16%	10.57%	9.03%	8.25%	8.19%	12.52%
% Change in Personnel Costs to Net Operating Expenditures	.58%	-.59%	-1.55%	-.78%	-.06%	4.33%

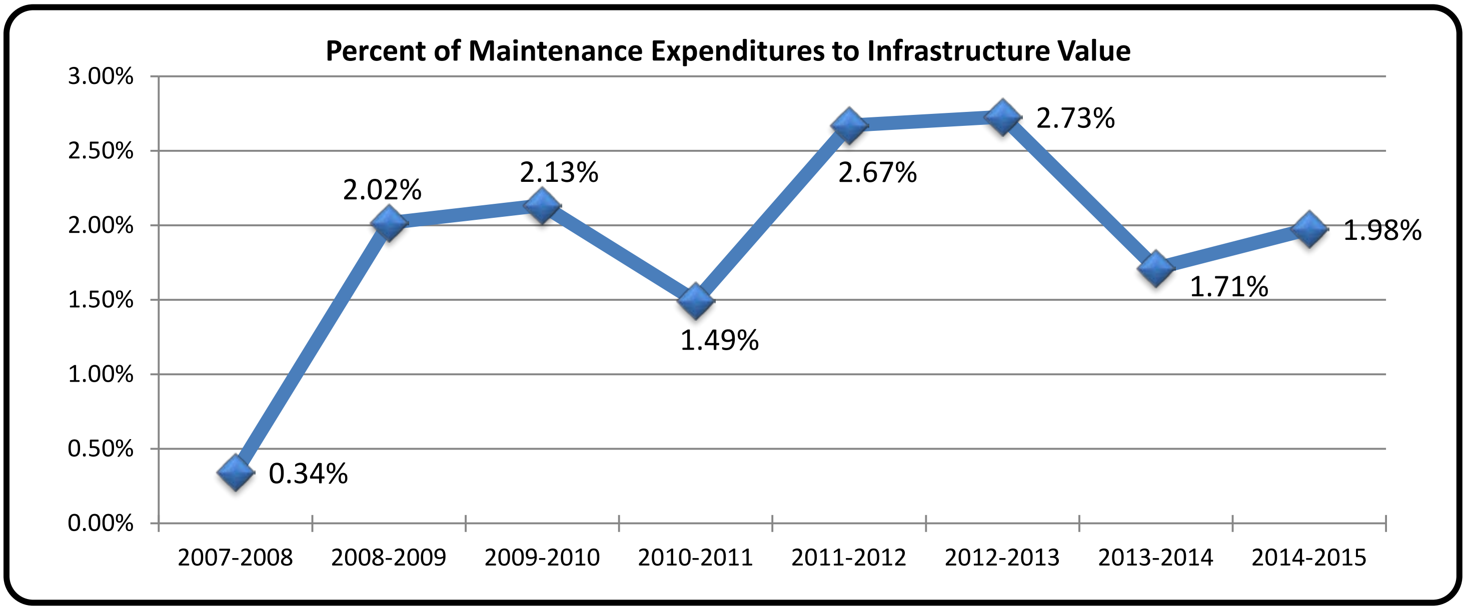
Maintenance Effort

Description: The condition of a city's long-lived assets, such as buildings and infrastructure, is significant because of the tremendous cost and far-reaching consequences their decline can have on business activity, property values, and operating expenditures. Deferral of maintenance on the assets and their subsequent deterioration can create a significant unfunded liability. Maintenance expenditures should remain relatively constant in relation to the cost and nature of assets maintained. If the ratio is declining it may be a sign that a city's assets are deteriorating.

Warning Trend:
Decreasing maintenance costs compared to asset value

Condition: Critical

No change from prior year



	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Maintenance Expenditures	$415,786	$330,893	$612,683	$676,661	$420,405	$558,961
Asset Value (book)	$19,477,649	$22,148,174	$22,928,929	$24,794,353	$24,546,009	$28,284,182
% of Maintenance Costs to Asset Value	2.13%	1.49%	2.67%	2.73%	1.71%	1.98%
% Change	0.12%	-0.64%	1.18%	.06%	-1.02%	.27%

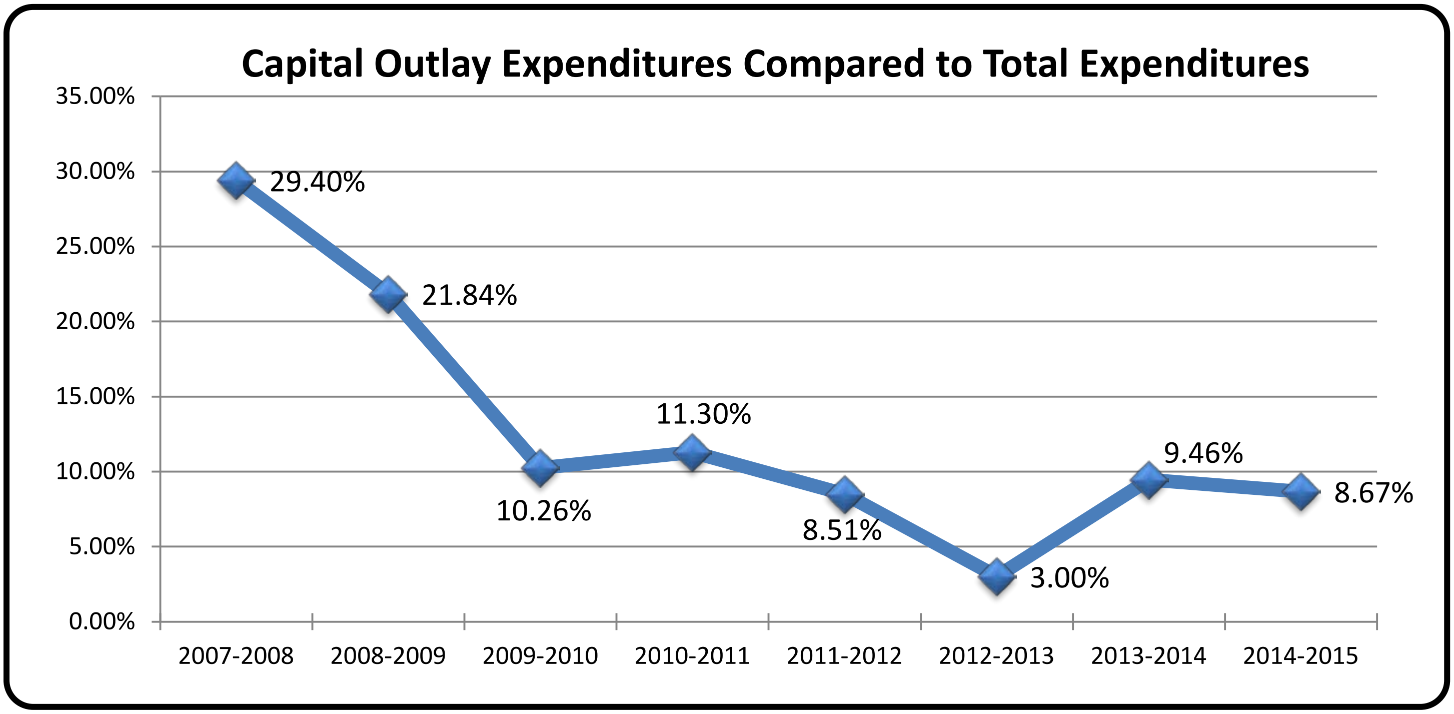
Capital Outlay

Description: Expenditures for equipment and improvements that have a useful life expectancy greater than one year and meet the designated cost threshold are considered capital outlay. Capital expenditures may remain constant or even decline in the short run as new and replacement equipment is purchased. If the decline persists over multiple years, it can be an indicator that capital outlay needs are being deferred, resulting in the use of obsolete equipment and infrastructure.

Warning Trend:
A three or more year decline in capital outlay as a percent of total expenditures

Condition: Critical

No change from prior year



	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Total Capital Outlay (constant dollars)	$987,357	$1,074,990	$757,072	$262,401	$861,099	$780,284
Total Expenditures (constant dollar)	$9,625,522	$9,516,588	$8,899,718	$8,733,276	$9,102,497	$8,998,483
% of Capital Outlay to Total Expenditures	10.26%	11.30%	8.51%	3.00%	9.46%	8.67%
% Change in Capital Outlay to Total Expenditures	-11.58%	1.04%	-2.79%	-5.50%	6.46%	-1.51%

OPERATING POSITION INDICATORS

Operating position refers to the ability of a city to balance the budget on a current basis, maintain reserves for emergencies, and maintain sufficient liquidity to pay bills on a timely basis.

Sufficient cash, or liquidity, refers to the flow of cash in and out of a city treasury. Cities may receive many of its revenues in large installments at infrequent intervals during the year therefore it is an advantage to have excess liquidity or cash reserves as security in the event of an unexpected delay in receipt of revenues, an unexpected decline or loss of a revenue source, or an unanticipated need to make a large expenditure. An analysis of operating position can help identify the following situations:

- Emergence of operating deficits
- Decline in reserves
- Ineffective budgetary controls
- Inefficiencies in management

The following Operating Position Indicators have been chosen for this report:

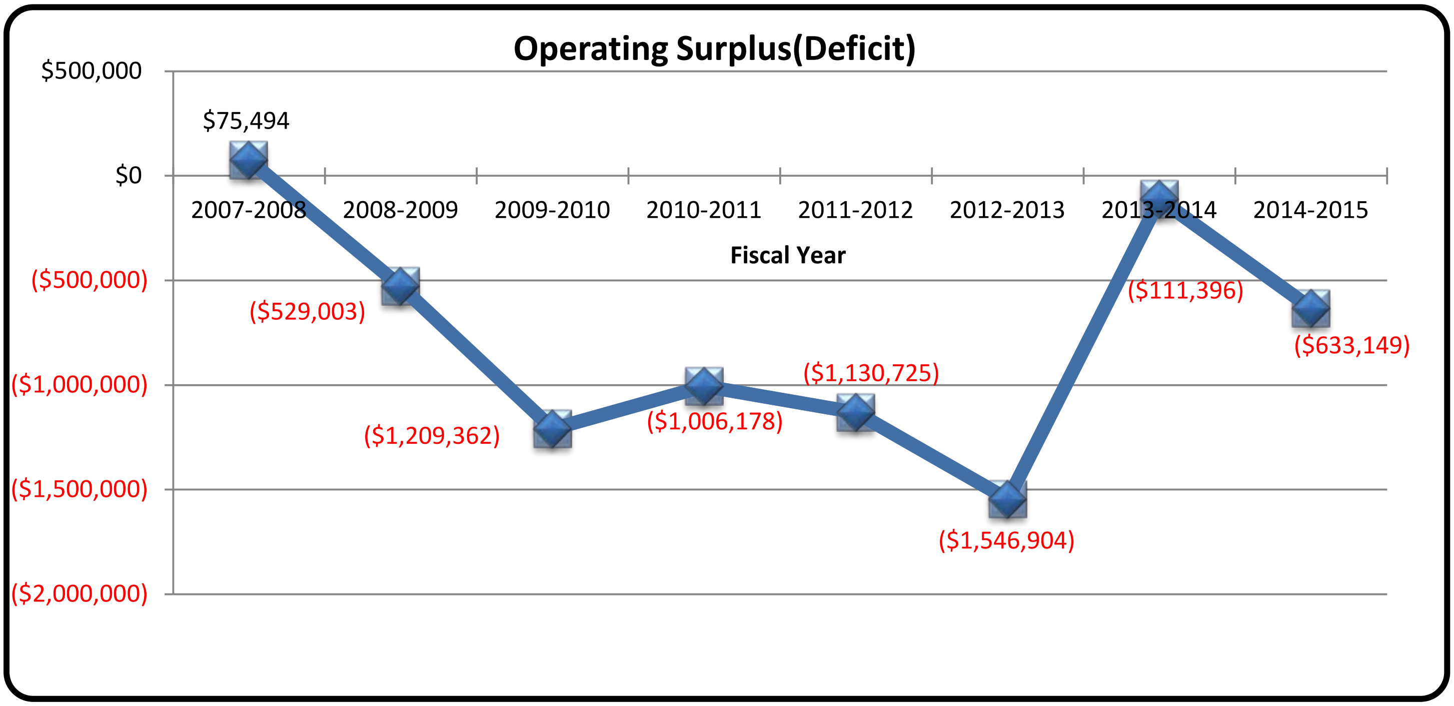
1. Net Operating Ratio
2. Liquidity
3. Efficiency Ratios

Net Operating Ratio

Description: An operating surplus occurs when current revenues exceed current expenditures. If the reverse is true then it means that the entity is spending more than it receives. This can occur because of an emergency that requires an immediate large outlay or as a result of a conscious polity to use surplus funds to balance the budget. The existence of an operating deficit in any one year may not be cause for concern but frequent occurrences indicate that a serious problem exists. The net operating ratio compares the net operating income (loss) to total operating revenues.

Warning Trend:
Increasing or frequent operating deficit and/or negative operating ratio

Condition: Critical



	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Operating Surplus(Deficit)	($1,209,362)	($1,006,178)	($1,130,725)	($1,546,904)	($111,396)	($633,149)
Net Operating Revenues	$8,501,751	$8,924,987	$8,864,051	$9,137,926	$9,988,392	$9,998,167
Net Operating Ratio	-14.22%	-11.27%	-12.76%	-16.93%	-1.12%	-6.33%

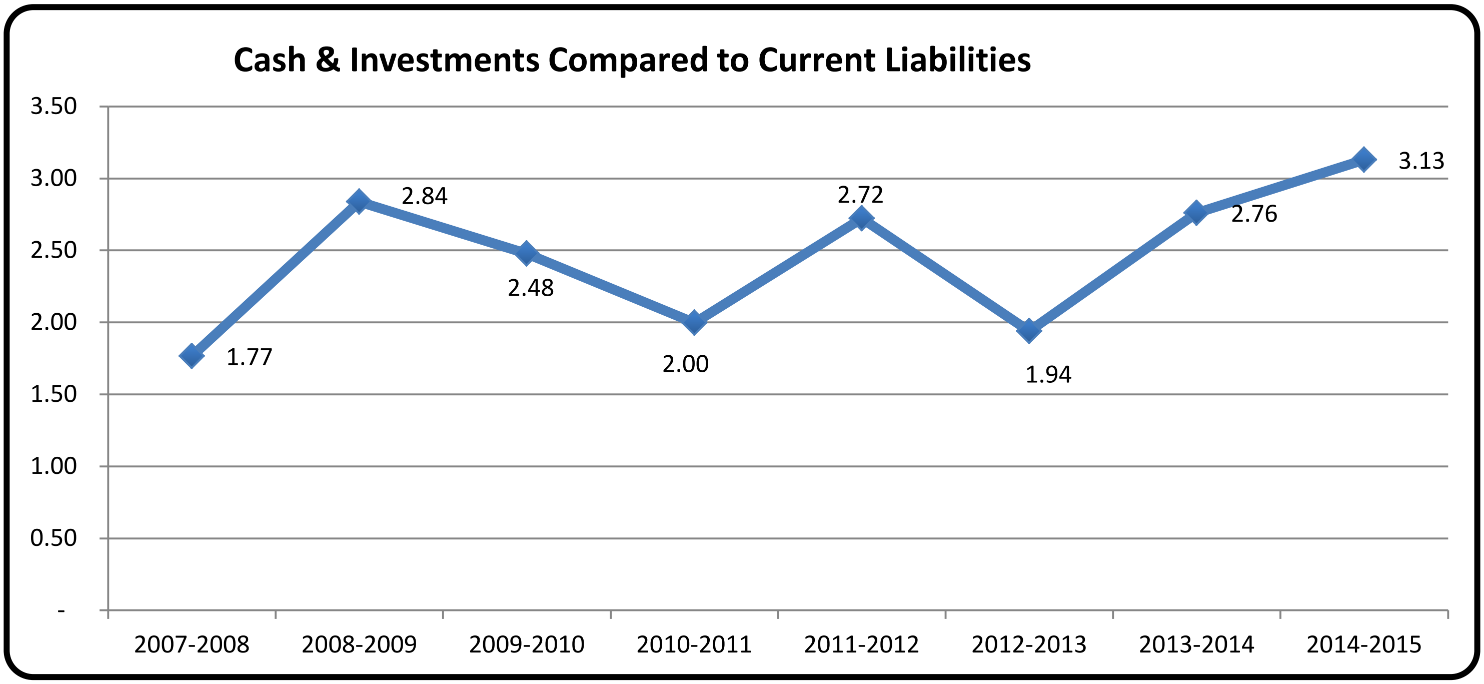
Liquidity

Description: One measure of a city's short-term financial condition is its cash position. Cash position includes cash, as well as other assets such as short-term investments that can be easily converted to cash. The level of this type of cash position, referred to as liquidity, measures a city's ability to pay its short-term obligations. Low or declining liquidity can indicate that a city has overextended itself in the long term. The Quick Ratio is a city's cash and investments compared to current liabilities, which indicates a city's ability to reliably pay off its current liabilities. Current liabilities are all financial obligations which will come due within the next twelve months.

Warning Trend:
Decreasing cash and investments as a percentage of current liabilities

Condition: Positive

Upgraded from prior year

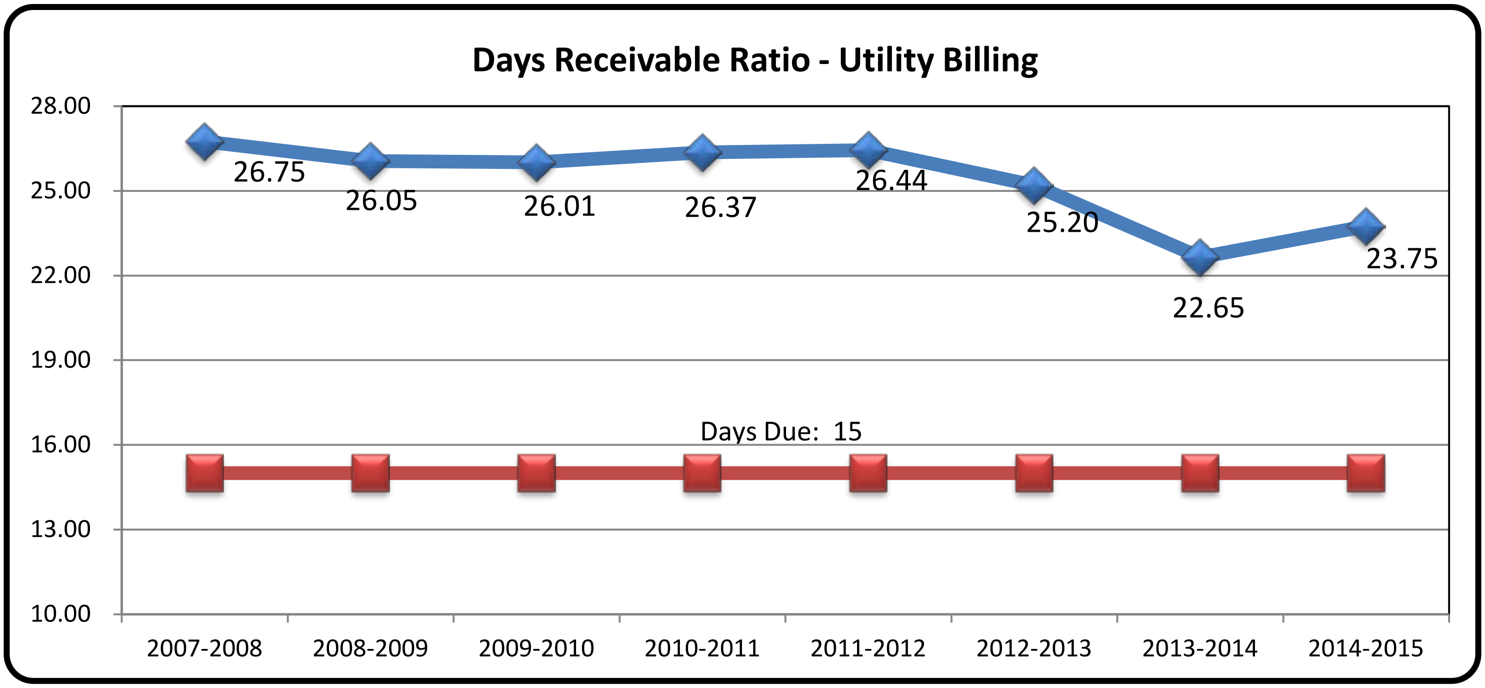


	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Total General Fund Cash & Investments	$4,951,261	$4,554,142	$4,675,914	$4,596,546	$6,235,721	$6,911,644
General Fund Current Liabilities	$1,997,938	$2,281,135	$1,717,267	$2,371,168	$2,258,238	$2,208,972
Ratio of Cash to Current Liabilities	2.48	2.00	2.72	1.94	2.76	3.13
% Change in Ratio	-12.67%	-19.44%	36.39%	-28.81%	42.45%	13.31%

Description: A set of commonly used ratios, called Efficiency Ratios, are used to assess the efficiency of which a government utilizes resources such as accounts receivable and inventory. The Days Receivable Ratio shows how long, on average, it takes to collect on receivables. The Days Inventory Ratio can be used to measure inventory efficiency and how long inventory sits in stock before being used.

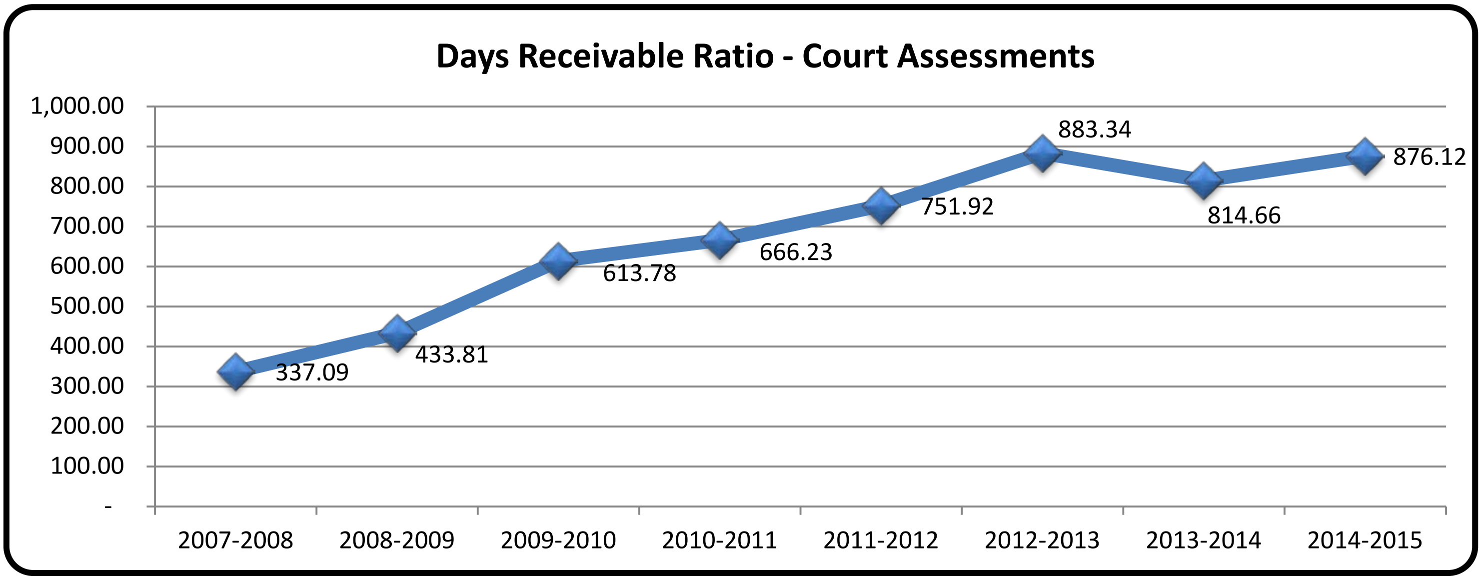
Warning Trend:
Increasing ratios for days in inventory and days receivable

Utility Billing: **Condition:** Positive No change from prior year



	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Average Receivable Balance	$1,051,062	$1,127,290	$1,186,108	$1,230,918	$1,167,026	$1,215,319
Utility Charges Billed	$14,747,761	$15,604,666	$16,372,154	$17,830,425	$18,808,122	$18,680,432
Days Receivable Ratio	26.01	26.37	26.44	25.20	22.65	23.75
% Change in Ratio	-0.16%	1.36%	0.29%	4.71%	-10.12%	4.85%

Municipal Court: **Condition:** Critical No change from prior year



	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Court Assessments Receivable	$527,085	$484,074	$416,467	$400,603	$373,745	$358,281
Fines & Fees Assessed	$313,443	$265,203	$202,162	$165,531	$166,717	$149,263
Days Receivable Ratio	613.78	666.23	751.92	883.34	814.66	876.12
% Change in Ratio	41.49%	8.55%	12.86%	17.48%	-7.78%	7.54%

Write Off History	$25,423	$21,997	$20,350	$32,439	$28,500	$16,329

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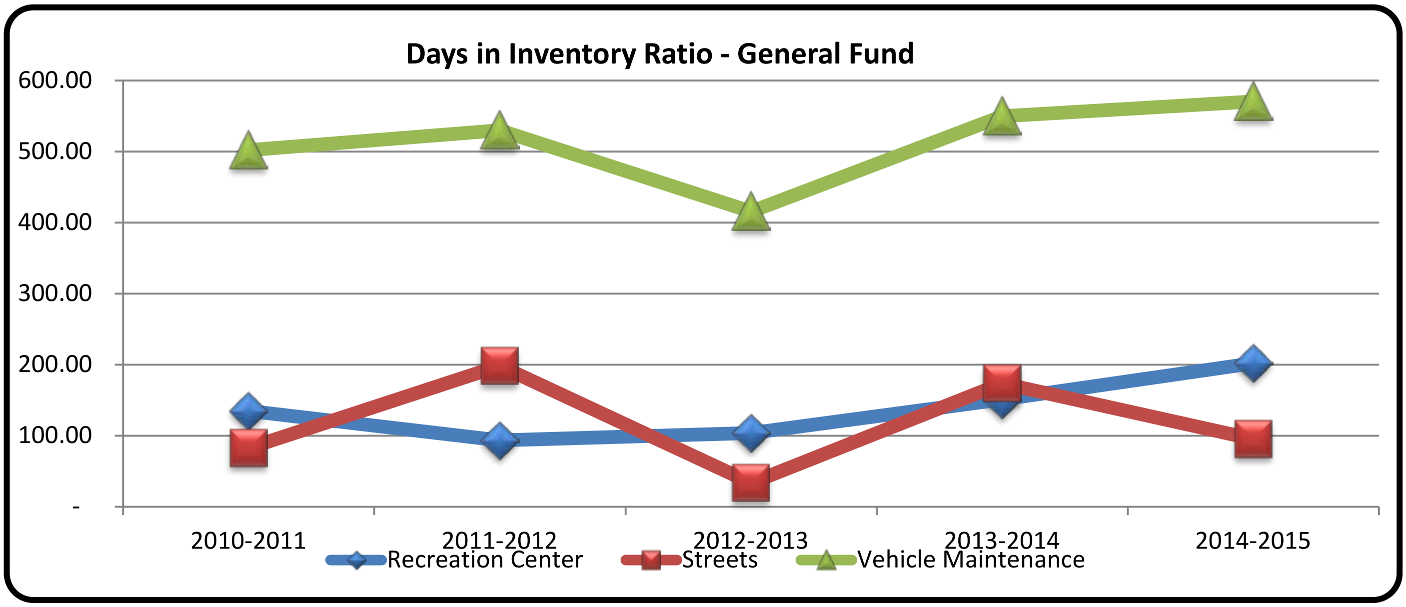
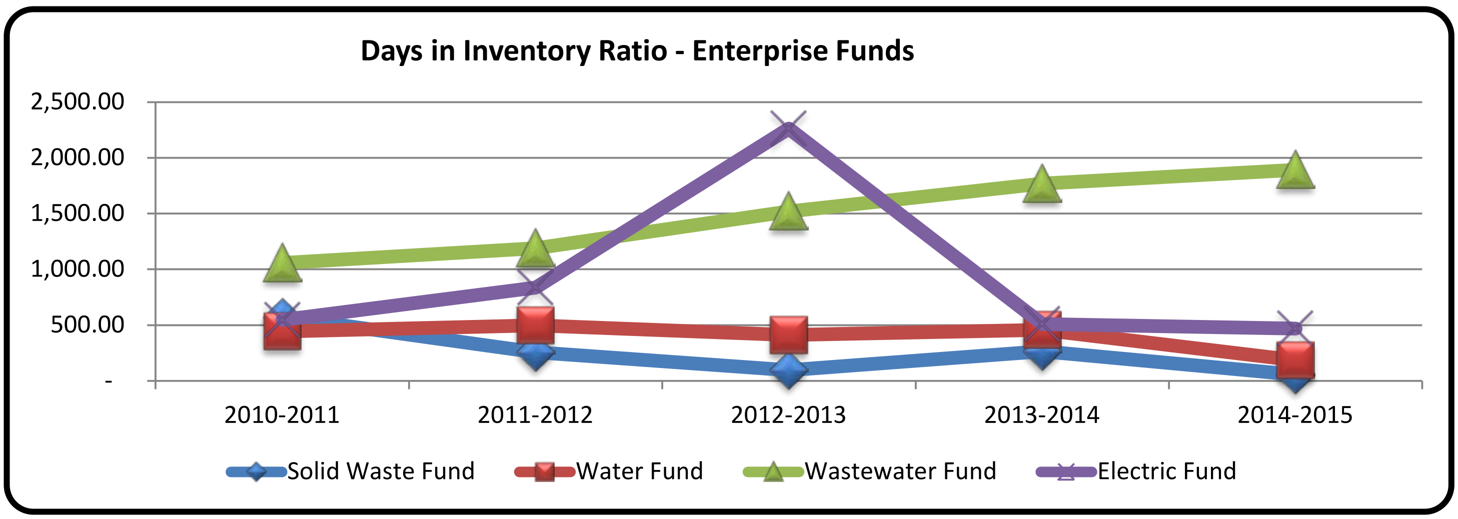
Inventory Management: **Condition:** Neutral No change from prior year



	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Recreation Center	N/A	134.74	93.34	104.00	151.21	202.16
Streets	N/A	82.63	198.29	33.62	173.61	95.33
Vehicle Maintenance	N/A	502.38	530.22	415.39	550.08	570.89



	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Solid Waste Fund	N/A	571.24	255.81	96.54	264.09	54.83
Water Fund	N/A	442.63	496.93	411.71	458.47	185.25
Wastewater Fund	N/A	1,058.02	1,188.51	1,518.11	1,768.66	1,892.33
Electric Fund	N/A	547.51	837.11	2,262.23	510.37	469.03

CONCLUSION

Review and analysis of the trends presented in the report will enhance the understanding of factors that impact the City of Cody's financial condition. It will also assist in planning for the future by helping to identify current or potential financial problems and providing insight as to their cause.

The Overview section of this report identified five (5) positive trends, three (3) neutral trends, four (4) cautionary trends and five (5) critical trends. When viewed in a comprehensive perspective, the City of Cody continues to experience fairly stable trends in most categories. However, despite the number of positive and neutral indicators the City has some significant deficiencies and potential problem areas. The operating revenues and expenses per capita and the net operating ratio underscore this fact. Operationally, the City has been able to continue the same level of services for several years without increasing the number of employees per capita however the City is feeling the strain of employees "doing more with less" through an increasing amount of employee turnover. With the possibility of significant additional revenues being uncertain (the 1-cent tax option) an ever increasing burden will be placed on the City to set goals and prioritize the services provided within the existing revenue base.