



FINANCIAL TRENDS REPORT

January 2017

Report Period: FY07-08 through FY15-16

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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 System

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.

Condition Definitions

Positive Condition – the trend reflected is maintained at or moving in a favorable direction. The warning trend for the indicator is not observed and there are no known conditions indicative of potential problems.

Neutral Condition – the trend is not moving in a favorable condition nor is it moving towards the warning trend for the indicator. Ongoing monitoring for changes is recommended.

Caution Condition – the trend is nearing the warning trend for the indicator and/or there are known conditions that may affect this indicator negatively. Preventative action may be required to avoid a decline into fiscal distress.

Critical Condition – the warning trend is being observed and/or a history of continued warning trend status is present. Immediate action is necessary to alleviate ongoing fiscal distress.

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 rather than changing conditions. Adjusting for inflation involves three steps. The first step is selecting a price index. For this report the 2016 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 2016 dollars to 2007 dollars the formula would be: $\$1,000 \times .857 = \857 . 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 an historical 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. Due to these differences, this report makes no comparisons to other governmental entity's data except in the Community Resource indicator section that references economic data.

It is also important to note that the trends identified are numerical indicators which do not necessarily reflect political constraints, the personal preferences of the Governing Body and the wishes of the citizens. Clearly, the trends presented in this report are only a tool for the Governing Body to utilize when making decisions that financially affect the City of Cody, its citizens and visitors.

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 FY15-16
- City of Cody Budgets for FY07-08 through FY15-16
- 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



Employment Base (downgraded from Neutral to Caution) Page 12
the unemployment rate has increased to over 4% again, showing a 3 out of 4-year trend.



Intergovernmental Revenue (upgraded from Caution to Neutral) Page 16
the trend is showing a 2-year improvement with a 15% improvement from FY13-14 due to increased local sources such as property taxes and charges for services.



Operating Transfers (upgraded from Neutral to Positive) Page 20
the trend is showing a 4-year improvement with a 35% improvement from FY11-12 due to direct cost assignment of enterprise fund expenses.



Inventory Management (upgraded from Neutral to Positive) Page 31
changes in the inventory management in Vehicle Maintenance and Water have improved the ratios for those departments.

Positive Trends

Condition: Positive

- Property Valuation (page 10) – the City of Cody has experienced solid growth over the past nine years, showing an overall 35% increase since FY07-08. In FY10-11 there was a slight decrease of 3.48% from the prior year which reflected the effects of the recession on Cody's real estate market. The 2016 valuation showed a 2.10% increase over the prior year. Continued increase in the City's valuation results in higher tax levies and assuming there is not a significant increase in unpaid property taxes, the City's property tax revenue will continue to increase along with the valuation. The valuation per capita has also maintained an increase over the past three years. Between FY09-10 and FY12-13 it showed a decrease however it increased by 6.27% in FY14-15 and remained steady in FY15-16.
- Property Tax Revenue (page 17) – property tax revenue has shown a steady increase since FY10-11. FY15-16 reflects a 4.4% increase over the prior year. 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 6 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.

- Operating Transfers as Percent of Operating Revenue (page 20) – in FY15-16 operating transfers from the Enterprise Funds to the General Fund accounted for 9.94% 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. Over the past 6 years this percentage has been on the decline. This is a good sign that the General Fund is less dependent on inter-fund transfers to cover operating expense. The main reason for this decline is due to a change in accounting practices where certain expenses such as liability and property insurance, computer support services, banking fees and bad debt expenses are now being charged directly to the departments that incurred the expense rather than all being charged to administration in the General Fund. This not only reduces expenses in the General Fund but also the corresponding inter-fund transfer revenue.
- Employees per Capita (page 23)– since FY08-09 the City’s number of employees per capita have decreased 6% from 12.21 to 11.44. During the same period, there was a 4.9% increase in population. This indicates that the City has been able to continue providing the same level of services to an increasing population without a corresponding increase in the number of employees serving that population. In FY07-08 the City had 110 full time and regular part time positions compared to 112 in FY15-16, representing an increase of only 2 positions.
- Liquidity (page 29) – the liquidity ratio on the General Fund has been on a steady increase for the past three years. For FY15-16 it was 3.63. This means that the General Fund had, on average, cash balances 3.63 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. 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. Over the 9-year period analyzed in this report only 2 of the 9 years reflected a ratio below 2.00.
- Efficiency Ratio for Utility Billing (page 30) - 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 for FY15-16 was 23.17 days, meaning that most active customers pay their bills on average within 23 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 to collect on active accounts are working well.
- Efficiency Ratio for Inventory Management (page 31) – 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 grading “h” and 3/8” chips in the Streets department and parts and fluids in the Vehicle Maintenance department. The days in inventory for the vehicle maintenance department has improved significantly over the past three years due to the efforts of staff to eliminate obsolete inventory and using just-in-time purchasing methods to avoid the accumulation of excessive inventory. For FY15-16 the ratio in Vehicle Maintenance was down to 16.88 days from a high of 173.61 days in FY13-14. The Water Fund days in inventory ratio has also significantly improved, decreasing to 40.55 days in FY15-16 from a high of 510 days in FY13-14. The majority of this decrease is due to the Itron meter upgrades. There has been significant progress in completing the upgrades in the field meaning that meters are being installed more quickly and not being kept in stock for as long. Additionally, many items that were obsolete had been identified and removed from inventory. The Electric Fund continues to have a high inventory ratio, however because of the nature of the inventory in the Electric Fund the higher ratio is reasonable.

Neutral Trends – ongoing monitoring recommended

Condition: Neutral

- 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 however in FY15-16 it dropped below 40% for the first time since FY10-11. The dependence on revenue sources received from other governmental agencies makes the City vulnerable to fluctuations in consumer spending and confidence as well as the unstable gas and mineral industry however it appears to be showing a slight improvement over the last two years. Increases in charges for services and property tax revenues has helped lower this ratio for FY15-16.

Cautionary Trends – action may be required soon

Condition: Caution

- Personal Income per Capita (page 11) – for the last two fiscal years, personal income per capita for Park County has decreased returning to FY09-10 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. Personal income per capita in Park County decreased 9.68% in FY14-15 from the prior year and showed only a .6% improvement in FY15-16. The National personal income per capita decreased more significantly, by 10.83%, Wyoming personal income per capita increased nearly 22% over FY14-15. While Park County’s personal income per capita shows a more positive trend than the National, it is still lagging behind the Wyoming number.
- Employment Base (page 12) – the unemployment rate for Park County increased from 3.5% to 4.3% in FY15-16. The State unemployment rate increased to 5.7% and the National unemployment rate decreased to 4.9%. If the unemployment rate continues to increase, the City’s sales and use tax revenues may decrease due to lower consumer confidence and decreased spending.
- 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 in FY15-16 is down approximately 8% from the prior year and down 14%

from FY13-14 bringing it down to FY09-10 levels. Sales and use taxes are a large portion of the City's operating revenues and the City is vulnerable to fluctuations and declining revenues. The less revenue received from this source the more revenue is needed from other sources to maintain existing service levels. This trend is nearing the Critical condition stage, showing two years of steady declines. While the one-cent tax did pass in November 2016 it is a specific purpose tax and cannot be used to support general operating expenses.

- Employee Wages & Benefits (page 24) – City-wide, this trend has fluctuated from a high of 35.34% in FY09-10 to a low of 27.9% in FY12-13. In FY15-16 employee wages and benefits as a percent of net operating expenditures for all funds was 31.93%. The percentage in the General Fund in FY15-16 was 67.99%. This is not a significant fluctuation from prior years nor is it particularly high since the General Fund is comprised mainly of labor-driven functions such as customer service, streets maintenance, public safety and parks and recreation activities that require personnel to perform the services for the community. The Enterprise Funds have a very low percentage, at 12.58% for FY15-16. While personnel in these funds do provide services to the community the majority of the expenses are infrastructure maintenance costs and the purchase of wholesale services which are sold to citizens such as water and electricity. Because other operating costs are higher it drives the percentage of wages and benefits to total operating expenses down in the Enterprise Funds. The concern reflected by this indicator is as the City reduces operating expenses in areas such as maintenance, purchased services and supplies in order to balance the budget without corresponding reductions in service levels the percentage of wages and benefits to total operating expenses will increase disproportionately.

Another component of this indicator is total benefits as a percent of salaries and wages. Benefits represent a significant share of personnel costs. For FY15-16 the total benefits as a percentage of salaries and wages City-wide was 41.30%. In the General Fund this percentage was 43.39% and 40.60% in the Enterprise Funds. Employee benefits include the cost of health insurance, retirement, worker's compensation, and FICA (social security and Medicare). Because the cost of these benefits is controlled by outside entities, expenses can escalate and strain the City's finances.

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 Revenues per Capita has barely stayed above the Net Operating Expenditures 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. However, these temporary cuts are not addressing the underlying fiscal problems of insufficient revenue sources to cover the cost of existing service levels. Operating revenues per capital declined approximately 6% from the prior year while operating expenditures per capita declined only 2%.
- Capital Outlay (page 26) – the City's capital outlay is heavily dependent upon grants and direct distribution and consensus funding from the State. The General Fund's capital improvements plan shows \$6.4 million in capital projects and equipment between FY16-17 and FY20-21 and nearly 80% of these projects are contingent upon State direct distribution money and grant funds. The loss of consensus funding from the State and the potential reduction in direct distribution funding hampers the City's ability to fund capital

improvements. While the City will begin receiving the additional one-cent specific purposes sales tax, the majority of that revenue is allocated to the sewer lagoon project. It is possible that the City could receive additional specific purpose tax or optional tax revenue in future years that could pay for the needed capital improvements. If these funds are not available however, 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 28) – the General Fund has had a very low Net Operating Ratio for the past 8 years, hovering around 1 to 1.04 in most years. The highest ratio was achieved was in FY07-08 which was only 1.11. This indicates that there are insufficient operating revenues to cover capital expenses or supplement the City’s cash reserves. 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. In FY15-16 the deficit was 815,630. Historically, the City has utilized transfers from the Enterprise Funds to offset the deficit.
- Efficiency Ratio for Municipal Court (page 30) - 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. On average, it takes almost 2 1/2 years to collect on fines from the date they are assessed. The ratio did drop to 703 days in FY15-16 which is mainly due to a large write off of uncollectible fines in the amount of \$59,529 and currently 90% of the City’s court fines receivable are considered uncollectible. In July 2016, the Council removed the jail penalty from the Ordinance. This measure will not have an impact on the existing delinquent accounts however it will reduce the accumulation of future uncollectible fines and eliminate unreimbursed direct costs. The ratio will continue to be high until the existing uncollectible debt is written on the books over the next several years.

COMMUNITY RESOURCE 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

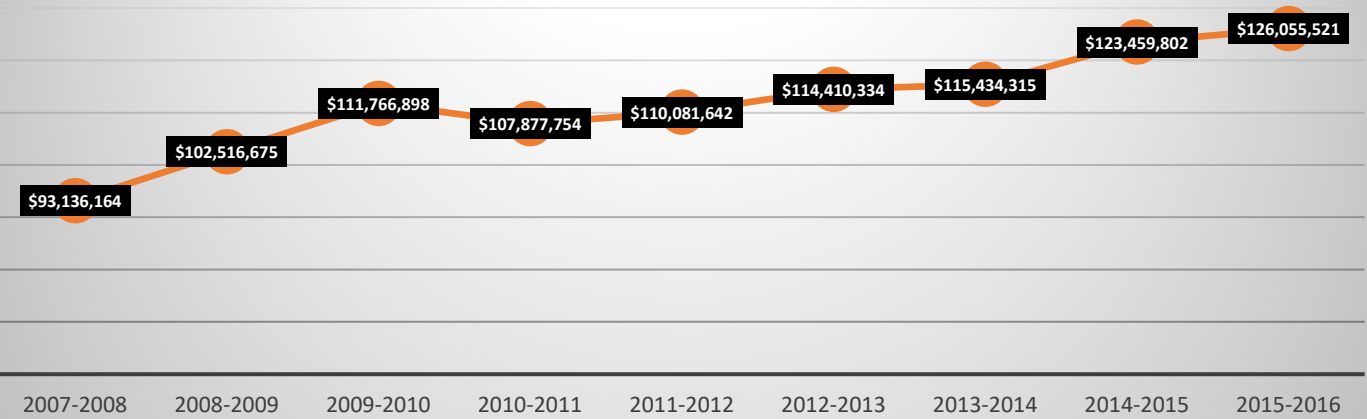
Description: Property values reflect the overall strength of a community’s real estate market. This market, in turn, reflects the strength of a city as a whole. Changes in property value are important because the City depends on property taxes to help support core services such as police and streets. 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

Valuation History



Valuation Per Capita History



Presented in constant dollars

Personal Income Per Capital

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.

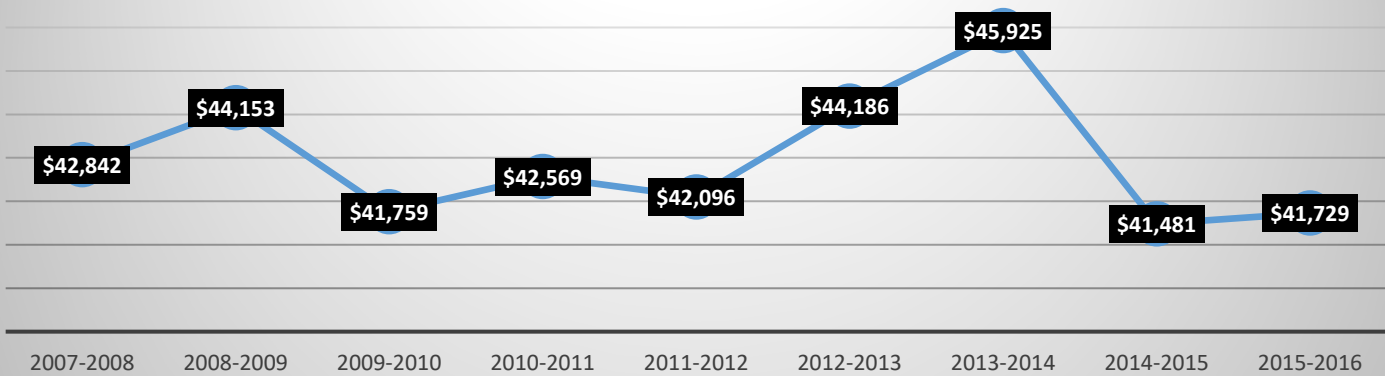
Warning Trend:

Decline in the level of growth rate of personal income per capita

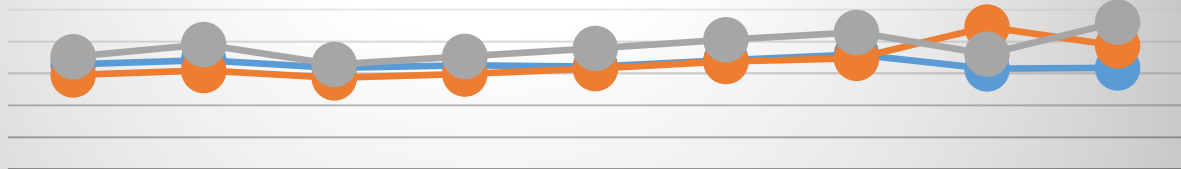
Condition: Caution

No change from prior year

Personal Income Per Capita - Park County



Personal Income Per Capita Comparison



	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
— Park County	\$42,842	\$44,153	\$41,759	\$42,569	\$42,096	\$44,186	\$45,925	\$41,481	\$41,729
— National	\$39,506	\$40,947	\$38,637	\$39,791	\$41,560	\$43,735	\$44,765	\$54,584	\$48,671
— Wyoming	\$45,281	\$49,104	\$42,828	\$45,353	\$47,898	\$50,567	\$52,826	\$46,049	\$56,081

— Park County — National — Wyoming

Presented in constant dollars

Employment Base

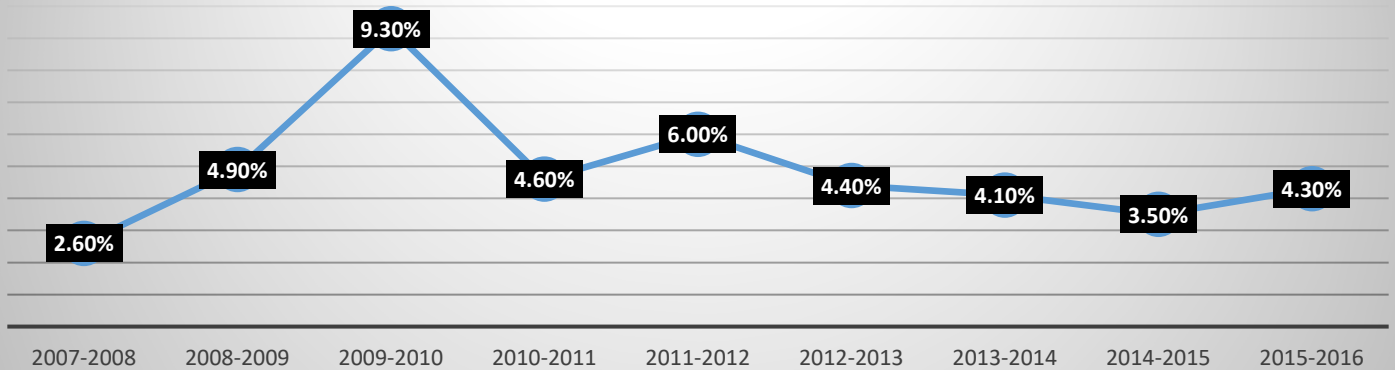
Description: A growing employment base will help to provide a cushion against economic downturn in individual business categories. A decline in the employment base can indicate the early signs of an overall decline in economic activity and a decline in government revenues as well. Unemployment rates 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

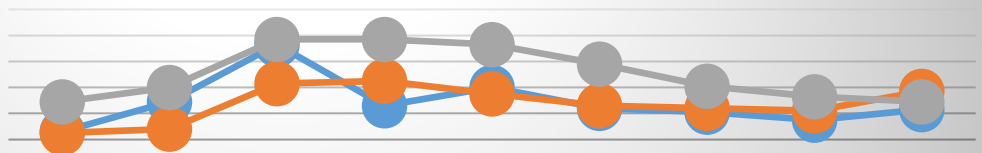


Condition: Caution
Downgraded to Caution

Unemployment Rates - Park County



Comparative Unemployment Rates



	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Park County Unemployment Rate	2.60%	4.90%	9.30%	4.60%	6.00%	4.40%	4.10%	3.50%	4.30%
Wyoming Unemployment Rate	2.50%	2.80%	6.30%	6.50%	5.50%	4.60%	4.40%	4.20%	5.70%
National Unemployment Rate	4.90%	6.00%	9.70%	9.70%	9.30%	7.80%	6.10%	5.30%	4.90%

● Park County Unemployment Rate
 ● Wyoming Unemployment Rate
 ● National Unemployment Rate

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. Revenues 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.

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.

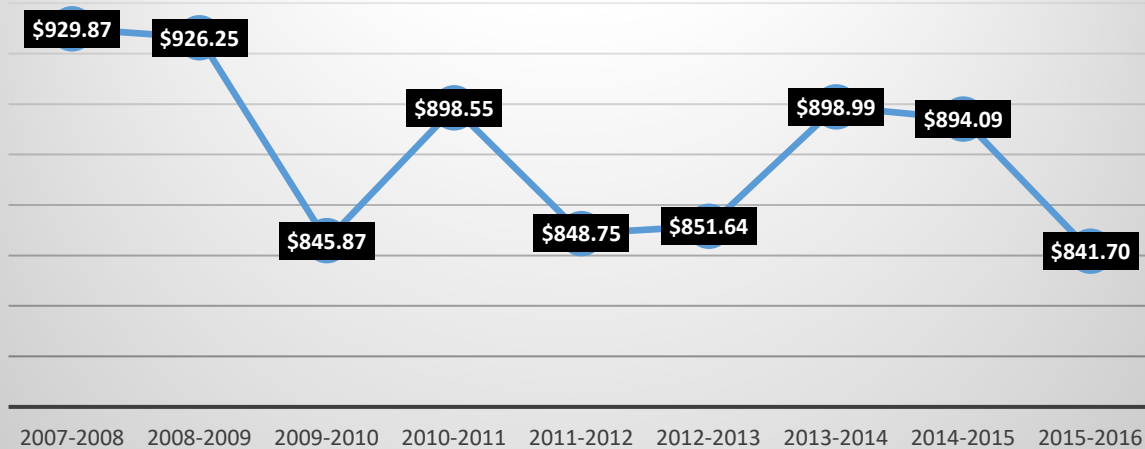
Warning Trend:

Decreasing net operating revenues per capita or little variation from operating expenses per capita

Condition: Critical

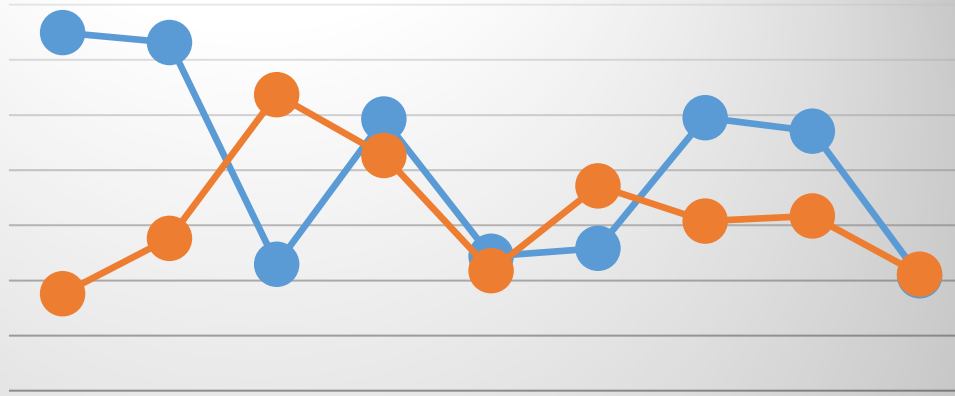
No change from prior year

Operating Revenues per Capita



Presented in constant dollars

Net Operating Revenues compared to Net Operating Expenditures



	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Net operating revenues per capita (constant dollars)	\$929.87	\$926.25	\$845.87	\$898.55	\$848.75	\$851.64	\$898.99	\$894.09	\$841.70
Net operating expenditures per capita (constant dollars)	\$835.17	\$855.26	\$907.37	\$885.29	\$843.54	\$874.28	\$861.56	\$863.43	\$842.33

Presented in constant dollars

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:

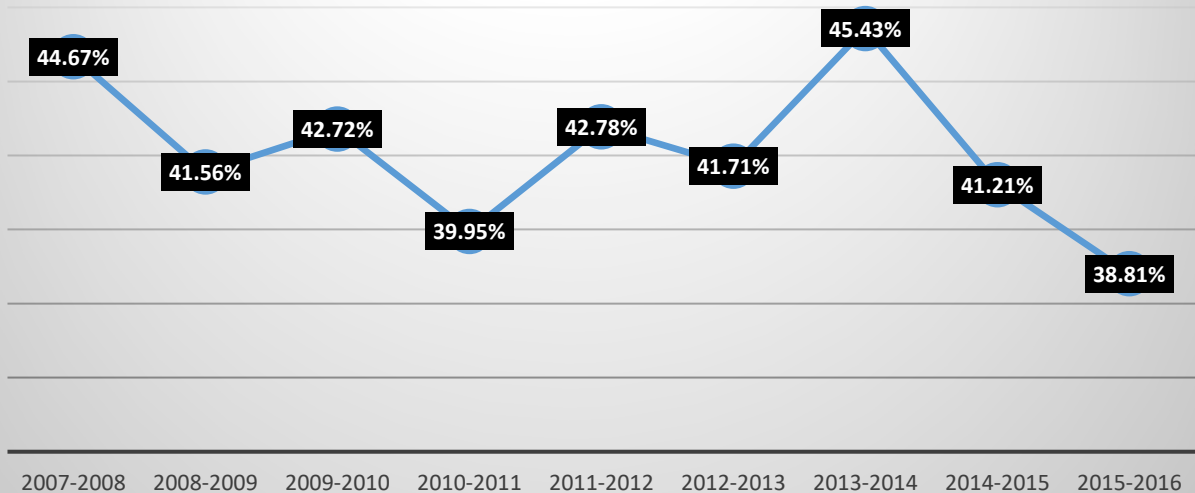
Increasing amount of intergovernmental operating revenue as a percentage of total operating revenue & inter-fund transfers



Condition: Neutral

Upgraded from prior year

Percent of Intergovernmental Revenues to Gross Operating Revenues



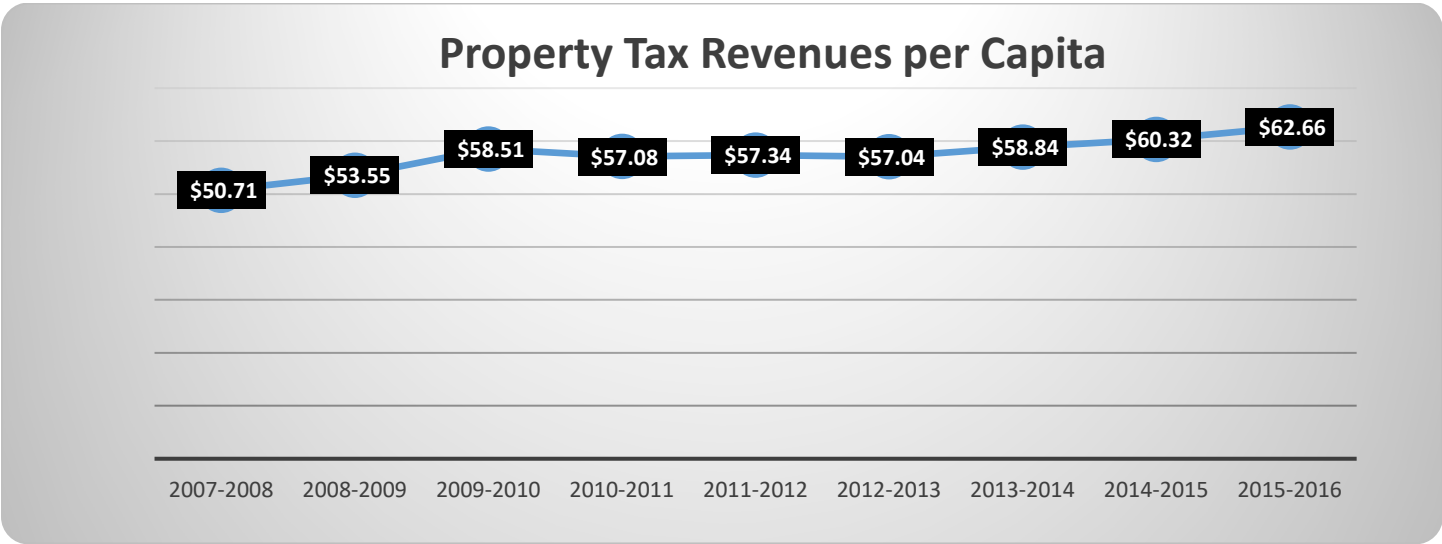
Property Tax Revenue

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

No change from prior year

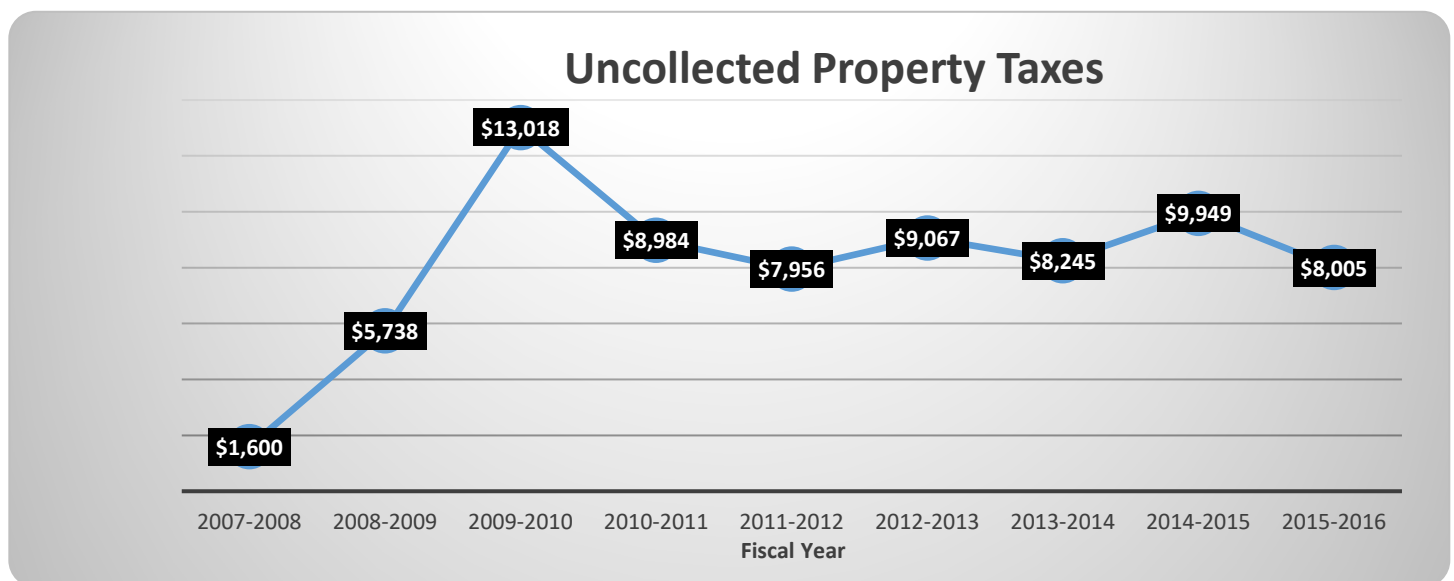


The City receives a very small portion of the total property tax assessed. The following chart shows an example of how an average homeowner's property taxes are divided amongst the entities in Park County:

Average Single Family Home Value 2016	\$250,000
Assessment Rate	9.5%
Assessed Value	\$23,750

<u>District</u>	<u>Mill Levy</u>	<u>Property Tax</u>	<u>% of Tax</u>
School District #6	0.03100	\$736.25	40.79%
School Foundation Fund (State)	0.01200	\$285.00	15.79%
Park County	0.01200	\$285.00	15.79%
City of Cody	0.00500	\$118.75	6.58%
Northwest College	0.00500	\$118.75	6.58%
Cemetery District	0.00300	\$71.25	3.95%
Fire District	0.00300	\$71.25	3.95%
West Park Hospital	0.00300	\$71.25	3.95%
Recreation District	0.00100	\$23.75	1.32%
Weed & Pest District	0.00100	\$23.75	1.32%
	0.07600	\$1,805.00	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 \$118 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 mills 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.



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.

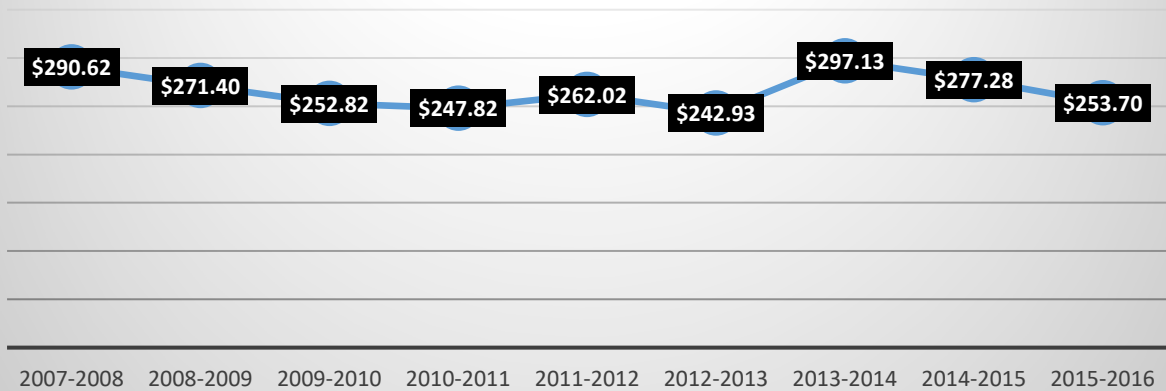
Warning Trend:

Declining or negative growth in sales & use tax revenue

Condition Caution

No change from prior year

Sales & Use Tax Revenues per Capita



Presented in constant dollars

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:

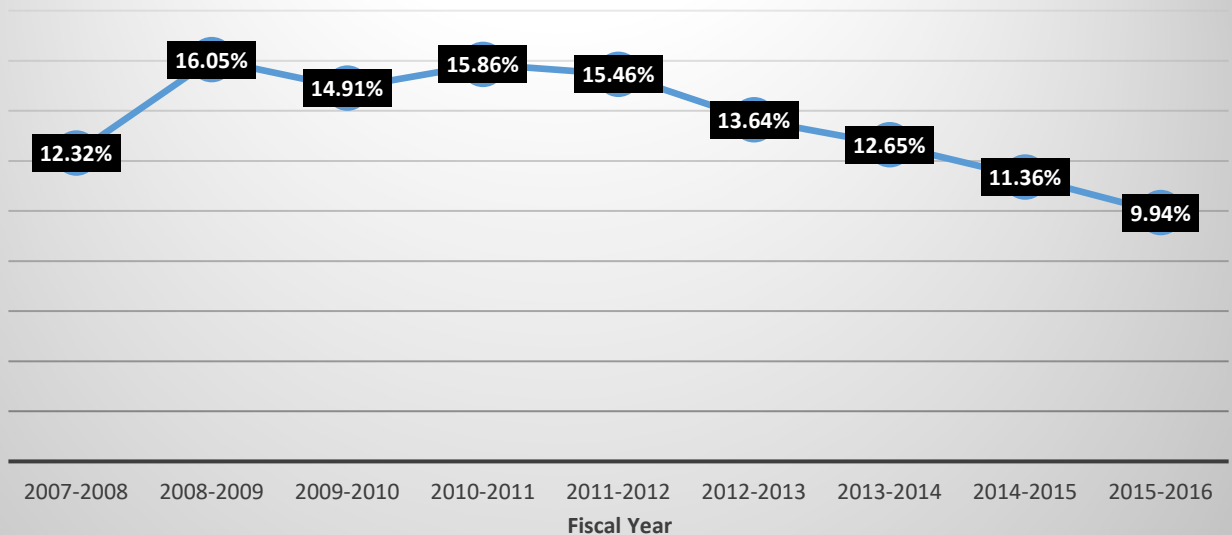
High ratio of operating transfers to gross operating revenues



Condition: Positive

Upgraded from prior year

Operating Transfers as a Percent of Gross Operating Revenues



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. Capital Outlay

Operating Expenditures per Capita

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.

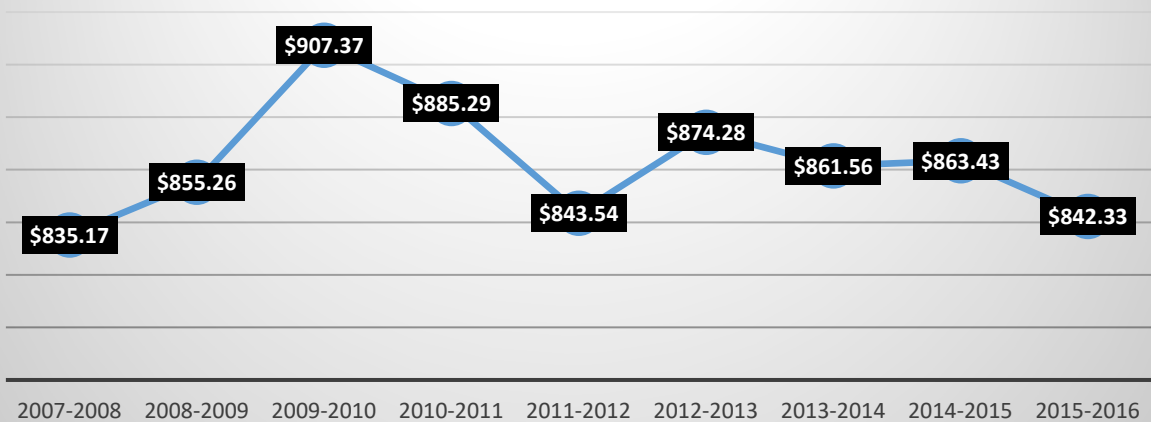
Warning Trend:

Increasing operating expenses per capita or little variation from operating revenues per capita

Condition: Critical

No change from prior year

Operating Expenditures per Capita



Presented in constant dollars

Employees per Capita

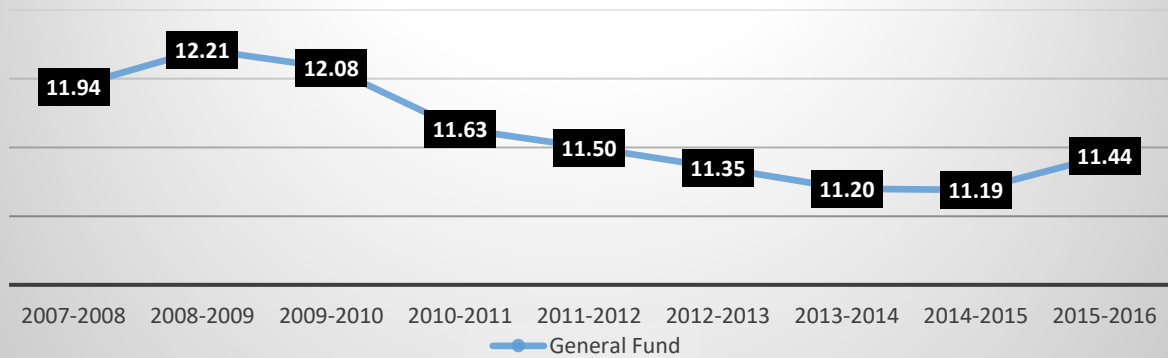
Description: Because personnel costs are a major portion of operating expenditures, plotting changes in the number of employees per capita is another way to measure changes in expenditures. A substantial increase in employees per capita might indicate that expenditures are rising faster than revenues 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 be made to increased services. On the reverse side, a decreasing number of employees without a corresponding decrease in operating expenses or reduction in services can lead to less productivity and increased morale issues with employees.

Warning Trend:
Increasing number of employees per capita

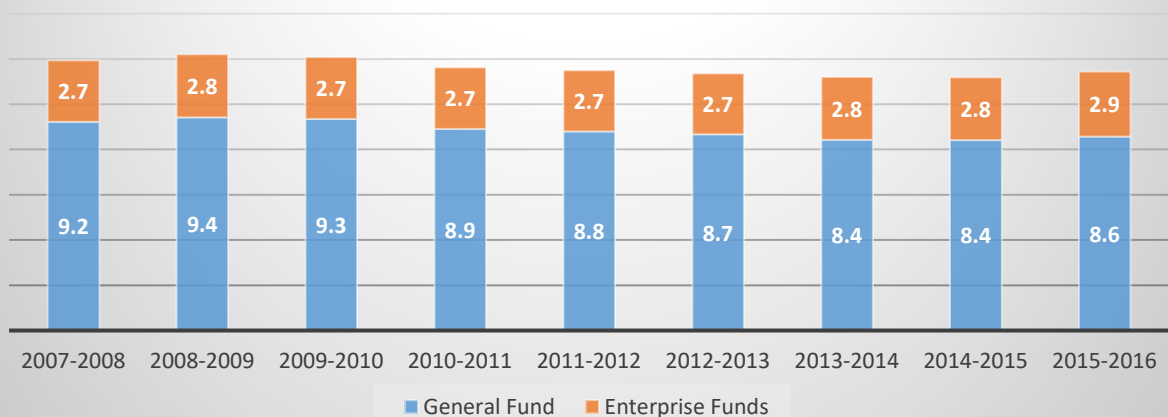
Condition: Positive

No change from prior year

Total Employees per Capita



Employees per Capita by Fund



Employee Wages and Benefits

Description: Employee wages and benefits can represent a significant cost to a city. Some benefits, such as health insurance and retirement require an immediate cash outlay and some, such as accumulated leave time have a future cash impact in significant payouts at employment termination. These costs can escalate over time, straining the government's finances.

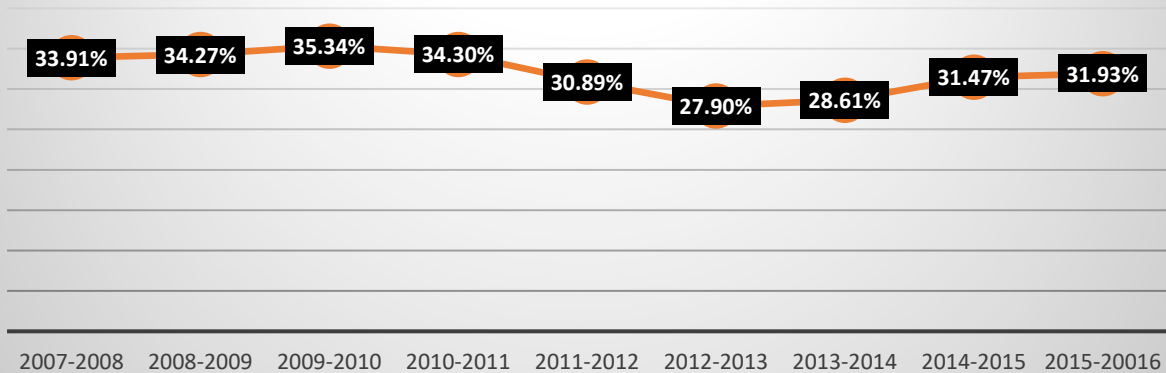
Warning Trend:

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

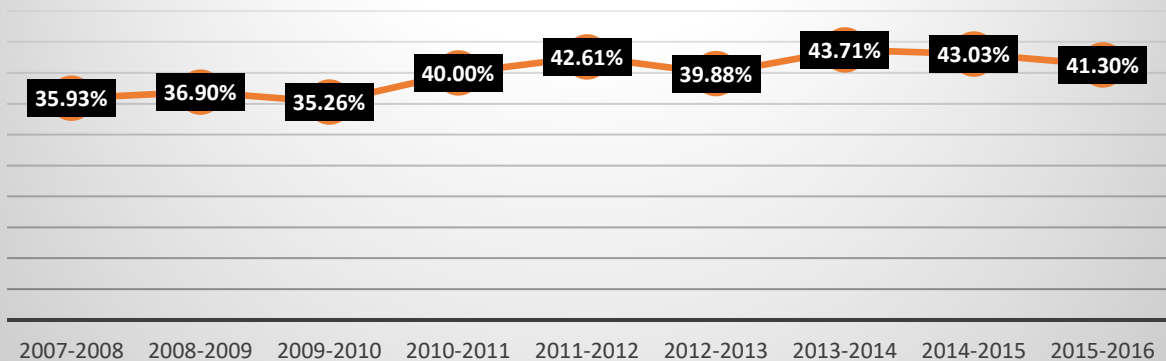
Condition Caution

No change from prior year

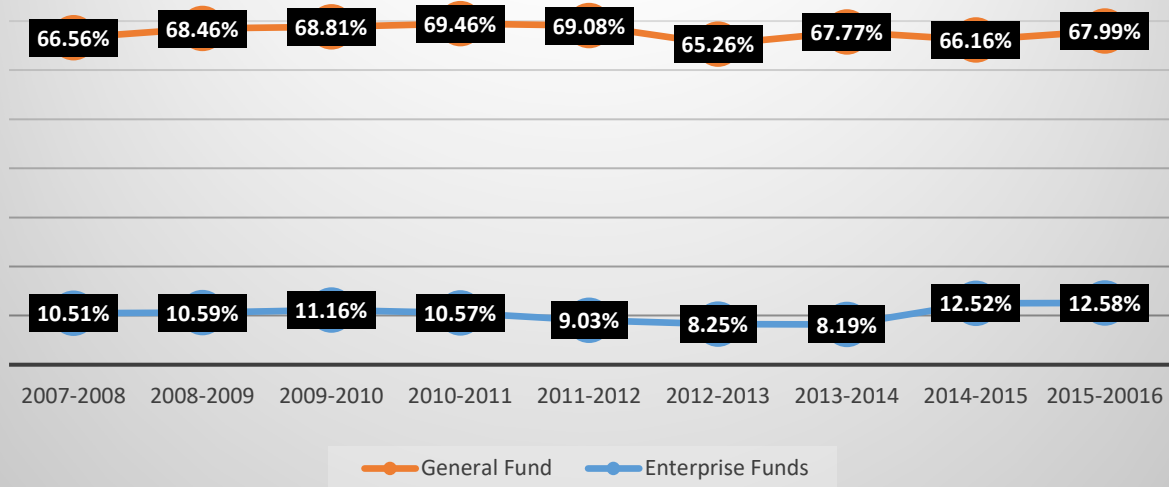
Wages & Benefits as a Percent of Net Operating Expenditures - All Funds



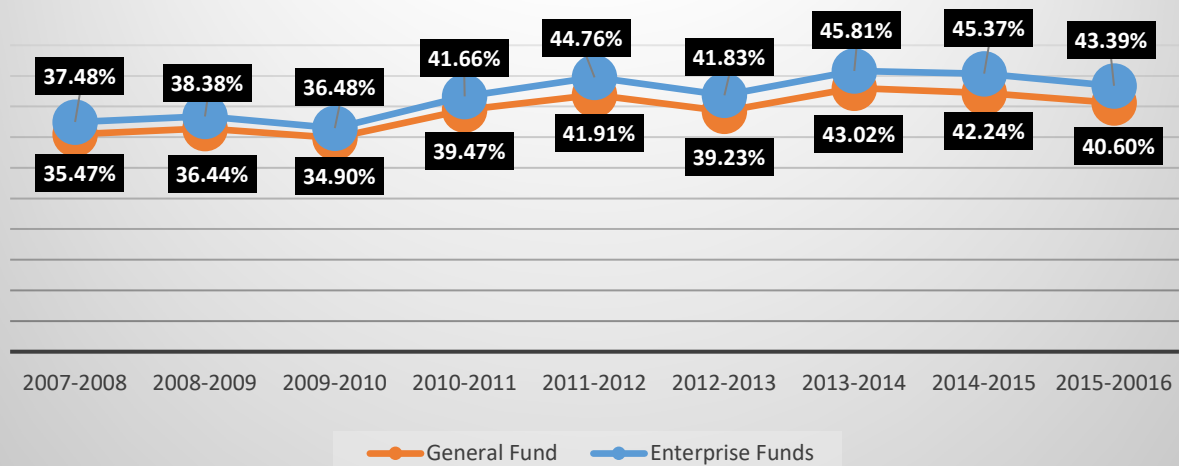
Total Benefits as a Percent of Salaries & Wages - All Funds



Wages & Benefits as a Percent of Net Operating Expenditures - Fund Comparison



Total Benefits as a Percent of Salaries & Wages- Fund Comparison



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.

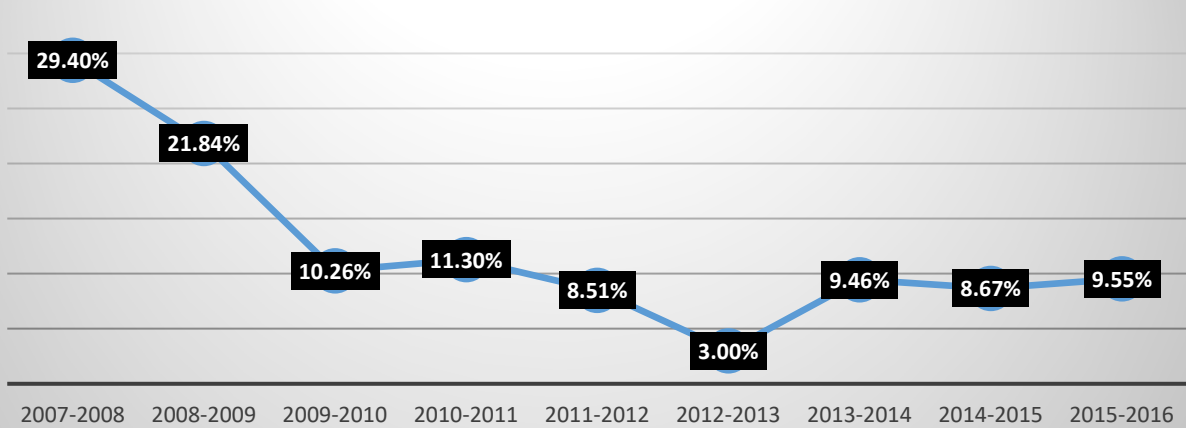
Warning Trend:

A three-or-more year decline in capital outlay as a percent of total expenditures

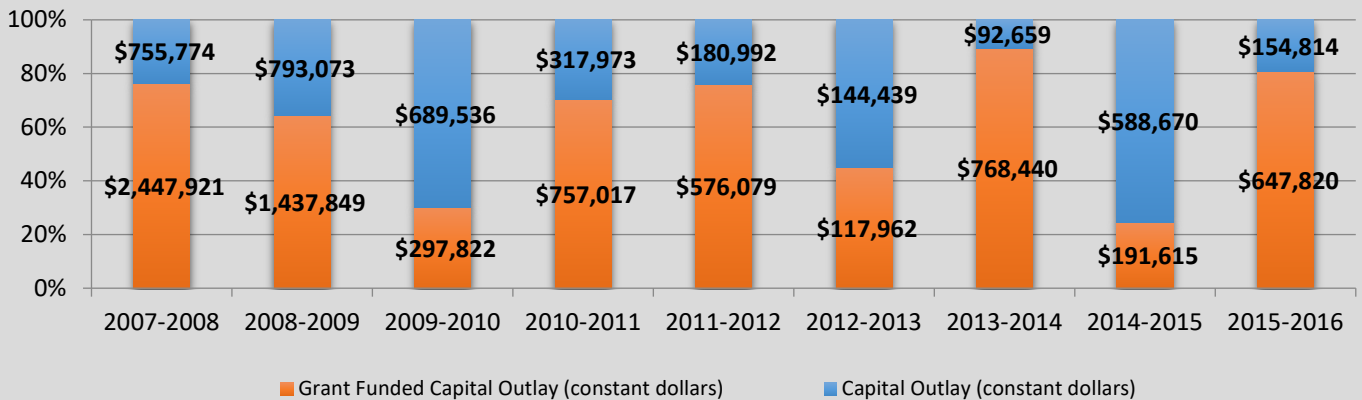
Condition: Critical

No change from prior year

Capital Outlay Expenditures as a Percentage of Total Expenditures



Grant Funded Capital Outlay Compared to Total Capital Outlay



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

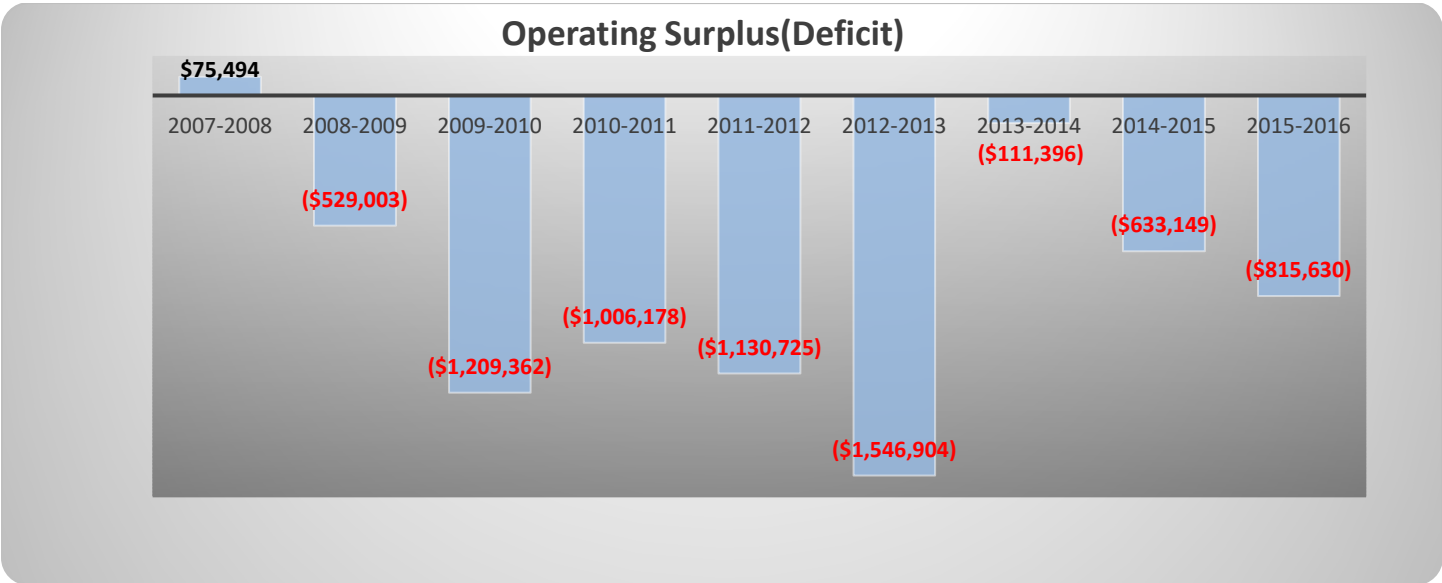
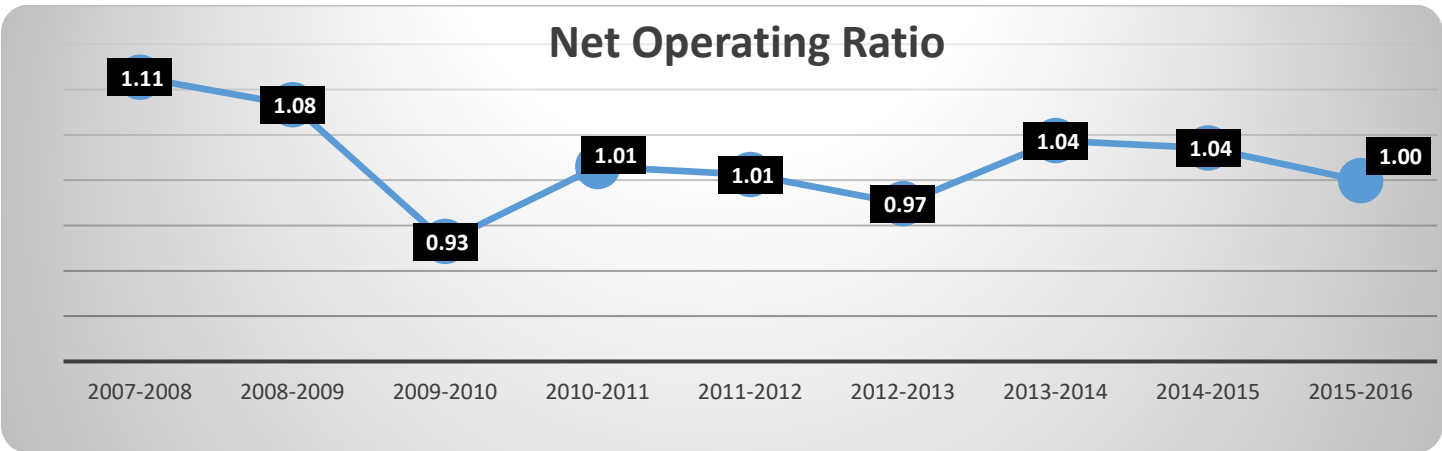
Net Operating Ratio

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 operating ratio of less than 1

Condition: Critical

No change from prior year



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.

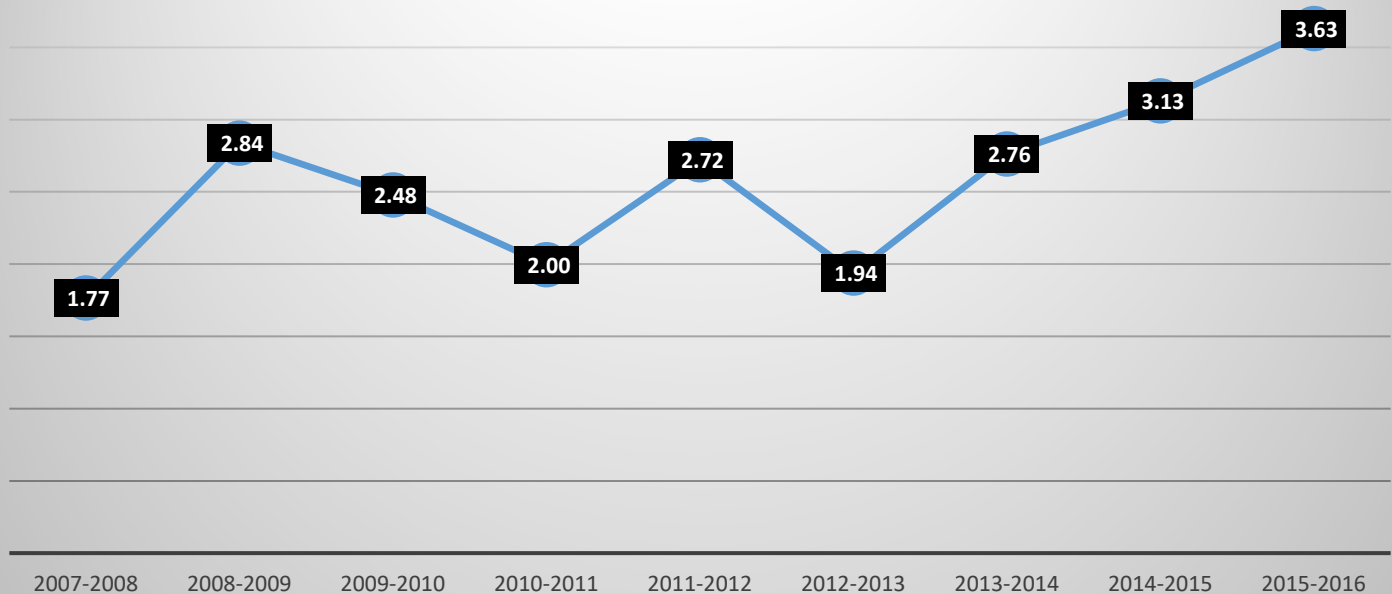
Warning Trend:

Decreasing cash and investments as a percentage of current liabilities

Condition: Positive

No change from prior year

Cash & Investments Compared to Current Liabilities

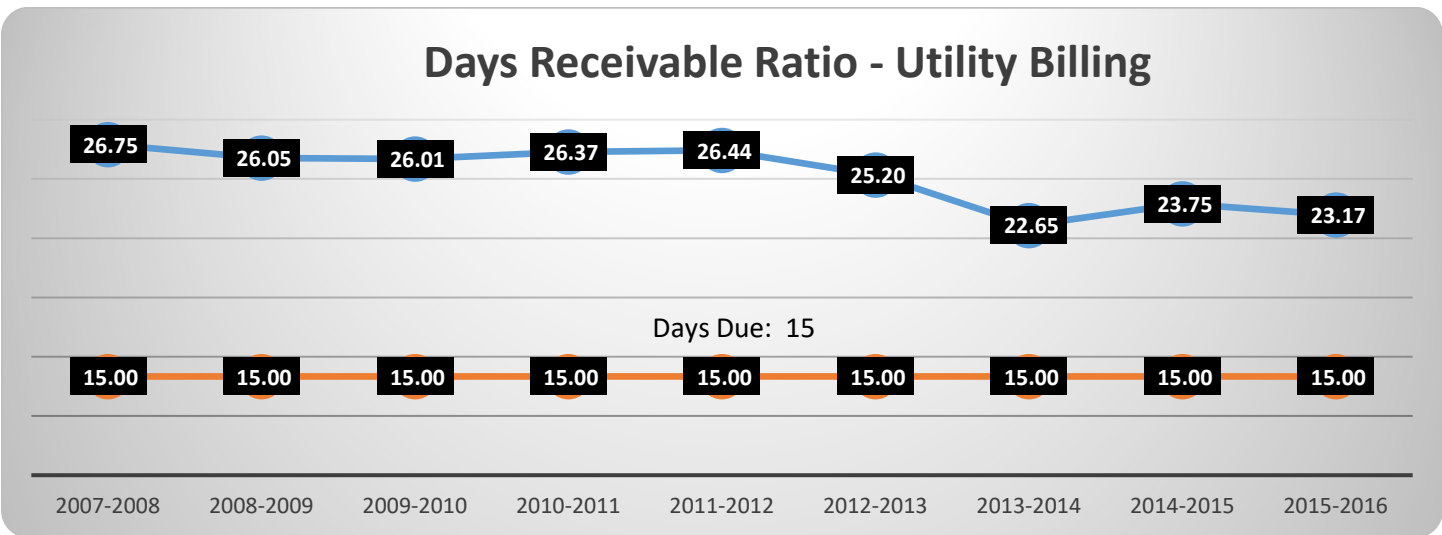


Efficiency Ratios

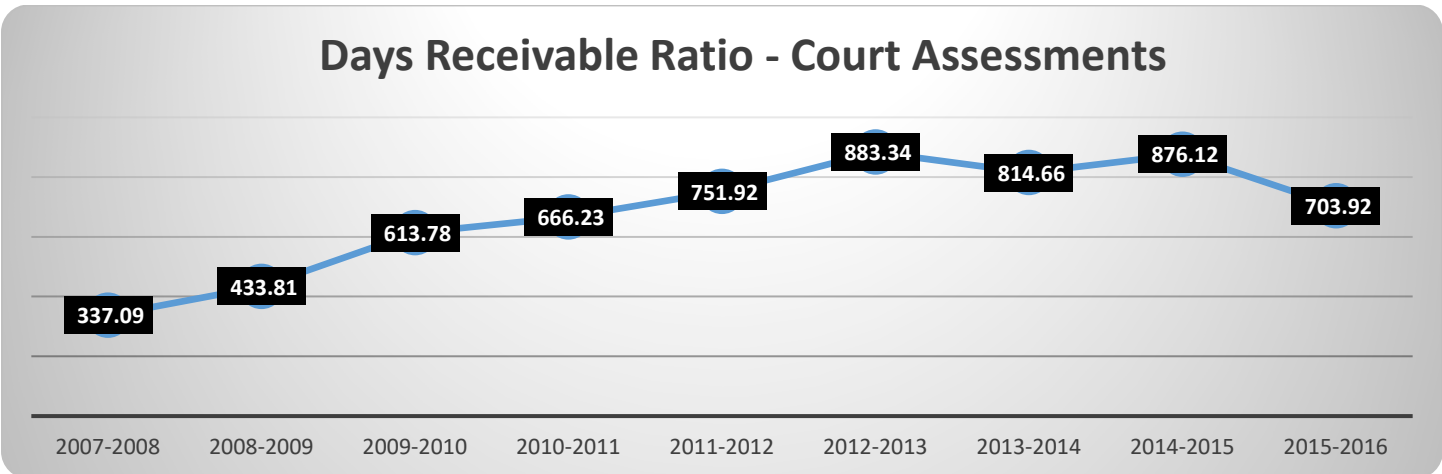
Description: A set of commonly used ratios, called Efficiency Ratios, are used to assess the efficiency of which a government utilizes resources such as accounts receivable and inventory. The Days Receivable Ratio shows how long, on average, it takes to collect on receivables. The Days Inventory Ratio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



Municipal Court: Condition: Critical No change from prior year



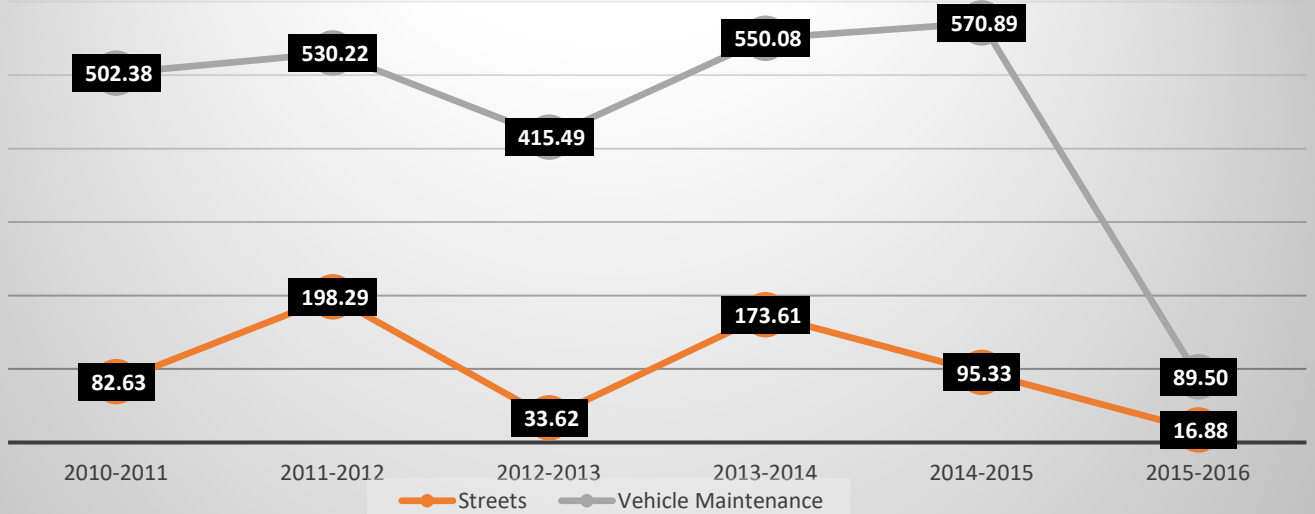
Inventory Management:

Condition: Positive

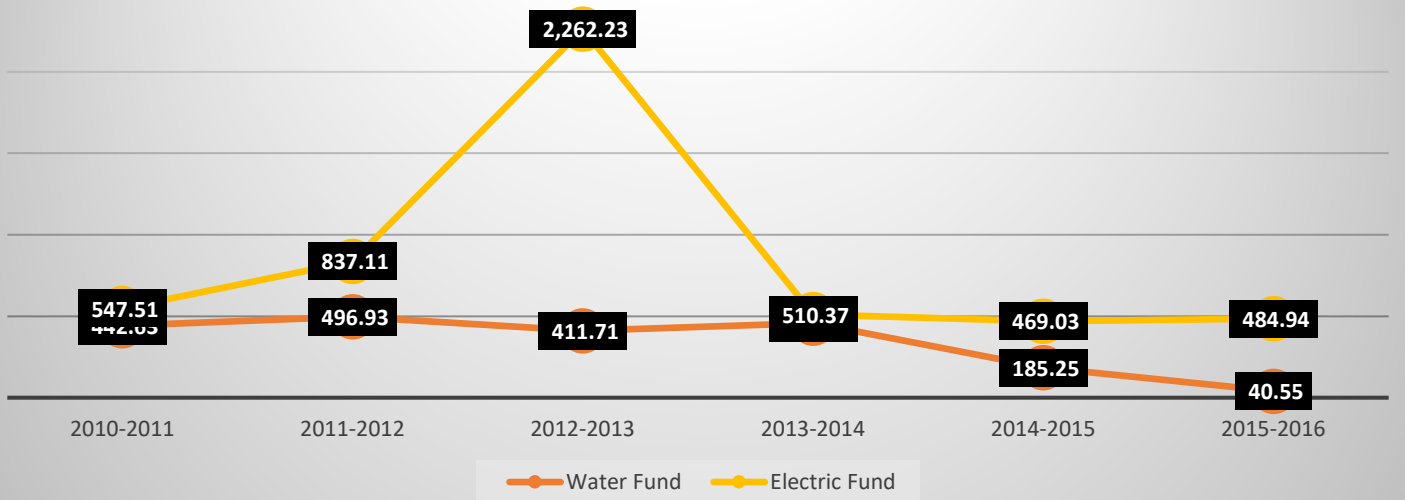
Upgraded from prior year



Days in Inventory Ratio - General Fund



Days in Inventory Ratio - Enterprise Funds



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 seven (7) positive trends, one (1) neutral trend, four (4) cautionary trends and four (4) 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.

While the passage of the specific purpose tax in November 2016 will help the City with infrastructure improvements, the City's General Fund operating expenses per capita will likely not see a significant improvement. The projects that will be completed that relate to the General Fund are ones that have been reduced or deferred for several years so the impact will be minimal.

As of the reporting period (June 30, 2016), the City had no debt therefore no debt ratios have been included in this year's report. However, beginning in July 2016 the Wastewater Fund began utilizing the proceeds of a loan received from SLIB for the wastewater treatment plant project. Debt ratios will be included in next year's trends report.