

WYOMING DEPARTMENT OF TRANSPORTATION

FINANCIAL AND COMPLIANCE REPORT

SEPTEMBER 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Transportation Commission
Wyoming Department of Transportation
Cheyenne, Wyoming

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Wyoming Department of Transportation (the "Department"), a component unit of the State of Wyoming, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and aggregate remaining fund information of the Department as of September 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 14, Infrastructure Assets Reported Using the Modified Approach on pages 43 through 47, Schedule of Revenue Appropriated and Expenses Allocated – Budget and Actual – WYDOT General Fund on page 48, Schedule of Revenue Appropriated and Expenses Allocated – Budget and Actual – State Infrastructure Bank Fund on page 49, Schedules of the Department's Proportionate Share of the Net Pension Liability and Schedules of the Department's Contributions on pages 50 through 52, and the Notes to Required Supplementary Information on pages 53 through 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The Combining Statements of Nonmajor Governmental Funds, Combining Statements of Fiduciary Funds, and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2017 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.



Cheyenne, Wyoming
March 8, 2017

WYOMING DEPARTMENT OF TRANSPORTATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (Required Supplementary Information) September 30, 2016 and 2015

This section of the financial report of the Wyoming Department of Transportation (Department), a component unit of the State of Wyoming, presents our discussion and analysis of the Department's financial performance during the fiscal year that ended on September 30, 2016.

FINANCIAL HIGHLIGHTS

Government-Wide Financial Statements

The Department's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources as of September 30, 2016 by \$5.86 billion. This is an increase of \$2.6 million from 2015. Due primarily to the increase of the net pension liability and the decrease in State revenues, the Department's unrestricted net position decreased by \$55.57 million from a negative \$2.70 million to a negative \$58.27 million. The Department's restricted net position increased by \$3.39 million from \$30.45 million to \$33.84 million. The Department has \$5.89 billion invested in infrastructure and capital assets which is an increase of \$54.92 million from the previous year.

The Department's investment in road, bridge and communication infrastructure assets during the year resulted in an increase of \$49.4 million in infrastructure assets.

Fund Financial Statements

As of September 30, 2016, the Department's governmental funds reported combined fund balances of \$176.2 million, an increase of \$77.68 million. As of September 30, 2016, the Department's governmental funds had \$28.13 million classified as non-spendable, which is invested in inventories. The Department has \$33.84 million classified as restricted fund balance: \$0.46 million is restricted for radioactive waste clean-up, \$7.13 million is restricted for air service enhancement, \$0.07 million is restricted for ignition interlock device expenditures, \$0.12 million is restricted for flight services, and the remaining \$26.06 million is restricted for loans on infrastructure projects. The Department has \$99.33 million of committed fund balance at year end which is made up of an \$82 million note payable the Department borrowed for operating capital during the year along with \$17.3 million of the additional \$0.10 motor fuels taxes committed for contractor payments on road construction. The Department has \$11.35 million classified as assigned fund balance: \$7.84 million for the purpose of its State Infrastructure Bank Fund, \$.29 million for the Department's Statewide Communications Fund, \$0.98 million for the Motorcycle Safety Fund, and \$1.87 million to help local governments with mass transit purchases through the Federal Transit Authority and the remaining amount of the other non-major governmental funds. The remaining \$3.67 million is classified as unassigned.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Department's basic financial statements. In general, the purpose of the financial reporting is to provide external parties that read financial statements with information that will help them to make decisions or draw conclusions about an entity. These parties do not always have the same specific objectives. In order to address the needs of as many parties as reasonably possible, the Department's basic financial statements, in accordance with required reporting standards, consists of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The focus of the Department's government-wide financial statements is on the overall financial position and activities, similar to the focus of a private-sector business. The Department's government-wide financial statements include the Statement of Net Position and Statement of Activities. The purpose of the Statement of Net Position is to report all of the assets held, deferred outflows of resources, liabilities and deferred inflows of resources owed by the Department. The Department reports all of its assets when it acquires ownership over the assets and reports all of its liabilities when they are incurred. The difference between the Department's total assets and deferred outflows of resources compared to total liabilities and deferred inflows of resources is titled net position. This difference is similar to the owner's equity presented by a private-sector business. Over time, changes in net position may serve as a useful indicator whether the financial position of the Department is improving or deteriorating.

The purpose of the Statement of Activities is to present all the revenues and expenses of the Department. The items presented on the Statement of Activities are measured in a manner similar to the approach used by a private-sector business in that revenues are recognized when earned or established criteria are satisfied, and expenses are reported when incurred by the Department. Revenues are reported even when they may not be collected for several months after the end of the accounting period and expenses are recorded even though they may not have been paid during the current period.

Although the Statement of Activities looks different from a private-sector business' income statement, the statement is different only in format, not substance. Whereas the private-sector reports its bottom line as net income, the Department reports an amount described as change in net position.

The focus of the Statement of Activities is on the net cost of various activities provided by the Department. The first column identifies the cost of each of the Department's major functions. The next three columns identify the specific revenues related to the classified governmental functions. The difference between the expenses and revenues related to specific programs computes the net cost or benefit of the program, which identifies the extent to which each function of the Department draws from general revenues or is self-sufficient through fees, intergovernmental aid, and other sources of resources.

Both of these government-wide financial statements distinguish functions of the Department that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or in part a portion of their costs through user fees and charges (business-type activities). All of the Department's activities are governmental activities. The governmental activities include general administration, road preservation, planning, highway safety, the Federal transit program, licensing and registration, law enforcement, the statewide communication system, the flight services program and airport improvements.

The Department's government-wide financial statements are presented on pages 15 and 16.

Fund Financial Statements

The fund financial statements provide more detailed information about the Department's most significant funds – not the Department as a whole. Funds are accounting devices that the Department uses to keep track of specific sources of funding and spending. Except for the General Fund, a specific fund is established to satisfy legal requirements established by external parties or governmental statutes or regulations. The Department establishes other funds to control and manage money for particular purposes or to show that it is properly using certain resources. The Department's fund financial statements are divided into two broad categories, governmental funds and fiduciary funds.

Governmental fund financial statements consist of a Balance Sheet and Statement of Revenue, Expenditures, and Changes in Fund Balances. The statements are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements. All of the Department's programs are included in the governmental funds, which focus on how cash and other financial assets that can readily be converted to cash flow in and out in a short period of time. For example, amounts reported on the Balance Sheet include items such as cash and receivables collectable within a short period of time, but do not include capital assets such as land and buildings. Fund liabilities include amounts that are to be paid in a short period after the end of the fiscal year. The difference between a fund's total assets compared to total liabilities and deferred inflows of resources is labeled as the fund balance. The fund balance generally indicates the amount that can be used to finance next year's activities.

The operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid in cash, respectively, during the current period or very shortly after the end of the year. Consequently, the governmental funds statements provide a short-term view that helps determine if there are more or fewer financial resources to finance the Department's programs. Because this information does not encompass the long-term focus of the government-wide statements, we provide an analysis following the Balance Sheet, reconciling the total fund balances to the amount of net position reported in the Statement of Net Position. Also, there is an analysis following the Statement of Revenue, Expenditures, and Changes in Fund Balances that reconciles to the change in net position presented in the government-wide Statement of Activities.

The Department presents in separate columns funds that are most significant to the Department, and all other non-major governmental funds are aggregated and reported in a single column.

The Department's governmental fund financial statements are presented on pages 17 through 20.

Fiduciary funds are used to account for assets held by the Department for the benefit of other parties. Fiduciary funds are not presented in the government-wide financial statements because the resources of these funds are not available to finance the Department's activities. However, the financial statements of fiduciary funds are included in the Department's financial statements because the Department is financially accountable for these resources, even though they belong to other parties.

The fiduciary funds statements are presented on page 21.

Notes to the basic financial statements provide additional information that is essential to a full understanding of data provided in the government-wide and fund statements. The notes are presented on pages 22 through 42.

Required Supplementary Information (RSI) is presented concerning the Department's General Fund infrastructure assets reported using the modified approach, budgetary schedule, proportionate share of the net pension liability, contributions to the net pension liability, and notes to the Required Supplementary Information. The RSI is presented on pages 43 through 55.

In addition to the required elements, we have included the combining funds statements that provide details about our non-major governmental and fiduciary funds presented in single columns in the basic financial statements. These are presented immediately following the required supplementary information. Combining fund statements are presented on pages 56 through 59.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the Department's financial position. The Department's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$5.86 billion. By far the largest portion of the Department's net position reflects its investment in capital assets. The vast majority of these capital assets are the \$5.89 billion investment in road, bridge and communication infrastructure assets. These assets are not available for future spending. The Department has \$12.9 million in outstanding debt relating to current capital assets. The Department's other noncurrent liabilities include net pension liability of \$164.82 million for the year ended September 30, 2016. The Department's \$33.84 million restricted net position reflects resources that are legally restricted for specific purposes. The unrestricted net position is reduced to \$(58.27) million as a result of increase of the net pension liability and \$82 million borrowed as previously recognized revenue sources were depleted during the year.

The following financial information was derived from the September 30, 2016 and 2015 Statement of Net Position.

Summary of Net Position
(expressed in millions, totals may not add due to rounding)

	2016		2015		Increase (Decrease)	
Current assets	\$ 221.25	3.61%	\$ 162.27	2.70%	\$ 58.98	36.35%
Infrastructure	5,684.36	92.87%	5,635.01	93.82%	49.35	0.88%
Other capital assets	214.95	3.51%	209.11	3.48%	5.84	2.79%
Total assets	<u>6,120.56</u>	<u>100.00%</u>	<u>6,006.39</u>	<u>100.00%</u>	<u>114.17</u>	<u>1.90%</u>
Deferred outflows	58.41	100.00%	21.61	100.00%	36.80	100.00%
Current liabilities	123.27	39.41%	32.84	19.59%	90.43	275.37%
Noncurrent liabilities	189.51	60.59%	134.81	80.41%	54.70	40.58%
Total liabilities	<u>312.78</u>	<u>100.00%</u>	<u>167.65</u>	<u>100.00%</u>	<u>145.13</u>	<u>86.57%</u>
Deferred inflows	4.21	100.00%	0.99	100.00%	3.22	100.00%
Net position						
Invested in capital assets	5,886.41	100.41%	5,831.49	99.52%	54.92	0.94%
Restricted net position	33.84	0.58%	30.45	0.52%	3.39	11.13%
Unrestricted net position	(58.27)	-0.99%	(2.58)	-0.04%	(55.69)	2158.53%
Total net position	<u>\$ 5,861.98</u>	<u>100.00%</u>	<u>\$ 5,859.36</u>	<u>100.00%</u>	<u>\$ 2.62</u>	<u>0.04%</u>

The current assets of \$221.25 million consist of \$124.5 million in cash, \$68.45 million in accounts receivable and \$28.13 million in inventories. The \$58.98 million increase in current assets is due to the unexpended proceeds from the note payable and offset by a reduction of receivables at year end for mineral royalty and severance tax revenues.

The current liabilities of \$123.27 million an increase of \$90.4 million, are comprised of \$82 million due to the State Treasurer for the note payable due in full on June 30, 2017, \$28.87 million in accounts payable, \$0.13 million in deposits held for others, \$0.59 million in lease purchase payable due within one year, and \$11.68 million in compensated absences due within one year. The \$90.4 million increase is due to the accrual contractor payments and the \$82 million note payable.

Non-current liabilities are \$189.51 million are mostly due to the recognition of the Department's \$164.82 million net pension liability, compensated absences due in more than one year \$12.37 million, and lease purchase agreement payable due in more than one year \$12.31 million.

The following financial information was derived from the government-wide Statement of Activities and reflects how the Department's net position changed.

Summary of Changes in Net Position
(expressed in millions, totals may not add due to rounding)

	2016		2015		Increase (Decrease)	
Revenues						
Program revenues						
Charges for services	\$ 22.00	3.93%	\$ 27.10	4.23%	\$ (5.10)	-18.82%
Operating grants and contributions	291.74	52.07%	335.50	52.38%	(43.76)	-13.04%
Capital grants and contributions	9.98	1.78%	10.61	1.66%	(0.63)	-5.94%
General revenues						
Motor fuels tax and registration fees	183.87	32.81%	164.51	25.68%	19.36	11.77%
Mineral royalty and severance taxes	27.14	4.84%	53.79	8.40%	(26.65)	-49.54%
State general fund money	10.85	1.94%	43.68	6.82%	(32.83)	-75.16%
Investment income	7.16	1.28%	(0.03)	0.00%	7.19	-23966.67%
Other revenue	7.58	1.35%	5.34	0.83%	2.24	41.95%
Total revenue	560.32	100.00%	640.50	100.00%	(80.18)	-12.52%
Expenses						
Road preservation and maintenance	392.55	70.48%	379.48	69.09%	13.07	3.44%
Planning	11.11	2.00%	10.61	1.93%	0.50	4.71%
Highway safety	8.22	1.45%	8.84	1.61%	(0.62)	-7.01%
Administration	27.91	5.00%	30.26	5.51%	(2.35)	-7.77%
Federal transit program	13.01	2.36%	13.63	2.48%	(0.62)	-4.55%
Licensing and registration	11.85	2.15%	12.84	2.34%	(0.99)	-7.71%
Law enforcement	47.44	8.29%	40.46	7.37%	6.98	17.25%
Statewide communication system	5.60	1.02%	4.17	0.76%	1.43	34.29%
Airport improvement program	39.61	7.18%	48.22	8.78%	(8.61)	-17.86%
Flight services program	0.40	0.07%	0.73	0.13%	(0.33)	-45.21%
Total expenses	557.70	100.00%	549.24	100.00%	8.46	1.54%
Change in net position	2.62		91.26		(88.64)	
Net position, beginning	5,859.36		5,768.10		91.26	
Net position, ending	<u>\$ 5,861.98</u>		<u>\$ 5,859.36</u>		<u>\$ 2.62</u>	

The Department's total revenues are down when compared to previous the year. The Department recognized \$19.36 million more in motor fuels tax revenue and \$26.65 million less in mineral royalties and a decrease of \$43.76 million in operating grants and contributions. Capital grants and contributions decreased due to the Federal Transit program and charges for services were down only slightly for the year mainly because of minimal local participation in construction projects. Mineral royalties and severance tax revenues decreased from revenues recognized in 2015. Due to the downturn in the mineral extraction industry the Department received \$32.8 million less from the State General Fund for surface transportation in 2016. Other state revenues are up slightly when compared to the previous year. The Department expects to receive only a fraction of mineral royalties each of the next two years, but will be able to bill a like amount to DEQ for AMLR revenues. Investment income was up due to market conditions and the amount of cash available during 2016.

Total expenses were up slightly when compared with 2015, increasing by \$8.46 million. Road preservation and maintenance program expenses were up \$13.07 million due mainly to the amount of infrastructure assets capitalized during the year. Airport improvement program expenses were down by \$8.61 million during the year due to a significant decrease in State revenues available resulted in a decrease in grants made by the Department. Law enforcement expenditures increased during 2016 mainly because the agency was able to hire new troopers to fill open positions. Expenditures for the communication system increased because the Department increased its coverage by building two additional towers during the year. The decrease in Airport Improvement program is due to a decrease in State funding and Federal funding has normalized after years of uncertainty which caused a spike in 2015. The costs for flight services decreased during the year because of the reduction in the cost of aviation fuel.

Fund Level Financial Analysis

The Department uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

The Department's activities are contained in the General, State Infrastructure Bank and Non-major Governmental funds. As previously mentioned the focus of the Department's governmental funds is to provide information on the near-term inflows, outflows and balances of expendable resources.

At September 30, 2016, the Department's governmental funds reported combined fund balances of \$176.2 million, an increase of \$77.68 million compared to the prior year.

The WYDOT General Fund is the main operating fund of the Department. As of September 30, 2016, the total fund balance was \$131 million. The State Infrastructure Bank fund balance as of September 30, 2016 was \$33.90 million. The remaining non-major governmental funds have a combined fund balance of \$11.29 million.

The following schedule presents revenues by source compared to the prior year.

Summary of Revenue - Governmental Funds
(expressed in millions, totals may not add due to rounding)

REVENUES	2016		2015		Increase (Decrease)	
Motor fuels tax and registration fees	\$ 114.81	19.70%	\$ 107.98	16.53%	\$ 6.83	6.33%
Mineral royalty and severance taxes	58.81	10.09%	62.53	9.57%	(3.72)	-5.95%
Highway user fees	79.98	13.73%	81.39	12.46%	(1.41)	-1.73%
Federal aid revenue	257.13	44.13%	293.89	44.99%	(36.76)	-12.51%
Federal grant revenue	44.53	7.64%	52.13	7.98%	(7.60)	-14.58%
Interest and investment income	7.16	1.23%	(0.03)	0.00%	7.19	-23966.67%
City, County and other matching revenue	3.22	0.55%	2.64	0.40%	0.58	21.97%
Flight services revenue	0.70	0.12%	0.80	0.12%	(0.10)	-12.50%
Communication network revenue	0.25	0.04%	0.25	0.04%	-	0.00%
Other state sources	10.85	1.86%	43.68	6.69%	(32.83)	-75.16%
Miscellaneous revenue	5.26	0.91%	7.96	1.22%	(2.70)	-33.92%
Total revenues	<u>\$ 582.70</u>	<u>100.00%</u>	<u>\$ 653.22</u>	<u>100.00%</u>	<u>\$ (70.52)</u>	<u>-10.80%</u>

Total revenues for governmental activities were down when compared to 2015, \$582.7 million in 2016 and \$653.22 million in 2015. Federal Aid decreased by \$36.76 million due to a decrease in billable Federal construction activity. The recognized amount of mineral royalty and severance tax revenue decreased from that of 2015 due to the reduction of the amount accrued at year end to be received during the upcoming year. Federal grant revenue decreased \$7.6 million from that of 2015 due to more stable funding for airport improvement projects. Investment income was up due to market conditions and cash available for investment during the year. In total, City, County matching revenue and miscellaneous revenue are down slightly from the previous year due to the decrease in construction activity during the year. Again as discussed earlier the other state sources revenue are reduced because of the amount appropriated by the legislature was significantly lower than the previous year.

The following schedule presents expenditures by activities compared to the prior year.

Summary of Expenditures - Governmental Funds
(expressed in millions, totals may not add due to rounding)

EXPENDITURES	2016		2015		Increase (Decrease)	
	\$	%	\$	%	\$	%
Road construction	299.86	50.66%	392.25	56.32%	(92.39)	-23.55%
Maintenance	137.29	23.20%	131.49	18.88%	5.80	4.41%
Planning	10.84	1.83%	10.59	1.52%	0.25	2.36%
Federal transit program	13.00	2.20%	13.62	1.96%	(0.62)	-4.55%
Administration	28.88	4.88%	35.21	5.06%	(6.33)	-17.98%
Law enforcement	37.43	6.32%	38.97	5.60%	(1.54)	-3.95%
Highway safety	7.39	1.25%	7.53	1.08%	(0.14)	-1.86%
Licensing and registration	11.84	2.00%	12.82	1.84%	(0.98)	-7.64%
Airport improvement	39.31	6.64%	49.04	7.04%	(9.73)	-19.84%
Flight services	0.40	0.07%	0.73	0.10%	(0.33)	-45.21%
Statewide communication system	5.60	0.95%	4.17	0.60%	1.43	34.29%
Total expenditures	<u>\$ 591.84</u>	<u>100.00%</u>	<u>\$ 696.42</u>	<u>100%</u>	<u>\$ (104.58)</u>	<u>-15.02%</u>

Expenditures for governmental functions were down from \$696.42 million in 2015 to \$591.84 million for fiscal year 2016, a 15% decrease. The majority of the decrease occurred in roadway construction and the Airport Improvement program. Roadway construction experienced a decrease of \$92.39 million, which reflects the reduction of billable Federal construction activities and a decrease in State revenues available for construction and maintenance activities, airport improvement decreased \$9.73 million, which reflects the reduction of State revenues available as well as the normalization of Federal expenditures.

Capital Assets and Debt Administration

The Department's investment in capital assets for its governmental activities as of September 30, 2016 amounted to \$5.90 billion (net of accumulated depreciation). This investment in capital assets includes infrastructure (consisting of roadways, bridges, and statewide communications network), land, site improvements, buildings, equipment and construction in progress. Additional information on the Department's capital assets can be found in Note 7 of the financial statements.

During the year, the Department invested \$126.4 million in infrastructure assets. The Department also had major additions to depreciable assets for: \$8.3 million buildings; \$12.59 million vehicles, aircraft and roadway machinery; \$.51 million in site improvements and \$0.46 million general property. The Department continues to stretch the existing equipment replacement cycle in order to reduce amounts expended. Note 7 provides more detailed information on the capital asset activity during the year for the Department.

The schedule below shows the changes in capital assets during the year:

	Beginning Balance September 30, 2015	Additions	Deletions	Ending Balance September 30, 2016
Infrastructure	\$ 5,635,012,426	\$ 126,435,558	\$ (77,087,393)	\$ 5,684,360,591
Nondepreciable capital assets				
Land	\$ 7,240,775	\$ -	\$ -	\$ 7,240,775
Work in progress	12,878,679	11,782,395	(7,490,357)	17,170,717
Depreciable and amortizable capital assets				
Site improvements	13,278,988	509,059	(59,566)	13,728,481
Buildings	183,210,599	8,249,985	(423,133)	191,037,451
Vehicles, aircraft and road machinery	139,549,543	12,591,481	(8,962,449)	143,178,575
General property	22,072,430	457,220	(394,208)	22,135,442
Software	2,297,268			2,297,268
Depletable capital assets	-			-
Gravel pit	1,233,000			1,233,000
Total capital assets at historical cost	381,761,282	33,590,140	(17,329,713)	398,021,709
Total depreciation, depletion and amortization	(172,654,641)	(16,115,552)	5,695,298	(183,074,895)
Non-infrastructure capital assets - net	\$ 209,106,641	\$ 17,474,588	\$ (11,634,415)	\$ 214,946,814

The Department's infrastructure assets are recorded at historical cost in the government-wide financial statements as required by GASB Statement No. 34. The Department has elected to use the modified approach for infrastructure reporting and, therefore, does not depreciate its infrastructure assets. The infrastructure consists of the road subsystem, bridge subsystem and the statewide communication system.

The Department manages its road network with a pavement management system developed by the Department. The pavement condition is rated in three areas: ride, rutting and cracking. A composite rating is derived from the three condition ratings called the Pavement Serviceability Rating (PSR). The pavement management system establishes a PSR on a scale from 0 to 5 for each road section with excellent 5.0 to 3.5, good 3.5 to 3.0, fair 3.0 to 2.5 and poor 2.5 to 0. It is the Department's policy to maintain its Interstate and Non-Interstate National Highway Road System (NHS) at 3.25 (good) and its Off the National Highway Road System (Non-NHS) at 3.0 (fair). As of September 30, 2016, the Interstate is at 3.60 and Non-Interstate NHS is at 3.25 and the Non-NHS is at 2.96.

The Department uses a comprehensive bridge management system to assist in managing the State's bridges. Each bridge is inspected at least once every two years. This inspection measures, assesses, and records the required National Bridge Inventory (NBI) items, including dimensions, clearances, alignment, waterway data and structural condition. The structural condition is evaluated by using structural elements. Each component of the bridge (girders, deck, railing, columns, piling, etc.) is assigned an element and the condition of each element is evaluated based on several condition assessments. The structure's NBI data is then used to determine its Wyoming Bridge Index (WBI).

The WBI provides a high level view for reporting purposes while individual components help distinguish differences in bridge attributes that may otherwise go unnoticed when using a single rating or index (e.g., Sufficiency Rating). It is composed of a Structural Condition Rating (SCR), Maintenance Rating (MR), Functionality Rating (FR), and Risk Rating (RR). These ratings are assessments of a bridge's current structural adequacy, condition of commonly maintained components, attributes affect on users, and vulnerability to extreme events. The bridges are given an overall WBI Performance Category of Excellent, Good, Fair, or Poor based on a composite score of the four component ratings.

The Department's goal is to maintain 85% percent of its NHS and Non-NHS bridges in Excellent, Good, and Fair Condition (i.e., 15% or less in Poor condition).

As of September 30, 2016, the bridge ratings were as follows:

2016 Structure Condition Rating					
NHS			Non NHS		
Condition	Number	Percent	Condition	Number	Percent
Excellent	111	8.3%	Excellent	85	13.8%
Good	542	40.3%	Good	248	40.3%
Fair	660	49.1%	Fair	245	39.9%
Poor	31	2.3%	Poor	37	6.0%
Total	1344	100.0%	Total	615	100.0%

The Department's new communication infrastructure facilitates statewide radio communications for and between public safety agencies, including law enforcement, fire, emergency medical, transportation and other entities. The Governor has appointed Public Safety Communications Commission commissioners to provide guidance regarding system operations and participation, and advice to promote system development, improvement, and efficiency.

To assess and monitor the communication system's operating effectiveness, Telecom Infrastructure Asset ratings are calculated from the Telecommunications Program using various measures. Ratings are grouped as WyoLink Base/Repeater, and Other-Telecom (Radio Site and Microwave). Telecom maintained this communications infrastructure following the technical evaluation and documentation procedures detailed in the policy. The Department's policy is to maintain 100% of its communication system in acceptable condition; actual overall rating was 100% with all assets in acceptable or good condition at the end of the year.

The Department estimated maintenance and preservation expenditures on infrastructure assets of \$361 million for the year ended September 30, 2016. Actual expenditures on infrastructure for maintenance and preservation were \$328.9 million, a difference of \$32.1 million. The difference is due to the size and length of the construction projects.

For the year ended September 30, 2016, the Department missed its stated goal for maintaining the roadway infrastructure assets. The non-NHS roadway system fell below the PSR rating of 3.0 at 2.96.

WYDOT Budgetary Highlights

The Department continues to work with the legislature on other long-term funding needs. However the funding constraints caused by the downturn in the extraction industry limits the Department's ability to maintain its non-NHS roadway assets at the current stated goal PSR rating in the future.

Lease Purchase Agreement

At the end of the current year, the Department had \$12.9 million in outstanding debt related to its capital assets in the form of a lease-purchase agreement. The energy efficiencies should provide enough energy cost savings to make the principal and interest payments. This strategy allowed the Department to invest in the energy upgrades without taking financial resources from the Department's core mission of providing a safe and efficient transportation system. Additional information on the Department's lease purchase agreements can be found in Note 6 of the financial statements.

Economic Outlook

The State of Wyoming is facing a budget shortfall for its current biennium due to a downturn in the mineral extraction industry. Due to this shortfall State Legislation supplanted the Departments mineral royalties and severance taxes with federal abandoned mines land funds for this biennium. The Department will receive \$164 million in abandoned mines land funds in place of \$135.6 million in mineral royalties and severance taxes and \$30.3 million in state general funds. State legislation gave the department a one year interest free loan of \$82 million, since the Department used the mineral royalties and severance taxes were used to cash flow the Department's anticipated federal revenue stream from its federal aid and grant reimbursements. Continued limits on state revenue will challenge the Department, especially for road projects not eligible to receive National Highway Federal Aid.

The U.S. Congress recently passed a long-term highway spending bill which was signed into law by the President. This bill called FAST (Fixing America's Surface Transportation) stabilizes WYDOT's Federal funding for the next five years at or a little above current funding levels through 2020.

Requests for Information

This financial report is designed to provide a general overview of the Department's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Wyoming Department of Transportation, Financial Services, 5300 Bishop Boulevard, Cheyenne, Wyoming 82010.

BASIC FINANCIAL STATEMENTS

WYOMING DEPARTMENT OF TRANSPORTATION

STATEMENT OF NET POSITION

September 30, 2016

ASSETS

Current Assets	
Cash with State Treasurer	\$ 124,518,897
Cash with other institutions	151,349
Accounts receivable	68,452,519
Inventories	28,125,249
Total current assets	<u>221,248,014</u>
Noncurrent Assets	
Depreciable capital assets, net	190,535,322
Land and non-depreciable infrastructure	5,303,480,538
Work in progress	405,291,545
Total noncurrent assets	<u>5,899,307,405</u>
Total assets	<u>\$ 6,120,555,419</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension Related Outflows	<u>\$ 58,414,845</u>
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LIABILITIES

Current Liabilities	
Accounts payable	\$ 28,867,165
Deposits of others	130,700
Notes payable due within one year	82,000,000
Lease purchase payable, due within one year	591,390
Compensated absences, due within one year	11,680,059
Total current liabilities	<u>123,269,314</u>
Noncurrent Liabilities	
Lease purchase payable, due in more than one year	12,308,454
Compensated absences, due in more than one year	12,373,240
Net pension liability	164,824,709
Total noncurrent liabilities	<u>189,506,403</u>
Total liabilities	<u>\$ 312,775,717</u>

DEFERRED INFLOWS OF RESOURCES

Pension Related Inflows	<u>\$ 4,211,339</u>
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NET POSITION

Net investment in capital assets	\$ 5,886,407,561
Restricted net position	33,841,851
Unrestricted net position	(58,266,204)
Total net position	<u>\$ 5,861,983,208</u>

See Notes to Financial Statements.

WYOMING DEPARTMENT OF TRANSPORTATION

STATEMENT OF ACTIVITIES
Year Ended September 30, 2016

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expenses)
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Total Governmental Activities
Governmental Activities					
Road preservation and maintenance	\$ 392,552,746	\$ 15,355,071	\$258,132,524	\$ -	\$ (119,065,151)
Planning	11,108,752	-	-	-	(11,108,752)
Highway safety	8,217,938	41,400	4,370,999	-	(3,805,539)
Administration	27,910,565	11,333	-	-	(27,899,232)
Federal transit program	13,009,006	-	1,848,932	9,981,143	(1,178,931)
Licensing and registration	11,853,324	5,603,193	-	-	(6,250,131)
Law enforcement	47,440,762	42,801	777,950	-	(46,620,011)
Statewide communication network	5,604,459	247,335	-	-	(5,357,124)
Airport improvement program	39,604,414	-	26,612,530	-	(12,991,884)
Flight services program	398,219	700,835	-	-	302,616
	<u>\$ 557,700,185</u>	<u>\$ 22,001,968</u>	<u>\$291,742,935</u>	<u>\$ 9,981,143</u>	<u>(233,974,139)</u>
General Revenues					
					183,865,211
					27,143,769
					10,853,721
					7,159,935
					7,578,227
					<u>236,600,863</u>
					<u>2,626,724</u>
					<u>5,859,356,484</u>
					<u>\$ 5,861,983,208</u>

See Notes to Financial Statements.

WYOMING DEPARTMENT OF TRANSPORTATION

**BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2016**

ASSETS	WYDOT General Fund	State Infrastructure Bank Fund	Non Major Funds	Total Governmental Funds
Cash with State Treasurer	\$ 110,329,667	\$ 1,693,756	\$ 12,495,474	\$ 124,518,897
Cash with other institutions	152,179	-	(830)	151,349
Accounts receivable	68,041,214	-	411,305	68,452,519
Due from other funds	67,594	-	-	67,594
Advances to other funds	-	32,203,510	-	32,203,510
Inventories	28,125,249	-	-	28,125,249
Total assets	\$ 206,715,903	\$ 33,897,266	\$ 12,905,949	\$ 253,519,118
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 27,322,472	\$ -	\$ 1,544,693	\$ 28,867,165
Due to other funds	-	-	67,594	67,594
Deposits of others	130,700	-	-	130,700
Advances from other funds	32,203,510	-	-	32,203,510
Total liabilities	59,656,682	-	1,612,287	61,268,969
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	16,049,990	-	-	16,049,990
Fund Balances				
Non-spendable	28,125,249	-	-	28,125,249
Restricted	-	26,061,739	7,780,112	33,841,851
Committed	99,329,016	-	-	99,329,016
Assigned	-	7,835,527	3,513,550	11,349,077
Unassigned	3,554,966	-	-	3,554,966
Total fund balances	131,009,231	33,897,266	11,293,662	176,200,159
Total liabilities, deferred inflows of resources and fund balance	\$ 206,715,903	\$ 33,897,266	\$ 12,905,949	\$ 253,519,118

See Notes to Financial Statements.

WYOMING DEPARTMENT OF TRANSPORTATION

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET POSITION

September 30, 2016

Total fund balance - Governmental funds \$ 176,200,159

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

Infrastructure and other capital assets used in governmental activities are not financial resources and, therefore, not reported in the governmental funds.

When capital assets used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. These assets and related accumulated depreciation, depletion and amortization consist of:

Infrastructure assets	5,296,239,763	
Land	7,240,775	
Non-infrastructure WIP	17,170,717	
Infrastructure WIP	388,120,828	
Site improvements	13,728,481	
Buildings	191,037,451	
Vehicles, aircraft and road machinery	143,178,575	
General property	22,135,442	
Gravel pit	1,233,000	
Software	2,297,268	
Accumulated depreciation, depletion and amortization	<u>(183,074,895)</u>	
		5,899,307,405

Because the focus of governmental funds is on short-term financing, some assets (mineral and severance tax receivable) will not be available to pay for current expenditures. Those assets are offset by deferred revenue in the governmental funds and, thus are not included in governmental fund balance. 16,049,990

Some liabilities are not due and payable in the current period and, therefore, not reported in the governmental funds. Those liabilities consist of:

Notes payable	(82,000,000)	
Net pension liability	(164,824,709)	
Long term lease-purchase agreement	(12,899,844)	
Compensated absences and termination benefits	<u>(24,053,299)</u>	
		(283,777,852)

Pension related deferred outflows of resources used in governmental activities are not financial resources and therefore, not reported in the governmental funds. 58,414,845

Pension related deferred inflows of resources used in governmental activities are not financial resources and therefore, not reported in the governmental funds. (4,211,339)

Net position of governmental activities \$ 5,861,983,208

See Notes to Financial Statements.

WYOMING DEPARTMENT OF TRANSPORTATION

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

Year Ended September 30, 2016

	WYDOT General Fund	State Infrastructure Bank Fund	Non Major Funds	Total Governmental Funds
Revenue				
Motor fuels tax and registration fees	\$ 114,806,948	\$ -	\$ -	\$ 114,806,948
Mineral royalty and severance tax	58,812,859	-	-	58,812,859
Highway user fees	79,397,207	-	580,821	79,978,028
Federal aid revenue	257,040,819	-	93,312	257,134,131
Federal grant revenue	32,853,613	-	11,678,599	44,532,212
Interest and investment revenue	5,720,422	488,563	950,949	7,159,934
City, county and other matching revenue	3,224,073	-	-	3,224,073
Flight service revenue	-	-	700,835	700,835
Communication network revenue	-	-	247,335	247,335
Other state sources revenue	1,073,000	-	9,780,721	10,853,721
Other miscellaneous revenue	5,245,040	-	11,464	5,256,504
Total revenues	558,173,981	488,563	24,044,036	582,706,580
Expenditures				
Road construction	299,860,454	-	-	299,860,454
Maintenance	137,287,279	-	-	137,287,279
Planning	10,837,660	-	-	10,837,660
Federal transit	-	-	12,993,374	12,993,374
Administration	28,879,177	-	-	28,879,177
Law enforcement	37,433,830	-	-	37,433,830
Highway safety	7,074,123	-	322,980	7,397,103
Licensing and registration	11,778,772	-	60,846	11,839,618
Airport improvement	36,214,651	-	3,096,996	39,311,647
Flight services	8,478	-	389,740	398,218
Communication network	-	-	5,604,459	5,604,459
Total expenditures	569,374,424	-	22,468,395	591,842,819
Excess (deficiency) of revenues over expenditures	(11,200,443)	488,563	1,575,641	(9,136,239)
Other financing sources (uses)				
Transfer of funds in	-	-	1,500,000	1,500,000
Transfer of funds out	(1,500,000)	-	-	(1,500,000)
Proceeds from sale of assets	4,814,056	-	-	4,814,056
Proceeds from note payable	82,000,000	-	-	82,000,000
Total other financing sources (uses)	85,314,056	-	1,500,000	86,814,056
Net changes in fund balances	74,113,613	488,563	3,075,641	77,677,817
Fund Balances, beginning of year	56,895,618	33,408,703	8,218,021	98,522,342
Fund Balances, end of year	\$ 131,009,231	\$ 33,897,266	\$ 11,293,662	\$ 176,200,159

See Notes to Financial Statements.

WYOMING DEPARTMENT OF TRANSPORTATION

**RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES**

Year Ended September 30, 2016

Net change in fund balance - total governmental funds	\$ 77,677,817
<p>Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the costs of those assets is allocated over their useful lives as depreciation, depletion or amortization expense, as applicable. In the current period, these amounts are:</p>	
Expenditures for capital assets, infrastructure and other related asset	75,447,948
Current year depreciation, depletion and amortization	(16,115,552)
Disposition of assets	<u>(4,144,058)</u>
	55,188,338
Some mineral royalties and severance tax revenues reported in the Statement of Activities do not provide current financial resources and, therefore, are not reported in the governmental funds.	(27,193,725)
The proceeds of the note payable are reported on the Statement of Revenues, Expenditures and Changes in Fund Balance as an increase of current financial resources but as a liability on the Statement of Net Position and therefore does not increase the net position of the Department.	(82,000,000)
Repayment of lease purchase agreement principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	515,489
The liability for compensated absences are reported on the Statement of Activities, but does not require the use of current financial resources and, therefore, not reported as expenditures in governmental funds. This is the current period change in liability.	(149,667)
The change in the defined benefit net pension liability, pension related outflows and pension related inflows are not reported in the government funds. This is the net effect of the change in these balances in the Statement of Net Position.	<u>(21,411,528)</u>
Change in net position of governmental activities	<u><u>\$ 2,626,724</u></u>

See Notes to Financial Statements.

WYOMING DEPARTMENT OF TRANSPORTATION

STATEMENT OF FIDUCIARY NET POSITION

September 30, 2016

ASSETS

Cash with State Treasurer	\$ 12,179,419
Accounts receivable	11,456,521
Total assets	\$ 23,635,940

LIABILITIES

Accounts payable	\$ 21,851,259
Deposits of others	1,784,681
Total liabilities	\$ 23,635,940

See Notes to Financial Statements.

WYOMING DEPARTMENT OF TRANSPORTATION

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: The Wyoming Department of Transportation (the “Department”) is a component unit of the State of Wyoming (the “State”), governed by the Wyoming Transportation Commission (the “Commission”). The Commission consists of a seven-member board nominated by the Governor and confirmed by the State Senate.

The primary activity of the Department is the planning, programming, design, construction, maintenance, and operation of an integrated state transportation system. Many of those activities are dependent on the availability of Federal awards. The Department is charged by State Statutes with the responsibility of managing and operating transportation-related activities and the Wyoming State Highway Patrol. The Department is also responsible for the aeronautics activities of the State. The aeronautics activities are governed by the Wyoming Aeronautics Commission, consisting of a seven-member board nominated by the Governor and confirmed by the State Senate.

Management has determined there are no entities for which the Department is considered to be financially accountable as defined by accounting principles generally accepted in the United States of America.

Government-wide financial statements: The Statement of Net Position and Statement of Activities display information about the Department as a whole. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Department’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include: 1) charges paid by the recipients of goods and services offered by the programs, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues. Certain indirect costs have been allocated to functional activities.

When both restricted and unrestricted resources are available for use, it is the Department’s policy to use restricted resources first, then unrestricted resources as needed.

Fund financial statements: The fund financial statements provide information about the Department’s funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major fund, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Department reports the following major governmental funds:

WYDOT General Fund – is used to account for expenditures related to Federal and State highway construction and maintenance, and administration. Revenue consists primarily of Federal funding and State funding. The term “WYDOT General Fund” is used to limit confusion with the State of Wyoming’s general fund. This fund also administers the collection of revenue from port-of entry fees, gasoline and special fuel taxes, motor vehicle registration, motor carrier licenses, drivers’ licenses, and the Wyoming Highway Patrol.

WYOMING DEPARTMENT OF TRANSPORTATION

NOTES TO FINANCIAL STATEMENTS

Also included in the fund are the Wyoming Aeronautics Commission activities for administration and operations relating to airport improvements. Federal funding passes through to cities and counties for airport improvement projects.

State Infrastructure Bank Fund – administers funds designed to provide loan and credit enhancement assistance to sponsors of transportation projects. This fund is classified as a special revenue fund.

The Department also reports the following type of fund:

Fiduciary Funds – The Department’s fiduciary funds are agency funds used to account for assets held by the Department in a trustee capacity or as an agent for individuals, private organizations, and other governmental units. Assets include fees collected that are to be distributed to other jurisdictions and amounts collected for a variety of performance bonds. Since the assets in these agency funds do not ultimately belong to the Department, these funds are excluded from the government-wide financial statements.

A summary of significant accounting policies follows:

Government-wide and fiduciary fund financial statements: The government-wide and fiduciary fund financial statements are reported using the accrual basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Department gives (or receives) value without directly receiving (or giving) equal value in exchange, include motor fuel tax, registrations and fees, mineral severance tax, royalties, and investment income. On an accrual basis, revenue from motor fuels taxes are recognized in the period that fuel is sold to the consumer, motor registration taxes are recognized when collected, and mineral severance tax and royalties are recognized when the minerals are removed from the extraction site.

Governmental fund financial statements: Governmental funds are reported using the current financial resources focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Department considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year end. Highway user fees, mineral severance tax royalties, and interest are considered to be susceptible to accrual.

Expenditures are recorded when the related fund liability is incurred, except for claims and judgments, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in government funds.

Deposits with the State Treasurer: State Statute requires the Department to deposit all of its funds in a pooled cash account managed by the Wyoming State Treasurer. The account is reported at fair value of the securities underlying the investment pool.

State Statutes authorized the Wyoming State Treasurer to manage its investments under the State of Wyoming Master Investment Policy, including: securities issued or guaranteed by the U.S. Treasury or agencies of the U.S. Government; bonds issued by Wyoming agencies or political subdivisions; corporate notes, bond and debentures; commercial paper; banker’s acceptances; loans specifically identified by collateralized mortgage obligation which are collateralized and paid from cash flows on mortgages and are subject to prepayments by mortgagees which can result in interest rate fluctuation.

WYOMING DEPARTMENT OF TRANSPORTATION

NOTES TO FINANCIAL STATEMENTS

Receivables: Receivables consist primarily of amounts due from other governmental entities, including the State. Management believes no allowance for uncollectible amounts is necessary based on the nature of these receivables and past experience.

Inventories: Inventories, including work in progress, are valued using an average cost, less allowance for obsolete items. Inventory items are charged to expenditures when consumed.

Capital assets: Capital assets, which include work in progress, property, equipment, and infrastructure assets, are recorded at historical cost or at estimated historical cost if the actual historical cost is not available in the government-wide financial statements. Infrastructure assets include roads, bridges, water/sewer, lighting system, drainage systems and flood control, and rest areas. The Department's capitalizations level for buildings, improvements, equipment, and vehicles is \$5,000. Capitalization level for software is at \$50,000 for purchases and \$250,000 for internally generated computer software. The Department's capitalization level for infrastructure assets is \$250,000. Capital assets are accounted for as expenditures in the governmental fund financial statements. Other costs incurred for repairs and maintenance are accounted for as expenditures as incurred. Amortization of intangible assets including software costs is included with depreciation expense in the financial statements. Depreciation and amortization on all assets is provided on the straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings	4-50
Improvements	7-25
Equipment	4-20
Vehicles and road machinery	4-15
Software	3

In accordance with the alternative approach to depreciating infrastructure assets permitted by GASB Statement No. 34, the Department has elected to expense all infrastructure related expenditures, except for those expenditures related to additions to or improvement of infrastructure assets, in lieu of depreciating infrastructure assets. In order to utilize the alternative system, the Department must maintain an asset management system, which assesses asset condition and must maintain infrastructure assets at the condition level established by the Department.

The Department evaluates prominent events or changes in circumstances that affect capital assets to determine whether impairment of a capital asset has occurred. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, and changes in the manner or duration of use of a capital asset. The Department will consider an asset impaired if both the decline in service utility of the capital asset is large in magnitude and the event or change in circumstance is outside the normal life cycle of the capital asset. The Department will recognize an impairment loss when the Department considers a capital asset impaired, and will recognize the capital asset at the lower of carrying value or fair value.

WYOMING DEPARTMENT OF TRANSPORTATION

NOTES TO FINANCIAL STATEMENTS

Collections: The Department owns various works of art used to beautify its public spaces as required by State Statutes. These items are not considered to be held for financial gain. All works of art are protected, kept unencumbered, and preserved. Any proceeds from the sale of these assets are required to be used to acquire other items for public spaces. The Department does not capitalize these works of art.

Current note payable: The Department received a short-term note, payable to the State Treasurer, of \$82,000,000 during the year ended September 30, 2016. The current note payable does not accrue interest and is due June 30, 2017.

Long-term debt: The Department issued long-term debt through a lease purchase agreement during 2013. The long-term debt is being used to upgrade the Department's facilities and make them more energy efficient. The lease purchase agreement will be paid off over the next 15 years with the money saved from utility costs reductions as a result of the upgrades. In 2014, the Department issued long-term debt for the second phase of the energy efficiency upgrade project. The facilities being upgraded this year include buildings and roadway assets. The money saved on the utility bills is anticipated to cover the costs of the debt service and the lease purchase agreement will be paid over a 15-year schedule.

Unavailable revenue: Governmental funds report unavailable revenues as deferred inflows of resources in connection with receivables for revenues not considered available to meet current obligations. Unavailable revenue reported in the Governmental Funds Balance Sheet as of September 30, 2016, represents mineral royalty, severance taxes, and fuel taxes receivable not available to meet current obligations.

Defined benefit pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wyoming Retirement System (WRS), and additions to/deductions from the WRS's fiduciary net position have been determined on the same basis as they are reported by the WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Interfund transactions: Interfund transactions are reflected as loans, services provided, reimbursements, or transfers. Loans are reported as receivables and payables, as appropriate, and are subject to elimination in the government-wide statements. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are eliminated in the Statement of Activities.

Capital outlay: The Department's operations focus in part on building and maintaining roads. Since these activities are one of its main objectives, capital outlay is only segregated from current operating expenditures when the expenditures are not part of standard current operations.

Estimates: The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

WYOMING DEPARTMENT OF TRANSPORTATION

NOTES TO FINANCIAL STATEMENTS

Recent pronouncements:

Adopted:

In March 2016, the GASB issued GASB Statement No. 82, *Pension Issues, an amendment of GASB Statements No. 67, No. 68, and No. 73*. This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement is effective for years beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier adoption is allowed. Management has elected to adopt this update for the fiscal year ended June 30, 2016. The impact of adopting this update is reflected in the financial statements.

Not yet adopted:

In June 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement requires governments providing other postemployment benefits (OPEB) to report a liability on the face of the financial statements for the OPEB that they provide. The statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). This statement is effective for years beginning after June 15, 2017. The effect that the adoption of GASB Statement No. 75 will have on the Department's financial statements has not yet been determined.

Note 2. Cash and Pooled Cash Investments

The Department has funds on deposit with the Wyoming State Treasurer's pooled investments. Deposits with the State Treasurer's pooled investments are not insured or otherwise guaranteed by the State of Wyoming, and participants share proportionally in any realized gains or losses on investments. The Department's participation in the pooled investments and mutual funds may indirectly expose it to risks associated with using, holding, or writing derivatives. However, specific information about any such transactions is not available to the Department. Detailed information on the State Treasurer's pooled cash and investments is available from that office.

Custodial credit risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Department will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Certain deposits held in Department bank accounts are insured by Federal depository insurance or are collateralized by the custodian bank. As of September 30, 2016, the primary government had bank balances on deposit of \$95,509, and the Fiduciary Funds had bank no balance on deposit. These deposits were fully collateralized at September 30, 2016.

WYOMING DEPARTMENT OF TRANSPORTATION

NOTES TO FINANCIAL STATEMENTS

The following summarizes cash and pooled cash investments:

Cash on deposit with State Treasurer	\$ 136,698,316
Cash held with other institutions	151,349
	<u>\$ 136,849,665</u>

Cash and pooled cash investments are presented in the accompanying financial statements as follows:

Statement of Net Position:	
Cash with State Treasurer	\$ 124,518,897
Cash with other institutions	151,349
Statement of Fiduciary Net Position:	
Cash with State Treasurer	12,179,419
	<u>\$ 136,849,665</u>

Note 3. Accounts Receivable

Accounts receivable consists primarily of mineral royalty, fuel taxes, and grant receivables. The following schedule summarizes the carrying amounts and fair values of receivables by source at September 30, 2016:

	General Fund	Nonmajor Funds
Due from the Federal government	\$ 23,652,291	\$ 229,139
Due from other State agencies	11,285,273	177,610
Due from other governments	936,750	-
Other receivables	32,166,900	4,556
	<u>\$ 68,041,214</u>	<u>\$ 411,305</u>

Note 4. Inventory

Inventories consist primarily of materials to maintain Department assets during the year. The following schedule summarizes the value of inventories at September 30, 2016:

Road materials and supplies	\$ 25,679,063
Motor operating supplies	475,492
General supplies	417,202
Statewide communication parts	671,591
Work in progress	1,231,901
	<u>28,475,249</u>
Less allowance for obsolescence	(350,000)
Total	<u>\$ 28,125,249</u>

WYOMING DEPARTMENT OF TRANSPORTATION

NOTES TO FINANCIAL STATEMENTS

Note 5. Interfund Transactions

Due to/from other funds: The balances in interfund receivables and payables resulted from the time lag between the dates that: 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

	Due To	Due From
WYDOT General Fund	\$ 67,594	\$ -
Motorcycle Safety Fund	-	4,637
Federal Transit Authority Fund	-	10,456
Flight Services Fund	-	18,337
Statewide Communication System Fund	-	24,621
Air Service Enhancement Fund	-	9,543
	<u>\$ 67,594</u>	<u>\$ 67,594</u>

Advances to/from other funds: The balance of interfund advances from the State Infrastructure Bank Fund resulted from the loans made to provide financing for large, long-term road construction projects. The loans will be repaid to the State Infrastructure Bank Fund by the WYDOT General Fund with future Federal obligation authorization. Advances as of September 30, 2016 were as follows:

	Receivable	Payable
WYDOT General Fund	\$ -	\$ 32,203,510
State Infrastructure Bank Fund	32,203,510	-
	<u>\$ 32,203,510</u>	<u>\$ 32,203,510</u>

Transfers: Transfers were made from the WYDOT General Fund to subsidize operations of special revenue funds as mandated by the State Legislature and to maximize the Department's cash flow and Federal obligations. Transfers as of September 30, 2016 were as follows:

	Transfers In	Transfers Out
WYDOT General Fund	\$ -	\$ 1,500,000
Federal Transit Authority Fund	1,500,000	-
	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>

Note 6. Compensated Absences and Long-Term Liabilities

Department employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination, death, or retirement. Vacation up to 72 days and up to one-half of unused sick leave, to a maximum of 60 days, vests and may be paid upon leaving the employment of the Department. The non-vesting portion of the sick leave benefits totaling \$11,899,578 as of September 30, 2016, represents a contingent liability to the Department.

WYOMING DEPARTMENT OF TRANSPORTATION

NOTES TO FINANCIAL STATEMENTS

The changes in the long-term debt of the Department were as follows:

	September 30, 2016				Amount Due within One Year
	Beginning Balance	Additions	Reductions	Ending Balance	
Governmental activities					
Lease purchase agreement PWB-13	\$ 2,546,786	\$ -	\$ 125,481	\$ 2,421,305	\$ 133,837
Lease purchase agreement BOA-14	10,868,547	-	390,008	10,478,539	457,553
Compensated absences	23,903,633	11,829,725	11,680,059	24,053,299	11,680,059
Governmental activities					
Long-term liabilities	<u>\$ 37,318,966</u>	<u>\$ 11,829,725</u>	<u>\$ 12,195,548</u>	<u>\$ 36,953,143</u>	<u>\$ 12,271,449</u>

The lease purchase agreements are paid through the WYDOT General Fund.

During fiscal year 2013, the Department entered into a \$2.84 million lease purchase agreement, in addition to using \$1.02 million of funds on hand, to finance energy efficiency upgrades to some of its facilities. The lease purchase agreement is secured by the equipment and improvements themselves. The Department capitalized \$3.86 million of improvements under this lease purchase agreement that met the capitalization policy and were recorded in its capital asset records at September 30, 2016. There was \$257,000 of depreciation associated with the equipment for the year ended September 30, 2016. The investment should allow the Department to pay the principal and interest on the lease purchase agreement from the savings on its energy bills. This strategy allowed the Department to invest in and upgrade the facilities without taking financial resources from the Department's core mission of improving and maintaining the transportation system.

Principal payments are due monthly and began in June 2014 and continue through May 2029. Interest payments became due monthly and started in June 2013 and run through May 2029 and are accrued at an annual interest rate of 2.25%. The debt service payments for the year ended September 30, 2016 were \$181,511 with \$56,029 of the amount paid as interest.

Annual debt service requirements for the 2013 lease purchase agreement at September 30, 2016 are as follows:

2013 Lease Purchase Agreement:

	Principal	Interest	Total
2017	\$ 133,837	\$ 53,120	\$ 186,957
2018	142,546	50,020	192,566
2019	151,624	46,720	198,344
2020	161,083	43,211	204,294
2021	170,938	39,486	210,424
2022 - 2026	1,017,385	133,312	1,150,697
2027 - 2029	643,892	19,732	663,624
	<u>\$ 2,421,305</u>	<u>\$ 385,601</u>	<u>\$ 2,806,906</u>

WYOMING DEPARTMENT OF TRANSPORTATION

NOTES TO FINANCIAL STATEMENTS

During the fiscal year 2014, the Department entered into an additional lease-purchase agreement to finance the acquisition of energy efficiency upgrades for the remaining Department owned structures and lighting along the roadways. This is the second phase of the project that began in 2013. During the second phase, the Department borrowed \$10.46 million to acquire and install the energy efficient products. The Department expects to recover the costs associated with the lease-purchase agreement from savings from the reduction of utility bills over the life of the lease-purchase agreement.

During the construction phase of the agreement during fiscal years 2014 and 2015, the Department accrued interest monthly. Payments began in 2016 and will be repaid on a 15-year schedule at an interest rate of 2.85%. The lease purchase agreement is secured by the equipment and improvements. The energy efficient equipment purchased by the Department under the lease purchase agreement is mostly roadway lighting upgrades. There is no depreciation associated with the equipment as it will be expensed against the infrastructure assets.

Principal payments are due monthly and began in December 2015 and continue through October 2030. Interest payments started accruing in July 2014 during the construction phase and were added to the principle at an annual interest rate of 2.85%. The debt service payments for the year ended September 30, 2016 were \$669,340 with \$279,331 of the amount paid as interest.

Annual debt service requirements for the 2014 lease purchase agreement at September 30, 2016 are as follows:

2014 Lease Purchase Agreement:

	Principal	Interest	Total
2017	\$ 457,553	\$ 292,716	\$ 750,269
2018	493,565	279,208	772,773
2019	531,309	264,652	795,961
2020	570,843	248,997	819,840
2021	612,244	232,191	844,435
2022 - 2026	3,753,067	864,656	4,617,723
2027 - 2031	4,059,958	250,438	4,310,396
	<u>\$ 10,478,539</u>	<u>\$ 2,432,858</u>	<u>\$ 12,911,397</u>

WYOMING DEPARTMENT OF TRANSPORTATION

NOTES TO FINANCIAL STATEMENTS

Note 7. Capital Assets

Capital asset activity for the year ended September 30, 2016 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Infrastructure related assets - nondepreciable				
Land - Infrastructure related	\$ 69,246,068	\$ -	\$ -	\$ 69,246,068
Infrastructure assets				
Bridges	856,274,799	2,266,930	-	858,541,729
Roadways	4,241,900,403	63,007,828	-	4,304,908,231
Communication systems	59,249,007	-	-	59,249,007
Permanent easements	4,294,728	-	-	4,294,728
Work in progress	404,047,421	61,160,800	(77,087,393)	388,120,828
Total infrastructure related assets	5,635,012,426	126,435,558	(77,087,393)	5,684,360,591
Capital assets				
Nondepreciable capital assets				
Land	7,240,775	-	-	7,240,775
Work in progress	12,878,679	11,782,395	(7,490,357)	17,170,717
Depreciable and amortizable capital assets				
Site improvements	13,278,988	509,059	(59,566)	13,728,481
Buildings	183,210,599	8,249,985	(423,133)	191,037,451
Vehicles, aircraft and road machinery	139,549,543	12,591,481	(8,962,449)	143,178,575
General property	22,072,430	457,220	(394,208)	22,135,442
Software	2,297,268	-	-	2,297,268
Depletable capital assets				
Gravel pit	1,233,000	-	-	1,233,000
Total capital assets	381,761,282	33,590,140	(17,329,713)	398,021,709
Less accumulated depreciation, depletion and amortization				
Site improvements	(10,147,621)	(383,463)	59,566	(10,471,518)
Buildings	(81,447,420)	(5,945,751)	413,652	(86,979,519)
Vehicles, aircraft and road machinery	(62,188,105)	(8,461,969)	4,839,737	(65,810,337)
General property	(16,430,277)	(1,267,060)	382,343	(17,314,994)
Software	(2,205,167)	(57,309)	-	(2,262,476)
Gravel pit	(236,051)	-	-	(236,051)
Total depreciation, depletion and amortization	(172,654,641)	(16,115,552)	5,695,298	(183,074,895)
Total depreciable, depletable and amortizable capital assets, net of depreciation, depletion and amortization	209,106,641	17,474,588	(11,634,415)	214,946,814
Governmental activities, capital assets, net	\$5,844,119,067	\$ 143,910,146	\$ (88,721,808)	\$5,899,307,405

WYOMING DEPARTMENT OF TRANSPORTATION

NOTES TO FINANCIAL STATEMENTS

Depreciation and amortization expense was charged to governmental functions as follows:

Road preservation and maintenance	\$ 14,983,696
Planning	29,574
Administration	259,578
Law enforcement	688,956
Licensing and registration	13,987
Highway safety	1,622
Airport improvement program	138,139
	<hr/>
	\$ 16,115,552
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Note 8. Fund Balance

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. Per GASB 54, as of September 30, 2016, fund balances of the governmental funds are classified as follows:

Non-spendable – amounts that cannot be spent either because they are not spendable in form or because they are legally or contractually required to be maintained intact. The Department has inventories of \$28,125,249.

Restricted – amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. The Department reports the following balances as of September 30, 2016: \$464,073 as restricted fund balance for radioactive waste clean-up; \$7,128,597 restricted for air service enhancement; \$71,565 for ignition interlock device expenditures as per Wyoming Statute, and \$115,877 for flight services for other governmental entities as per Wyoming Statute. The Department also has \$26,061,739 in the State Infrastructure Bank Fund which is restricted for loans on infrastructure projects.

Committed – amounts that are subject to a purpose constraint imposed by a formal action of the Transportation Commission (Commission). The Commission is the highest level of decision-making authority for the Department. Commitments may be established, modified or rescinded only through resolutions approved by the Commission. The Department has \$99,329,016 reported in the WYDOT General Fund as committed: \$17,329,016 for road construction projects as part of the \$.10 fuel tax increase and \$82,000,000 for repayment of the loan from the State Treasurer.

Assigned – amounts that are subject to a purpose constraint that represents an intended use established by the Department in its budget process. The purpose of the assignment must be narrower than the purpose of the WYDOT General Fund, and in funds other than the WYDOT General Fund, assigned fund balance represents the remaining amount of fund balance for the purpose of the fund.

WYOMING DEPARTMENT OF TRANSPORTATION

NOTES TO FINANCIAL STATEMENTS

For the State Infrastructure Bank Fund, the \$7,835,527 is the remaining fund balance not restricted to be used to capitalize loans for road construction. For the Statewide Communications Fund, the \$295,809 is the remaining amount of fund balance to be used for the purpose of the fund. The amount of \$977,961 is the remaining amount of fund balance after operations for the year in the Motorcycle Safety Fund, and the \$2,239,780 is the remaining fund balance of the other governmental funds after operations for the year.

Unassigned – represents the residual classification for the WYDOT General Fund and could report a surplus or deficit. The Department reports \$3,554,966 as unassigned fund balance in the WYDOT General Fund as of September 30, 2016.

The details of the fund balances are included in the Governmental Funds Balance Sheet. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Department considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the Department considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Commission has provided otherwise in its commitment or assignment actions.

	WYDOT General Fund	State Infrastructure Bank Fund	Other Non-major Special Revenue Funds
Fund Balance:			
Nonspendable:			
Inventories	\$ 28,125,249	\$ -	\$ -
Restricted for:			
Air service enhancement funds	-	-	7,128,597
Hazardous material spill cleanup and training	-	-	464,073
Ignition interlock device expenditures	-	-	71,565
Loans made for road construction projects	-	26,061,739	-
Flight service expenditures	-	-	115,877
Committed for:			
Additional \$.10 motor fuels tax for contract payments	17,329,016	-	-
Loan from State Treasurer due within one year	82,000,000	-	-
Assigned to:			
Loans made for road construction projects	-	7,835,527	-
Communication system enhancements	-	-	295,809
Motorcycle safety education	-	-	977,961
Other	-	-	2,239,780
Unassigned	3,554,966	-	-
Total fund balances	\$131,009,231	\$ 33,897,266	\$ 11,293,662

WYOMING DEPARTMENT OF TRANSPORTATION

NOTES TO FINANCIAL STATEMENTS

Note 9. Retirement Commitment – Wyoming Retirement System

Plan descriptions: Substantially all employees of the Department, excluding hourly part-time employees, are provided with pensions through either the Public Employees Pension Plan (Public Employees Plan), the State Patrol, Game and Fish Wardens, and Criminal Investigator Pension Plan (Patrol, Wardens, and DCI Plan), or the Law Enforcement Pension Plan (Law Enforcement Plan). These plans are statewide cost-sharing multiple-employer defined benefit pension plans administered by the Wyoming Retirement System (WRS). The Public Employees Plan covers the employees of the Department who do not participate in law enforcement activities. The Patrol, Wardens, and DCI Plan covers the sworn law officers of the Wyoming Highway Patrol and the Law Enforcement Plan covers the dispatchers who have elected to participate in that plan instead of the Public Employees Plan. The authority to establish and amend benefits and contributions rates rests with the Legislature of the State of Wyoming. WRS is granted the authority to administer the plans by Wyoming State Statutes 9-3-401 through 432. WRS issues a publicly available financial report that can be obtained at <http://retirement.state.wy.us/home/index.html>.

Benefits provided: The benefits provided are dependent on the plan and or the date of the employee's initial employment date.

Service Retirement Tier 1: If an employee made a contribution prior to September 1, 2012, they are in Tier 1. Full retirement at age 60 or qualifies for the Rule of 85. Early retirement is permitted at age 50 or 25 years of service. Formula for retirement equals 2.125% times the number of years of service times the three-year highest average salary for the first 15 years and 2.25% times the number of years of service times the three-year highest average over 15 years.

Service Retirement Tier 2: In an employee made their first contribution after September 1, 2012, they are in Tier 2. Full retirement at age 65 or qualifies for the Rule of 85. Early retirement is permitted at age 55 or 25 years of service. Formula for retirement equals 2% times the number of years of service times the five-year highest average salary.

Disability Benefits: Partial or total disability retirement is available to any member who becomes incapacitated, mentally or physically, and cannot continue in the performance of his/her duties. To qualify, the member must have at least 10 years of service and must be "in service" at the time of application for disability retirement. Upon retirement for a partial disability, the member receives a monthly disability retirement benefit for the period of her/her disability equal to 50% of the normal benefit payable to the member, as if the member was eligible for normal retirement benefits. Upon retirement for a total disability, the member receives a monthly disability benefit equal to 100% of his service retirement benefit as if the member was eligible for normal retirement benefits. Disability benefits are payable for the life of the member or until death.

Survivor's Benefits: Certain surviving dependents receive benefits based on the deceased member's compensation and their relationship to the deceased, as well as the benefit option selected by the member at the date of retirement.

The Patrol, Wardens, and DCI Plan provides retirement, disability, and death benefits according to predetermined formulas. Once vested, employees may remain in the Plan and become eligible for retirement benefits at age 50. The maximum pension is 75% of the highest average salary and the minimum number of years of service required for a monthly benefit is six years. Formula for retirement equals 2.5% times the number of years of service times the 3 year highest average salary.

WYOMING DEPARTMENT OF TRANSPORTATION

NOTES TO FINANCIAL STATEMENTS

Disability Benefits: Partial or total disability retirement is available to any member becomes incapacitated to the point the member cannot perform the duties of the occupation. To qualify for duty disability retirement, there is no age or service requirement, and the member receives a monthly disability retirement benefit for the period of disability equal to 62.5% of the highest average salary. To qualify for non-duty disability retirement, the member must have at least 10 years of service, and the member receives a monthly disability benefit for the period of disability equal to 50% of the highest average salary.

Survivor's Benefits: Surviving spouse receives benefits if the member dies prior to retirement. Those benefits are dependent on if the member was on-duty at time of death. Additional benefits are available for additional qualified dependents.

The Law Enforcement Plan provides retirement benefits at age 60 with four or more years of service or at least 20 years of service regardless of age. Formula for retirement equals 2.5% times the number of years of service times the five-year highest average salary with a maximum of 75%.

Disability Benefits: Partial or total disability retirement is available to any member who becomes incapacitated, mentally or physically, and cannot continue in the performance of his/her duties from an individual and specific act incurred while employed. To qualify for duty disability retirement, there is no age or service requirement, and the member receives a monthly disability retirement benefit for the period of his/her disability equal to 62.5% of final salary. To qualify for non-duty disability retirement, the member must have at least 10 years of service, and the member receives a monthly disability benefit for the period of his/her disability equal to 50% of final salary.

Contributions: Per Title 9-3-412 and 413 of State Statutes, for the year ended September 30, 2016, Public Employees Plan member contributions were required to be 8.25% of compensation, and employer contributions were required to be 8.37% of compensation. In accordance with Title 9-3-412 (c) (ii) of State Statutes, the Department has elected to pay 6.20% of the Public Employees Plan member contributions in addition to the employer contributions. Total contributions to the pension plan from the Department were \$13,097,316 for the year ended September 30, 2016.

Per Title 9-3-604 and 605 of State Statutes, for the year ended September 30, 2016, Patrol, Wardens, and DCI Plan member contributions were required to be 14.56% of compensation, and employer contributions were required to be 14.88% of compensation. In accordance with Title 9-3-412 (c) (ii) of State Statutes, the Department has elected to pay 12.60% of the Patrol, Wardens, and DCI Plan member contributions in addition to the employer contributions. Total contributions to the pension plan from the Department were \$3,962,888 for the year ended September 30, 2016.

Per Title 432 of State Statutes, for the year ended September 30, 2016, Law Enforcement member contributions were required to be 8.60% of compensation, and employer contributions were required to be 8.60% of compensation. In accordance with Title 9-3-412 (c) (ii) of State Statutes, the Department has elected to pay 6.54% of the Law Enforcement Plan member contributions in addition to the employer contributions. Total contributions to the pension plan from the Department were \$310,515 for the year ended September 30, 2016.

WYOMING DEPARTMENT OF TRANSPORTATION

NOTES TO FINANCIAL STATEMENTS

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pension: At September 30, 2016, the Department reported a total liability of \$164,824,709 for its proportionate share of the net pension liability of the three plans. The Public Employees Plan liability was \$117,323,165 the Patrol, Wardens, and DCI Plan liability was \$46,703,915, and the Law Enforcement Plan liability was \$797,629. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. The Department's proportion of the net pension liability for each plan was based on the relationship of the Department's total contributions to each plan for the year ended December 31, 2015 to the contributions of all participating employers for the same period to each plan.

At December 31, 2015 and December 31, 2014, the Department's proportion of the plans were as follows:

	Proportionate Share at December 31, 2015	Proportionate Share at December 31, 2014
Public Employees Plan	5.036738840%	5.052798616%
Patrol, Wardens and DCI Plan	60.371025837%	61.283406236%
Law Enforcement Plan	1.061807493%	1.0812092763%

For the year ended September 30, 2016, the Department recognized total pension expense of \$31,251,341 which consists of the following: \$20,538,200 for the Public Employees Plan, \$10,359,903 for the Patrol, Wardens, and DCI Plan, and \$353,238 for the Law Enforcement Plan.

WYOMING DEPARTMENT OF TRANSPORTATION

NOTES TO FINANCIAL STATEMENTS

	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience:		
Public Employees Plan	\$ -	\$ (2,481,266)
Patrol, Wardens, and DCI Plan	-	(874,717)
Law Enforcement Plan	14,444	-
Net difference between projected and actual earnings on pension plan investments:		
Public Employees Plan	28,747,119	-
Patrol, Wardens and DCI Plan	6,462,872	-
Law Enforcement Plan	490,109	-
Changes in proportion share of contributions:		
Public Employees Plan	-	(606,273)
Patrol, Wardens and DCI Plan	-	(240,935)
Law Enforcement Plan	-	(8,148)
Change in assumption		
Public Employees Plan	-	-
Patrol, Wardens and DCI Plan	15,622,228	-
Law Enforcement Plan	-	-
Contributions subsequent to the measurement date:		
Public Employees Plan	5,455,186	-
Patrol, Wardens and DCI Plan	1,508,164	-
Law Enforcement Plan	114,723	-
	<u>\$ 58,414,845</u>	<u>\$ (4,211,339)</u>

WYOMING DEPARTMENT OF TRANSPORTATION

NOTES TO FINANCIAL STATEMENTS

An amount of \$7,078,073 reported as deferred outflows of resources related to pensions resulting from the Department's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended:	Public Employees Plan	Patrol, Wardens, and DCI Plan	Law Enforcement Plan
2017	\$ 6,523,388	\$ 5,452,770	\$ 131,660
2018	6,523,388	5,452,770	131,660
2019	6,796,796	5,452,770	135,184
2020	5,816,008	4,611,138	97,901
	\$ 25,659,580	\$ 20,969,448	\$ 496,405

Actuarial assumptions: The total pension liability in the January 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement for the plans:

Inflation	3.25%
Salary increases, including inflation	4.25% - 6.00%
Investment rate of return, net of pension plan investment expense	7.75%

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale BB.

Long-term expected rate of return: The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following tables for the plans:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	15.00%	0.87%
Equity	59.00%	5.13%
Marketable alternatives	15.50%	4.75%
Private markets	8.00%	5.84%
Cash	2.50%	0.25%
Total	100.00%	

WYOMING DEPARTMENT OF TRANSPORTATION

NOTES TO FINANCIAL STATEMENTS

Experience analysis: An experience study was conducted on behalf of all WRS's plans covering the five-year period ended December 31, 2011. That study provided a detailed analysis concerning the development of the long-term inflation rate, real rate of return, and discount rate. The study also analyzed each major actuarial assumption (e.g., mortality, salary increases, retirement, termination, and disability) and proposed assumptions consistent with the findings.

Discount rate: The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the current contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the employer's proportionate share of the net pension liability to changes in the discount rate: The following presents the Department's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the Department's proportionate share of the net pension liability for each plan would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current (7.75%)	1% Increase (8.75%)
Public Employees Plan	\$ 168,434,558	\$ 117,323,165	\$ 74,112,995
Patrol, Wardens and DCI Plan	62,910,612	46,703,915	33,257,789
Law Enforcement Plan	1,618,372	797,629	119,417

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued WRS financial report available from the Wyoming Retirement System, 6101 Yellowstone Road, Cheyenne, Wyoming 82002 or at <http://retirement.state.wy.us/home/index.html>

Note 10. Post-Employment Benefits, Other than Pensions

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, requires the State of Wyoming (State) to have an actuarial valuation of the post-retirement benefit plan (other than pensions). The net result of which is to identify the actuarial accrued liability, the annual required contribution, and the net OPEB obligation. Detailed information about the OPEB is available in the separately issued State CAFR available from the State Auditor's Office, State Capitol, Suite 114, Cheyenne, Wyoming 82002 or at <https://sites.google.com/a/wyo.gov/sao/publications>.

The retiree benefits offered by the State are self-insured plans, including prescription drugs, three options for early retirees and two options for Medicare retirees. Currently, the retiree benefits are subsidized by the State based on age and years of service.

WYOMING DEPARTMENT OF TRANSPORTATION

NOTES TO FINANCIAL STATEMENTS

Plan description – The State participates in a single-employer defined benefit postemployment healthcare plan, the Retirees Health Insurance Plan. The Legislature has the authority for establishing and amending the plan. This plan does not issue a separate report.

A retiree is eligible for coverage under the group insurance plan at premium rates established by the State, provided:

- Application to continue coverage is made to the State within thirty-one (31) days after termination of the retiree’s employment; and
- The retiree has had medical coverage in effect under the group insurance plan for at least one (1) year immediately prior to the date of retirement and is eligible to receive a retirement benefit under the Wyoming Retirement System; and either;
- Has attained the age of fifty (50) on the date of retirement and has at least four (4) years of service credit under the Wyoming Retirement System as an employee of one (1) of the employing entities participating in the plan; or
- Has at least twenty (20) years of service credit under the Wyoming Retirement System as an employee of one (1) of the employing entities participating in the plan.

Required monthly contributions – Contributions are required for both retiree and dependent coverage. The State of Wyoming is currently providing a subsidy to offset the retiree’s contributions for the medical insurance program. The current contribution amounts are provided here.

- Pre-Medicare retirees are subsidized \$11.50 per month per years of service, up to a maximum of 30 years.
- Medicare eligible retirees are subsidized \$5.75 per month per year of service, up to a maximum of 30 years.

For the plan year ended June 30, 2016, there were 16,339 fully eligible active participants. The retiree’s benefit description provides that eligible retirees receive health care through one of three medical plans. All plans are available to those under age 65 while the Health Savings Plans is not available to those 65 and older. The actuarial valuation identified a dental benefit which is available, but does not believe there is an OPEB liability associated with this benefit since the benefit is full contributory and there is not implicit subsidy.

GASB 45 allows the use of one of the following actuarial cost methods for the valuation: Unit Credit, Entry Age Normal, Attained Age, Aggregate, Frozen Entry Age, or Frozen Attained Age. These methods can be amortized on either a level dollar or a level percentage of earnings basis. This actuarial valuation assumes the use of the Unit Credit method with amortization on a level percentage basis, because it is believed the Unit Credit method provides the most logical correlation between accruing and expensing of retiree benefits.

WYOMING DEPARTMENT OF TRANSPORTATION

NOTES TO FINANCIAL STATEMENTS

Funding policy – The State finances this program on a “pay-as-you-go” basis. The Legislature has the authority for establishing and amending the funding policy. For fiscal year 2016, the State’s post-retirement plan is considered an unfunded plan. While the legislature has established a fund to account for retiree health insurance contributions, to pay explicit subsidies, for purposes of this latest actuarial evaluation the plan is considered unfunded and these dollars are not treated as an asset for this analysis. The fund had a cash balance of \$24.9 million as of June 30, 2016.

For the year ended September 30, 2016, the State assessed the Department \$635,545 to help defray these costs.

Note 11. Risk Management and Contingencies

The Department participates in two self-insurance plans: the State Self-Insurance Program and the State Employee Medical, Life, and Dental Insurance Program.

The Department participates in a self-insurance program, which is maintained by the State’s Department of Administration and Information (State Administration). The State self-insurance fund was created to handle property, casualty, and liability insurance claims brought against the State. The State Administration generally maintains sufficient reserves for incurred but unpaid claims as well as incurred but unreported claims; losses are covered by a combination of appropriations from the State’s general fund in the year in which the payment occurs and by assessing all State agencies a pro rata share of anticipated claims for the fiscal year. The State Administration assessed the Department \$655,402 for the biennium 2015-2016. The Department has transferred \$327,701 to the Department of Administration in 2016 for the last half of the biennium.

The Department also participates in an employees’ group medical, dental, and life insurance program which is co-administered with a third-party health provider/claim service company. The State self-insures medical and dental costs and assumes all the risk for claims incurred by plan participants. The State does not retain any risk of loss for the life insurance plan as the insurance provider assumes all risk for claims incurred by the participant. During the fiscal year 2016, the Department contribute 85% up to \$1,716 per month for insurance premiums for each covered participant towards these plans. Participants are responsible for paying premium charges in excess of this amount.

The State’s group insurance fund, which includes medical, dental, and life, was solvent at June 30, 2016 and the Department expects to incur no liability in connection with the group insurance program. Group insurance premiums paid by the Department during fiscal years 2016 and 2015 were \$25,502,715 and \$27,384,277, respectively.

The Department also participates in two other risk management programs: Workers’ Compensation Act and Unemployment Compensation Act.

WYOMING DEPARTMENT OF TRANSPORTATION

NOTES TO FINANCIAL STATEMENTS

Wyoming Statute 27-14-101-806 created the Wyoming Workers' Compensation Act which is administered by the State. All employers within the State are participants of this plan unless the employer elects not to be covered under the plan. This act requires the Department to obtain liability coverage for payment of benefits to employees for job-related injuries and diseases through the Workers' Compensation Fund. This act provides general protection from suits filed by employees against the Department. The Department makes monthly transfers to the State's Department of Workforce Services. This amount is based on salaries and a split rate between hazardous and non-hazardous positions.

At June 30, 2016, the State Workers' Compensation Fund reported a claims liability of approximately \$1.82 billion. The Department's proportionate share of the claims liability cannot reasonably be estimated. The amount paid by the Department to the State Workers' Compensation fund during fiscal year 2016 was \$3,177,115.

The Department does not carry unemployment insurance but pays the cost of actual claims incurred. The Department paid \$176,965 unemployment claims for the year ended September 30, 2016.

Note 12. Transactions with the State

The Department pays for services provided by the State for warehouse and computer processing time, plus a statewide cost allocation system amount. The total disbursed for these services was \$15,603,703 for the year ended September 30, 2016.

Note 13. Commitments

The Department has commitments of nearly \$248 million which are made up of purchase orders, encumbrances, and contracts at year end. Construction, maintenance, and airport improvement contracts make up the majority of these commitments. At September 30, 2016, work has yet to be completed and approved by the Department and, as such, any Federal financial assistance has not been recognized.

Outstanding commitments at September 30, 2016 are as follows:

	WYDOT	
	General Fund	Nonmajor Funds
Construction and maintenance	\$ 204,872,847	\$ -
Airport Improvement	27,697,442	-
Other	4,625,326	10,406,639
	<u>\$ 237,195,615</u>	<u>\$ 10,406,639</u>

REQUIRED SUPPLEMENTARY INFORMATION

The Department's Required Supplementary Information includes the Infrastructure Assets Recorded Using the Modified Approach, Budgetary Comparison Schedules for the WYDOT General Fund and State Infrastructure Bank Fund, Schedules of Proportionate Shares of the Net Pension Liabilities, and the Schedules of Contributions for all Department participation in pension plans, and Notes to the Required Supplementary Information.

WYOMING DEPARTMENT OF TRANSPORTATION

INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH

September 30, 2016

The Department accounts for its infrastructure assets using the modified approach. The infrastructure consists of the road subsystem, the bridge subsystem, and communication subsystem.

The Department manages its road network with a pavement management system developed by the Department. A consulting firm is contracted to collect the data. The pavement condition is rated in three areas: ride, rutting, and cracking. The ride is measured by suspension movement using an index called the present surface index (PSI). The rutting is measured using the height difference between the lane center and each wheel path of a cross section of road to determine the rut index (RUT). The cracking measures the width and frequency of the cracks to establish the pavement condition index (PCI). A composite rating is derived from the three condition ratings called the pavement serviceability rating (PSR). The pavement management system establishes a PSR on a scale from 0 to 5 for each road section with the following categories:

Excellent	5.0 to 3.5
Good	3.5 to 3.0
Fair	3.0 to 2.5
Poor	2.5 to 0

It is the Department's goal to maintain its National Highway System (NHS) which is broken out between Interstate NHS and Non-Interstate NHS roadway system at an average rating of 3.25 (good) as a whole and its Off the National Highway System (Non-NHS) at an average rating of 3.00 (fair) for the Non-NHS system as a whole. Each road section has data collected every other year. The road subsystem condition assessment is done every year.

As of September 30, 2016, the overall PSR for the Interstate NHS was 3.60, Non-Interstate NHS at 3.25, and Non-NHS was 2.96. The number of miles of Interstate, Non-Interstate, and Non-NHS with excellent to good condition and fair to poor condition are as follows:

WYOMING DEPARTMENT OF TRANSPORTATION

INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH

September 30, 2016

2014 PSR Condition Rating	Interstate		NHS		Non-NHS	
	Number of Miles	Percent	Number of Miles	Percent	Number of Miles	Percent
Good to Excellent	1502	82.3%	1322	61.3%	1778	51.9%
Poor to Fair	323	17.7%	835	38.7%	1649	48.1%
	1825	100%	2157	100%	3427	100%

2015 PSR Condition Rating	Interstate		NHS		Non-NHS	
	Number of Miles	Percent	Number of Miles	Percent	Number of Miles	Percent
Good to Excellent	1523	83.5%	1336	61.3%	1664	49.1%
Poor to Fair	301	16.5%	842	38.7%	1728	50.9%
	1824	100%	2178	100%	3392	100%

2016 PSR Condition Rating	Interstate		NHS		Non-NHS	
	Number of Miles	Percent	Number of Miles	Percent	Number of Miles	Percent
Good to Excellent	1647	90.1%	1431	66.0%	1691	51.8%
Poor to Fair	181	9.9%	737	34.0%	1572	48.2%
	1828	100%	2169	100%	3263	100%

As of September 30, 2015, the overall PSR for NHS, including Interstate, was 3.54, Non-NHS was 3.22 and, as of September 30, 2014, the overall PSR for NHS, including Interstate, was 3.52, and Non-NHS was 3.27.

The Department uses a comprehensive bridge management system to assist in managing the State's bridges. Each bridge is inspected at least once every two years. This inspection measures, assesses, and records the required National Bridge Inventory (NBI) items, including dimensions, clearances, alignment, waterway data, and structural condition. The structural condition is evaluated by using structural elements. Each component of the bridge (girders, deck, railing, columns, piling, etc.) is assigned an element and the condition of each element is evaluated based on several condition assessments. The structure's NBI data is then used to determine its Wyoming Bridge Index (WBI).

The WBI provides a high level view for reporting purposes while individual components help distinguish differences in bridge attributes that may otherwise go unnoticed when using a single rating or index (e.g., Sufficiency Rating). It is composed of a Structural Condition Rating (SCR), Maintenance Rating (MR), Functionality Rating (FR), and Risk Rating (RR). These ratings are assessments of a bridge's current structural adequacy, condition of commonly maintained components, attributes affect on users, and vulnerability to extreme events.

WYOMING DEPARTMENT OF TRANSPORTATION

INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH
September 30, 2016

The bridges are given an overall WBI Performance Category of Excellent, Good, Fair, or Poor based on a composite score of the four component ratings. The formula for the WBI and Performance Category bands are as follows:

$$\text{WBI} = 0.55 \times \text{SCR} + 0.25 \times \text{MR} + 0.11 \times \text{FR} + 0.09 \times \text{RR}$$

Excellent	100	≥ WBI ≥	93
Good	93	> WBI ≥	85
Fair	85	> WBI ≥	65
Poor	65	> WBI ≥	0

The Department’s goal is to maintain 85% percent of its NHS and Non-NHS bridges in Excellent, Good, and Fair Condition (i.e., 15% or less in Poor condition).

The NBI data supplied to the Federal Highway Administration in March 2014 results in the following Structure Condition Ratings. Please note the highway bill, *Moving Ahead for Progress in the 21st Century (MAP-21)*, including the requirements to use new bridge inspection elements, which the Department started to collect in October 2014. The new elements will take time to get consistency in the inspection data. As a result, changes in items being reported can be anticipated as requirements are made each year.

2016 Structure Condition Rating					
	NHS		Non NHS		
<u>Condition</u>	<u>Number</u>	<u>Percent</u>	<u>Condition</u>	<u>Number</u>	<u>Percent</u>
Excellent	111	8.3%	Excellent	85	13.8%
Good	542	40.3%	Good	248	40.3%
Fair	660	49.1%	Fair	245	39.9%
Poor	31	2.3%	Poor	37	6.0%
Total	1344	100.0%	Total	615	100.0%

WYOMING DEPARTMENT OF TRANSPORTATION

INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH
September 30, 2016

The 2015 and 2014 structure condition ratings have been converted and presented in the WBI formula.

2015 Structure Condition Rating					
NHS			Non NHS		
<u>Condition</u>	<u>Number</u>	<u>Percent</u>	<u>Condition</u>	<u>Number</u>	<u>Percent</u>
Excellent	112	8.3%	Excellent	88	14.3%
Good	533	39.6%	Good	244	39.7%
Fair	661	49.2%	Fair	247	40.2%
Poor	39	2.9%	Poor	36	5.8%
Total	1,345	100.0%	Total	615	100.0%

2014 Structure Condition Rating					
NHS			Non NHS		
<u>Condition</u>	<u>Number</u>	<u>Percent</u>	<u>Condition</u>	<u>Number</u>	<u>Percent</u>
Excellent	110	8.1%	Excellent	82	13.4%
Good	510	38.0%	Good	255	41.7%
Fair	671	50.0%	Fair	232	37.9%
Poor	52	3.9%	Poor	43	7.0%
Total	1343	100.0%	Total	612	100.0%

The Department’s new communication infrastructure facilitates statewide radio communications for and between public safety agencies, including law enforcement, fire, emergency medical, transportation, and other entities. The Governor has appointed a Public Safety Communications Commission to provide guidance regarding system operations and participation, and advice to promote system development, improvement, and efficiency.

To assess and monitor the communication system’s operating effectiveness, Telecom Infrastructure Asset ratings are calculated from the Telecommunications Program maintenance measures. Ratings are grouped as WyoLink Base/Repeater, and Other-Telecom (Radio Site and Microwave). Telecom maintained this communications infrastructure following the technical evaluation and documentation procedures detailed in the programs policies. The Department's policy is to maintain 100% of its communication system in acceptable condition; actual overall rating was 100% at the end of the year.

WYOMING DEPARTMENT OF TRANSPORTATION

INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH
September 30, 2016

Tabular summary of the quantity and percentage of Telecom infrastructure assets in acceptable condition:

2016 Condition Rating	Number of	Percent	Number of	Percent
	WyoLink Assets		Other-Tele-com Assets	
Acceptable	66	100%	186	100%
Deficient	0	0%	0	0%
2015 Condition Rating				
Acceptable	66	100.0%	186	100%
Deficient	0	0%	0	0%
2014 Condition Rating				
Acceptable	61	100.0%	166	100%
Deficient	0	0%	0	0%

The Department estimated maintenance and preservation expenditures on infrastructure assets of \$361 million for the year ended September 30, 2016. Actual expenditures on infrastructure for maintenance and preservation were \$328.1 million, a difference of \$32.9 million. The difference is due to the size and length of the construction projects.

Estimated and actual amounts used to maintain or preserve the Department’s infrastructure systems at the Department’s target PSR ratings for the past five years are as follows:

	Estimated			Actual		
	Road Network	Bridges	Communications System	Road Network	Bridges	Communications System
For the year ended September 30,						
2012	408.9 million	39.1 million	2.88 million	409.2 million	12.1 million	2.9 million
2013	394.2 million	25.4 million	2.5 million	356.2 million	11.7 million	3.5 million
2014	347.7 million	40.7 million	2.4 million	369.3 million	17.1 million	2.3 million
2015	368.2 million	45.2 million	2.8 million	420.4 million	22.0 million	2.8 million
2016	316.7 million	41.3 million	2.99 million	297.7 million	27.4 million	2.99 million

WYOMING DEPARTMENT OF TRANSPORTATION

SCHEDULE OF REVENUE APPROPRIATED AND EXPENSES ALLOCATED -
BUDGET AND ACTUAL - WYDOT GENERAL FUND

Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Revenues appropriated:				
Highway user fees	\$204,675,300	\$193,256,254	\$ 185,653,861	\$ (7,602,393)
Mineral royalties and severance taxes	73,184,000	73,184,000	73,184,000	-
General funds	28,121,000	52,732,389	41,567,123	(11,165,266)
Federal aid	232,561,217	247,414,369	248,167,079	752,710
Federal grants	28,945,008	33,136,306	31,198,542	(1,937,764)
Other sources	23,236,193	24,992,027	19,792,453	(5,199,574)
Total revenues appropriated	\$590,722,718	\$624,715,345	\$ 599,563,058	\$ (25,152,287)
Expenses allocated:				
Highway improvement program	311,430,689	336,953,195	353,459,983	(16,506,788)
Highway maintenance	134,275,049	135,318,464	121,612,423	13,706,041
Transportation planning	26,957,939	29,868,885	26,213,136	3,655,749
Other	6,120,420	11,466,497	9,713,351	1,753,146
Legislative appropriated	93,719,546	92,016,729	87,795,541	4,221,188
Capital outlay	8,643,431	8,726,798	8,614,740	112,058
Transfers out, other State agencies	7,838,644	7,838,644	4,513,300	3,325,344
Transfers out, WYDOT funds	1,737,000	2,526,133	2,490,584	35,549
Total expenses allocated	590,722,718	624,715,345	614,413,058	10,302,287
Revenues appropriated over (under) expenses allocated	\$ -	\$ -	\$ (14,850,000)	\$ (14,850,000)

See Notes to Required Supplementary Information.

WYOMING DEPARTMENT OF TRANSPORTATION

**SCHEDULE OF REVENUE APPROPRIATED AND EXPENSES ALLOCATED -
BUDGET AND ACTUAL - STATE INFRASTRUCTURE BANK FUND**

Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	Budgetary Basis)	with Final Budget
Revenues appropriated:				
Reimbursements on advance	\$ 23,000,005	\$ 37,239,646	\$ 29,036,137	\$ (8,203,509)
Interest and investment revenue	86,184	130,237	117,135	(13,102)
Total revenues appropriated	23,086,189	37,369,883	29,153,272	(8,216,611)
Expenses allocated:				
Project loans/advances	23,000,000	34,389,617	33,389,617	1,000,000
Revenues appropriated over (under) expenses allocated	\$ 86,189	\$ 2,980,266	\$ (4,236,345)	\$ (7,216,611)

See Notes to Required Supplementary Information.

WYOMING DEPARTMENT OF TRANSPORTATION

**SCHEDULE OF THE DEPARTMENT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

Public Employee Pension Plan

Years Ended September 30, 2016, 2015, and 2014*

	Department's proportion of the net pension liability (asset)	Department's proportionate share of the net pension liability (asset)	Department's covered payroll	Department's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2014	5.104146471%	\$ 77,610,610	\$ 90,224,761	86.02%	81.10%
2015	5.052798616%	\$ 89,166,344	\$ 88,707,147	100.52%	79.08%
2016	5.036738840%	\$ 117,323,165	\$ 88,054,761	133.24%	73.40%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

SCHEDULE OF THE DEPARTMENT'S CONTRIBUTIONS

Public Employee Pension Plan

Years Ended September 30, 2016, 2015, and 2014

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	\$6,446,786	\$6,446,786	\$ -	\$ 89,000,266	7.24%
2015	\$6,806,929	\$6,806,929	\$ -	\$ 87,070,992	7.82%
2016	\$7,526,573	\$7,526,573	\$ -	\$ 89,923,215	8.37%

These schedules are to be built prospectively until they contain ten years of data.

See Notes to Required Supplementary Information.

WYOMING DEPARTMENT OF TRANSPORTATION

SCHEDULE OF THE DEPARTMENT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY

Patrol, Wardens, and DCI Pension Plan

Years Ended September 30, 2016, 2015, and 2014*

	Department's proportion of the net pension liability (asset)	Department's proportionate share of the net pension liability (asset)	Department's covered payroll	Department's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2014	61.283406236%	\$ 17,543,018	\$ 13,256,425	132.34%	80.91%
2015	61.283406236%	\$ 20,347,234	\$ 13,287,888	153.13%	78.99%
2016	60.371025837%	\$ 46,703,915	\$ 13,642,139	342.35%	61.07%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

SCHEDULE OF THE DEPARTMENT'S CONTRIBUTIONS

Patrol, Wardens, and DCI Pension Plan

Years Ended September 30, 2016, 2015, and 2014

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	\$1,733,326	\$1,733,326	\$ -	\$ 13,116,763	13.21%
2015	\$1,878,094	\$1,878,094	\$ -	\$ 13,290,661	14.13%
2016	\$2,145,844	\$2,145,844	\$ -	\$ 14,420,992	14.88%

These schedules are to be built prospectively until they contain ten years of data.

See Notes to Required Supplementary Information.

WYOMING DEPARTMENT OF TRANSPORTATION

SCHEDULE OF THE DEPARTMENT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY

Law Enforcement Pension Plan

Years Ended September 30, 2016, 2015, and 2014*

	Department's proportion of the net pension liability (asset)	Department's proportionate share of the net pension liability (asset)	Department's covered payroll	Department's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2014	1.1149139180%	\$ 203,576	\$ 1,758,238	11.58%	96.53%
2015	1.0812092763%	\$ 318,562	\$ 1,684,499	18.91%	94.76%
2016	1.0618074930%	\$ 797,629	\$ 1,829,004	43.61%	87.49%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

SCHEDULE OF THE DEPARTMENT'S CONTRIBUTIONS

Law Enforcement Pension Plan

Years Ended September 30, 2016, 2015, and 2014

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	\$146,637	\$146,637	\$ -	\$ 1,705,092	8.60%
2015	\$151,072	\$151,072	\$ -	\$ 1,756,022	8.60%
2016	\$155,258	\$155,258	\$ -	\$ 1,805,321	8.60%

These schedules are to be built prospectively until they contain ten years of data.

See Notes to Required Supplementary Information.

WYOMING DEPARTMENT OF TRANSPORTATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1. Budget Structure

Commission budget: Annual budgets are submitted to the Commission for their approval at the beginning of each fiscal year for certain revenues and expenditures of the Department. The legal level of budgetary control is total expenditures for the Department. Management monitors the budget at the program level. The annual budgets are amended by the Commission in the first, second, and third quarters for each fiscal year. All annual budgets lapse at fiscal year end. The basis of the annual budget differs from GAAP as the budget is on an obligation basis, a substantially cash basis which includes long-term commitments.

Legislative budget: The Department has certain expenditures, including law enforcement, regulatory administration, and aeronautics activities, for which a budget is prepared by the Department and presented to the State Legislature. Wyoming Statutes require the Department to prepare and submit a biennial budget to the Legislature as of December 1st of each odd numbered year prior to the beginning of the Legislative budget session the following spring. The Legislature may add, change, or delete any items in the budget proposed by the Department. The Governor has the authority to amend the budget by up to 10% of the original budget. Additionally, supplemental appropriations may be approved by the Legislature during non-budget sessions held in odd numbered years. The biennial budget lapses at the end of the biennial period. The State's legal level of budgetary control is at the appropriation organization level. Budgets are maintained at an expense organization level within the appropriation organization, and the Director has the authority to transfer appropriations from one expense organization to another.

Note 2. Basis of Budgeting

One of the major focuses of the Department's budget is to account for and track commitments on construction projects. Construction project revenue and expenditures are budgeted for on a project-length basis. In order to provide information regarding the Department's long-term revenues and commitments as well as its administrative revenues and expenditures, the Department uses the terms appropriations and allocations as noted below.

Appropriations – This budgetary term includes all receipts collected on a cash basis from various taxes, fees, and royalties and those grants and other revenues not associated with long-term construction contracts. Revenues associated with long-term construction contracts are included when revenues available are identified to a specific, approved construction contract. This basis differs from accounting principles generally accepted in the United States of America (GAAP).

Allocations – This budgetary term includes all disbursements for various activities and programs not associated with long-term construction contracts. Expenditures associated with long-term construction contracts are considered allocated when a specific construction contract is approved. The actual expenditures carry forward into subsequent fiscal years until the project is complete. These project-length allocations are approved by the Wyoming Transportation and Aeronautics Commissions throughout the year as the projects are developed.

Note 3. Budgetary Reports

Stand-alone budgetary reports are prepared by the Department and are available from the Department's administration offices at 5300 Bishop Boulevard, Cheyenne, Wyoming 82001.

WYOMING DEPARTMENT OF TRANSPORTATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 4. Budget Reconciliation

Explanations of certain differences between the Schedules of Revenues Appropriated and Expenses Allocated and the Statement of Revenue, Expenditures, and Changes in Fund Balances for both the WYDOT General Fund and State Infrastructure Bank Fund are as follows:

	WYDOT General Fund
Revenues appropriated – actual amounts (basis of budgeting)	\$ 599,563,058
Net difference in project-related revenues budgeted each year as appropriated for the complete project, compared to revenues earned in the current year on specific contracts in progress	25,175,089
Differences in accrual basis revenues and cash basis budgetary amounts	(61,750,110)
Differences in budgetary basis and GAAP for proceeds on sale of assets	(4,814,056)
Total revenues as reported on the Statement of Revenue, Expenditures and Changes in Fund Balances	\$ 558,173,981

	WYDOT General Fund
Expenses allocated - actual amounts (basis of budgeting)	\$ 614,413,058
Net difference in project-length expenditures budgeted each year for the length of the project, compared to expenses incurred on specific contracts in progress	92,044,569
Differences in accrual basis expenditures and cash basis budgetary amounts	(135,583,203)
Differences in budgetary basis and GAAP for transfers	(1,500,000)
Total expenditures as reported on the Statement of Revenue, Expenditures and Changes in Fund Balances – WYDOT General Fund	\$ 569,374,424

WYOMING DEPARTMENT OF TRANSPORTATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

	State Infrastructure Bank Fund
Revenues appropriated – actual amounts (basis of budgeting)	\$ 29,153,272
Differences in budgetary basis to GAAP	
Reimbursements on advance	(29,036,137)
Unrealized gain on investments	371,428
	<hr/>
Total revenues as reported on the Statement of Revenue, Expenditures and Changes in Fund Balances	\$ 488,563

	State Infrastructure Bank Fund
Expenses allocated – actual amounts (basis of budgeting)	\$ 33,389,617
Differences in budgetary basis to GAAP	
Project loan advances	(33,389,617)
	<hr/>
Total expenditures as reported on the Statement of Revenue, Expenditures and Changes in Fund Balances	\$ -

Note 5. Retirement Commitment – Wyoming Retirement System

Changes in benefit terms: There were no changes in benefit terms between the December 31, 2014 measurement date and the December 31, 2015 measurement date.

Changes in assumptions: There were no changes in assumptions between the December 31, 2014 measurement date and the December 31, 2015 measurement date, with the exception of the Patrol, Wardens, and DCI Plan.

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

The Department maintains the following nonmajor governmental funds:

Motorcycle Safety Fund – accounts for resources obligated for improvement of motorcycle awareness and overall motorcycle safety.

Federal Transit Authority Fund – accounts for resources obligated to the operations of FTA designated program.

IFTA Decal Fund – accounts for International Fuel Tax Agreement activity, including licenses and registrations.

Radioactive Waste Fees Fund – accounts for resources restricted to the safe disposition of radioactive material.

Ignition Interlock Device Fund – accounts for resources restricted to the sale and installation of ignition interlock devices associated with driving under the influence of alcohol offenses.

Air Service Enhancement Fund – accounts for resources restricted to operations of aeronautical and air service enhancements.

Flight Services Fund – accounts for resources obligated to flight travel services for other governmental entities within Wyoming.

Statewide Communication System Fund – accounts for resources obligated to preservation and enhancement of the state-wide communication system.

WYOMING DEPARTMENT OF TRANSPORTATION

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

September 30, 2016

ASSETS	Motorcycle Safety Fund	Federal Transit Authority Fund	IFTA Decal Fund	Radioactive Waste Fees Fund	Ignition Interlock Device Fund	Air Service Enhancement Fund	Flight Services Fund	Statewide Communication System Fund	Total
Cash with state treasurer	\$ 986,101	\$ 1,655,554	\$ 369,925	\$ 463,473	\$ 72,395	\$ 7,286,670	\$ 40,754	\$ 1,620,602	\$ 12,495,474
Cash with other institutions	-	-	-	-	(830)	-	-	-	(830)
Accounts receivable	7,119	225,389	-	600	-	-	113,732	64,465	411,305
Total assets	\$ 993,220	\$ 1,880,943	\$ 369,925	\$ 464,073	\$ 71,565	\$ 7,286,670	\$ 154,486	\$ 1,685,067	\$ 12,905,949
LIABILITIES AND FUND BALANCE									
Liabilities									
Accounts payable	\$ 10,622	\$ 632	\$ -	\$ -	\$ -	\$ 148,530	\$ 20,272	\$ 1,364,637	\$ 1,544,693
Due to other funds	4,637	10,456	-	-	-	9,543	18,337	24,621	67,594
Total liabilities	15,259	11,088	-	-	-	158,073	38,609	1,389,258	1,612,287
Fund balances									
Restricted	-	-	-	464,073	71,565	7,128,597	115,877	-	7,780,112
Assigned	977,961	1,869,855	369,925	-	-	-	-	295,809	3,513,550
Total fund balance	977,961	1,869,855	369,925	464,073	71,565	7,128,597	115,877	295,809	11,293,662
Total liabilities and fund balance	\$ 993,220	\$ 1,880,943	\$ 369,925	\$ 464,073	\$ 71,565	\$ 7,286,670	\$ 154,486	\$ 1,685,067	\$ 12,905,949

WYOMING DEPARTMENT OF TRANSPORTATION

**COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS**

Year Ended September 30, 2016

	Motorcycle Safety Fund	Federal Transit Authority Fund	IFTA Decal Fund	Radioactive Waste Fees Fund	Ignition Interlock Device Fund	Air Service Enhancement Fund	Flight Services Fund	Statewide Communication System Fund	Total
Revenues									
Highway user fees revenue	\$ 461,774	\$ -	\$ 48,347	\$ -	\$ 70,700	\$ -	\$ -	\$ -	\$ 580,821
Federal aid revenue	-	93,312	-	-	-	-	-	-	93,312
Federal grant revenue	-	11,678,599	-	-	-	-	-	-	11,678,599
Interest and investment revenue	92,394	145,626	36,752	38,905	19,586	536,628	1,095	79,963	950,949
Flight service revenue	-	-	-	-	-	-	700,835	-	700,835
Communication network revenue	-	-	-	-	-	-	-	247,335	247,335
Other state sources revenue	-	-	-	-	-	6,528,321	-	3,252,400	9,780,721
Other miscellaneous revenue	-	-	-	-	-	-	11,464	-	11,464
Total revenues	554,168	11,917,537	85,099	38,905	90,286	7,064,949	713,394	3,579,698	24,044,036
Expenditures									
Highway safety	322,980	-	-	-	-	-	-	-	322,980
Federal transit program	-	12,993,374	-	-	-	-	-	-	12,993,374
Licensing and registration	-	-	20,786	-	40,060	-	-	-	60,846
Communication network	-	-	-	-	-	-	-	5,604,459	5,604,459
Airport improvement	-	-	-	-	-	3,096,996	-	-	3,096,996
Flight services	-	-	-	-	-	-	389,740	-	389,740
Total expenditures	322,980	12,993,374	20,786	-	40,060	3,096,996	389,740	5,604,459	22,468,395
Excess(deficiency) of revenues over expenditures	231,188	(1,075,837)	64,313	38,905	50,226	3,967,953	323,654	(2,024,761)	1,575,641
Other financing sources									
Transfers in	-	1,500,000	-	-	-	-	-	-	1,500,000
Net change in fund balance	231,188	424,163	64,313	38,905	50,226	3,967,953	323,654	(2,024,761)	3,075,641
Fund Balance, beginning of year	746,773	1,445,692	305,612	425,168	21,339	3,160,644	(207,777)	2,320,570	8,218,021
Fund Balance, end of year	\$ 977,961	\$ 1,869,855	\$ 369,925	\$ 464,073	\$ 71,565	\$ 7,128,597	\$ 115,877	\$ 295,809	\$ 11,293,662

FIDUCIARY FUNDS

Agency funds are used to report resources held by the Department in a custodial capacity and involve only the receipt, temporary investment, and remittance to individuals, private organizations, or governments. The Department maintains the following agency funds:

Vehicle Rental Surcharge Fund – accounts for funds assessed on rental vehicles collected and distributed to other jurisdictions.

Commercial Vehicle Bond Fund – accounts for bonds held by the Department to insure proper payment of motor fuel taxes.

Special Fuel Bond Fund – accounts for bonds held by the Department to insure proper payment of special fuel taxes.

Motor Vehicle Registration (MVR) to Counties Fund – accounts for collection and distribution of motor vehicle registration fees due to counties within the State of Wyoming.

Motor Vehicle Registration (MVR) to Other Governments Fund – accounts for collection and distribution of motor vehicle registration fees which are required to be distributed to other entities.

Gas and Special Fuel Tax Fund – accounts for funds accumulated from gasoline and special fuel taxes due to other entities until allocated and distributed according to State or Federal statutes.

Financial Responsibility Bonds – accounts for bonds posted by individuals involved in a motor vehicle accident without carrying auto insurance as required by Statute.

WYOMING DEPARTMENT OF TRANSPORTATION

COMBINING STATEMENT OF FIDUCIARY NET POSITION - ALL AGENCY FUNDS

September 30, 2016

	Vehicle Rental Surcharge Fund	Special Fuel Bond Fund	MVR to Counties Fund	MVR to Other Governments Fund	Gas and Special Fuel Tax Fund	Financial Responsibility Fund	Total
ASSETS							
Cash with State Treasurer	\$ 60	\$ -	\$ 313,723	\$ 275,669	\$ 11,541,610	\$ 48,357	\$ 12,179,419
Accounts receivable	-	-	-	-	11,456,521	-	11,456,521
Total assets	\$ 60	\$ -	\$ 313,723	\$ 275,669	\$ 22,998,131	\$ 48,357	\$ 23,635,940
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 21,849,257	\$ 2,002	\$ 21,851,259
Deposits of others	60		313,723	275,669	1,148,874	46,355	1,784,681
Total liabilities	\$ 60	\$ -	\$ 313,723	\$ 275,669	\$ 22,998,131	\$ 48,357	\$ 23,635,940

WYOMING DEPARTMENT OF TRANSPORTATION

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS

Year Ended September 30, 2016

	Vehicle Rental Surcharge Fund	Special Fuel Bond Fund	MVR to Counties Fund	MVR to Other Governments Fund	Gas and Special Fuel Tax Fund	Financial Responsibility Fund	Total
Balance as of September 30, 2015	\$ 80	\$ 104,747	\$ 253,736	\$ 273,884	\$ 17,373,302	\$ 60,738	\$ 18,066,487
Additions	299,797	-	5,728,532	7,863,300	184,886,521	26,834	198,804,984
Reductions	(299,817)	(104,747)	(5,668,545)	(7,861,515)	(179,261,692)	(39,215)	(193,235,531)
Balance as of September 30, 2016	\$ 60	\$ -	\$ 313,723	\$ 275,669	\$ 22,998,131	\$ 48,357	\$ 23,635,940

SINGLE AUDIT SECTION

WYOMING DEPARTMENT OF TRANSPORTATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2016

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Interior				
Passed through Wyoming Department of Environmental Quality Abandoned Mine Land Reclamation (AMLR) Program	15.252	unknown	\$ -	\$ 28,639,385
Total U.S. Department of Interior			-	28,639,385
U.S. Department of Transportation				
Federal Aviation Administration:				
Airport Improvement Program	20.106	-	26,620,975	26,831,118
Federal Highway Administration:				
Highway Planning and Construction Cluster	20.205	-	5,109,319	218,947,585
Federal Motor Carrier Safety Administration:				
Motor Carrier Safety Assistance	20.218	-	-	769,102
Federal Transit Administration:				
<i>Federal Transit Cluster:</i>				
Federal Transit Capital Investment Grants	20.500	-	574,687	574,687
Bus and Bus Facilities Formula Program	20.526	-	1,278,986	1,278,986
<i>Total Federal Transit Cluster</i>			<u>1,853,673</u>	<u>1,853,673</u>
<i>Transit Services Programs Cluster:</i>				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	-	340,627	340,627
Job Access and Reverse Commute Program	20.516	-	52,554	93,312
<i>Total Federal Services Programs Cluster</i>			<u>393,181</u>	<u>433,939</u>
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research				
Formula Grants for Rural Areas	20.505	-	1,508,713	1,698,505
	20.509	-	6,256,669	7,527,656
Office of the Secretary (OST) Administration Secretariat:				
National Infrastructure Investments	20.933	-	261,999	261,999
National Highway Traffic Safety Administration:				
<i>Highway Safety Cluster:</i>				
State and Community Highway Safety Program	20.600	-	418,778	1,562,641
Alcohol Impaired Driving Countermeasures Incentive Grant I	20.601	-	24,358	46,125
Occupant Protection Incentive Grants	20.602	-	-	8,312
State Traffic Safety Information System Improvement Grants	20.610	-	-	57,735
National Priority Safety Programs	20.616	-	894,710	2,331,673
<i>Total Highway Safety Cluster</i>			<u>1,337,846</u>	<u>4,006,486</u>
Alcohol Open Container Requirements	20.607	-	107,630	929,452
Minimum Penalties for Repeat Offenders for Driving while Intoxicated	20.608	-	-	43,655
Total U.S. Department of Transportation			43,450,005	263,303,170
Executive Office of the President				
High Intensity Drug Traffic Areas Program	95.001	-	-	80,588
U.S. Department of Homeland Security				
Hazard Mitigation Grant	97.039	-	-	592,849
Passed through the State of Wyoming Office of Homeland Security:				
Homeland Security Grant Program	97.067	-	-	15,000
Total Expenditures of Federal Awards			<u>\$ 43,450,005</u>	<u>\$ 292,630,992</u>

See Notes to Schedule of Expenditures of Federal Awards.

WYOMING DEPARTMENT OF TRANSPORTATION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the Federal award activity of the Department under programs of the Federal government for the year ended September 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Department, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Department.

Note 2. Summary of Significant Accounting Policies

The Schedule is presented on the cash basis of accounting. In this basis of accounting, expenses are recognized upon payment by the Department, receipt of obligation of authority, and request for reimbursement. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Department uses an 8.23% indirect cost rate as approved by the Federal Highway Administration as it applies to programs funded by that agency. For other programs not awarded by the Federal Highway Administration, the Department does not charge indirect costs under the de minimis rate.

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

To the Transportation Commission
Wyoming Department of Transportation
Cheyenne, Wyoming

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wyoming Department of Transportation (the "Department"), a component unit of the State of Wyoming, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated March 8, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in blue ink that reads "McGee, Hearne & Paiz, LLP". The signature is written in a cursive style.

Cheyenne, Wyoming
March 8, 2017

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

To the Transportation Commission
Wyoming Department of Transportation
Cheyenne, Wyoming

Report on Compliance for Each Major Federal Program

We have audited Wyoming Department of Transportation's (the "Department"), a component unit of the State of Wyoming, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Department's major Federal programs for the year ended September 30, 2016. The Department's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Department complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended September 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2016-001, 2016-002, and 2016-003. Our opinion on each major Federal program is not modified with respect to these matters.

The Department's responses to the noncompliance findings identified in our audit are described in Exhibit I, Corrective Action Plans. The Department's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2016-001, 2016-002, and 2016-003, that we consider to be significant deficiencies.

The Department's responses to internal control over compliance findings identified in our audit are described in Exhibit I, Corrective Action Plans. The Department's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

McGee, Hearne & Paiz, LLP

Cheyenne, Wyoming
March 8, 2017

WYOMING DEPARTMENT OF TRANSPORTATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2016

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

A. Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

B. Federal Awards

Internal control over major Federal programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? X Yes _____ No

Type of auditor's report issued on compliance for major Federal programs: Unmodified

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

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
15.252	Abandoned Mine Land Reclamation (AMLR) Program
20.106	Airport Improvement Program
20.205	Highway Planning and Construction Cluster
20.505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research

- Dollar threshold used to distinguish between Type A and Type B programs: \$3,000,000
- Auditee qualified as low-risk auditee? X Yes _____ No

WYOMING DEPARTMENT OF TRANSPORTATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended September 30, 2016

II. FINANCIAL STATEMENT FINDINGS

None.

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

**2016-001: Highway Planning and Construction Cluster – Sub-recipient Monitoring
Metropolitan Transportation Planning and State and Non-Metropolitan
Planning and Research – Sub-recipient Monitoring**

Catalog of Federal Assistance (CFDA) Number and Title: 20.205 Highway Planning and Construction; 20.505 Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research
Federal Agency Name: U.S. Department of Transportation
Pass-Through Entity Name (if applicable): N/A
Award Number/Name: N/A
Award Year(s): Department does not have award years as it spends off of Authority for Expenditures, which can contain award money from previous years.

Criteria: Per 2 CFR 200.331(b), entities that sub-award funds to sub-recipients must compile and document risk assessment.

Condition/Context: The Department did not complete risk assessments for sub-recipients of funds for the fiscal year ended September 30, 2016.

Questioned Costs: Due to the nature of the finding, there is no monetary value effect.

Effect: Failure to comply with the sub-recipient monitoring requirements of the program may indicate the need for closer monitoring by the Federal agency or may result in possible award delays or enforcement actions.

Cause: Formal risk assessment for sub-recipients is a requirement under the Uniform Guidance and is, therefore, new for the fiscal year. There were timing issues with implementation of this Uniform Guidance requirement that caused the requirement to not be satisfied for the fiscal year ended September 30, 2016. Risk assessments in accordance with 2 CFR 200.331(b) were completed for subsequent fiscal year ending September 30, 2017.

Recommendation: We encourage the Department to continue the risk assessment implemented in fiscal year 2017 as required by sub-recipient monitoring under the Uniform Guidance.

Views of Responsible Officials and Planned Corrective Actions: See Exhibit I.

WYOMING DEPARTMENT OF TRANSPORTATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended September 30, 2016

2016-002: Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research – Sub-recipient Monitoring

Catalog of Federal Assistance (CFDA) Number and Title: 20.505 Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research
Federal Agency Name: U.S. Department of Transportation
Pass-Through Entity Name (if applicable): N/A
Award Number/Name: CPG-WY-2016-004-00; CPG-WY-81-X008-04; CPG-WY-81-0002-01; CPG-WY-81-X007-04
Award Year(s): 10/1/2015 – 9/30/2019; 10/1/2015 – 9/30/2018; 9/30/2010 – 9/30/2011; 10/1/2013 – 9/30/2015

Criteria: Federal grant requirements state the awarding entity must specifically identify the Uniform Guidance compliance requirements to all of its sub-recipients, including the Federal amount granted and related CFDA number.

Condition/Context: The Department did not communicate the Uniform Guidance requirement to its Metropolitan Planning Organization (MPO) sub-recipients, which include the CFDA number and Federal funds awarded under the CFDA.

Questioned Costs: Due to the nature of the finding, there is no monetary value effect.

Effect: Failure to comply with the sub-recipient monitoring requirements of the program may indicate the need for closer monitoring by the Federal agency or may result in possible award delays or enforcement actions.

Cause: The Department believed that its Master Agreement was sufficient in meeting this requirement.

Recommendation: We recommend that the Department implement internal control procedures to ensure required information is being appropriately communicated to its sub-recipients.

Views of Responsible Officials and Planned Corrective Actions: See Exhibit I.

WYOMING DEPARTMENT OF TRANSPORTATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended September 30, 2016

2016-003: Abandoned Mine Reclamation Program – Reporting

Catalog of Federal Assistance (CFDA) Number and Title: 15.252 Abandoned Mine Land Reclamation Program
Federal Agency Name: U.S. Department of the Interior
Pass-Through Entity Name (if applicable): Wyoming Department of Environmental Quality
Award Number/Name: N/A
Award Year(s): May 1, 2016 – June 30, 2018

Criteria: The grant award letter states the Department’s requirement to submit the Annual Progress Report within 30 days of fiscal year-end and the Final Project Report within 30 days of the final reimbursement request.

Condition/Context: The Department did not submit the Annual Progress Report and Final Project Report.

Questioned Costs: Due to the nature of the finding, there is no monetary value effect.

Effect: Failure to comply with the reporting requirements of the program may indicate the need for closer monitoring by the Federal agency or may result in possible award delays or enforcement actions.

Cause: At the time the reports were due, the Department did not have a system in place to ensure timely creation and submission. Therefore, required reports were not prepared nor submitted.

Recommendation: We recommend that the Department implement internal control procedures to ensure timely creation and submission of all reports.

Views of Responsible Officials and Planned Corrective Actions: See Exhibit I.

WYOMING DEPARTMENT OF TRANSPORTATION

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended September 30, 2016

Finding	Status
<p><u>2015-001: Audit Adjustments and Passed Adjustments</u></p> <p>As part of our audit, significant adjustments were proposed and recorded or proposed, not recorded and determined to not be material to the financial statements to properly state the financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).</p>	<p>Management has implemented changes to its accounting process related to modified accrual treatment of compensated absences. Management relies on external sources for certain information related to mineral royalty revenue and will continue to monitor its processes for using this information.</p> <p><i>Auditor's Comment</i> – We noted through testing of the financial statements in the current year that applicable changes to the modified accrual treatment were implemented.</p>

EXHIBIT I

CORRECTIVE ACTION PLANS



Matthew H. Mead
Governor

Wyoming Department of Transportation

"Providing a safe, high quality, and efficient transportation system"

5300 Bishop Boulevard
Cheyenne, Wyoming 82009-3340



William T. Panos
Director

Date: March 7, 2017
To: McGee, Hearne & Paiz, LLP
From: Dennis Byrne, Chief Financial Officer
Re: Wyoming Department of Transportation Financial and Compliance Report – Fiscal Year 2016

The following are the Corrective Action Plans to address the control deficiencies and findings in the FY 2016 Financial and Compliance Report:

**2016-001: Highway Planning and Construction Cluster – Sub-recipient Monitoring
Metropolitan Transportation Planning and State and Non-Metropolitan
Planning and Research – Sub-recipient Monitoring**

Catalog of Federal Assistance (CFDA) Number and Title: 20.205 Highway Planning and Construction Cluster; 20.505 Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research
Federal Agency Name: U.S. Department of Transportation
Pass-Through Entity Name (if applicable): N/A
Award Number/Name: N/A
Award Year(s): Department does not have award years as it spends off of Authority for Expenditures, which can contain award money from previous years.

Corrective Actions – Internal Review (IR) has worked with the Local Government Coordinator and Highway Safety Offices to compile an annual risk assessment that meets the requirements of 2 CFR 200.331 (b). This risk assessment is being utilized in FY 2017 and will continue to be updated and utilized each fiscal year going forward. The risk assessment is compiled with all sub-recipients awarded funds in FY 2017 along with criteria to assess risk including has the personnel or financial system remained the same; has a federal awarding agency conducted a review; the amount awarded; does the sub-recipient have prior federal award experience; did the sub-recipient have a Single Audit conducted; has the sub-recipient been on-time and accurate with submissions of reimbursement requests and other required reports; and has WYDOT Grant Administrators or Internal Review conducted a review in the last two years. The risk assessment is compiled in order to document high risk entities that IR needs to conduct audits of and other sub-recipient monitoring that will take place for the fiscal year including desk reviews or reimbursement requests and supporting documentation and site visits by WYDOT grant administrators.

Completion Date – January 1, 2017

Contact Person(s) – Kristin Burkart, Internal Review Manager

2016-002: Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research – Sub-recipient Monitoring

Catalog of Federal Assistance (CFDA) Number and Title: 20.505 Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research
Federal Agency Name: U.S. Department of Transportation
Pass-Through Entity Name (if applicable): N/A
Award Number/Name: CPG-WY-2016-004-00; CPG-WY-81-X008-04; CPG-WY-81-0002-01; CPG-WY-81-X007-04
Award Year(s): 10/1/2015 – 9/30/2019; 10/1/2015 – 9/30/2018; 9/30/2010 – 9/30/2011; 10/1/2013 – 9/30/2015

Corrective Actions – Once the Consolidated Planning Grant has been created for the Metropolitan Planning Organizations (MPO) and the Authority for Expenditures have been issued, a notification will be sent to the respective MPOs and kept on file in WYDOT Planning stating the following: 1) CFDA number 20.505 for the grant; 2) The dollar amount transferred to the respective MPOs. In the case of partial transfers to cover current expenditures, the notice will advise that a subsequent transfer will complete the grant. A second letter will be sent to the respective MPOs at the time the grant is fully funded.

Anticipated Completion Date – September 30, 2017

Contact Person(s) – Kevin McCoy, Planning & Policy Analyst

2016-003: Abandoned Mine Land Reclamation Program – Reporting

Catalog of Federal Assistance (CFDA) Number and Title: 15.252 Abandoned Mine Land Reclamation Program – Reporting
Federal Agency Name: U.S. Department of the Interior
Pass-Through Entity Name (if applicable): Wyoming Department of Environmental Quality
Award Number/Name: N/A
Award Year(s): May 1, 2016 – June 30, 2018

Corrective Actions – WYDOT submitted the fiscal year-end reports for both grants and the Final Project Report for the completed Abandoned Mine Land Reclamation grant as of January 31, 2017. Reports will now be filed in a timely manner.

Completion Date – January 31, 2017

Contact Person(s) – Rodney Freier, Budget Manager