

WYOMING DEPARTMENT OF TRANSPORTATION

FINANCIAL AND COMPLIANCE REPORT

SEPTEMBER 30, 2017



Wyoming Department of Transportation

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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, 2017, 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, 2017, 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.



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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 4 through 13, Infrastructure Assets Reported Using the Modified Approach on pages 46 through 49, Schedule of Revenue Appropriated and Expenses Allocated – Budget and Actual – WYDOT General Fund on page 50, Schedule of Revenue Appropriated and Expenses Allocated – Budget and Actual – State Infrastructure Bank Fund on page 51, Schedules of the Department's Proportionate Shares of the Net Pension Liabilities and Schedules of the Department's Contributions on pages 52 through 54, and the Notes to Required Supplementary Information on pages 55 through 57 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 7, 2018 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

McGee, Hearne & Paiz, LLP

Cheyenne, Wyoming
March 7, 2018



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MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2017.

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, 2017 by \$5.89 billion. This is an increase of \$26.94 million from 2016. The Department's unrestricted net position increased by \$5.91 million from a negative \$58.27 million to a negative \$52.36 million. The Department's restricted net position decreased by \$2.85 million from \$33.84 million to \$30.99 million. The Department has \$5.91 billion invested in infrastructure and capital assets which is an increase of \$23.89 million from the previous year.

The Department's investment in road, bridge and communication infrastructure assets during the year resulted in an increase of \$27.80 million in infrastructure assets.

Fund Financial Statements

As of September 30, 2017, the Department's governmental funds reported combined fund balances of \$142.72 million, a decrease of \$33.48 million. The Department's governmental funds had \$32.45 million classified as non-spendable invested in inventories. The Department had \$30.99 million classified as restricted fund balance which consisted of \$0.21 million restricted for radioactive waste clean-up, \$4.49 million restricted for air service enhancement, \$0.12 million restricted for ignition interlock device expenditures, \$26.06 million restricted for loans on infrastructure projects, and \$0.09 million restricted for other governmental entities per Wyoming Statute. The Department had \$52.62 million of committed fund balance at year end which was made up of a \$30.00 million note payable balance from the previous year borrowing for operating capital along with \$22.62 million of the additional \$0.10 motor fuels taxes committed for contractor payments on road construction. The Department had \$12.28 million classified as assigned fund balance to include \$7.93 million for the purpose of its State Infrastructure Bank Fund, \$1.01 million for the Department's statewide communications system, \$1.01 million for the Motorcycle Safety Fund, \$1.97 million to help local governments with mass transit purchases through the Federal Transit Authority and \$0.36 million related to other nonmajor governmental funds. The remaining \$14.39 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, consist 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.



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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 business 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 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 road preservation and maintenance, planning, highway safety, administration, Federal transit, licensing and registration, law enforcement, statewide communication network, airport improvement, and flight services.

The Department's government-wide financial statements are presented on pages 16 and 17.

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.



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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 nonmajor governmental funds are aggregated and reported in a single column.

The Department's governmental fund financial statements are presented on pages 18 through 21.

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 statement is presented on page 22.

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 23 through 43.

Required Supplementary Information (RSI) is presented concerning the Department's General Fund infrastructure assets reported using the modified approach, budgetary schedules, 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 46 through 57.

In addition to the required elements, we have included the combining funds statements that provide details about our nonmajor 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 61 through 65.



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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 \$5.89 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 \$5.71 billion investment in road, bridge, and communication infrastructure assets. These assets are not available for future spending. The Department has \$12.27 million in outstanding debt relating to current capital assets. The Department's other noncurrent liabilities include net pension liability of \$167.64 million for the year ended September 30, 2017. The Department's \$30.99 million restricted net position reflects resources that are legally restricted for specific purposes. The unrestricted net position increased \$5.91 million to \$(52.36) million.

The following financial information was derived from the September 30, 2017 and 2016 Statements of Net Position.

Summary of Net Position

	2017		2016		Increase (Decrease)	
Current assets	\$ 210,846,053	3.44%	\$ 221,248,014	3.61%	\$ (10,401,961)	-4.70%
Noncurrent assets						
Infrastructure	5,712,175,593	93.13%	5,684,360,591	92.87%	27,815,002	0.49%
Other capital assets	210,397,338	3.43%	214,946,814	3.51%	(4,549,476)	-2.12%
Total assets	<u>6,133,418,984</u>	<u>100.00%</u>	<u>6,120,555,419</u>	<u>100.00%</u>	<u>12,863,565</u>	<u>0.21%</u>
Deferred outflows of resources	<u>47,552,961</u>	<u>100.00%</u>	<u>58,414,845</u>	<u>100.00%</u>	<u>(10,861,884)</u>	<u>-18.59%</u>
Current liabilities	93,132,529	32.81%	123,269,314	39.41%	(30,136,785)	-24.45%
Noncurrent liabilities	190,702,031	67.19%	189,506,403	60.59%	1,195,628	0.63%
Total liabilities	<u>283,834,560</u>	<u>100.00%</u>	<u>312,775,717</u>	<u>100.00%</u>	<u>(28,941,157)</u>	<u>-9.25%</u>
Deferred inflows of resources	<u>8,211,581</u>	<u>100.00%</u>	<u>4,211,339</u>	<u>100.00%</u>	<u>4,000,242</u>	<u>94.99%</u>
Net position						
Invested in capital assets	5,910,303,352	100.35%	5,886,407,561	100.41%	23,895,791	0.41%
Restricted net position	30,985,240	0.53%	33,841,851	0.58%	(2,856,611)	-8.44%
Unrestricted net position	(52,362,788)	-0.89%	(58,266,204)	-0.99%	5,903,416	-10.13%
Total net position	<u>\$ 5,888,925,804</u>	<u>100.00%</u>	<u>\$ 5,861,983,208</u>	<u>100.00%</u>	<u>\$ 26,942,596</u>	<u>0.46%</u>

The current assets of \$210.85 million consist of \$87.70 million in cash, \$90.70 million in accounts receivable and \$32.45 million in inventories. The \$10.40 million decrease in current assets is due to payment on the note payable offset by an increase in receivables at year end for amounts due from the Federal government.

The current liabilities of \$93.13 million, a decrease of \$30.14 million, are comprised of \$30.00 million due to the State Treasurer for the note payable due on June 30, 2018, \$42.52 million in accounts payable, \$0.16 million in deposits held for others, \$8.82 million in unearned revenue, \$0.64 million in lease purchase payable due within one year, and \$10.98 million in compensated absences due within one year. The \$30.14 million decrease is due to the decrease in note payable offset by an increase in accounts payable and unearned revenue.



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The noncurrent liabilities of \$190.70 million are mostly due to the recognition of the Department's \$167.64 million net pension liability, compensated absences due in more than one year of \$11.43 million, and lease purchase agreement payable due in more than one year of \$11.63 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

	2017		2016		Increase (Decrease)	
Revenues						
Program revenues						
Charges for services	\$ 30,071,902	5.08%	\$ 22,001,968	3.93%	\$ 8,069,934	36.68%
Operating grants and contributions	355,944,324	60.10%	291,742,935	52.07%	64,201,389	22.01%
Capital grants and contributions	7,993,384	1.35%	981,143	1.78%	7,012,241	714.70%
General revenues						
Motor fuels tax and registration fees	177,758,440	30.02%	183,865,211	32.81%	(6,106,771)	-3.32%
Mineral royalty and severance tax	323,494	0.05%	27,143,769	4.84%	(26,820,275)	-98.81%
State general fund revenue	13,557,030	2.29%	10,853,721	1.94%	2,703,309	24.91%
Investment income	(1,437,580)	-0.24%	7,159,935	1.28%	(8,597,515)	-120.08%
Other revenue	8,008,004	1.35%	7,578,227	1.35%	429,777	5.67%
Total revenue	592,218,998	100.00%	551,326,909	100.00%	40,892,089	7.42%
Expenses						
Road preservation and maintenance	409,860,580	72.51%	392,552,746	70.48%	17,307,834	4.41%
Planning	10,742,402	1.90%	11,108,752	2.00%	(366,350)	-3.30%
Highway safety	7,426,077	1.31%	8,217,938	1.45%	(791,861)	-9.64%
Administration	31,742,410	5.62%	27,910,565	5.00%	3,831,845	13.73%
Federal transit	10,748,207	1.90%	13,009,006	2.36%	(2,260,799)	-17.38%
Licensing and registration	12,267,557	2.17%	11,853,324	2.15%	414,233	3.49%
Law enforcement	45,872,349	8.12%	47,440,762	8.29%	(1,568,413)	-3.31%
Statewide communication network	1,925,997	0.34%	5,604,459	1.02%	(3,678,462)	-65.63%
Airport improvement	34,093,161	6.03%	39,604,414	7.18%	(5,511,253)	-13.92%
Flight services	597,662	0.11%	398,219	0.07%	199,443	50.08%
Total expenses	565,276,402	100.00%	557,700,185	100.00%	7,576,217	1.36%
Change in net position	26,942,596		(6,373,276)		33,315,872	
Net position, beginning	5,861,983,208		5,859,356,484		2,626,724	
Net position, ending	\$ 5,888,925,804		\$ 5,852,983,208		\$35,942,596	

The Department's total revenues increased when compared to the previous year. The Department recognized \$64.20 million more in operating grants and contributions offset by \$26.82 million less mineral royalty and severance tax revenue. Mineral royalties and severance tax revenues decreased as a result of changes made by State Legislation, wherein federal mineral royalty revenue for the Department was replaced with abandoned mines land (AML) revenues. Likewise, the Department does not expect to receive federal mineral royalties and severance tax in fiscal year 2018, but will receive AML revenue instead.

Total expenses were up slightly when compared with 2016, increasing by \$7.58 million. Road preservation and maintenance program expenses increased \$17.31 million in fiscal year 2017 primarily due to the \$6.00 million increase in snow control activities and also due to the amount of noncapitalized road construction that did not improve existing infrastructure assets or provide for new infrastructure.



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Airport improvement program expenses were down by \$5.52 million during the year due to the decrease in State funding available, which resulted in a decrease in grants made by the Department.

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 nonmajor 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, 2017, the Department's governmental funds reported combined fund balances of \$142.72 million, a decrease of \$33.48 million compared to the prior year.

The General Fund is the main operating fund of the Department. As of September 30, 2017, the total fund balance was \$99.46 million. The State Infrastructure Bank fund balance as of September 30, 2017 was \$33.99 million. The remaining nonmajor governmental funds have a combined fund balance of \$9.28 million.

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

Summary of Revenue - Governmental Funds

	2017		2016		Increase (Decrease)	
REVENUES						
Motor fuels tax and registration fees	\$ 112,397,240	19.11%	\$ 114,806,948	19.70%	\$(2,409,708)	-2.10%
Mineral royalty and severance tax	4,589,645	0.78%	58,812,859	10.09%	(54,223,214)	-92.20%
Highway user fees	83,447,260	14.19%	79,978,028	13.73%	3,469,232	4.34%
Federal aid	330,398,349	56.18%	257,134,131	44.13%	73,264,218	28.49%
Federal grant	33,483,137	5.69%	44,532,212	7.64%	(11,049,075)	-24.81%
Interest and investment	(1,437,581)	-0.24%	7,159,934	1.23%	(8,597,515)	-120.08%
City, County and other matching	6,310,065	1.07%	3,224,073	0.55%	3,085,992	95.72%
Flight services	573,189	0.10%	700,835	0.12%	(127,646)	-18.21%
Statewide communication network	302,290	0.05%	247,335	0.04%	54,955	22.22%
Other state sources	13,711,588	2.33%	10,853,721	1.86%	2,857,867	26.33%
Other miscellaneous	4,331,355	0.74%	5,256,504	0.91%	(925,149)	-17.60%
Total revenues	<u>\$ 588,106,537</u>	<u>100.00%</u>	<u>\$ 582,706,580</u>	<u>100.00%</u>	<u>\$ 5,399,957</u>	<u>0.93%</u>

Total revenues for governmental activities increased from \$582.71 million in 2016 to \$588.11 million in 2017. Federal Aid increased by \$73.26 million due to the increase in AML revenue received and also the increase in billable Federal construction activity. The recognized amount of mineral royalty and severance tax revenue decreased from that of 2016 in conjunction with the increase in AML revenues, as discussed previously.



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

Summary of Expenditures - Governmental Funds

	2017		2016		Increase (Decrease)	
EXPENDITURES						
Current						
Road preservation and maintenance	\$430,345,169	68.84%	\$437,147,733	73.86%	\$ (6,802,564)	-1.56%
Planning	10,463,805	1.67%	10,837,660	1.83%	(373,855)	-3.45%
Highway safety	6,751,965	1.08%	7,397,103	1.25%	(645,138)	-8.72%
Administration	27,485,559	4.40%	28,028,328	4.88%	(542,769)	-1.94%
Federal transit	10,735,006	1.72%	12,993,374	2.20%	(2,258,368)	-17.38%
Licensing and registration	12,241,264	1.96%	11,839,618	2.00%	401,646	3.39%
Law enforcement	37,728,179	6.04%	37,433,830	6.32%	294,349	0.79%
Statewide communication network	1,919,705	0.31%	5,604,459	0.95%	(3,684,754)	-65.75%
Airport improvement	33,868,168	5.42%	39,311,647	6.64%	(5,443,479)	-13.85%
Flight services	597,661	0.10%	398,218	0.07%	199,443	50.08%
Debt Service						
Principal	52,630,265	8.42%	515,489	0.07%	52,114,776	10109.77%
Interest	369,636	0.06%	335,360	0.07%	34,276	10.22%
Total expenditures	<u>\$625,136,382</u>	<u>100.00%</u>	<u>\$591,842,819</u>	<u>100%</u>	<u>\$ 33,293,563</u>	<u>5.63%</u>

Expenditures for governmental functions increased from \$591.84 million in 2016 to \$625.14 for fiscal year 2017, a 5.63% increase. The majority of the increase occurred in Debt Service as a result of the Department repaying \$52.00 million of the note payable during fiscal year 2017.

Capital Assets and Debt Administration

The Department's investment in capital assets for its governmental activities as of September 30, 2017 amounted to \$5.92 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 \$39.95 million in infrastructure assets. The Department also had major additions to depreciable assets of: \$3.60 million for buildings; \$9.50 million for vehicles, aircraft and road machinery; \$1.05 million for site improvements; \$1.41 million for general property, and \$8.04 million for software. 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 on the following page shows the changes in capital assets during the year.



Wyoming Department of Transportation

	Beginning Balance September 30, 2016	Additions	Deletions	Ending Balance September 30, 2017
Infrastructure	\$5,684,360,591	\$ 39,946,123	\$ (12,131,121)	\$ 5,712,175,593
Nondepreciable capital assets				
Land	\$ 7,240,775	\$ -	\$ -	\$ 7,240,775
Work in progress	17,170,717	4,393,402	(11,240,423)	10,323,696
Depreciable and amortizable capital assets				
Site improvements	13,728,481	1,045,233	-	14,773,714
Buildings	191,037,451	3,600,232	-	194,637,683
Vehicles, aircraft and road machinery	143,178,575	9,498,856	(5,503,912)	147,173,519
General property	22,135,442	1,410,071	(54,024)	23,491,489
Software	2,297,268	8,044,201	-	10,341,469
Depletable capital assets				
Gravel pit	1,233,000	-	-	1,233,000
Total capital assets at historical cost	398,021,709	27,991,995	(16,798,359)	409,215,345
Total depreciation, depletion and amortization	(183,074,895)	(18,551,623)	2,808,511	(198,818,007)
Non-infrastructure capital assets - net	\$ 214,946,814	\$ 9,440,372	\$ (13,989,848)	\$ 210,397,338

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 3.6, good 3.5 to 3.1, fair 3.0 to 2.6 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, 2017, the Interstate is at 3.7, Non-Interstate NHS is at 3.5, and the Non-NHS is at 3.4.

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



Wyoming Department of Transportation

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, 2017, the bridge ratings were as follows:

2017 Structure Condition Rating					
NHS			Non-NHS		
Condition	Number	Percent	Condition	Number	Percent
Excellent	111	8.3%	Excellent	78	12.6%
Good	582	43.4%	Good	264	42.8%
Fair	631	47.1%	Fair	246	39.9%
Poor	16	1.2%	Poor	29	4.7%
Total	1,340	100.0%	Total	617	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 \$379.90 million for the year ended September 30, 2017. Actual expenditures on infrastructure for maintenance and preservation were \$333.90 million, a difference of \$46.00 million. The difference is due to the size and length of the construction projects.

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 \$12.30 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.



Wyoming Department of Transportation

Economic Outlook

The State of Wyoming faced a budget shortfall for the 17-18 biennium due to a downturn in the mineral extraction industry. Due to this shortfall, State Legislation supplanted the Department's mineral royalties and severance taxes with federal abandoned mines land funds for the biennium. The Department was appropriated \$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. The Department will complete the expenditure of the abandoned mines land funds in early fiscal year 2018. The expectation at the time of this report is that the Department's mineral royalties and severance taxes will return in the 19-20 biennium at the same level as the 15-16 biennium unless there is further action on behalf of the State Legislature during the 2018 Legislative Session. State Legislation gave the Department a one year, interest free loan of \$82 million during the 2016 Legislative Session due to the Department's use of the mineral royalties and severance taxes to cash flow the Department's anticipated federal revenue stream from its federal aid and grant reimbursements. The Department exercised this loan in fiscal year 2016 and was able to pay back \$52 million during fiscal year 2017. 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 82009.



Wyoming Department of Transportation





BASIC FINANCIAL STATEMENTS



Wyoming Department of Transportation

STATEMENT OF NET POSITION September 30, 2017

ASSETS

Current Assets

Cash with State Treasurer	\$ 87,695,138
Accounts receivable	90,704,573
Inventories	32,446,342
Total current assets	210,846,053

Noncurrent Assets

Depreciable capital assets, net	192,832,867
Land and non-depreciable infrastructure	5,316,406,252
Construction in progress	413,333,812
Total noncurrent assets	5,922,572,931

Total assets

\$ 6,133,418,984

DEFERRED OUTFLOWS OF RESOURCES

Pension related outflows	\$ 47,552,961
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LIABILITIES

Current Liabilities

Accounts payable	\$ 42,523,960
Deposits of others	164,666
Unearned revenue	8,824,667
Notes payable due within one year	30,000,000
Lease purchase payable, due within one year	639,164
Compensated absences, due within one year	10,980,072
Total current liabilities	93,132,529

Noncurrent Liabilities

Lease purchase payable, due in more than one year	11,630,415
Compensated absences, due in more than one year	11,428,238
Net pension liability	167,643,378
Total noncurrent liabilities	190,702,031

Total liabilities

\$ 283,834,560

DEFERRED INFLOWS OF RESOURCES

Pension related inflows	\$ 8,211,581
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NET POSITION

Invested in capital assets net of related debt	\$ 5,910,303,352
Restricted net position	30,985,240
Unrestricted net position	(52,362,788)
Total net position	\$ 5,888,925,804

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



Wyoming Department of Transportation

STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2017

	Program Revenues				Net (Expenses)
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position	Total Governmental Activities
FUNCTIONS/PROGRAMS					
Governmental Activities					
Road preservation and maintenance	\$409,860,580	\$ 21,938,273	\$ 330,849,078	\$ -	\$ (57,073,229)
Planning	10,742,402	-	-	-	(10,742,402)
Highway safety	7,426,077	43,450	4,211,084	-	(3,171,543)
Administration	31,742,410	9,859	-	-	(31,732,551)
Federal transit	10,748,207	-	1,372,865	7,993,384	(1,381,958)
Licensing and registration	12,267,557	7,189,078	-	-	(5,078,479)
Law enforcement	45,872,349	15,763	1,494,483	-	(44,362,103)
Statewide communication network	1,925,997	302,290	-	-	(1,623,707)
Airport improvement	34,093,161	-	18,016,814	-	(16,076,347)
Flight services	597,662	573,189	-	-	(24,473)
	\$565,276,402	\$ 30,071,902	\$ 355,944,324	\$ 7,993,384	(171,266,792)
General Revenue					
Motor fuels tax and registration fees					177,758,440
Mineral royalty and severance tax					323,494
State general fund revenue					13,557,030
Investment income					(1,437,580)
Other revenue					8,008,004
					198,209,388
					26,942,596
					5,861,983,208
					\$ 5,888,925,804

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



Wyoming Department of Transportation

**BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2017**

	WYDOT General Fund	State Infrastructure Bank Fund	Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash with State Treasurer	\$ 64,157,223	\$ 14,283,888	\$ 9,254,027	\$ 87,695,138
Accounts receivable	90,453,059	-	251,514	90,704,573
Due from other funds	1,780,791	8,370,568	-	10,151,359
Advances to other funds	-	11,334,069	-	11,334,069
Inventories	32,446,342	-	-	32,446,342
Total assets	\$ 188,837,415	\$ 33,988,525	\$ 9,505,541	\$ 232,331,481
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 42,381,559	\$ -	\$ 142,401	\$ 42,523,960
Due to other funds	10,065,786	-	85,573	10,151,359
Deposits of others	164,666	-	-	164,666
Unearned revenue	8,824,667	-	-	8,824,667
Advances from other funds	11,334,069	-	-	11,334,069
Total liabilities	72,770,747	-	227,974	72,998,721
Deferred Inflows of Resources				
Unavailable revenue	16,608,974	-	-	16,608,974
Fund Balances				
Non-spendable	32,446,342	-	-	32,446,342
Restricted	-	26,061,739	4,923,501	30,985,240
Committed	52,624,515	-	-	52,624,515
Assigned	-	7,926,786	4,354,066	12,280,852
Unassigned	14,386,837	-	-	14,386,837
Total fund balances	99,457,694	33,988,525	9,277,567	142,723,786
Total liabilities, deferred inflows of resources, and fund balance	\$ 188,837,415	\$ 33,988,525	\$ 9,505,541	\$ 232,331,481

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



Wyoming Department of Transportation

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET POSITION

September 30, 2017

Total fund balances - Total governmental funds \$ 142,723,786

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	5,309,165,477	
Land	7,240,775	
Non-infrastructure WIP	10,323,696	
Infrastructure WIP	403,010,116	
Site improvements	14,773,714	
Buildings	194,637,683	
Vehicles, aircraft, and road machinery	147,173,519	
General property	23,491,489	
Gravel pit	1,233,000	
Non-tangible assets	10,341,469	
Accumulated depreciation, depletion, and amortization	<u>(198,818,007)</u>	
		5,922,572,931

Pension related deferred outflows of resources used in governmental activities are not financial resources and, therefore, not reported in the governmental funds. 47,552,961

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. 16,608,974

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	(30,000,000)	
Net pension liability	(167,643,378)	
Long term lease-purchase agreement	(12,269,579)	
Compensated absences and termination benefits	<u>(22,408,310)</u>	
		(232,321,267)

Pension related and other deferred inflows of resources used in governmental activities are not financial resources and, therefore, not reported in the governmental funds. (8,211,581)

Net position of governmental activities \$ 5,888,925,804

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



Wyoming Department of Transportation

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the Year Ended September 30, 2017

	WYDOT Fund	State		Total Governmental Funds
		General Fund	Infrastructure Bank Fund	
Revenue				
Motor fuels tax and registration fees	\$ 112,397,240	\$ -	\$ -	\$ 112,397,240
Mineral royalty and severance tax	4,589,645	-	-	4,589,645
Highway user fees	82,895,156	-	552,104	83,447,260
Federal aid	330,398,349	-	-	330,398,349
Federal grant	24,116,888	-	9,366,249	33,483,137
Interest and investment	(1,312,617)	91,259	(216,223)	(1,437,581)
City, county and other matching	6,310,065	-	-	6,310,065
Flight services	-	-	573,189	573,189
Statewide communication network	-	-	302,290	302,290
Other state sources	10,016,057	-	3,695,531	13,711,588
Other miscellaneous	4,326,800	-	4,555	4,331,355
Total revenue	573,737,583	91,259	14,277,695	588,106,537
Expenditures				
Current				
Road preservation and maintenance	430,345,169	-	-	430,345,169
Planning	10,463,805	-	-	10,463,805
Highway safety	6,369,459	-	382,506	6,751,965
Administration	27,485,559	-	-	27,485,559
Federal transit	-	-	10,735,006	10,735,006
Licensing and registration	12,174,696	-	66,568	12,241,264
Law enforcement	37,482,565	-	245,614	37,728,179
Statewide communication network	-	-	1,919,705	1,919,705
Airport improvement	30,000,738	-	3,867,430	33,868,168
Flight services	-	-	597,661	597,661
Debt Service				
Principal	52,630,265	-	-	52,630,265
Interest	369,636	-	-	369,636
Total expenditures	607,321,892	-	17,814,490	625,136,382
Excess (deficiency) of revenue over expenditures	(33,584,309)	91,259	(3,536,795)	(37,029,845)
Other financing sources (uses)				
Transfers in	-	-	1,514,301	1,514,301
Transfers out	(1,514,301)	-	-	(1,514,301)
Proceeds from sale of assets	3,547,073	-	6,399	3,553,472
Total other financing sources (uses)	2,032,772	-	1,520,700	3,553,472
Net changes in fund balances	(31,551,537)	91,259	(2,016,095)	(33,476,373)
Fund Balances, beginning of year	131,009,231	33,897,266	11,293,662	176,200,159
Fund Balances, end of year	\$ 99,457,694	\$ 33,988,525	\$ 9,277,567	\$ 142,723,786

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



Wyoming Department of Transportation

RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES For the Year Ended September 30, 2017

Net change in fund balances - total governmental funds \$ (33,476,373)

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:

Expenditures for capital assets, infrastructure, and other related asset adjustments:	44,566,574	
Current year depreciation, depletion, and amortization	(18,551,623)	
Disposition of assets	<u>(2,749,425)</u>	
		23,265,526

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. 558,984

Payment of note payable reported on the Statement of Revenues, Expenditures and Changes in Fund Balances as a decrease of current financial resources but as a liability on the Statement of Net Position and, therefore, does not decrease the net position of the Department. 52,000,000

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. This is offset by the total proceeds from the lease purchase agreement during the year. 630,265

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. 1,644,989

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. (17,680,795)

Change in net position of governmental activities \$ 26,942,596

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



Wyoming Department of Transportation

STATEMENT OF FIDUCIARY NET POSITION

September 30, 2017

ASSETS

Cash with State Treasurer	\$	2,606,408
Accounts receivable		<u>10,254,786</u>
Total assets	\$	<u><u>12,861,194</u></u>

LIABILITIES

Accounts payable	\$	10,624,193
Deposits of others		<u>2,237,001</u>
Total liabilities	\$	<u><u>12,861,194</u></u>

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



Wyoming Department of Transportation

NOTES TO THE BASIC 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’ license, and the Wyoming Highway Patrol.



Wyoming Department of Transportation

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, and compensated absences, 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 authorize the Wyoming State Treasurer to invest in 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

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 capitalization threshold for buildings, improvements, equipment, and vehicles is \$5,000. The capitalization threshold for software is \$50,000 for purchases and \$250,000 for internally generated computer software. The Department's capitalization threshold 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.

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.



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Current note payable: For the 2017-2018 biennium, the State Auditor is authorized by 2016 Wyoming Session Laws, Chapter 31, Section 301(b) and 318(c), at the Department's request, to borrow from the State's pooled fund investments \$100 million and \$82 million, respectively, for the purpose of assisting the Department's cash flow. Section 301(b) borrowing authority requires an interest rate which shall be determined by using the interest rate earned on pooled fund investments in the previous fiscal year. Section 318(c) does not have an interest requirement. The current note payable was the result of the Department exercising the borrowing authority under Section 318(c) during fiscal year 2016. This short-term note is payable to the State Treasurer.

Long-term debt: The Department issued long-term debt through a lease purchase agreement during 2013. The long-term debt was used to upgrade the Department's facilities and make them more energy efficient. In 2014, the Department issued long-term debt for the second phase of the energy efficiency upgrade project to upgrade buildings and roadway assets. The money saved on the utility bills, as a result of the upgrades, is anticipated to cover the costs of the debt service. The lease purchase agreement will be paid over a 15-year schedule which started in November 2015.

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 represents 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.



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Recent pronouncements:

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.



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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, 2017, the primary government did not have bank balances on deposit, nor did the Fiduciary Funds have any bank balances on deposit.

The following summarizes cash and pooled cash investments:

Cash on deposit with State Treasurer	<u>\$ 90,301,546</u>
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Cash and pooled cash investments are presented in the accompanying financial statements as follows:

Statement of Net Position	
Cash with State Treasurer	\$ 87,695,138
Statement of Fiduciary Net Position	
Cash with State Treasurer	<u>2,606,408</u>
	<u>\$ 90,301,546</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, 2017:

	WYDOT	
	General Fund	Nonmajor Funds
Due from the Federal government	\$ 40,947,025	\$ 69,605
Due from other State agencies	8,834,721	168,753
Due from other governments	5,924,587	-
Other receivables	34,746,726	13,156
	<u>\$ 90,453,059</u>	<u>\$ 251,514</u>



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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, 2017:

Road materials and supplies	\$	30,577,417
Motor operating supplies		605,716
General supplies		347,488
Statewide communication parts		696,591
Work in progress		569,130
		32,796,342
Less allowance for obsolescence		(350,000)
Total	\$	32,446,342

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 From	Due To
WYDOT General Fund	\$ 1,780,791	\$ 10,065,786
State Infrastructure Bank Fund	8,370,568	-
Motorcycle Safety	-	7,311
Federal Transit Authority Fund	-	13,268
IFTA Decal Fund	-	1
Ignition Interlock Device Fund	-	220
Air Service Enhancement Fund	-	7,436
Flight Services Fund	-	24,394
Statewide Communication System Fund	-	32,943
	\$ 10,151,359	\$ 10,151,359

Advances to/from other funds: The balance of interfund advances from the State Infrastructure Bank 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 with future Federal obligation authorization. Advances as of September 30, 2017 were as follows:

	Receivable	Payable
WYDOT General Fund	\$ -	\$ 11,334,069
State Infrastructure Bank Fund	11,334,069	-
	\$ 11,334,069	\$ 11,334,069

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, 2017 are presented on the following page.



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	Transfers In	Transfers Out
WYDOT General Fund	\$ -	\$ 1,514,301
Federal Transit Authority Fund	1,500,000	-
Statewide Communication System Fund	14,301	-
	\$ 1,514,301	\$ 1,514,301

Note 6. Long-Term Obligations

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

	September 30, 2017				Amount Due within One Year
	Beginning Balance	Additions	Reductions	Ending Balance	
Governmental activities					
Notes payable	\$ 82,000,000	\$ -	\$ 52,000,000	\$ 30,000,000	\$ 30,000,000
Lease purchase agreement PWB-13	2,421,305	-	133,836	2,287,469	142,546
Lease purchase agreement BOA-14	10,478,539	-	496,429	9,982,110	496,618
Compensated absences	24,053,299	9,335,083	10,980,072	22,408,310	10,980,072
Governmental activities					
Long-term liabilities	\$ 118,953,143	\$ 9,335,083	\$ 63,610,337	\$ 64,677,889	\$ 41,619,236

Notes Payable

For the 2017-2018 biennium, the State Auditor is authorized by 2016 Wyoming Session Laws, Chapter 31, Section 301(b) and 318(c), at the Department's request, to borrow from the State's pooled fund investments \$100 million and \$82 million, respectively, for the purpose of assisting the Department's cash flow. Section 301(b) borrowing authority requires an interest rate which shall be determined by using the interest rate earned on pooled fund investments in the previous fiscal year. Section 318(c) does not have an interest requirement.

The Department exercised the borrowing authority under Section 318(c) during fiscal year 2016 and entered into a note payable to the State Treasurer of \$82 million. The balance of this note at September 30, 2017 was \$30 million and is due June 30, 2018. All payments to the State Treasurer for this note payable agreement are paid through the WYDOT General Fund.

Lease Purchase Agreements

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 on improvements under this lease purchase agreement that met the capitalization policy and were recorded in its capital asset records. There was \$257,333 of depreciation associated with the equipment for the year ended September 30, 2017. The investment should allow the Department to pay the principal and interest on the lease purchase agreement from the savings on 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.



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Principal payments are due monthly, began in June 2014 and continue through May 2029. Interest payments are due monthly, began in June 2013 and continue through May 2029. Interest payments are accrued at an annual interest rate of 2.25%. The debt service payments for the fiscal year ended September 30, 2017 were \$186,957 with \$53,120 of the amount paid as interest.

Annual debt service requirements for the 2013 lease purchase agreement at September 30, 2017 are as follows:

For the fiscal year ended September 30,	Principal	Interest	Total
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	181,202	35,535	216,737
2023-2027	1,075,394	109,828	1,185,222
2028-2029	404,682	7,680	412,362
	<u>\$ 2,287,469</u>	<u>\$ 332,480</u>	<u>\$ 2,619,949</u>

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 on 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, 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, 2017 were \$750,269 with \$292,716 of the amount paid as interest.



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Annual debt service requirements for the 2014 lease purchase agreement at September 30, 2017 are as follows:

For the fiscal year ended September 30,	Principal	Interest	Total
2018	\$ 496,618	\$ 279,209	\$ 775,827
2019	534,508	264,652	799,160
2020	574,194	248,997	823,191
2021	615,753	232,191	847,944
2022	659,263	214,179	873,442
2023-2027	4,022,865	754,466	4,777,331
2028-2030	3,078,909	146,450	3,225,359
	<u>\$ 9,982,110</u>	<u>\$ 2,140,144</u>	<u>\$ 12,122,254</u>

Compensated Absences

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 \$11,260,404 as of September 30, 2017, represents a contingent liability to the Department.



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Note 7. Capital Assets

Capital asset activity for the year ended September 30, 2017 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	858,541,729	4,198,573	-	862,740,302
Roadways	4,304,908,231	8,727,141	-	4,313,635,372
Communication systems	59,249,007	-	-	59,249,007
Permanent easements	4,294,728	-	-	4,294,728
Work in progress	388,120,828	27,020,409	(12,131,121)	403,010,116
Total infrastructure related assets	5,684,360,591	39,946,123	(12,131,121)	5,712,175,593
Capital assets				
Nondepreciable capital assets				
Land	7,240,775	-	-	7,240,775
Work in progress	17,170,717	4,393,402	(11,240,423)	10,323,696
Depreciable and amortizable capital assets				
Site improvements	13,728,481	1,045,233	-	14,773,714
Buildings	191,037,451	3,600,232	-	194,637,683
Vehicles, aircraft and road machinery	143,178,575	9,498,856	(5,503,912)	147,173,519
General property	22,135,442	1,410,071	(54,024)	23,491,489
Software	2,297,268	8,044,201	-	10,341,469
Depletable capital assets				
Gravel pit	1,233,000	-	-	1,233,000
Total capital assets	398,021,709	27,991,995	(16,798,359)	409,215,345
Less accumulated depreciation, depletion and amortization				
Site improvements	(10,471,518)	(418,053)	-	(10,889,571)
Buildings	(86,979,519)	(6,094,759)	-	(93,074,278)
Vehicles, aircraft and road machinery	(65,810,337)	(8,264,548)	2,763,734	(71,311,151)
General property	(17,314,994)	(1,282,881)	44,777	(18,553,098)
Software	(2,262,476)	(2,491,382)	-	(4,753,858)
Gravel pit	(236,051)	-	-	(236,051)
Total depreciation, depletion and amortization	(183,074,895)	(18,551,623)	2,808,511	(198,818,007)
Total depreciable, depletable and amortizable capital assets, net of depreciation, depletion and amortization	214,946,814	9,440,372	(13,989,848)	210,397,338
Governmental activities, capital assets, net	\$ 5,899,307,405	\$ 49,386,495	\$ (26,120,969)	\$ 5,922,572,931



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

Road preservation and maintenance	15,208,919
Planning	28,929
Highway safety	3,769
Administration	2,738,647
Licensing and registration	26,291
Law enforcement	430,476
Statewide communication network	-
Airport improvement	114,592
	<u>18,551,623</u>
	<u>\$ 18,551,623</u>

Note 8. Governmental Fund Balances

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, 2017, 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 \$32,446,342.

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, 2017: \$212,302 as restricted fund balance for hazardous material spill cleanup and training; \$4,493,458 restricted for air service enhancement funds; \$124,454 for ignition interlock device fund; and \$93,287 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 \$52,624,515 reported in the WYDOT General Fund as committed: \$22,624,515 for road construction projects as part of the \$.10 fuel tax increase and \$30,000,000 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.



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For the State Infrastructure Bank Fund, the \$7,926,786 is the remaining fund balance not restricted to be used to capitalize loans for road construction. For the Statewide Communications Fund the \$1,013,764 is the remaining amount of fund balance to be used for the purpose of the fund. The amount of \$1,012,596 is the remaining amount of fund balance after operations for the year in the Motorcycle Safety Fund, and the \$2,327,706 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 \$14,386,837 as unassigned fund balance in the WYDOT General Fund as of September 30, 2017.

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 Nonmajor Special Revenue Funds
Fund Balance			
Nonspendable			
Inventories	\$ 32,446,342	\$ -	\$ -
Restricted for			
Air service enhancement funds	-	-	4,493,458
Hazardous material spill cleanup and training	-	-	212,302
Ignition interlock device expenditures	-	-	124,454
Loans made for road construction projects	-	26,061,739	-
Flight service expenditures	-	-	93,287
Committed for			
Additional \$.10 motor fuels tax for contract payments	22,624,515	-	-
Loan from State Treasurer due within one year	30,000,000	-	-
Assigned to			
Loans made for road construction projects	-	7,926,786	-
Communication system enhancements	-	-	1,013,764
Motorcycle safety education	-	-	1,012,596
Other	-	-	2,327,706
Unassigned	14,386,837	-	-
Total fund balances	\$ 99,457,694	\$ 33,988,525	\$ 9,277,567



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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, the State Patrol, Game & Fish, Warden and Criminal Investigator Pension Plan, or the Law Enforcement Pension Plan. These plans are statewide cost-sharing multiple-employer defined benefit pension plans administered by the Wyoming Retirement System (WRS). The Public Employees Pension Plan covers the employees of the Department that do not participate in law enforcement activities. The State Patrol, Game & Fish, Warden and Criminal Investigator Pension Plan covers the sworn law officers of the Wyoming Highway Patrol and the Law Enforcement Pension Plan covers the dispatchers that have elected to participate in that plan instead of the Public Employees Pension 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: If 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 his/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/her 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 State Patrol, Game & Fish, Warden and Criminal Investigator Pension 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.

Disability Benefits: Partial or total disability retirement is available to any member who becomes



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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 Pension 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, 2017, Public Employees Pension 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 5.945% of the Public Employees Pension Plan member contributions in addition to the employer contributions through June 30, 2017. As of July 1, 2017, the percentage paid by the Department changed to 5.57%. Contributions to the pension plan from the Department were \$12,643,289 for the year ended September 30, 2017.

Per Title 9-3-604 and 605 of State Statutes, for the year ended September 30, 2017, State Patrol, Game & Fish, Warden and Criminal Investigator Pension 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 9-3-604 (a) of State Statutes, the Department has elected to pay 12.26% of the State Patrol, Game & Fish, Warden and Criminal Investigator Pension Plan member contributions in addition to the employer contributions through June 30, 2017. As of July 1, 2017, the percentage paid by the Department changed to 11.92%. Contributions to the pension plan from the Department were \$3,938,317 for the year ended September 30, 2017.

Per Title 9-3-432 of State Statutes, for the year ended September 30, 2017, Law Enforcement Pension Plan 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 9-3-432 (a) of State Statutes, the Department has elected to pay 8.60% of the Law Enforcement Pension Plan member contributions in addition to the employer contributions. Contributions to the pension plan from the Department were \$310,727 for the year ended September 30, 2017.

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pension: At September 30, 2017, the Department reported a total liability of \$167,643,378 for its proportionate share of the net pension liability of the three plans. The Public Employees Pension Plan liability was \$120,041,107, the State Patrol, Game & Fish, Warden and Criminal Investigator Pension



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Plan liability was \$46,746,785, and the Law Enforcement Pension Plan liability was \$855,486. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017. 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, 2016 to the contributions of all participating employers for the same period to each plan.

At December 31, 2016, the Department's proportionate share of each plan was as follows:

	Proportionate Share at December 31, 2016	Proportionate Share at December 31, 2015
Public Employees Pension Plan	4.9655055357%	5.0367388486%
State Patrol, Game & Fish, Warden and Criminal Investigator Pension Plan	61.2457260000%	60.371025837%
Law Enforcement Pension Plan	1.1332150162%	1.061807493%

For the year ended September 30, 2017, the Department recognized total pension expense of \$27,547,992 which consists of the following: \$18,035,791 for the Public Employees Pension Plan, \$9,201,335 for the State Patrol, Game & Fish, Warden and Criminal Investigator Pension Plan, and \$310,866 for the Law Enforcement Pension Plan.

	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience		
Public Employees Pension Plan	\$ -	\$ (3,241,006)
State Patrol, Game & Fish, Warden and Criminal Investigator Pension Plan	30,482	(649,652)
Law Enforcement Pension Plan	10,728	(31,523)
Net difference between projected and actual earnings on pension plan investments		
Public Employees Pension Plan	22,515,788	-
State Patrol, Game & Fish, Warden and Criminal Investigator Pension Plan	5,077,045	-
Law Enforcement Pension Plan	384,907	-
Changes in proportionate share of contributions		
Public Employees Pension Plan	-	(1,566,800)
State Patrol, Game & Fish, Warden and Criminal Investigator Pension Plan	540,462	(178,942)
Law Enforcement Pension Plan	42,615	(5,701)
Change in assumptions		
Public Employees Pension Plan	-	-
State Patrol, Game & Fish, Warden and Criminal Investigator Pension Plan	11,602,615	(2,537,957)
Law Enforcement Pension Plan	-	-
Contributions subsequent to the measurement date		
Public Employees Pension Plan	5,611,576	-
State Patrol, Game & Fish, Warden and Criminal Investigator Pension Plan	1,624,057	-
Law Enforcement Pension Plan	112,686	-
	<u>\$ 47,552,961</u>	<u>\$ (8,211,581)</u>

An amount of \$7,348,319 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



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the net pension liability in the year ending September 30, 2018. 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	State Patrol, Game & Fish, Warden and		
	Public Employees Pension Plan	Criminal Investigator Pension Plan	Law Enforcement Pension Plan
2018	\$ 5,882,672	\$ 5,040,599	\$ 140,827
2019	6,156,080	5,040,599	140,020
2020	5,316,320	4,198,965	111,400
2021	352,910	(396,110)	8,779
	\$ 17,707,982	\$ 13,884,053	\$ 401,026

Actuarial assumptions: The total pension liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	State Patrol, Game & Fish, Warden and		
	Public Employees Pension Plan	Criminal Investigator Pension Plan	Law Enforcement Pension Plan
Inflation	3.25%	3.25%	3.25%
Salary increases, including inflation	4.25% - 6.00%	4.25% - 8.00%	4.25% - 8.00%
Investment rate of return, net of pension plan investment expense, including inflation	4.25%	4.25%	4.25%

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 arithmetic 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. For each major asset class that is included in the pension plans target asset allocation as of January 1, 2017, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term	Long-Term
		Expected Geometric Rate of Return	Expected Arithmetic Rate of Return
Cash	0.00%	-0.20%	-0.20%
Fixed income	20.00%	1.43%	1.95%
Equity	45.00%	5.72%	7.73%
Marketable alternatives	17.50%	3.03%	3.73%
Private markets	17.50%	5.84%	7.14%
	100.00%	4.76%	6.38%



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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 Pension Plan	\$ 172,419,114	\$ 120,041,107	\$ 76,048,569
State Patrol, Game & Fish, Warden and Criminal Investigator Pension Plan	63,327,396	46,746,785	32,986,538
Law Enforcement Pension Plan	1,776,438	855,486	94,962

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. 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.

Detailed information about the OPEB is available in the separately issued State CAFR available from the State Auditor’s Office website at sao.wyo.gov/publications.

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.



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A retiree is eligible for coverage under the group insurance plan at premium rates established by the State of Wyoming Employee Group Insurance (EGI), provided that:

1. The employee had coverage in effect under the plan for at least one year just prior to termination; and
2. The employee is eligible to receive a retirement benefit under the Wyoming Retirement System; and either
 - a. Has attained age 50 with at least 4 years of service credit as an employee of one of the employing entities participating in the plan; or
 - b. Has at least 20 years of service credit as an employee of one of the employing entities participating in the plan.

Required monthly contributions - Contributions are required for both retiree and dependent coverage. The State of Wyoming EGI provides a monthly subsidy based on employees' years of service up to a maximum of 30 years of service. The current contribution amounts are provided here.

Non-Medicare

\$11.50 per month per year of credited service

Medicare Eligible

\$5.75 per month per year of credited service

For the plan year ended June 30, 2017, there were 16,339 fully eligible active participants. The retiree's benefit description provides 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 no 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.

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 2017 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 \$25.2 million as of June 30, 2017.

For the fiscal year ended September 30, 2017, the State assessed the Department \$629,713 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 Group Insurance (employee medical, life, and dental) Program.

The Department participates in the 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



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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 \$599,606 for the 2017-2018 biennium. The Department has transferred \$299,803 to the Department of Administration in fiscal year 2017 for the first half of the biennium.

The Department also participates in an employees' group 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 fiscal year 2017, the Department contributed 85% up to \$1,715 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 was solvent at June 30, 2017, 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 2017 and 2016 were \$27,490,860 and \$25,502,715, respectively.

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

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, 2017, the State Workers' Compensation Fund reported a claims liability of approximately \$1.9 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 2017 was \$2,672,963.

The Department does not carry unemployment insurance but pays the cost of actual claims incurred. The Department paid \$80,430 unemployment claims for the fiscal year ended September 30, 2017.

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 \$14,594,323 for the year ended September 30, 2017.



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Note 13. Commitments

The Department has commitments of nearly \$311 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, 2017, 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, 2017 are as follows:

	WYDOT	
	General Fund	Nonmajor Funds
Construction and Maintenance	\$ 257,574,035	\$ -
Airport Improvement	36,192,267	-
Other	8,481,902	8,470,441
	<u>\$ 302,248,204</u>	<u>\$ 8,470,441</u>



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REQUIRED SUPPLEMENTARY INFORMATION



Wyoming Department of Transportation

INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH September 30, 2017

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 3.6
Good	3.5 to 3.1
Fair	3.0 to 2.6
Poor	2.5 to 0.0

It is the Department's goal to maintain its National Highway System (NHS) which is broke out between Interstate NHS and Non-Interstate NHS roadway system at an average rating of 3.25 (good) as 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, 2017, the overall PSR for Interstate NHS was 3.7, Non-Interstate NHS was 3.5 and Non-NHS was 3.4. As of September 30, 2016, the overall PSR for Interstate NHS was 3.6, Non-Interstate-NHS was 3.3, and Non-NHS was 3.0. As of September 30, 2015, the overall PSR for NHS was 3.5 and Non-NHS was 3.2.

The number of miles of Interstate NHS, Non-Interstate NHS and Non-NHS with good to excellent condition and poor to fair condition are presented on the following page.



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2017 PSR Condition Rating						
Condition	Interstate NHS		Non-Interstate NHS		Non-NHS	
	Number of Miles	Percent	Number of Miles	Percent	Number of Miles	Percent
Good to Excellent	1,559	85.1%	1,448	70.6%	2,033	61.2%
Poor to Fair	272	14.9%	602	29.4%	1,291	38.8%
Total	1,831	100.0%	2,050	100.0%	3,324	100.0%

2016 PSR Condition Rating						
Condition	Interstate NHS		Non-Interstate NHS		Non-NHS	
	Number of Miles	Percent	Number of Miles	Percent	Number of Miles	Percent
Good to Excellent	1,647	90.1%	1,431	66.0%	1,691	51.8%
Poor to Fair	181	9.9%	737	34.0%	1,572	48.2%
Total	1,828	100.0%	2,168	100.0%	3,263	100.0%

2015 PSR Condition Rating						
Condition	Interstate NHS		Non-Interstate NHS		Non-NHS	
	Number of Miles	Percent	Number of Miles	Percent	Number of Miles	Percent
Good to Excellent	1,523	83.5%	1,336	61.3%	1,664	49.1%
Poor to Fair	301	16.5%	842	38.7%	1,728	50.9%
Total	1,824	100.0%	2,178	100.0%	3,392	100.0%

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.



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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	$100 \geq \text{WBI} \geq 93$
Good	$93 > \text{WBI} \geq 85$
Fair	$85 > \text{WBI} \geq 65$
Poor	$65 > \text{WBI} \geq 0$

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 of 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.

2017 Structure Condition Rating					
NHS			Non-NHS		
Condition	Number	Percent	Condition	Number	Percent
Excellent	111	8.3%	Excellent	78	12.6%
Good	582	43.4%	Good	264	42.8%
Fair	631	47.1%	Fair	246	39.9%
Poor	16	1.2%	Poor	29	4.7%
Total	1,340	100.0%	Total	617	100.0%

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	1,344	100.0%	Total	615	100.0%

2015 Structure Condition Rating					
NHS			Non-NHS		
Condition	Number	Percent	Condition	Number	Percent
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%

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.



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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.

Following is a summary of the quantity and percentage of Telecom infrastructure assets in acceptable condition:

2017 Condition Rating				
Condition	Number of WyoLink Assets	Percent	Number of Other Telecom Assets	Percent
Acceptable	69	100.0%	196	100.0%
Deficient	-	0.0%	-	0.0%

2016 Condition Rating				
Condition	Number of WyoLink Assets	Percent	Number of Other Telecom Assets	Percent
Acceptable	66	100.0%	186	100.0%
Deficient	-	0.0%	-	0.0%

2015 Condition Rating				
Condition	Number of WyoLink Assets	Percent	Number of Other Telecom Assets	Percent
Acceptable	66	100.0%	186	100.0%
Deficient	-	0.0%	-	0.0%

The Department estimated maintenance and preservation expenditures on infrastructure assets of \$379.9 million for the year ended September 30, 2017. Actual expenditures on infrastructure for maintenance and preservation were \$333.9 million, a difference of \$46.0 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:

For the fiscal year ended September 30,	Estimated			Actual		
	Road Network	Bridges	Communications System	Road Network	Bridges	Communications System
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	3.0 million	297.7 million	27.4 million	3.0 million
2017	332.1 million	44.6 million	3.2 million	308.8 million	21.9 million	3.2 million



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**SCHEDULE OF REVENUE APPROPRIATED AND EXPENSES ALLOCATED -
BUDGET AND ACTUAL - WYDOT GENERAL FUND
For the Year Ended September 30, 2017**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Revenues appropriated:				
Highway user fees	\$ 200,975,149	\$ 200,975,149	\$ 195,414,041	\$ (5,561,108)
Mineral royalties and severance taxes	6,330,000	6,330,000	6,330,000	-
General funds	103,204,879	93,276,333	99,096,555	5,820,222
Federal aid	248,620,474	270,945,745	268,452,657	(2,493,088)
Federal grants	33,254,035	34,051,526	33,130,897	(920,629)
Other sources	21,413,027	25,754,180	23,034,150	(2,720,030)
Total revenues appropriated	613,797,564	631,332,933	625,458,300	(5,874,633)
Expenses allocated:				
Highway improvement program	311,828,981	328,065,674	329,941,086	(1,875,412)
Highway maintenance	131,718,751	140,379,775	137,369,894	3,009,881
Transportation planning	29,528,425	30,346,546	25,120,181	5,226,365
Other	11,665,132	10,437,253	9,002,466	1,434,787
Legislative appropriated	97,581,982	98,867,832	98,867,832	-
Capital outlay	21,786,600	13,438,160	13,234,796	203,364
Transfers out, other State agencies	7,844,431	7,954,431	7,954,431	-
Transfers out, WYDOT Funds	1,843,262	1,843,262	1,843,262	-
Total expenses allocated	613,797,564	631,332,933	623,333,948	7,998,985
Revenues appropriated over (under) expenses allocated	\$ -	\$ -	\$ 2,124,352	\$ 2,124,352

See Notes to Required Supplementary Information.



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**SCHEDULE OF REVENUE APPROPRIATED AND EXPENSES ALLOCATED -
BUDGET AND ACTUAL - STATE INFRASTRUCTURE BANK FUND
For the Year Ended September 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
Revenues appropriated:				
Reimbursements on advance	\$ 10,091,080	\$ 10,091,080	\$ 20,869,441	\$ 10,778,361
Interest and investment revenue	222,674	222,674	164,589	(58,085)
Total revenues appropriated	10,313,754	10,313,754	21,034,030	10,720,276
Expenses allocated:				
Project loans/advances	6,000,000	6,000,000	-	6,000,000
Revenues appropriated over (under) expenses allocated	\$ 4,313,754	\$ 4,313,754	\$ 21,034,030	\$ 16,720,276

See Notes to Required Supplementary Information.



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

Public Employee Pension Plan Last 4 Fiscal Years*

	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%
2017	4.965505536%	\$ 120,041,107	\$ 89,024,753	134.84%	73.42%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. This schedule is to be built prospectively until it contains ten years of data.

See Notes to Required Supplementary Information

SCHEDULE OF THE DEPARTMENT'S CONTRIBUTIONS

Public Employee Pension Plan Last 4 Fiscal Years*

	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%
2017	\$ 7,441,050	\$ 7,441,050	\$ -	\$ 88,901,439	8.37%

* This schedule is to be built prospectively until it contains ten years of data.

See Notes to Required Supplementary Information



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

State Patrol, Game & Fish, Warden, and Criminal Investigator Pension Plan
Last 4 Fiscal Years*

	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%
2017	61.245726000%	\$ 46,746,785	\$ 14,528,127	321.77%	62.53%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. This schedule is to be built prospectively until it contains ten years of data.

See Notes to Required Supplementary Information

SCHEDULE OF THE DEPARTMENT'S CONTRIBUTIONS

State Patrol, Game & Fish, Warden, and Criminal Investigator Pension Plan
Last 4 Fiscal Years*

	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%
2017	\$ 2,166,246	\$ 2,166,246	\$ -	\$ 14,558,104	14.88%

* This schedule is to be built prospectively until it contains ten years of data.

See Notes to Required Supplementary Information



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

Law Enforcement Pension Plan

Last 4 Fiscal Years*

	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	1.114913918%	\$ 203,576	\$ 1,758,238	11.58%	96.53%
2015	1.081209276%	\$ 318,562	\$ 1,684,499	18.91%	94.76%
2016	1.061807493%	\$ 797,629	\$ 1,829,004	43.61%	87.49%
2017	1.133215016%	\$ 855,486	\$ 1,771,971	48.28%	88.11%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. This schedule is to be built prospectively until it contains ten years of data.

See Notes to Required Supplementary Information

SCHEDULE OF THE DEPARTMENT'S CONTRIBUTIONS

Law Enforcement Pension Plan

Last 4 Fiscal Years*

	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%
2017	\$ 155,364	\$ 155,364	\$ -	\$ 1,806,555	8.60%

* This schedule is to be built prospectively until it contains 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.



Wyoming Department of Transportation

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 82009.

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 - Governmental Funds are as follows:

	<u>WYDOT General Fund</u>
Revenues appropriated - actual amounts (basis of budgeting)	\$ 625,458,300
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 contract in progress	(55,321,015)
Differences in accrual basis revenues and cash basis budgetary amounts	<u>3,600,298</u>
Total revenues as reported on the Statement of Revenue, Expenditures and Changes in Fund Balances	<u><u>\$ 573,737,583</u></u>
	<u>WYDOT General Fund</u>
Expenses allocated - actual amounts (basis of budgeting)	\$ 623,333,948
Net difference in project-length expenditures budgeted each year for the length of the project, compared to expenses incurred on specific contracts in progress	55,297,058
Differences in accrual basis expenditures and cash basis budgetary amounts	<u>(71,309,114)</u>
Total expenditures as reported on the Statement of Revenue, Expenditures and Changes in Fund Balances	<u><u>\$ 607,321,892</u></u>



Wyoming Department of Transportation

	State Infrastructure Bank Fund
Revenues appropriated - actual amounts (basis of budgeting)	\$ 21,034,030
Differences in budgetary basis to GAAP	
Reimbursements on advance	(20,869,441)
Unrealized gain on investments	(73,330)
	<hr/>
Total revenues as reported on the Statement of Revenue, Expenditures and Changes in Fund Balances	\$ 91,259
	<hr/> <hr/>
	State Infrastructure Bank Fund
Expenses allocated - actual amounts (basis of budgeting)	\$ -
Differences in budgetary basis to GAAP	
Project loan advances	-
	<hr/>
Total expenditures as reported on the Statement of Revenue, Expenditures and Changes in Fund Balances	\$ -
	<hr/> <hr/>

Note 5. Retirement Commitment – Wyoming Retirement System

Changes in benefit terms: There were no changes in benefit terms between the December 31, 2015 measurement date and the December 31, 2016 measurement date.

Changes in assumptions: There were no changes in assumptions between the December 31, 2015 measurement date and the December 31, 2016 measurement date, with the exception of the State Patrol, Game & Fish, Warden, and Criminal Investigator Pension Plan.



Wyoming Department of Transportation





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, 2017

	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
ASSETS									
Cash with State Treasurer	\$ 1,021,833	\$ 1,911,477	\$ 361,771	\$ 203,102	\$ 124,674	\$ 4,589,561	\$ 73,924	\$ 967,685	\$ 9,254,027
Accounts receivable	3,919	69,055	-	9,200	-	-	60,592	108,748	251,514
Total assets	\$ 1,025,752	\$ 1,980,532	\$ 361,771	\$ 212,302	\$ 124,674	\$ 4,589,561	\$ 134,516	\$ 1,076,433	\$ 9,505,541
LIABILITIES AND FUND BALANCES									
Liabilities									
Accounts payable	\$ 5,845	\$ -	\$ 1,328	\$ -	\$ -	\$ 88,667	\$ 16,835	\$ 29,726	\$ 142,401
Due to other funds	7,311	13,268	1	-	220	7,436	24,394	32,943	85,573
Total liabilities	13,156	13,268	1,329	-	220	96,103	41,229	62,669	227,974
Fund Balances									
Restricted	-	-	-	212,302	124,454	4,493,458	93,287	-	4,923,501
Assigned	1,012,596	1,967,264	360,442	-	-	-	-	1,013,764	4,354,066
Total fund balances	1,012,596	1,967,264	360,442	212,302	124,454	4,493,458	93,287	1,013,764	9,277,567
Total liabilities and fund balances	\$ 1,025,752	\$ 1,980,532	\$ 361,771	\$ 212,302	\$ 124,674	\$ 4,589,561	\$ 134,516	\$ 1,076,433	\$ 9,505,541



Wyoming Department of Transportation

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2017

	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
Revenue									
Highway user fees	\$ 425,763	\$ -	\$ 43,641	\$ 8,600	\$ 74,100	\$ -	\$ -	\$ -	\$ 552,104
Federal grant	-	9,366,249	-	-	-	-	-	-	9,366,249
Interest and investment	(15,021)	(33,834)	(5,233)	(14,757)	(2,534)	(118,659)	(1,214)	(24,971)	(216,223)
Flight services	-	-	-	-	-	-	573,189	-	573,189
Statewide communication network	-	-	-	-	-	-	-	302,290	302,290
Other state sources	-	-	-	-	-	1,350,950	-	2,344,581	3,695,531
Other miscellaneous	-	-	-	-	-	-	3,096	1,459	4,555
Total revenue	410,742	9,332,415	38,408	(6,157)	71,566	1,232,291	575,071	2,623,359	14,277,695
Expenditures									
Highway safety	382,506	-	-	-	-	-	-	-	382,506
Federal transit	-	10,735,006	-	-	-	-	-	-	10,735,006
Licensing and registration	-	-	47,891	-	18,677	-	-	-	66,568
Law enforcement	-	-	-	245,614	-	-	-	-	245,614
Statewide communication network	-	-	-	-	-	-	-	1,919,705	1,919,705
Airport improvement	-	-	-	-	-	3,867,430	-	-	3,867,430
Flight services	-	-	-	-	-	-	597,661	-	597,661
Total expenditures	382,506	10,735,006	47,891	245,614	18,677	3,867,430	597,661	1,919,705	17,814,490
Excess(deficiency) of revenue over expenditures	28,236	(1,402,591)	(9,483)	(251,771)	52,889	(2,635,139)	(22,590)	703,654	(3,536,795)
Other financing sources (uses)									
Transfers in	-	1,500,000	-	-	-	-	-	14,301	1,514,301
Proceeds from sale of assets	6,399	-	-	-	-	-	-	-	6,399
Total other financing sources (uses)	6,399	1,500,000	-	-	-	-	-	14,301	1,520,700
Net change in fund balances	34,635	97,409	(9,483)	(251,771)	52,889	(2,635,139)	(22,590)	717,955	(2,016,095)
Fund Balances, beginning of year	977,961	1,869,855	369,925	464,073	71,565	7,128,597	115,877	295,809	11,293,662
Fund Balances, end of year	\$ 1,012,596	\$ 1,967,264	\$ 360,442	\$ 212,302	\$ 124,454	\$ 4,493,458	\$ 93,287	\$ 1,013,764	\$ 9,277,567



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 Fund – 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
AGENCY FUNDS
September 30, 2017

	Vehicle Rental Surcharge Fund	Commercial Vehicle Bond 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	\$ 294	\$ -	\$ -	\$ 258,855	\$ 287,400	\$ 1,999,248	\$ 60,611	\$ 2,606,408
Accounts receivable	-	-	-	-	-	10,254,786	-	10,254,786
Total assets	\$ 294	\$ -	\$ -	\$ 258,855	\$ 287,400	\$ 12,254,034	\$ 60,611	\$ 12,861,194
LIABILITIES								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,620,189	\$ 4,004	\$ 10,624,193
Deposits of others	294	-	-	258,855	287,400	1,633,845	56,607	2,237,001
Total liabilities	\$ 294	\$ -	\$ -	\$ 258,855	\$ 287,400	\$ 12,254,034	\$ 60,611	\$ 12,861,194



Wyoming Department of Transportation

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

For the Year Ended September 30, 2017

	Vehicle Rental Surcharge Fund	Commercial Vehicle Bond Fund	Special Fuel Bond Fund	MVR to MVR to Counties Fund	MVR to Other Governments Fund	Gas and Special Fuel Tax Fund	Financial Responsibility Fund	Total
Balance as of September 30, 2016	\$ 60	\$ -	\$ -	\$ 313,723	\$ 275,669	\$ 22,998,131	\$ 48,357	\$ 23,635,940
Additions	215,906	-	-	6,953,014	7,803,073	184,915,867	35,035	199,922,895
Reductions	(215,672)	-	-	(7,007,882)	(7,791,342)	(195,659,964)	(22,781)	(210,697,641)
Balance as of September 30, 2017	\$ 294	\$ -	\$ -	\$ 258,855	\$ 287,400	\$ 12,254,034	\$ 60,611	\$ 12,861,194



Wyoming Department of Transportation





SINGLE AUDIT SECTION



Wyoming Department of Transportation

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2017

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	\$ -	\$ 95,426,654
U.S. Department of Transportation				
Federal Aviation Administration				
Airport Improvement Program	20.106	-	17,925,922	18,016,814
Federal Highway Administration				
Highway Research & Development Program	20.200	-	-	1,162,535
Highway Planning and Construction	20.205	-	4,249,694	216,924,128
Highway Training & Education	20.215	-	-	85,407
Federal Motor Carrier Safety Administration				
National Motor Carrier Safety	20.218	-	-	1,292,276
Federal Transit Administration				
<i>Federal Transit Cluster</i>				
Bus and Bus Facilities Formula Program	20.526	-	1,229,077	1,229,077
<i>Transit Services Programs Cluster</i>				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	-	230,527	341,341
Metropolitan Transportation Planning &				
State and Non-Metropolitan Planning and Research	20.505	-	1,353,046	1,372,865
Formula Grants for Rural Areas	20.509	-	6,070,998	6,425,794
National Highway Traffic Safety Administration				
<i>Highway Safety Cluster</i>				
State and Community Highway Safety Program	20.600	-	683,940	1,886,377
Alcohol Impaired Driving Countermeasures Incentive Grant I	20.601	-	83,049	85,802
Occupant Protection Incentive Grants	20.602	-	36,865	37,739
National Priority Safety Programs	20.616	-	836,301	2,443,502
<i>Total Highway Safety Cluster</i>			<u>1,640,155</u>	<u>4,453,420</u>
Alcohol Open Container Requirements	20.607	-	432,776	574,797
Minimum Penalties for Repeat Offenders for Driving while Intoxicated	20.608	-	-	449
Total U.S. Department of Transportation			<u>33,132,195</u>	<u>251,878,903</u>
Executive Office of the President				
High Intensity Drug Traffic Areas Program	95.001	-	-	59,532
U.S. Department of Homeland Security				
Hazard Mitigation Grant	97.039	-	-	119,815
Total Federal award expenditures			<u>\$ 33,132,195</u>	<u>\$ 347,484,904</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, 2017. 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 Account 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 Indicial 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 now allowable or are limited as to reimbursement. The Department uses an indirect cost rate, approved by the Federal Highway Administration, as it applies to programs funded by that agency. The Department used an 8.23% indirect cost rate through October 31, 2016. A rate of 11% was approved and applied to new projects beginning November 1, 2016. The rate of 11% is applied to existing projects when the project changes to a new activity or phase after November 1, 2016; current project activities as of November 1, 2016 will continue with the previous rate of 8.23%. An exception is for projects let to construction phase after March 31, 2016, WYDOT will use the rate of 11% on construction activity transactions starting November 1, 2016. For other programs not awarded by the Federal Highway Administration, the Department does not charge indirect costs under the de minimis rate.



Wyoming Department of Transportation



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, 2017, 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 7, 2018.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified two deficiencies in internal control, one that we consider to be a material weakness, and one that we consider to be a significant deficiency.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2017-002 to be a material weakness.

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. We consider the deficiency described in the Schedule of Findings and Questioned Costs as item 2017-001 to be a significant deficiency.



Wyoming Department of Transportation

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*.

The Department's Response to Findings

The Department's response to the findings identified in our audit are described in the accompanying Exhibit I, Corrective Action Plans. The Department's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

McLee, Hearne & Paiz, LLP

Cheyenne, Wyoming
March 7, 2018



Wyoming Department of Transportation



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, 2017. 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, 2017.



Wyoming Department of Transportation

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 a 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 identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2017-002, that we consider to be a material weakness.

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

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.

McLee, Hearne & Paiz, LLP

Cheyenne, Wyoming
March 7, 2018



Wyoming Department of Transportation

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended September 30, 2017

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

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 No
- Significant deficiency (ies) identified? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major Federal programs:

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

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 Section 2 CFR 200.516 (a)? Yes No

Identification of major Federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction Cluster
Cluster	Highway Safety Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$3,000,000

Auditee qualified as low-risk auditee? Yes No



Wyoming Department of Transportation

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) Year Ended September 30, 2017

II. FINANCIAL STATEMENT FINDINGS

2017-001: Audit Adjustments

Criteria: Under professional auditing standards, the control deficiency exists as Department personnel did not identify two adjusting journal entries, which were significant to the Department's financial statements prepared in accordance with GAAP.

Condition/Context: As part of our audit, two significant adjustments were proposed and recorded in order to properly state the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Cause: Financial Services has extensive experience in financial statements prepared in accordance with GAAP. However, as a result of turnover in multiple programs, certain adjustments were required. These adjustments related to the receipt of revenue requirement under the modified accrual basis of accounting, and a manual error in calculating the amount to be reimbursed by outside agencies.

Effect: Significant adjustments identified during the audit were as follows:

- Amounts accrued as accounts receivable were not received within the modified accrual period (60 days after year end), thereby overstating revenue of the WYDOT General Fund on the Governmental Funds financial statements and was recorded.
- Amounts accrued as accounts receivable relating to reimbursements from outside agencies were doubled in the year end calculation for cost allocation plan reimbursements. This amount was not double billed; instead, the amount was recorded twice as accounts receivable at year end.

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

See 2017-002 under Section III, Federal Awards Findings and Questioned Costs.



Wyoming Department of Transportation

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) Year Ended September 30, 2017

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2017-002: Schedule of Expenditures of Federal Awards

Criteria: Per 2 CFR 200.502 and 2 CFR 500.510, the auditee shall identify in its accounts all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of Federal agency, and name of pass-through agency.

Condition/Context: The Schedule of Expenditures of Federal Awards (SEFA) provided by the Department did not include all Federal funds expended. Specifically, we noted that during testing that one award (CFDA #20.205 – Highway Planning and Construction) did not include approximately \$12.1 million of freight funding expenditures.

Cause: Due to the recent personnel turnover, this funding source was not identified in the accounting system as Federal funds for CFDA #20.205 – Highway Planning and Construction. Internal control processes that would normally identify issues of this nature occurred after audit procedures identified this finding.

Questioned Costs: \$0

Effect: An inaccurate or incomplete Schedule of Expenditures of Federal Awards could result in the improper identification and/or exclusion of major programs and the related audit requirements. In this case, the omitted expenditures affected the year end reporting, but the Federal funds were managed consistently with the other Federal funds in this program for Federal compliance purposes.

Recommendation: We recommend the Department review the control system in place over the preparation of the schedule of expenditures of Federal awards and revise the timing of the current controls and/or implement new controls to ensure that the schedule is accurate and complete.

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, 2017

2016-001: Highway Planning and Construction – 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: 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.

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

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.

Status – Internal Review 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). These risk assessments were utilized in FY 2017 and will continue to be updated and utilized each fiscal year going forward. The risk assessment was compiled with all subrecipients awarded funds in FY 2017 along with criteria to assess risk. The risk assessment was compiled in order to document high risk entities that Internal Review needs to conduct audits of and other subrecipient monitoring that took place for the fiscal year including desk reviews or reimbursement requests and supporting documentation and site visits by WYDOT grant administrators.

Auditor’s Comments- Based on current year testing, we determined the Department implemented the above procedures.

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: 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



Wyoming Department of Transportation

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED) Year Ended September 30, 2017

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

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

Status – When the Consolidated Planning Grant was created for the Metropolitan Planning Organizations (MPO) and the Authority for Expenditures was issued, a notification was sent to the respective MPOs and kept on file in WYDOT Planning, which stated 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 advised that a subsequent transfer will complete the grant. A second letter was sent to the respective MPOs at the time the grant was fully funded.

Auditor’s Comments– Based on current year testing, we determined the Department implemented the above procedures.

2016-003: Abandoned Mine Reclamation Program – Reporting

Catalog of Federal Assistance (CFDA) Number and Title: 15.252 Abandoned Mine Reclamation Program – Reporting
Federal Agency Name: 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

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

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

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

Auditor’s Comments – Based on current year testing, we determined the Department implemented the above procedures.



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, 2018
To: McGee, Hearne & Paiz, LLP
From: Dennis Byrne, Chief Financial Officer
Re: Wyoming Department of Transportation Financial and Compliance Report – Fiscal Year 2017

The following are the Corrective Action Plans to address the control deficiencies and findings in the FY 2017 Financial and Compliance Report.

2017-001: Audit Adjustments

Corrective Action: Financial Services has identified a solution to identify and record the accounts receivable related adjustments appropriately in future years. Financial Services will also continue to refine the audit information preparation and review processes to eliminate these types of reporting issues.

Completion Date: February 28, 2018

Contact Person(s): Rhonda Harsy, Controller, Financial Services

2017-002: Schedule of Expenditures of Federal Awards

Corrective Action: Financial Services and Internal Review will work together to implement a new process, to include reconciliation of the Schedule of Expenditures of Federal Awards to other reports detailing federal spending and reporting, that will identify all Federal funds that need to be recorded in the Schedule of Expenditures of Federal Awards.

Anticipated Completion Date: September 30, 2018

Contact Person(s): Rhonda Harsy, Controller, Financial Services & Maria Laborde, Internal Review Manager