

CITY OF SHERIDAN, WYOMING
FINANCIAL AND COMPLIANCE REPORT
FOR THE FISCAL YEAR ENDED
June 30, 2010

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FINANCIAL SECTION

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PORTER, MUIRHEAD, CORNIA & HOWARD

(A Corporation of Certified Public Accountants)

123 West First Street Suite 800 P.O. Box 2759 Casper, Wyoming 82602 (307) 265-4311 Fax (307) 265-5180

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Sheridan, Wyoming

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sheridan, Wyoming, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Sheridan's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Sheridan Area Water System, a discretely presented component unit of the City of Sheridan. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the Sheridan Area Water Supply, is based on the report of the other auditors.

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 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sheridan, Wyoming, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 02, 2011 on our consideration of the City of Sheridan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sheridan's basic financial statements. The budgetary comparison information on pages 51 through 54 is supplementary information required by the Governmental Accounting Standards Board. The other supplementary information on pages 55 through 63 is presented for purposes of additional analysis. Both the budgetary comparison information and the other supplementary information are not required parts of the basic financial statements of the City of Sheridan, Wyoming. Additionally, the accompanying schedule of expenditures of Federal awards is presented for the purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. This schedule, the budgetary comparison information and the other supplementary information identified above have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements, required supplementary information, other supplementary information and our independent auditor's reports are for the purpose of meeting local, and state requirements and are for the use of those entities and the management of the City of Sheridan and should not be used or relied upon by any other party for any purpose. Additional users of these financial statements, required supplementary information, other supplementary information and our independent auditor's reports are hereby advised that the liability of Porter, Muirhead, Cornia & Howard to third party users who use or rely on this information may be limited pursuant to 1995 Wyoming Session Laws, Chapter 155 creating Wyoming Statute §33-3-201.



Porter, Muirhead, Cornia & Howard

Certified Public Accountants

March 02, 2011

CITY OF SHERIDAN, WYOMING
MANAGEMENT'S DISCUSSION & ANALYSIS
June 30, 2010
(Unaudited)

This section of the City of Sheridan's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2010. Please read it in conjunction with the Auditor's Report at the front of this report and the City's financial statements which immediately follow this section.

FINANCIAL HIGHLIGHTS

The City's total net assets increased by 6.5% (nearly \$9 million) during the fiscal year. Our business type activities accounted for 52% of the increase and governmental activities 48%.

During the fiscal year the City's state shared tax revenues decreased 19.9% or \$3.6 million. General government expenditures decreased by 14%, or \$2.7 million, with a 42% decrease of \$1.4 million for general government expenses.

The City's business-type revenues decreased by 60% to nearly \$20.9 million to \$14.3 million, with a decrease of \$19.9 million in capital grants and contributions. Expenditures decreased by 5% or about \$500,000.

The net cost of the City's programs decreased by 7%, while also adding a few new programs.

USING THE ANNUAL REPORT

This annual report consists of the *Management's Discussion and Analysis*, the *Basic Financial Statements, required supplementary information*, and an additional section that presents *combining statements* for Governmental and Business Type Funds. The basic financial statements consist of *government-wide financial statements* and the *fund financial statements*.

The *government-wide financial statements* include the statement of net assets and the statement of activities which provide both long-term and short-term information about the overall financial status of the City.

The fund financial statements are the remaining statements and focus on the individual parts of the City government, presenting information in greater detail than the government-wide statements.

- The *Governmental funds* statements explain how general government departments such as street maintenance were funded in the short term and what remains for future spending.
- *Proprietary funds* statements offer short-term and long-term financial information about the activities the government operates like a business, such as the water and sewer system.
- *Fiduciary funds* statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others.

The Basic Financial Statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. Following the notes are the *required supplementary information* statements, which further explain and support the information in the basic financial statements. In addition we have included a section with combining statements that provide details about our non-major governmental funds and proprietary funds.

CITY OF SHERIDAN, WYOMING
MANAGEMENT'S DISCUSSION & ANALYSIS

June 30, 2010

(Unaudited)

Government-Wide Statements

The government-wide statements help to answer the question ‘Is the City better or worse off as a result of the current year activities?’ These statements include all of the City’s assets and liabilities as well as the current year’s revenues and expenses using the accrual basis of accounting, which is similar to those used by private-sector companies.

The change in *net assets* (the difference between total assets and liabilities) is one way to measure whether the City’s financial health is improving or deteriorating. However, when assessing the overall health of the City one needs to consider additional non-financial factors such as changes in the City’s property tax base, condition of City roads and its water and sewer distribution system, decisions of state legislators concerning distribution of certain tax revenues, as well as economic factors such as inflation.

The government-wide financial statements of the City are divided into two categories:

- *Government Activities*—Included here are most of the City’s basic services, such as Public Safety, street maintenance, code enforcement, parks and recreation and general administration. These services are mainly financed through property taxes, sales and use taxes, mineral royalties, and severance taxes.
- *Business-Type Activities*—The City charges fees to customers to help cover the costs of certain services it provides. The City’s solid waste system, water and sewer system, and golf course as well as ambulance services are included here.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Fund Financial Statements

The fund financial statements provide more detailed information about the most significant *funds* used by the City. The City is required to show detailed information for its major funds. The City uses funds to keep track of specific sources of funding and spending for particular purposes. The three funds the City uses are as follows:

- *Governmental Funds*—Includes most of the City’s basic services, such as streets, public safety, and special construction projects. These statements provide a detailed short-term view of the City’s current financial resources. They focus on how cash and other financial assets flow in and out and the balances left at year-end that are available for spending.
- *Proprietary Funds*—Includes services for which the City charges a fee, such as utility services. These statements provide both long- and short-term financial information. The City’s enterprise funds (a type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information.
- *Fiduciary Funds*—Includes funds where the City is responsible for assets that can be used only for their intended purposes. These funds are reported separately and are not included in the City’s activities because they cannot be used to finance its operations.

**CITY OF SHERIDAN, WYOMING
MANAGEMENT'S DISCUSSION & ANALYSIS**

June 30, 2010

(Unaudited)

Net Assets

As explained above net assets are the difference between assets and liabilities. Between fiscal years 2009 and 2010 combined net assets increased by around 6.5%.

CITY OF SHERIDAN'S NET ASSETS

	Governmental Activities		Business- Type Activities		Total		Total Percentage Change
	2009	2010	2009	2010	2009	2010	
Current and Other Assets	\$ 17,541,213	\$ 14,367,521	\$ 11,389,369	\$ 10,620,221	\$ 28,930,582	\$ 24,987,742	(13.6)%
Capital Assets	55,929,219	63,833,166	77,630,785	82,953,706	133,560,004	146,786,872	9.9%
Total Assets	73,470,432	78,200,687	89,020,154	93,573,927	162,490,586	171,774,614	5.7%
Long-Term Debt	4,102,166	3,587,154	9,581,954	8,762,049	13,684,120	12,349,203	(9.8)%
Other Liabilities	3,371,467	4,093,041	1,437,610	1,986,233	4,809,077	6,079,274	26.4%
Total Liabilities	7,473,633	7,680,195	11,019,564	10,748,282	18,493,197	18,428,477	(0.3)%
Net Assets							
Invested in Capital Assets, net of Related Debt	52,708,979	61,153,364	69,311,906	75,486,857	122,020,885	136,640,221	12.0%
Restricted	1,306,134	2,610,173	-	-	1,306,134	2,610,173	99.8%
Unrestricted	11,981,686	6,756,955	8,688,684	7,338,788	20,670,370	14,095,743	(31.8)%
Total Net Assets	\$ 65,996,799	\$ 70,520,492	\$ 78,000,590	\$ 82,825,645	\$ 143,997,389	\$ 153,346,137	6.5%

Net assets of the governmental activities increased by \$4.5 million, or approximately 6%, primarily in capital assets.

Unrestricted net assets include funds that have been reserved or designated by the City Council for special projects, such as capital projects and replacement reserves. It is important to understand that Council reservations or designations are not considered restricted.

Net assets for business-type activities increased by \$4.8 million or 6%. Approximately \$5.3 million of the increase were additions to construction in progress for projects not yet completed and capitalized, while long-term debt decreased about \$820,000. However, the resources of business-type activities cannot be used to make up any net asset deficiencies in the governmental activities. The City can generally only use these net assets to fund enterprise activities such as water and sewer operations and solid waste activities.

Changes in Net Assets

The City's total revenues come from numerous sources. Around 39% of the City's revenues come from other taxes, such as motor vehicles tax, sales and use taxes, and mineral royalties. Another 25% comes from fees charged for services while property tax revenue represents about 5% of total revenues.

During fiscal year 2010, more than one third of the total cost of all programs and services were expended by the business type activities or the enterprise funds. Our public safety programs, such as the police and fire rescue departments, accounted for 27% of the total costs for City operations, while public works activities which include planning, engineering, code enforcement and streets accounted for 15% of the total costs.

CITY OF SHERIDAN, WYOMING
MANAGEMENT'S DISCUSSION & ANALYSIS
June 30, 2010
(Unaudited)

CHANGES IN CITY OF SHERIDAN'S NET ASSETS

	Governmental		Business- Type		Total		Total
	Activities		Activities				Percentage
	2009	2010	2009	2010	2009	2010	Change
Program Revenues							
Charges for Services	\$ 3,217,511	\$ 710,134	\$ 9,468,386	\$ 8,673,150	\$ 12,685,897	\$ 9,383,284	(26.0)%
Operating Grants and Other Support	818,168	368,425	309,878	183,202	1,128,046	551,627	(51.1)%
Capital Grants and Other Support	2,371,734	5,265,602	25,239,474	5,386,193	27,611,208	10,651,795	(61.4)%
General Revenues							
Property Taxes	1,836,374	1,909,361	-	-	1,836,374	1,909,361	4.0%
Special Assessments	553,692	391,435	-	-	553,692	391,435	(29.3)%
Other Taxes	18,299,837	14,657,006	-	-	18,299,837	14,657,006	(19.9)%
Other	287,602	582,341	-	-	287,602	582,341	102.5%
Investment Income	177,130	100,934	155,158	86,012	332,288	186,946	(43.7)%
Total Revenues	27,562,048	23,985,238	35,172,896	14,328,557	62,734,944	38,313,795	(38.9)%
Expenditures							
General Government	3,261,413	1,803,102	-	-	3,261,413	1,803,102	(44.7)%
Public Safety	8,297,999	7,686,390	-	-	8,297,999	7,686,390	(7.4)%
Public Works	4,831,179	4,291,519	-	-	4,831,179	4,291,519	(11.2)%
Parks and Recreation	748,018	726,605	-	-	748,018	726,605	(2.9)%
Interest on Long-term Debt	255,156	135,873	-	-	255,156	135,873	(46.7)%
Unallocated Depreciation	3,198,292	3,249,511	-	-	3,198,292	3,249,511	1.6%
Water and Sewer	-	-	6,661,921	6,346,010	6,661,921	6,346,010	(4.7)%
Solid Waste	-	-	3,116,745	3,318,901	3,116,745	3,318,901	6.5%
Golf Course	-	-	641,681	644,599	641,681	644,599	0.5%
Other	-	-	1,275,541	932,165	1,275,541	932,165	(26.9)%
Total Expenditures	20,592,057	17,893,000	11,695,888	11,241,675	32,287,945	29,134,675	(9.8)%
Excess (Deficiency)							
before Transfers	6,969,991	6,092,238	23,477,008	3,086,882	30,446,999	9,179,120	(69.9)%
Transfers	(2,137,214)	(1,568,545)	2,137,214	1,738,173	-	169,628	100.0%
Increase (Decrease) in Net Assets	\$ 4,832,777	\$ 4,523,693	\$ 25,614,222	\$ 4,825,055	\$ 30,446,999	\$ 9,348,748	(69.3)%

Governmental Activities

Other taxes are the primary source of revenues for the governmental activities. Due to recent legislation and other factors the following items should be noted:

- The City's property tax valuation increased 4% from the prior year and is expected to remain about the same for the upcoming fiscal year.
- The cap placed on severance tax and mineral royalty distributions was still in place with no change expected for the upcoming fiscal year. However, the State Legislature approved additional supplemental distributions to cities, towns and counties for fiscal years ended June 30, 2008, 2009, 2010 to alleviate the loss in funding from the cap. The City received \$1,676,230 and \$1,592,418 in supplemental distributions respectively for 2009 and 2010, and is expected to receive \$1,094,792 in 2011.

The cost of all governmental activities this year was approximately \$17.9 million, a decrease of 15.1% from last year. However, the amount paid by taxpayers for these activities through taxes was \$7.6 million. The City received \$710,134 from those who directly benefited from the activities. We also received \$5.3 million from other governments and organizations that subsidized certain programs through grants and contributions.

CITY OF SHERIDAN, WYOMING
MANAGEMENT'S DISCUSSION & ANALYSIS
 June 30, 2010
 (Unaudited)

Net Cost of City of Sheridan's Governmental Activities

	Total Cost			Net Cost (Revenues)		
	Of Services		Percentage	Of Services		Percentage
	2009	2010	Change	2009	2010	Change
General Government	\$ 3,261,413	\$ 1,803,102	(80.9)%	\$ 3,048,880	\$ 1,668,618	(82.7)%
Public Safety	8,297,999	7,686,390	(8.0)%	7,654,571	7,117,055	(7.6)%
Health and Human Services	-	-	-	(3,910)	(6,035)	35.2%
Public Works	4,831,179	4,291,519	(12.6)%	(272,180)	(1,045,114)	74.0%
Parks and Recreation	748,018	726,605	(2.9)%	303,835	428,931	29.2%
Interest on long-term debt	255,156	135,873	(87.8)%	255,156	135,873	(87.8)%
Unallocated depreciation	3,198,292	3,249,511	1.6%	3,198,292	3,249,511	1.6%
Total	\$ 20,592,057	\$ 17,893,000	(15.1)%	\$ 14,184,644	\$ 11,548,839	(22.8)%

Business-Type Activities

The City's business type activities are now operating at a proper funding level, except for the Golf Course and Ambulance which require General Fund subsidies. Utility rates for water, sewer, and solid waste services were last increased in March and June, 2007 and will need to be reviewed for Fiscal Year 2010-11.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's combined fund balance in its governmental funds at June 30, 2010 was \$8.6 million, a \$3.6 million decrease over last year. Other items that should be noted are as follows:

- The cap on Severance tax and mineral royalty revenues by the state legislature still remains.
- The general fund will have around \$11.3 million available to budget, which is a decrease of 8% or about \$900,000 from last year.

General Fund Budgetary Highlights

During the year the City Council revised the City budget several times. Budget amendments fall into the following categories:

- Amendments and appropriations for prior year encumbrances and unappropriated funds are not included in the beginning account balances.
- Bi-annual appropriation of unanticipated income.
- Transfer of appropriations to prevent budget overruns.

Taking into account these amendments and transfers, actual expenditures were below final budget appropriations.

CITY OF SHERIDAN, WYOMING
MANAGEMENT'S DISCUSSION & ANALYSIS

June 30, 2010
(Unaudited)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2010, the City has invested \$146,786,872 (net of depreciation) in a broad range of capital assets, including police, fire and ambulance equipment, buildings, park facilities, automobiles, and water and sewer lines. This represents an increase of 9.8% over last year. More detailed information concerning the City's capital assets can be found in the notes to the financial statements.

City of Sheridan's Capital Assets

	Governmental		Business-Type		Total		Total Percentage Change
	Activities		Activities				
	2009	2010	2009	2010	2009	2010	
Infrastructure	\$ 42,647,911	\$ 47,222,980	\$ -	\$ -	\$ 42,647,911	\$ 47,222,980	100.0%
Land and Improvements	9,566,476	11,778,092	69,881,671	71,576,273	79,448,147	83,354,365	4.9%
Buildings	10,851,257	10,851,257	19,671,352	19,885,776	30,522,609	30,737,033	0.7%
Machinery & Equipment	11,655,701	11,909,678	10,656,065	11,463,990	22,311,766	23,373,668	4.8%
Construction in Progress	13,876,717	17,669,483	5,749,405	11,284,969	19,626,122	28,954,452	47.5%
Total	\$ 88,598,062	\$ 99,431,490	\$ 105,958,493	\$ 114,211,008	\$ 194,556,555	\$ 213,642,498	9.8%

This year's major capital asset additions included North Broadway/North Gould, Glass Crusher building, Recycle Center, several pathways around Sheridan, two trash trucks, two patrol cars, CSO truck, Kendrick Park road paving, 2 utilities trucks, snow plow, Backhoe, excavator, recycling containers, tractor, dozer, key card fueling system, snow blower, fire command rig, elk pasture fence, street sweeper, dog park fence, and donated land.

Outstanding Long-Term Debt

Undefined

At year end the City had \$12.3 million in bonds and notes outstanding, a decrease of 9.8% or \$1.3 million from last year. More detailed information can be found in the notes to the financial statements.

Other outstanding long-term debt consists of accrued compensated absences due employees. In addition, the landfill closure and post closure liability is included in other business-type activities.

CITY OF SHERIDAN, WYOMING
MANAGEMENT'S DISCUSSION & ANALYSIS

June 30, 2010

(Unaudited)

FUTURE OF THE CITY

- Property tax revenues will continue to remain steady or decrease as a result of decreased valuations relative to the economy.
- Through state legislation, severance tax and mineral royalty revenues continue to be capped at \$1,428,000.
- The state legislation did however approve through its supplemental budget a distribution of \$1 million to help alleviate the effect of capping the severance tax and mineral royalty revenues.
- Sheridan County voters voted to extend the 1 cent Capital Facilities Tax in August of 2009, which is estimated to end in 2014. This will enable the City to continue working on its Capital Improvement Plan.
- Increase in water and sewer utility rates will be able to fund water and sewer operations.
- These factors will have a dramatic effect on the City's activities and were taken into account when adopting the general fund budget for 2010.

Current projects of the City are the continuation of the Pathway Projects, Lewis Street Bridge and Pathway Street overlay program, Service Center upgrades, West Downtown Phase III, Eastridge Road, Wyoming/Park Street, North Main, Brooks Phase II, West Brundage Lane, First Street Quiet Zone, Sugarland Utilities, South Side Sewer, Northwest Treated Water & Storage, North Lift station, Cross-Valley Slip-Lining, and Big Goose Treatment Plant Clearwell.

Requests for Information

The financial report is designed to provide a general overview of the City of Sheridan, Wyoming'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 financial information should be addressed to the Office of the Treasurer, Jennifer Reed, 55 Grinnell Plaza, Sheridan, WY 82801.

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BASIC FINANCIAL STATEMENTS

CITY OF SHERIDAN, WYOMING

STATEMENT OF NET ASSETS

June 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 8,126,375	\$ 7,511,988	\$ 15,638,363
Accounts receivable, net	330,912	1,392,796	1,723,708
Special assessments receivable, net	1,444,743	-	1,444,743
Investments	996,381	-	996,381
Due from other governments	2,939,989	1,706,453	4,646,442
Internal balances	369,202	(369,202)	-
Inventory	-	48,567	48,567
Interest receivable	4,857	525	5,382
Restricted cash	155,062	329,094	484,156
Capital assets not being depreciated	22,612,643	12,925,107	35,537,750
Capital assets, net of accumulated depreciation	41,220,523	70,028,599	111,249,122
Total assets	78,200,687	93,573,927	171,774,614
LIABILITIES			
Outstanding checks in excess of bank balance	-	17,459	17,459
Accounts payable	3,371,911	1,351,025	4,722,936
Accrued liabilities	721,130	330,956	1,052,086
Accrued interest payable	-	180,345	180,345
Deposits due others	-	106,448	106,448
Long-term liabilities			
Due within one year	1,128,068	1,186,390	2,314,458
Due in more than one year	2,459,086	7,575,659	10,034,745
Total liabilities	7,680,195	10,748,282	18,428,477
NET ASSETS			
Invested in capital assets, net of related debt	61,153,364	75,486,857	136,640,221
Restricted for			
Special revenue projects	2,087,973	-	2,087,973
Debt service	522,200	-	522,200
Unrestricted	6,756,955	7,338,788	14,095,743
Total net assets	\$ 70,520,492	\$ 82,825,645	\$ 153,346,137

See accompanying notes to the financial statements

Component Units		
Sheridan Area Water Supply	Sheridan Economic and Educational Development Authority	Total
\$ 1,634,163	\$ -	\$ 1,634,163
146,324	-	146,324
-	-	-
2,914,496	-	2,914,496
-	-	-
-	-	-
-	-	-
31,465	-	31,465
4,452,442	-	4,452,442
-	-	-
30,929,518	3,455,994	34,385,512
<u>40,108,408</u>	<u>3,455,994</u>	<u>43,564,402</u>
-	-	-
373,565	-	373,565
-	-	-
88,958	-	88,958
-	-	-
185,251	-	185,251
7,784,396	-	7,784,396
<u>8,432,170</u>	<u>-</u>	<u>8,432,170</u>
25,665,943	3,455,994	29,121,937
-	-	-
1,746,369	-	1,746,369
4,263,926	-	4,263,926
<u>\$ 31,676,238</u>	<u>\$ 3,455,994</u>	<u>\$ 35,132,232</u>

CITY OF SHERIDAN, WYOMING

**STATEMENT OF ACTIVITIES
Year Ended June 30, 2010**

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 1,803,102	\$ 122,219	\$ 12,265	\$ -
Public safety	7,686,390	324,103	52,451	192,781
Health and human services	-	-	6,035	-
Public works	4,291,519	263,812	-	5,072,821
Parks and recreation	726,605	-	297,674	-
Interest on long-term debt	135,873	-	-	-
Unallocated depreciation	3,249,511	-	-	-
Total governmental activities	<u>17,893,000</u>	<u>710,134</u>	<u>368,425</u>	<u>5,265,602</u>
Business-type activities				
Solid waste	3,318,901	3,499,288	183,202	-
Water and sewer	6,346,010	4,452,538	-	5,386,193
Golf	644,599	371,010	-	-
Nonmajor	932,165	350,314	-	-
Total business-type activities	<u>11,241,675</u>	<u>8,673,150</u>	<u>183,202</u>	<u>5,386,193</u>
Total primary government	<u>\$ 29,134,675</u>	<u>\$ 9,383,284</u>	<u>\$ 551,627</u>	<u>\$ 10,651,795</u>
Component units				
Sheridan Area Water Supply	\$ 1,497,738	\$ 1,214,992	\$ -	\$ 51,124
Sheridan Economic and Educational Development Authority	59,154	-	-	784,806
Total component units	<u>\$ 1,556,892</u>	<u>\$ 1,214,992</u>	<u>\$ -</u>	<u>\$ 835,930</u>
General revenues				
Taxes				
Property taxes, levied for general purposes				
Special assessments, levied for debt service				
Sales, severance, royalties, cigarette, gasoline, use taxes				
Franchise taxes				
Miscellaneous revenues				
Unrestricted investment earnings				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning of year, as previously reported				
Prior period adjustment				
Net assets - beginning of year, as restated				
Net assets - end of year				

See accompanying notes to the financial statements

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	Sheridan Area Water Supply	Sheridan Economic and Educational Development Authority	Total
\$ (1,668,618)	\$ -	\$ (1,668,618)	\$ -	\$ -	\$ -
(7,117,055)	-	(7,117,055)	-	-	-
6,035	-	6,035	-	-	-
1,045,114	-	1,045,114	-	-	-
(428,931)	-	(428,931)	-	-	-
(135,873)	-	(135,873)	-	-	-
(3,249,511)	-	(3,249,511)	-	-	-
(11,548,839)	-	(11,548,839)	-	-	-
-	363,589	363,589	-	-	-
-	3,492,721	3,492,721	-	-	-
-	(273,589)	(273,589)	-	-	-
-	(581,851)	(581,851)	-	-	-
-	3,000,870	3,000,870	-	-	-
(11,548,839)	3,000,870	(8,547,969)	-	-	-
-	-	-	(231,622)	-	(231,622)
-	-	-	-	725,652	725,652
-	-	-	(231,622)	725,652	494,030
1,909,361	-	1,909,361	-	-	-
391,435	-	391,435	-	-	-
13,954,691	-	13,954,691	-	-	-
702,315	-	702,315	-	-	-
582,341	-	582,341	-	-	-
100,934	86,012	186,946	100,331	11	100,342
(1,568,545)	1,738,173	169,628	-	-	-
16,072,532	1,824,185	17,896,717	100,331	11	100,342
4,523,693	4,825,055	9,348,748	(131,291)	725,663	594,372
65,996,799	78,000,590	143,997,389	31,807,529	2,603,831	34,411,360
-	-	-	-	126,500	126,500
65,996,799	78,000,590	143,997,389	31,807,529	2,730,331	34,537,860
\$ 70,520,492	\$ 82,825,645	\$ 153,346,137	\$ 31,676,238	\$ 3,455,994	\$ 35,132,232

CITY OF SHERIDAN, WYOMING

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	General Fund	Debt Service Fund	Capital Facilities Fund	Capital Projects Fund
ASSETS				
Cash and cash equivalents	\$ 5,386,164	\$ 519,815	\$ 1,001,456	\$ 399,668
Investments	996,381	-	-	-
Accounts receivable, net	330,343	-	-	-
Special assessments receivable, net	-	1,444,743	-	-
Due from other governments	739,789	-	287,484	1,847,470
Due from other funds	369,201	-	-	-
Interest receivable	1,765	3,093	-	-
Restricted cash	155,062	-	-	-
Total assets	\$ 7,978,705	\$ 1,967,651	\$ 1,288,940	\$ 2,247,138
LIABILITIES AND FUND BALANCES				
Liabilities				
Outstanding checks in excess of bank balance	\$ -	\$ -	\$ -	\$ -
Accounts payable	742,031	879	540	2,554,319
Accrued liabilities	709,758	-	-	-
Deferred revenue	-	1,444,572	-	-
Due to other funds	-	-	-	-
Total liabilities	1,451,789	1,445,451	540	2,554,319
Fund balances				
Reserved for encumbrances	50,399	-	-	309
Unreserved, reported in				
General fund	6,476,517	-	-	-
Debt service	-	522,200	-	-
Capital projects fund	-	-	-	(307,490)
Special revenue funds	-	-	1,288,400	-
Total fund balances (deficits)	6,526,916	522,200	1,288,400	(307,181)
Total liabilities and fund balances	\$ 7,978,705	\$ 1,967,651	\$ 1,288,940	\$ 2,247,138

See accompanying notes to the financial statements

Other Nonmajor Governmental	
Funds	Total
\$ 827,415	\$ 8,134,518
-	996,381
569	330,912
-	1,444,743
65,246	2,939,989
423	369,624
-	4,858
-	155,062
<u>\$ 893,653</u>	<u>\$ 14,376,087</u>

\$ 8,143	\$ 8,143
74,142	3,371,911
11,372	721,130
-	1,444,572
423	423
<u>94,080</u>	<u>5,546,179</u>

-	50,708
-	6,476,517
-	522,200
-	(307,490)
799,573	2,087,973
<u>799,573</u>	<u>8,829,908</u>
<u>\$ 893,653</u>	<u>\$ 14,376,087</u>

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CITY OF SHERIDAN, WYOMING

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET ASSETS**

June 30, 2010

Total fund balances - governmental funds		\$ 8,829,908
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		63,833,166
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		1,444,572
Some liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds.		
Capital leases	(1,129,802)	
Compensated absences	(907,352)	
Other long-term debt	<u>(1,550,000)</u>	<u>(3,587,154)</u>
Net assets of governmental activities		<u>\$ 70,520,492</u>

See accompanying notes to the financial statements

CITY OF SHERIDAN, WYOMING

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year Ended June 30, 2010**

	General Fund	Debt Service	Capital Facilities Fund
Revenues			
Taxes	\$ 13,529,647	\$ -	\$ 2,625,477
Licenses and permits	586,993	-	-
Intergovernmental	-	-	-
Special assessments	-	391,435	-
Fines and forfeitures	323,981	-	-
Charges for services	122,219	-	-
Net investment income	86,299	-	12,101
Contributions	12,265	-	-
Miscellaneous	162,201	-	-
Total revenues	<u>14,823,605</u>	<u>391,435</u>	<u>2,637,578</u>
Expenditures			
Current			
General government	2,949,819	-	-
Public safety	7,489,302	-	-
Public works	2,388,146	3,025	-
Parks and recreation	704,611	-	-
Capital outlay	658,706	-	-
Debt service - principal	332,751	340,000	-
interest	49,477	86,396	-
Total expenditures	<u>14,572,812</u>	<u>429,421</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>250,793</u>	<u>(37,986)</u>	<u>2,637,578</u>
Other financing sources (uses)			
Operating transfers in	1,064,830	42,800	540
Operating transfers out	(3,276,972)	-	(4,126,940)
Other financing source	169,628	-	-
Total other financing sources (uses)	<u>(2,042,514)</u>	<u>42,800</u>	<u>(4,126,400)</u>
Net change in fund balances	<u>(1,791,721)</u>	<u>4,814</u>	<u>(1,488,822)</u>
Fund balances (deficits) - beginning of year	<u>8,318,637</u>	<u>517,386</u>	<u>2,777,222</u>
Fund balances (deficits) - end of year	<u>\$ 6,526,916</u>	<u>\$ 522,200</u>	<u>\$ 1,288,400</u>

See accompanying notes to the financial statements

Capital Projects Fund	Other Nonmajor Governmental Funds	Total
\$ -	\$ 411,243	\$ 16,566,367
-	-	586,993
5,072,821	408,392	5,481,213
-	-	391,435
-	122	324,103
-	-	122,219
-	2,534	100,934
-	140,549	152,814
409,114	11,026	582,341
<u>5,481,935</u>	<u>973,866</u>	<u>24,308,419</u>
-	519,575	3,469,394
-	197,088	7,686,390
1,793,257	107,091	4,291,519
-	21,994	726,605
8,192,014	478,707	9,329,427
-	-	672,751
-	-	135,873
<u>9,985,271</u>	<u>1,324,455</u>	<u>26,311,959</u>
<u>(4,503,336)</u>	<u>(350,589)</u>	<u>(2,003,540)</u>
6,125,615	331,917	7,565,702
(1,899,963)	-	(9,303,875)
-	-	169,628
<u>4,225,652</u>	<u>331,917</u>	<u>(1,568,545)</u>
(277,684)	(18,672)	(3,572,085)
(29,497)	818,245	12,401,993
<u>\$ (307,181)</u>	<u>\$ 799,573</u>	<u>\$ 8,829,908</u>

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CITY OF SHERIDAN, WYOMING

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2010**

Change in fund balances as reported in the governmental fund statement \$ (3,572,085)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital asset additions	\$ 11,168,742	
Loss on disposal	(15,284)	
Depreciation	<u>(3,249,511)</u>	7,903,947

The issuance of long-term debt (e.g. capital leases) provides current financial resources to governmental funds, while these amounts are deferred and then amortized in the statement of activities. (169,628)

Certain revenues are not recognized as current financial resources and, therefore, are not reported as revenues in governmental funds.

Current year deferred revenue	1,444,572	
Prior year deferred revenue	<u>(1,767,753)</u>	(323,181)

The repayment of principal on long-term debt consumes current financial resources of governmental funds while it is not recognized as an expense in the statement of activities. 340,000

The repayment of principal on capital leases consumes current financial resources of governmental funds while it is not recognized as an expense in the statement of activities. 370,066

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences - current year	(907,352)	
Compensated absences - prior year	<u>881,926</u>	<u>(25,426)</u>

Change in net assets of governmental activities \$ 4,523,693

See accompanying notes to the financial statements

CITY OF SHERIDAN, WYOMING

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

June 30, 2010

ASSETS	Solid Waste Fund	Water and Sewer Fund	Golf Fund
Current assets			
Cash and cash equivalents	\$ 4,084,276	\$ 3,319,457	\$ -
Service receivables, net	464,748	851,133	17,037
Due from other funds	-	-	61,507
Due from other governments	410,122	1,245,732	-
Inventory	-	48,567	-
Interest receivable	-	525	-
Restricted cash	106,357	9,167	186,043
Total current assets	<u>5,065,503</u>	<u>5,474,581</u>	<u>264,587</u>
Capital assets, net of accumulated depreciation	<u>8,026,536</u>	<u>73,115,116</u>	<u>1,536,920</u>
Total assets	<u>13,092,039</u>	<u>78,589,697</u>	<u>1,801,507</u>
LIABILITIES			
Current liabilities			
Outstanding checks in excess of bank balance	-	-	17,459
Accounts payable	497,349	738,788	89,817
Accrued liabilities	102,479	181,173	-
Accrued interest payable	100,455	30,502	49,388
Due to other funds	228,773	19,684	-
Deposits due others	-	106,448	-
Compensated absences payable, current portion	-	237,327	-
Current portion of capital lease	401,535	18,236	96,749
Current portion of notes payable	305,131	72,586	-
Total current liabilities	<u>1,635,722</u>	<u>1,404,744</u>	<u>253,413</u>
Long-term liabilities			
Landfill closure liability	881,096	-	-
Notes payable	2,728,080	1,281,411	-
Compensated absences payable	101,253	(16,770)	-
Obligation under capital lease	1,356,212	37,544	1,001,936
Total long-term liabilities	<u>5,066,641</u>	<u>1,302,185</u>	<u>1,001,936</u>
NET ASSETS			
Invested in capital assets, net of related debt	3,235,578	71,705,339	438,235
Unrestricted	3,154,098	4,177,429	107,923
Total net assets	<u>\$ 6,389,676</u>	<u>\$ 75,882,768</u>	<u>\$ 546,158</u>

See accompanying notes to the financial statements

Nonmajor Funds	Totals
\$ 108,255	\$ 7,511,988
59,878	1,392,796
-	61,507
50,599	1,706,453
-	48,567
-	525
27,527	329,094
<u>246,259</u>	<u>11,050,930</u>
<u>275,134</u>	<u>82,953,706</u>
<u>521,393</u>	<u>94,004,636</u>
-	17,459
25,071	1,351,025
47,304	330,956
-	180,345
182,252	430,709
-	106,448
-	237,327
54,826	571,346
-	377,717
<u>309,453</u>	<u>3,603,332</u>
-	881,096
-	4,009,491
92,294	176,777
112,603	2,508,295
<u>204,897</u>	<u>7,575,659</u>
107,705	75,486,857
(100,662)	7,338,788
<u>\$ 7,043</u>	<u>\$ 82,825,645</u>

CITY OF SHERIDAN, WYOMING

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS - PROPRIETARY FUNDS
Year Ended June 30, 2010

	Solid Waste Fund	Water and Sewer Fund	Golf Fund
Operating revenue			
Service fees	\$ 3,376,284	\$ 4,452,538	\$ 371,010
Other operating revenue	123,004	-	-
Total operating revenues	<u>3,499,288</u>	<u>4,452,538</u>	<u>371,010</u>
Operating expenses			
Salaries and benefits	1,370,282	2,486,865	-
Other operating expenses	1,080,286	1,474,899	377,522
Landfill closure costs	32,524	-	-
Depreciation expense	708,764	2,273,738	185,878
Total operating expenses	<u>3,191,856</u>	<u>6,235,502</u>	<u>563,400</u>
Operating income (loss)	307,432	(1,782,964)	(192,390)
Nonoperating revenues (expenses)			
Net investment income	24,340	61,142	24
Interest expense	(127,045)	(110,508)	(81,199)
Total nonoperating revenues (expenses)	<u>(102,705)</u>	<u>(49,366)</u>	<u>(81,175)</u>
Income (loss) before contributions and transfers	204,727	(1,832,330)	(273,565)
Grants and contributions	183,202	5,386,193	-
Transfers in	1,901,412	3,543,239	136,123
Transfers out	(1,928,204)	(2,226,483)	(20,240)
Change in net assets	361,137	4,870,619	(157,682)
Net assets - beginning of year	<u>6,028,539</u>	<u>71,012,149</u>	<u>703,840</u>
Net assets - end of year	<u>\$ 6,389,676</u>	<u>\$ 75,882,768</u>	<u>\$ 546,158</u>

See accompanying notes to the financial statements

Nonmajor Funds	Totals
\$ 200,100	\$ 8,399,932
150,214	273,218
<u>350,314</u>	<u>8,673,150</u>
679,461	4,536,608
192,645	3,125,352
-	32,524
60,059	3,228,439
<u>932,165</u>	<u>10,922,923</u>
(581,851)	(2,249,773)
506	86,012
-	(318,752)
<u>506</u>	<u>(232,740)</u>
(581,345)	(2,482,513)
-	5,569,395
446,066	6,026,840
<u>(113,740)</u>	<u>(4,288,667)</u>
(249,019)	4,825,055
256,062	78,000,590
<u>\$ 7,043</u>	<u>\$ 82,825,645</u>

CITY OF SHERIDAN, WYOMING

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
Year Ended June 30, 2010

	Business-type Activities - Enterprise Funds		
	Solid Waste Fund	Water and Sewer Fund	Golf Fund
Cash flows from Operating Activities			
Receipts from customers and users	\$ 3,417,065	\$ 4,469,418	\$ 292,466
Payments to suppliers	(863,459)	(1,460,266)	(308,801)
Payments to employees	(1,335,945)	(2,434,662)	-
Net cash provided by (used in) operating activities	<u>1,217,661</u>	<u>574,490</u>	<u>(16,335)</u>
Cash flows from Noncapital Financing Activities			
Operating transfers in	1,901,412	3,543,239	136,123
Operating transfers out	(1,928,204)	(2,226,483)	(20,240)
Net cash provided by (used in) noncapital financing activities	<u>(26,792)</u>	<u>1,316,756</u>	<u>115,883</u>
Cash Flows from Capital and Related Financing Activities			
Capital grants from federal and state sources	183,202	4,832,138	-
Principal payments on notes payable to the Office of State Land and Investments	-	(76,928)	-
Principal payments on notes payable	(297,788)	-	-
Principal payments on capital leases	(317,422)	(17,558)	(89,610)
Interest paid on capital debt	(92,056)	(117,607)	(53,592)
Purchases of property and equipment	(936,311)	(7,630,802)	(20,126)
Net cash used in financing activities	<u>(1,460,375)</u>	<u>(3,010,757)</u>	<u>(163,328)</u>
Cash Flows from Investing Activities			
Proceeds from sale of property and equipment	105,465	5,280	-
Interest received	24,340	70,236	24
Net cash provided by investing activities	<u>129,805</u>	<u>75,516</u>	<u>24</u>
 Net increase (decrease) in cash and cash equivalents	 <u>(139,701)</u>	 <u>(1,043,995)</u>	 <u>(63,756)</u>
Cash and cash equivalents - beginning of year	4,330,334	4,372,619	232,340
Cash and cash equivalents - end of year	<u>\$ 4,190,633</u>	<u>\$ 3,328,624</u>	<u>\$ 168,584</u>
Reported in the following captions			
Cash and cash equivalents	4,084,276	3,319,457	-
Restricted cash	106,357	9,167	186,043
	<u>\$ 4,190,633</u>	<u>\$ 3,328,624</u>	<u>\$ 186,043</u>

See accompanying notes to the financial statements

Nonmajor Funds	Totals
\$ 411,555	\$ 8,590,504
(187,067)	(2,819,593)
(636,322)	(4,406,929)
<u>(411,834)</u>	<u>1,363,982</u>
446,066	6,026,840
<u>(113,740)</u>	<u>(4,288,667)</u>
332,326	1,738,173
-	5,015,340
-	(76,928)
-	(297,788)
(52,723)	(477,313)
-	(263,255)
-	(8,587,239)
<u>(52,723)</u>	<u>(4,687,183)</u>
-	110,745
506	95,106
<u>506</u>	<u>205,851</u>
(131,725)	(1,379,177)
267,507	9,202,800
<u>\$ 135,782</u>	<u>\$ 7,823,623</u>
108,255	7,511,988
27,527	329,094
<u>\$ 135,782</u>	<u>\$ 7,841,082</u>

(Continued)

CITY OF SHERIDAN, WYOMING

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)
 Year Ended June 30, 2010

	Business-type Activities - Enterprise Funds		
	Solid Waste Fund	Water and Sewer Fund	Golf Fund
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ 307,432	\$ (1,782,964)	\$ (192,390)
Adjustments to reconcile operating income (loss) to cash provided by (used in) operating activities			
Depreciation	708,764	2,273,738	185,878
Loss on disposition of capital assets	(80,016)	5,150	-
Landfill closure costs	32,524	-	-
Increase (decrease) in cash as a result of changes in operating assets and liabilities			
Service receivables, net	(41,214)	19,758	(17,037)
Due from other funds	-	-	(61,507)
Due from other governments	(41,009)	-	-
Prepaid expenses	4,315	-	-
Other current assets	-	18,511	738
Inventory	-	5,782	-
Accounts payable	292,528	(12,184)	67,983
Accrued liabilities	36,405	66,444	-
Deposits due others	-	(5,504)	-
Due to other funds	-	-	-
Compensated absences payable	(2,068)	(14,241)	-
Net cash provided by (used in) operating activities	\$ 1,217,661	\$ 574,490	\$ (16,335)

See accompanying notes to the financial statements

Nonmajor Funds	Totals
\$ (581,851)	\$ (2,249,773)
60,059	3,228,439
-	(74,866)
-	32,524
7,356	(31,137)
-	(61,507)
(7,688)	(48,697)
2,812	7,127
-	19,249
-	5,782
2,766	351,093
24,603	127,452
-	(5,504)
61,573	61,573
18,536	2,227
<u>\$ (411,834)</u>	<u>\$ 1,363,982</u>

CITY OF SHERIDAN, WYOMING

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS**

June 30, 2010

	Crime Victims Fund	Wyoming Court Automation Fees Fund	Employee Benefits Fund	Total
ASSETS				
Cash	\$ 1,570	\$ 1,664	\$ 67,847	\$ 71,081
Accounts receivable	-	-	-	-
 Total assets	<u>\$ 1,570</u>	<u>\$ 1,664</u>	<u>\$ 67,847</u>	<u>\$ 71,081</u>
 LIABILITIES				
Accounts payable	\$ 1,570	\$ 1,664	\$ -	\$ 3,234
Due to employees	-	-	67,847	67,847
 Total liabilities	<u>\$ 1,570</u>	<u>\$ 1,664</u>	<u>\$ 67,847</u>	<u>\$ 71,081</u>

See accompanying notes to the financial statements

CITY OF SHERIDAN, WYOMING
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 1. The Reporting Entity and Significant Accounting Policies

Reporting Entity

The City of Sheridan (City) is a municipal corporation governed by an elected mayor and six-member council. As required by accounting principles generally accepted in the United States of America, these financial statements include all of the governmental activities and business-type activities relevant to the operations of the City. The accompanying financial statements of the City are to include those separately administered organizations for which the elected officials of the City are financially accountable or those that it would be misleading to exclude. Financial accountability is determined based on the appointment of a voting majority of the governing board and, either the City's ability to impose its will, or the presence of a potential financial benefit or burden to the City. The City has determined that the following outside agencies meet the above criteria and, therefore, have been included as a component unit in the City's basic financial statements.

Discretely Presented Component Units. The component units' columns in the government-wide financial statements present the financial data of the City's discretely presented component units. They are reported in separate columns to emphasize that they are legally separate from the City. The governing boards of these component units are appointed collectively by the City, Northern Wyoming Community College, and Sheridan County School District 2. Both of the component units described below issue their own financial statements.

1. The *Sheridan Area Water Supply Joint Powers Board* was created under Wyoming Statutes §16-1-101 through 16-1-109 under agreements with the City and Sheridan County. It is jointly funded by both governments for the purpose of providing water to Sheridan area residents. The Board consists of six members: three Sheridan County Commissioners, the City Mayor, and two City Council Members. The assets of the Sheridan Area Water Supply Joint Powers Board will revert to the City when all debt has been repaid or should the Joint Powers Board be dissolved. Complete financial statements for the Sheridan Area Water Supply can be obtained from its administrative office in Sheridan, Wyoming.
2. The *Sheridan Economic and Educational Development Authority Joint Powers Board (JPB)* was created to foster collaboration in construction and operation of facilities and programs furthering educational and economic development of Sheridan County. Complete financial statements for the Sheridan Economic & Education Development Authority Joint Powers Board can be obtained from the City of Sheridan administrative office in Sheridan, Wyoming.

Nature of Operations

The City provides a broad range of services to citizens, including general government, public safety, streets, sanitation, health, cultural, social services, and park facilities. It also operates water, sewer and sanitation utilities, an emergency response system, and several recreational facilities.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

CITY OF SHERIDAN, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. The Reporting Entity and Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in the individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *debt service fund* accounts for resources accumulated to pay special assessment debt.

The *capital facilities fund* is a special revenue fund which accounts for the resources collected through the capital facilities tax and the expenditures of those funds.

The *capital projects fund* is a capital projects fund which accounts for the resources collected and the expenditures made on capital projects.

CITY OF SHERIDAN, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. The Reporting Entity and Significant Accounting Policies (Continued)

The government reports the following major proprietary funds:

The *solid waste fund* - accounts for revenue and expenses of the department responsible for maintaining a dependable system for collecting and disposing of solid waste material in the City.

The *water and sewer fund* accounts for revenue and expenses of the departments responsible for providing a safe, potable water supply adequate for fire protection, domestic and industrial usage and maintaining a dependable system for collecting and treating wastewater in the City.

The *golf fund* - accounts for revenue and expenses associated with the operation and maintenance of the Sheridan Municipal Golf Course.

Additionally, the government reports the following fund types:

The *agency funds* are used to account for the funds that are collected on behalf of other entities that have not yet been remitted. They are custodial in nature (assets equal liabilities) and do not involve measurement or results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water, sewer, solid waste and golf enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

CITY OF SHERIDAN, WYOMING
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 1. The Reporting Entity and Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The amounts shown on the balance sheet as cash and cash equivalents represent cash on deposit in banks with original maturities of three months or less, and petty cash. Money market funds held by any investment pool or included in any brokerage account are not considered cash equivalents, since these holdings are normally temporary in nature. The City's intent is to reinvest these proceeds in other investments.

Restricted Cash

Under the terms of various capital lease financings the City receives escrowed funds before construction or purchases are complete. Funds that have not been expended to date are shown as restricted cash since they may only be used for the assets financed by the agreement.

Investments

State statutes authorize the types of investments in which the City may invest. Among these authorized investments are certificates of deposit, money market funds, commercial paper, obligations of the U.S. Treasury, agencies and instrumentalities of the U.S. Government, mortgage backed securities, guaranteed investment contracts, mutual funds and repurchase agreements with banks with the underlying securities being obligations of the U.S. Treasury or agencies and instrumentalities of the U.S. Government.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Any advances between funds reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade, utility, and property tax receivables, are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for uncollectibles. The unbilled usage receivable represents the utilities' services that have been provided, but not billed as of the end of the year.

Property taxes attach as an enforceable lien on property as of July 1. The 2010 property taxes were levied as of July 1, 2009 and were due in two installments. Installments are due on September 1 and March 1 and are collectible on November 10 and May 10. If the first installment payment is made after November 10, the entire amount is due by December 31. Delinquent taxes have been recognized as revenue to the extent they have been collected within 60 days after June 30, 2010. Property taxes receivable are included in "due from other governments" in the accompanying balance sheet. Property taxes are assessed, billed, collected, and distributed by the Sheridan County Treasurer's and Assessor's offices. Governmental funds report deferred revenue in connection with property tax receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

CITY OF SHERIDAN, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. The Reporting Entity and Significant Accounting Policies (Continued)

Prepaid Items

Prepaid items represent payments made to vendors for services that will benefit periods beyond June 30, 2010 and are recorded as prepaid expenses in enterprise funds or prepaid expenditures in governmental funds.

Inventories

Water and Sewer Fund inventories are carried at the lower of cost or market (first-in, first-out method). Inventories of the governmental fund types are recorded as expenditures when purchased. Reported inventories of the general fund are equally offset by a fund balance reserve, which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Capital Assets

Capital assets, which include property, plant, equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

	<u>Years</u>
Infrastructure	20-40
Buildings	40
Improvements, other than buildings	5-20
Machinery and equipment	5-20

Expenditures for maintenance and repairs of proprietary fund type property and equipment are charged to expense, while renewals and betterments are capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The City capitalizes net interest costs and interest earned as part of constructing various enterprise fund projects when material. No interest was capitalized during the year ended June 30, 2010.

Collections

The City owns various works of art used to beautify its public spaces. These items are not considered to be held for financial gain. All works of art are protected, kept unencumbered and preserved. The City capitalizes these works of art.

CITY OF SHERIDAN, WYOMING
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 1. The Reporting Entity and Significant Accounting Policies (Continued)

Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation, sick and holiday leave benefits, which will be paid to the employees upon separation from the City. In governmental and fiduciary funds, the cost for these benefits is recognized when payments are made. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. A long-term liability of approximately \$1,321,000 for accrued vacation, sick and holiday leave, with accrued benefits as of June 30, 2010, has been recorded as long-term debt, representing the City's commitment to fund such costs from future operations. Proprietary funds accrue vacation and sick leave, and the related benefits, in the period they are earned.

Short-Term Financing

The City did not issue any tax anticipation notes or use any other type of short-term financing for the year ended June 30, 2010.

Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. Outstanding encumbrances were \$50,708 at the end of fiscal year end June 30, 2010.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the state of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Cash and Investments

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. State statutes require that the County's deposits in excess of the Federal depository insurance must be collateralized.

In accordance with State statutes, the City maintains deposits at those depository banks authorized by the City Council. As of June 30, 2010, all of the City's deposits including certificates of deposit classified as investments were covered by Federal depository insurance or collateral held by the pledging bank's trust department or by its agent under joint custody receipts.

CITY OF SHERIDAN, WYOMING
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 2. Cash and Investments (Continued)

As of June 30, 2010, the City had the following investments

Interest Rate Risk

Investment Type	Fair Value	Investment Maturities (In Years)			
		1 year	1-5 years	5-10 years	more than 10 years
U.S. agency mortgage back securities (GNMA) (interest rates from 4.00% to 8.00%)	\$ 100,748	\$ 2,474	\$ -	\$ -	\$ 98,274
U.S. sponsored entity obligations (FNMA, FHLB) (interest rates from 2.50% to 8.00%)	895,633	-	-	130,824	764,809
	<u>\$ 996,381</u>	<u>\$ 2,474</u>	<u>\$ -</u>	<u>\$ 130,824</u>	<u>\$ 863,083</u>

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's investments are held in external pooled investment accounts. As a means of limiting its exposure to fair value losses arising from interest rates; the City attempts to match its investment maturities with its expected cash flow needs. With this investment focus, investments are expected to reach maturity with limited gains and losses.

Credit Risk

Generally, credit risk is the risk that an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. State law does not allow governments to invest in corporate bonds, stocks or mutual funds and limits investments in commercial paper to short term maturities (not greater than 270 days) and to the top ratings issued by nationally recognized statistical rating organizations (Moody's and Standard and Poor's). Obligations of the U.S. Government and obligations specifically guaranteed by the U.S. Government are back by the full faith and credit of the U.S. Government. The City had no outstanding investments as of June 30, 2010.

Concentration of Credit Risk

The City does not have a formal policy that allows for or limits an investment in any one issuer to a specified percentage of the City's total investments.

As of June 30, 2010, the City's component unit, the Sheridan Area Water Supply Joint Powers Board, had \$2,914,496 invested in certificates of deposit, which are reported as investments.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The City does not have a formal policy for custodial credit risk.

CITY OF SHERIDAN, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 3. Allowance for Uncollectible Receivables

The City's policy for estimating an allowance for uncollectible receivables is based on 0.5% of the current years' service revenues in the proprietary fund types except the ambulance fund, which is estimated at 35% of current receivables. The City has determined that uncollectible accounts for delinquent special assessments are immaterial and therefore no change to the allowance has been required since June 30, 2000.

Allowances for uncollectible receivables are as follows:

Water and Sewer Fund	\$ 22,440
Solid Waste Fund	16,948
Ambulance Fund	86,919
Mosquito Control Fund	94
Total	<u>\$ 126,401</u>

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	<u>Balance June 30, 2009</u>	<u>Increases Transfers In</u>	<u>Decreases Transfers Out</u>	<u>Balance June 30, 2010</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 3,772,160	\$ 1,171,000	\$ -	\$ 4,943,160
Construction in progress	13,876,717	9,214,815	(5,422,049)	17,669,483
Total capital assets, not being depreciated	<u>17,648,877</u>	<u>10,385,815</u>	<u>(5,422,049)</u>	<u>22,612,643</u>
Capital assets, being depreciated				
Infrastructure	42,647,911	4,575,069	-	47,222,980
Buildings	10,851,257	-	-	10,851,257
Improvements other than buildings	5,794,316	1,040,616	-	6,834,932
Machinery and equipment	11,655,701	589,291	(335,314)	11,909,678
Total capital assets, being depreciated	<u>70,949,185</u>	<u>6,204,976</u>	<u>(335,314)</u>	<u>76,818,847</u>
Less accumulated depreciation for				
Infrastructure	17,538,122	2,055,477	-	19,593,599
Buildings	4,297,522	260,796	-	4,558,318
Improvements other than buildings	2,818,812	275,091	-	3,093,903
Machinery and equipment	8,014,387	658,147	(320,030)	8,352,504
Total accumulated depreciation	<u>32,668,843</u>	<u>3,249,511</u>	<u>(320,030)</u>	<u>35,598,324</u>
Total capital assets, being depreciated, net	<u>38,280,342</u>	<u>2,955,465</u>	<u>(15,284)</u>	<u>41,220,523</u>
Governmental activities capital assets, net	<u>\$ 55,929,219</u>	<u>\$ 13,341,280</u>	<u>\$ (5,437,333)</u>	<u>\$ 63,833,166</u>

CITY OF SHERIDAN, WYOMING
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 4. Capital Assets (Continued)

	Balance June 30, 2009	Increases Transfers In	Decreases Transfers Out	Balance June 30, 2010
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 1,640,138	\$ -	\$ -	\$ 1,640,138
Construction in progress	5,749,405	7,689,491	(2,153,927)	11,284,969
Total capital assets, not being depreciated	<u>7,389,543</u>	<u>7,689,491</u>	<u>(2,153,927)</u>	<u>12,925,107</u>
Capital assets, being depreciated				
Buildings	19,671,352	214,424	-	19,885,776
Improvements other than buildings	68,241,533	1,694,602	-	69,936,135
Machinery and equipment	10,656,065	1,142,650	(334,725)	11,463,990
Total capital assets, being depreciated	<u>98,568,950</u>	<u>3,051,676</u>	<u>(334,725)</u>	<u>101,285,901</u>
Less accumulated depreciation for				
Buildings	10,130,655	602,357	-	10,733,012
Improvements other than buildings	11,331,912	1,786,748	-	13,118,660
Machinery and equipment	6,865,141	839,334	(298,845)	7,405,630
Total accumulated depreciation	<u>28,327,708</u>	<u>3,228,439</u>	<u>(298,845)</u>	<u>31,257,302</u>
Total capital assets, being depreciated, net	<u>70,241,242</u>	<u>(176,763)</u>	<u>(35,880)</u>	<u>70,028,599</u>
Business-type activities capital assets, net	<u>\$ 77,630,785</u>	<u>\$ 7,512,728</u>	<u>\$ (2,189,807)</u>	<u>\$ 82,953,706</u>

Assets acquired through capital leases of \$6,286,522 are included above. The related accumulated depreciation on those assets was \$1,770,216 as of June 30, 2010.

Depreciation expense was charged to functions/programs of the business-type activities of the primary government as follows:

Solid waste	\$ 708,764
Water and sewer	2,273,738
Golf	185,878
Non-Major	<u>60,059</u>
Total depreciation expense - business-type activities	<u>\$ 3,228,439</u>

Depreciation expense for the governmental activities has not been allocated to specific functions.

CITY OF SHERIDAN, WYOMING
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 5. Long-Term Debt

Special Assessment Bonds

Bonds were issued to finance the following specific construction projects. Special assessments were levied on property owners to fund the retirement of bonds.

Special Assessment Bonds	Project	Component
Special Improvement District 70	Gravel Street Paving	Phase III
Special Improvement District 71	Gravel Street Paving	Brundage
Special Improvement District 73	Gravel Street Paving	Dana/Downer
Special Improvement District 74	Gravel Street Paving	Crook Street
Special Improvement District 75	Gravel Street Paving/Utility Replacement	North of Fifth St.
Special Improvement District 76	Main Street Enhancements	Main Street
Special Improvement District 77	Street Paving/Utility Replacement	N. Broadway

The City is required to establish a debt retirement revolving fund as guarantee for payment at 2% of the principal issued, but not to exceed 20% of the outstanding bond obligation of the Districts. Gas and cigarette taxes are pledged to fund the revolving debt retirement fund. The revolving fund balance was \$561,825 as of June 30, 2010.

Special improvement district bonds outstanding as of June 30, 2010, were as follows:

	Balance June 30, 2009	Issued	Retired	Balance June 30, 2010
Special Improvement District 70, issued December 1, 1996, interest at 4.65% to 5.50%; matures July 1, 2012, redeemable to the extent of assessment collections in direct numerical order on any interest date.	\$ 200,000	\$ -	\$ (150,000)	\$ 50,000
Special Improvement District 71, issued July 15, 1997, interest at 4.50% to 5.75%; matures July 1, 2012, redeemable to the extent of assessment collections in direct numerical order on any interest date.	30,000	-	(10,000)	20,000 (Continued)

CITY OF SHERIDAN, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 5. Long-Term Debt (Continued)

Special Assessment Bonds (Continued)

	Balance June 30, 2009	Issued	Retired	Balance June 30, 2010
Special Improvement District 73, issued July 15, 1997, interest at 4.50% to 5.75%; matures June 1, 2012, redeemable to the extent of assessment collections in direct numerical order on any interest date.	\$ 25,000	\$ -	\$ (5,000)	\$ 20,000
Special Improvement District 74, issued June 1, 1997, interest at 4.50% to 5.75%; matures June 1, 2012, redeemable to the extent of assessment collections in direct numerical order on any interest date.	55,000	-	(20,000)	35,000
Special Improvement District 75, issued September 15, 1999, interest at 4.70% to 6.10%; matures September 15, 2014, redeemable to the extent of assessment collections in direct numerical order on any interest date.	195,000	-	(55,000)	140,000
Special Improvement District 76, issued September 15, 2003, interest at 2.0% to 5.10%; matures August 1, 2013, redeemable to the extent of assessment collections in direct numerical order on any interest date.	35,000	-	-	35,000
Special Improvement District 77, issued August 1, 2007, interest at 4.0% to 5.0%; matures June 1, 2022, redeemable to the extent of assessment collections in direct numerical order on any interest date.	1,350,000	-	(100,000)	1,250,000
	<u>\$ 1,890,000</u>	<u>\$ -</u>	<u>\$ (340,000)</u>	<u>1,550,000</u>
Less current portion				165,000
				<u>\$ 1,385,000</u>

CITY OF SHERIDAN, WYOMING
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 5. Long-Term Debt (Continued)

Special Assessment Bonds (Continued)

The debt service requirements for special assessment bonds for each of the next five years are as follows:

	Principal	Interest	Total
2011	\$ 165,000	\$ 65,149	230,149
2012	60,000	59,835	119,835
2013	175,000	58,244	233,244
2014	150,000	50,388	200,388
2015	150,000	44,150	194,150
2016-2020	625,000	139,412	764,412
2021-2025	225,000	15,781	240,781
	<u>\$ 1,550,000</u>	<u>\$ 432,959</u>	<u>\$ 1,982,959</u>

The City has entered into three lease purchase agreements with a financial institution for items and improvements for the general fund. The general fund is responsible for the payments on these leases. The details of and obligations under these agreements are as follows:

Obligation under capital lease of sewer cleaning vacuum, subject to refunding clause, annual payments of \$12,466 including interest at 5.25%, expires October 2011	\$ 55,545
Obligation under capital lease of street sweeper, subject to refunding clause, annual payments of \$38,361 including interest at 6.36%, expires September 2013	131,267
Obligation under capital lease of tax exempt equipment, subject to refunding clause, annual payments of \$338,130 including interest at 3.99%, expires December 2016	942,990
	<u>\$ 1,129,802</u>

Future minimum lease payments under these lease agreements for the years ending June 30, are as follows:

Leases		
	2011	\$ 423,914
	2012	404,575
	2013	108,564
	2014	108,341
	2015	70,194
	Thereafter	140,664
		<u>1,256,252</u>
Less amount representing interest		(126,450)
Net present value of minimum lease payments		<u>\$ 1,129,802</u>

For the governmental activities, notes payable, capital leases, claims, judgments and compensated absences are generally liquidated by the general fund.

CITY OF SHERIDAN, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 5. Long-Term Debt (Continued)

Business-Type Activities

The City has the following notes payable in the Water and Sewer Fund, Solid Waste Fund and the Golf Fund:

Water and Sewer Fund	<u>Balance June 30, 2009</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2010</u>
State Land and Investment Board loan, Miscellaneous Water Replacement Project, due in annual installments of \$70,513, including interest of 2.5%, due September 2024	\$ 920,554	\$ -	\$ (50,145)	\$ 870,409
State Land and Investment Board loan, Drinking Water SRF, due in annual installments of \$39,094, including interest of 2.5%, due September 2024	510,372	-	(26,784)	483,588
	<u>1,430,926</u>	<u>-</u>	<u>(76,929)</u>	<u>1,353,997</u>
Solid Waste Fund	<u>Balance June 30, 2009</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2010</u>
State Land and Investment Board loan, Landfill Improvements Project, due in annual installments of \$304,140, including interest of 2.5%, due April 2018, currently in construction amortization will be finalized one year after completion of construction	\$ 2,661,850	\$ -	\$ (237,967)	\$ 2,423,883
State Land and Investment Board loan, Landfill Improvements Project, due in annual installments of \$76,456, including interest of 2.5%, due April 2017, currently in construction payments to start one year after the completion of construction	669,150	-	(59,821)	609,329
	<u>3,331,000</u>	<u>-</u>	<u>(297,788)</u>	<u>3,033,212</u>
Total for all business-type activities				4,387,209
Less current portion				377,717
				<u>\$ 4,009,492</u>

CITY OF SHERIDAN, WYOMING
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 5. Long-Term Debt (Continued)

The debt service requirements for business-type activities for each of the next five years are as follows:

	Principal	Interest	Total
2011	\$ 377,717	\$ 108,719	\$ 486,436
2012	390,227	99,303	489,530
2013	399,876	89,654	489,530
2014	409,763	79,767	489,530
2015	419,895	69,636	489,531
2016-2020	1,880,513	187,215	2,067,728
2021-2025	509,218	38,820	548,038
Total amortizing debt	<u>\$ 4,387,209</u>	<u>\$ 673,114</u>	<u>\$ 5,060,323</u>

The City has entered into three lease purchase agreements with a financial institution for items and improvements for the golf course. The golf fund is responsible for the payments on these leases. The details of and obligations under these agreements are as follows:

Obligation under capital lease of pumphouse, subject to refunding clause, annual payments of \$20,993 plus interest at 5.6%, expires July 2013	\$ 116,604
Obligation under capital lease of an irrigation system, subject to refunding clause, varying annual payments from approximately \$81,000-89,000, with a final balloon payment of \$210,500, plus various interest rates averaging 4.87%, expires July 2022	876,901
Obligation under capital lease of golf carts, subject to refunding clause, annual payments of \$18,498 plus interest at 3.71%, with a final balloon payment of \$60,500 expires November 2012	105,180
	<u>\$ 1,098,685</u>

Future minimum lease payments under these lease agreements for the years ending June 30, are as follows:

2011	\$ 147,639
2012	150,749
2013	148,624
2014	146,465
2015	88,740
Thereafter	777,053
	<u>1,459,270</u>
Less amount representing interest	(360,585)
Net present value of minimum lease payments	<u>\$ 1,098,685</u>

CITY OF SHERIDAN, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 5. Long-Term Debt (Continued)

The Solid Waste fund also has the following capital lease outstanding as of June 30, 2010:

Obligation under capital lease of caterpillar wheel loader, subject to refunding clause, annual payments of \$21,862 plus interest at 4.85%, with a final balloon payment of \$72,742 expires December 2014	\$ 119,893
Obligation under capital lease of caterpillar landfill compactor, subject to refunding clause, annual payments of \$91,307 plus interest at 3.25%, with a final balloon payment of \$189,707 expires July 2014	499,049
Obligation under capital lease of tax exempt equipment, subject to refunding clause, annual payments of \$231,920 including interest at 3.99%, expires December 2016	646,802
Obligation under capital lease of caterpillar scraper, subject to refunding clause, annual payments of \$98,401, 0%, expires August 2014	492,003
	\$ 1,757,747

Future minimum lease payments under these lease agreements for the years ending June 30, are as follows:

Leases		
	2011	\$ 449,386
	2012	449,493
	2013	259,744
	2014	310,471
	2015	336,276
	Thereafter	96,235
		1,901,605
Less amount representing interest		(143,858)
Net present value of minimum lease payments		\$ 1,757,747

The Ambulance fund also has the following capital lease outstanding as of June 30, 2010:

Obligation under capital lease of tax exempt equipment, subject to refunding clause, annual payments of \$59,995 including interest at 3.99%, expires December 2016	\$ 167,429
	\$ 167,429

CITY OF SHERIDAN, WYOMING
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 5. Long-Term Debt (Continued)

Future minimum lease payments under these lease agreements for the years ending June 30, are as follows:

	2011		\$ 61,503
	2012		61,531
	2013		12,459
	2014		12,419
	2015		12,457
	Thereafter		25,043
			185,412
Less amount representing interest			(17,983)
Net present value of minimum lease payments			\$ 167,429

The Water fund also has the following capital lease outstanding as of June 30, 2010:

Obligation under capital lease of tax exempt equipment, subject to refunding clause, annual payments of \$19,955 including interest at 3.99%, expires December 2016	\$ 55,780
	\$ 55,780

Future minimum lease payments under these lease agreements for the years ending June 30, are as follows:

	2011		\$ 20,457
	2012		20,466
	2013		4,144
	2014		4,131
	2015		4,143
	Thereafter		8,420
			61,761
Less amount representing interest			(5,981)
Net present value of minimum lease payments			\$ 55,780

CITY OF SHERIDAN, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 5. Long-Term Debt (Continued)

The following is a summary of the changes in the long-term liabilities of the City for the year ended June 30, 2010:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Special Improvement District Bonds	\$ 1,890,000	\$ -	\$ (340,000)	\$ 1,550,000	\$ 165,000
Capital leases	1,330,240	169,628	(370,066)	1,129,802	375,250
Compensated absences	<u>881,926</u>	<u>907,352</u>	<u>(881,926)</u>	<u>907,352</u>	<u>587,818</u>
Governmental activity long-term liabilities	<u>\$ 4,102,166</u>	<u>\$ 1,076,980</u>	<u>\$ (1,591,992)</u>	<u>\$ 3,587,154</u>	<u>\$ 1,128,068</u>
Business-type activities					
Capital leases	\$ 3,556,953	\$ -	\$ (477,313)	\$ 3,079,640	\$ 571,346
Landfill closure liability	848,572	32,524	-	881,096	-
Notes payable	4,761,926	-	(374,717)	4,387,209	377,717
Due to other governments	2,626	-	(2,626)	-	-
Compensated absences	<u>411,877</u>	<u>414,104</u>	<u>(411,877)</u>	<u>414,104</u>	<u>237,327</u>
Business-type activity long-term liabilities	<u>\$ 9,581,954</u>	<u>\$ 446,628</u>	<u>\$ (1,266,533)</u>	<u>\$ 8,762,049</u>	<u>\$ 1,186,390</u>

Note 6. Fund Equity

In order to meet future needs, the City Council has designated \$1,464,092 of fund equity within the general fund for reserves and emergency needs.

The following funds reported negative unreserved fund balance as of June 30, 2010.

<u>Fund</u>	<u>Fund Deficit</u>
Capital Projects Fund	(\$307,490)
Public Safety Fund	(\$662)
Ambulance Fund	(\$182,778)

The deficit in each of these funds is expected to be restored by future revenues.

Note 7. Defined Benefit Pension Plan

All full-time employees of the City are eligible to participate in the Wyoming Retirement System Plan ("the System"), a cost-sharing multiple-employer public employee retirement system. All City employees, who are full-time firefighters, participate in the Wyoming Paid Firemen's Retirement System. All sworn law enforcement officers of the City are eligible to participate in the Wyoming Law Enforcement Retirement Fund. The System also provides death and disability benefits. Benefits are established by State statute. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report can be obtained by writing to Wyoming Retirement System, Fifth Floor West, 6101 Yellowstone Road, Cheyenne, Wyoming 82002 or by calling (307) 777-7691. The City's required contribution to the System for the years ended June 30, 2010, 2009, and 2008 was \$838,569, \$835,945, and \$764,812, respectively. An overview of the different plans follows.

CITY OF SHERIDAN, WYOMING
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 7. Defined Benefit Pension Plan (Continued)

Wyoming Retirement System

The System provides retirement benefits at age 60 with early retirement options available. The System statutorily requires 11.25% of the covered employees' salary to be contributed to the plan, of which is 5.57% is paid by the employee and 5.68% is paid by the City.

Effective September 1, 2010, the Wyoming Retirement System has increased the employer and employee contributions by for regular employees 1.44% and 1.43%, respectively. The City has elected to pay the increased contribution on their portion while employees will be responsible for the increase to the employee portion.

Wyoming Paid Firemen's Retirement System

The System provides retirement benefits at age 50, with early retirement options available. WRS requires 20.5% of the covered employee's salary to be contributed for City firefighters participating in the plan, of which 2.5% is paid by the employee and 18% is paid by the City.

Wyoming Law Enforcement Retirement Fund

The System provides retirement benefits at age 55, with early retirement options available. The System requires 17.2% of covered employee's salary to be contributed for Law Enforcement employees participating in the plan, of which 5.58% is paid by the employee and 11.62% is paid by the City.

Note 8. Landfill Post Closure and Monitoring Costs

State and Federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports the estimated liability for these closure and postclosure costs in the Solid Waste fund (an enterprise fund) based on landfill capacity used as of each balance sheet date.

The current operating costs of the landfill are accounted for within the Solid Waste Fund of the City using the accrual basis of accounting. The \$881,096 reported as landfill closure and postclosure care liability at June 30, 2010, represents the cumulative amount estimated to date based on the use of 70% of the estimated capacity of the site. The City will recognize the remaining estimated cost of closure and postclosure care of \$389,881 as the remaining estimated capacity is filled. The calculation of the estimated liability has been based on what it would cost to perform all closure and postclosure care in 2010. The estimate of this liability may change based on a change in inflation or deflation, technology, or applicable laws or regulations.

The current year expenditure for landfill closure and postclosure care reflected in the Solid Waste Fund was \$32,524.

CITY OF SHERIDAN, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 9. Prior Period Adjustment

During the year ended June 30, 2010, it was discovered that land donated to the Sheridan Economic and Educational Development Authority Joint Powers Board (SEEDA) in the prior year had been recorded at a preliminary valuation instead of the full appraised value. A prior period adjustment to the beginning equity of the SEEDA's financial statement was necessary to correct the capital asset land value. The land was mistakenly recorded at \$300,000 instead of the \$426,500 appraised value, nor was the full value properly recognized as revenue in the prior year. The detail of the effect on the current year financial statements of this prior period adjustment is as follows:

Government-wide Presentation

Net assets - beginning of year	\$ 2,603,831
Net increase due to prior period adjustment	126,500
Net assets - beginning of year as restated	<u>\$ 2,730,331</u>

Governmental Funds

Fund balance - beginning of year	\$ 179,697
Net increase (decrease) due to prior period adjustment	-
Fund balance - beginning of year as restated	<u>\$ 179,697</u>

Note 10. Budgetary Compliance

For the year ended June 30, 2010, the following expenditures exceeded their departmental published budgets:

Public Safety	<u>Budget</u>	<u>Expenditure</u>	<u>Over Expenditure</u>
Public Safety Fund	\$ 80,747	\$ 197,088	\$ (116,341)
Health and Human Services Fund	\$ -	\$ 4,055	\$ (4,055)
 Public Safety			
Capital Projects Fund	\$ 1,247,865	\$ 1,793,257	\$ (545,392)
Water and Sewer Fund	\$ 1,864,831	\$ 2,282,432	\$ (417,601)
Mosquito Fund	\$ 120,080	\$ 142,792	\$ (22,712)
 Parks and Recreation			
Community Promotion Fund	\$ -	\$ 21,994	\$ (21,994)

Note 11. Risk Management

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets and natural disasters. The City manages their comprehensive property risk management by participating in the Wyoming Association of Risk Management Property Insurance Joint Powers Board ("WARM"). The City's general liability insurance is provided by participation in the Local Government Liability pool. All risk management activities are accounted for in each fund as appropriate. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CITY OF SHERIDAN, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 11. Risk Management (Continued)

All heavy equipment owned by the City is covered by a blanket equipment policy. This blanket policy has coverage limits, which could be exceeded in the unlikely event that the City and the other jurisdictions, which participate in WARM, were subject to a major disaster. In an effort to control potential losses, the City has implemented a risk containment policy, which provides for mandatory use of seat belts and hard hats, extraordinary caution on the part of employees and other preventive measures.

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

Wyoming Statute 27-14-101 created the Wyoming Workers' Compensation Act, which is administered as an enterprise fund by the State of Wyoming. All employers within the State of Wyoming are participants of this plan unless the employer elects not to be covered under the plan. This Act requires the City 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 City. The City makes monthly payments to the Department of Employment, State of Wyoming. This amount is based on salaries and a split rate between hazardous and non-hazardous positions. Amounts paid by the City to the State for Workers' Compensation during fiscal year 2010 were approximately \$116,000.

Wyoming Statute 27-3-101 created the Unemployment Compensation Act. This Act requires the City to pay the cost of actual claims incurred. Changes in the balances of claims liabilities during fiscal year 2010 and 2009 were as follows for the City's participation in the Unemployment Compensation Act Program:

	Fiscal Year Ended 2010	Fiscal Year Ended 2009
Unpaid claims, beginning of year	\$ -	\$ -
Incurred claims	92,419	29,546
Claim payments	(92,419)	(29,546)
Unpaid claims, end of year	\$ -	\$ -

Note 12. Commitments and Contingencies

The City is required by the Department of Environmental Quality to monitor a landfill site for possible contamination (Note 8). Should contamination be detected in the future, the City may be responsible for some or all of the cleanup costs.

As of the fiscal year ended June 30, 2010, the City has committed to fund various projects in the approximate amounts of \$21,531,296 in the capital projects fund, from future appropriations.

Note 13. Subsequent Events

In October, 2010, the City of Sheridan donated 38.5 acres of parcel land to Sheridan Economic and Educational Development Authority Joint Powers Board (SEEDA). This land is to be used for a Hi-Tech Business Park. SEEDA is responsible for maintaining the land and business park.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF SHERIDAN, WYOMING

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 15,223,139	\$ 15,023,139	\$ 13,529,647	\$ (1,493,492)
Licenses and permits	668,500	668,500	586,993	(81,507)
Fines and forfeitures	298,500	298,500	323,981	25,481
Charges for services	119,000	156,000	122,219	(33,781)
Net investment income	115,000	115,000	86,299	(28,701)
Contributions	-	-	12,265	12,265
Miscellaneous revenue	90,000	90,000	162,201	72,201
Total revenues	<u>16,514,139</u>	<u>16,351,139</u>	<u>14,823,605</u>	<u>(1,527,534)</u>
Expenditures				
Current				
General government	2,813,563	3,317,095	2,949,819	367,276
Public safety	7,560,739	7,992,670	7,489,302	503,368
Public works	2,611,372	2,711,372	2,388,146	323,226
Parks and recreation	783,296	785,046	704,611	80,435
Capital outlay	676,835	1,137,379	658,706	478,673
Debt service - principal	242,702	404,082	332,751	71,331
interest	56,590	87,979	49,477	38,502
Total expenditures	<u>14,745,097</u>	<u>16,435,623</u>	<u>14,572,812</u>	<u>1,862,811</u>
Excess of revenues over (under) expenditures	<u>1,769,042</u>	<u>(84,484)</u>	<u>250,793</u>	<u>335,277</u>

(Continued)

See accompanying notes to required supplementary information

CITY OF SHERIDAN, WYOMING

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Other financing sources (uses)				
Operating transfers in	\$ 1,228,800	\$ 1,048,550	\$ 1,064,830	\$ 16,280
Operating transfers out	(3,571,150)	(5,266,180)	(3,276,972)	1,989,208
Other financing sources	-	-	169,628	169,628
Total other financing sources (uses)	<u>(2,342,350)</u>	<u>(4,217,630)</u>	<u>(2,042,514)</u>	<u>2,175,116</u>
Net change in fund balances	(573,308)	(4,302,114)	(1,791,721)	
Fund balance - beginning of year	<u>8,318,637</u>	<u>8,318,637</u>	<u>8,318,637</u>	
Fund balance - end of year	<u>\$ 7,745,329</u>	<u>\$ 4,016,523</u>	<u>\$ 6,526,916</u>	

See accompanying notes to required supplementary information

CITY OF SHERIDAN, WYOMING

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - CAPITAL FACILITIES FUND
Year Ended June 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Taxes	\$ 4,000,000	\$ 2,975,767	\$ 2,625,477	\$ (350,290)
Net investment income	70,000	70,000	12,101	(57,899)
Total revenues	<u>4,070,000</u>	<u>3,045,767</u>	<u>2,637,578</u>	<u>(408,189)</u>
Expenditures				
Current	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>4,070,000</u>	<u>3,045,767</u>	<u>2,637,578</u>	<u>(408,189)</u>
Other financing sources (uses)				
Operating transfers in	-	-	540	540
Operating transfers out	<u>(3,870,000)</u>	<u>(4,636,006)</u>	<u>(4,126,940)</u>	<u>509,066</u>
Total other financing sources (uses)	<u>(3,870,000)</u>	<u>(4,636,006)</u>	<u>(4,126,400)</u>	<u>509,606</u>
Net change in fund balances	200,000	(1,590,239)	(1,488,822)	
Fund balance - beginning of year	<u>2,777,222</u>	<u>2,777,222</u>	<u>2,777,222</u>	
Fund balance - end of year	<u>\$ 2,977,222</u>	<u>\$ 1,186,983</u>	<u>\$ 1,288,400</u>	

See accompanying notes to required supplementary information

CITY OF SHERIDAN, WYOMING

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2010

Note 1. Basis of Budgeting

Budgets

Annual budgets are adopted on the modified accrual basis for all governmental funds. Encumbered appropriations are reappropriated in the ensuing year's budget.

Legal spending control for City monies is at the department level. The City Council may amend the budget after it is appropriated using the same procedures necessary to approve the original budget at the department level. During the year, no significant appropriations were necessary. Management monitors expenditures at budgetary line item levels within each fund to enhance the accounting control system and may amend the budget at this level as long as the department level budget is maintained.

OTHER SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for proceeds from specific revenue sources, which are required to be accounted for separately and used for specific purposes.

Lodging Tax Fund - accounts for receipts and activities funded with lodging taxes.

Public Safety Fund - accounts for revenue and activities specifically identified to improve public safety. It includes the following projects and activities: Fire Public Education, Department of Justice grants, School Resource Officer, Bulletproof Vest, Canine Dog, 2006 LETPP funds, DUI Overtime, 403 Demonstration Seatbelt grant, Alcohol Inspection grant, Speed Enforcement grant and Video Camera grant.

Community Promotion Fund - accounts for special revenues received for specific community betterments. It includes the following projects and activities: Trolley Car, Sculpture, Park Land Dedication, Landmark Commission, Development Impact Fee, Senior Center Equipment grant, and the Sheridan Housing Action Committee.

Bike Trail Project Fund - accounts for revenue and expenses associated with maintaining and building the Bike and Napier trails.

Health and Human Services Fund - accounts for revenue and activities specifically identified to improve public health and welfare. It includes the Tobacco Prevention Grant.

CITY OF SHERIDAN, WYOMING

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2010

	<u>Special Revenue Funds</u>			
	<u>Lodging Tax Fund</u>	<u>Public Safety Fund</u>	<u>Community Promotion Fund</u>	<u>Bike Trail Project Fund</u>
ASSETS				
Cash and cash equivalents	\$ 436,507	\$ -	\$ 117,843	\$ 272,341
Accounts receivables, net	-	-	569	-
Due from other governments	46,974	15,042	-	-
Due from other funds	-	423	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 483,481</u>	<u>\$ 15,465</u>	<u>\$ 118,412</u>	<u>\$ 272,341</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Outstanding checks in excess of bank balance	\$ -	\$ 8,143	\$ -	\$ -
Accounts payable	52,700	2,088	19,354	-
Other accrued liabilities	4,229	5,473	1,595	-
Due to other funds	-	423	-	-
Total liabilities	<u>56,929</u>	<u>16,127</u>	<u>20,949</u>	<u>-</u>
Fund Balances				
Unreserved	426,552	(662)	97,463	272,341
Total fund balances (deficit)	<u>426,552</u>	<u>(662)</u>	<u>97,463</u>	<u>272,341</u>
Total liabilities and fund balances	<u>\$ 483,481</u>	<u>\$ 15,465</u>	<u>\$ 118,412</u>	<u>\$ 272,341</u>

Health and Human Services Fund	Total Nonmajor Governmental Funds
\$ 724	\$ 827,415
-	569
3,230	65,246
-	423
<u>\$ 3,954</u>	<u>\$ 893,653</u>

\$ -	\$ 8,143
-	74,142
75	11,372
-	423
<u>75</u>	<u>94,080</u>

<u>3,879</u>	<u>799,573</u>
<u>3,879</u>	<u>799,573</u>

<u>\$ 3,954</u>	<u>\$ 893,653</u>
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CITY OF SHERIDAN, WYOMING

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2010**

	Special Revenue Funds			
	Lodging Tax Fund	Public Safety Fund	Community Promotion Fund	Bike Trail Project Fund
Revenues				
Taxes	\$ 411,243	\$ -	\$ -	\$ -
Intergovernmental	-	192,781	-	215,611
Fines and forfeitures	-	122	-	-
Net investment income	2,497	-	32	5
Contributions	-	52,451	82,063	-
Miscellaneous	9,143	1,683	200	-
Total revenues	422,883	247,037	82,295	215,616
Expenditures				
Current				
General government	423,580	91,941	-	-
Public safety	-	197,088	-	-
Public works	-	-	21,947	85,144
Parks and recreation	-	-	21,994	-
Capital outlay	-	20,631	113,298	344,778
Total expenditures	423,580	309,660	157,239	429,922
Excess (deficiency) of revenues over expenditures	(697)	(62,623)	(74,944)	(214,306)
Other financing sources (uses)				
Transfers in	-	52,665	25,000	254,252
Transfers out	-	-	-	-
Total other financing sources (uses)	-	52,665	25,000	254,252
Net change in fund balances	(697)	(9,958)	(49,944)	39,946
Fund balances -beginning of year	427,249	9,296	147,407	232,395
Fund balances (deficit) -end of year	\$ 426,552	\$ (662)	\$ 97,463	\$ 272,341

Health and Human Services Fund	Total Nonmajor Governmental Funds
\$ -	\$ 411,243
-	408,392
-	122
-	2,534
6,035	140,549
-	11,026
<u>6,035</u>	<u>973,866</u>
4,054	519,575
-	197,088
-	107,091
-	21,994
-	478,707
<u>4,054</u>	<u>1,324,455</u>
1,981	(350,589)
-	331,917
-	-
<u>-</u>	<u>331,917</u>
1,981	(18,672)
1,898	818,245
<u>\$ 3,879</u>	<u>\$ 799,573</u>

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NONMAJOR PROPRIETARY FUNDS

ENTERPRISE FUNDS

Enterprise Funds are used to account for activities which the City provides and for which the users are charged fees. The following funds are the nonmajor proprietary funds for the City:

Ambulance Fund - accounts for receipts and activities of the City's ambulance and EMT activities.

Mosquito Fund - accounts for revenues and activities associated with mosquito abatement activities.

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CITY OF SHERIDAN, WYOMING

COMBINING STATEMENT OF NET ASSETS - NONMAJOR PROPRIETARY FUNDS

June 30, 2010

ASSETS	<u>Ambulance Fund</u>	<u>Mosquito Fund</u>	<u>Total</u>
Current Assets			
Cash	\$ 18,468	\$ 89,787	\$ 108,255
Service receivables, net	56,915	2,963	59,878
Due from other governments	-	50,599	50,599
Restricted cash	27,527	-	27,527
Total current assets	<u>102,910</u>	<u>143,349</u>	<u>246,259</u>
Capital assets, net of accumulated depreciation	224,115	51,019	275,134
Total assets	<u>327,025</u>	<u>194,368</u>	<u>521,393</u>
 LIABILITIES			
Current liabilities			
Accounts payable	20,524	4,547	25,071
Other accrued liabilities	47,304	-	47,304
Due to other funds	182,252	-	182,252
Current portion of capital lease	54,826	-	54,826
Total current liabilities	<u>304,906</u>	<u>4,547</u>	<u>309,453</u>
 Long-term liabilities			
Compensated absences	92,294	-	92,294
Obligation under capital lease	112,603	-	112,603
Total long-term liabilities	<u>204,897</u>	<u>-</u>	<u>204,897</u>
 NET ASSETS			
Invested in capital assets, net of related debt	224,115	51,019	275,134
Unrestricted	(406,893)	138,802	(268,091)
Total net assets (deficit)	<u>\$ (182,778)</u>	<u>\$ 189,821</u>	<u>\$ 7,043</u>

CITY OF SHERIDAN, WYOMING

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND BALANCES - NONMAJOR PROPRIETARY FUNDS**

Year Ended June 30, 2010

	Ambulance Fund	Mosquito Fund	Total
Operating revenue			
Service fees	\$ 181,584	\$ 18,516	\$ 200,100
Other operating income	-	150,214	150,214
Total operating revenue	<u>181,584</u>	<u>168,730</u>	<u>350,314</u>
Operating expenses			
Salaries and benefits	679,461	-	679,461
Other operating expenses	49,852	142,793	192,645
Depreciation	53,022	7,037	60,059
Total operating expenses	<u>782,335</u>	<u>149,830</u>	<u>932,165</u>
Operating loss	(600,751)	18,900	(581,851)
Net investment income	-	506	506
Total nonoperating revenue	<u>-</u>	<u>506</u>	<u>506</u>
Income (loss) before transfers	(600,751)	19,406	(581,345)
Transfers in	446,066	-	446,066
Transfers out	(111,095)	(2,645)	(113,740)
	<u>334,971</u>	<u>(2,645)</u>	<u>332,326</u>
Change in net assets	(265,780)	16,761	(249,019)
Net assets - beginning of year	<u>83,002</u>	<u>173,060</u>	<u>256,062</u>
Net assets (deficit) - end of year	<u>\$ (182,778)</u>	<u>\$ 189,821</u>	<u>\$ 7,043</u>

SINGLE AUDIT SECTION

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CITY OF SHERIDAN, WYOMING

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2010**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass Through Grantor's Number	Expenditures
<u>U. S. Department of Agriculture</u>			
Passed through Wyoming State Forestry Division Cooperative Forestry Assistance	10.664	None	\$ 3,240
Total U.S. Department of Agriculture			<u>3,240</u>
<u>U.S. Department of Housing and Urban Development</u>			
<i>CDBG - State-Administered Small Cities Program Cluster</i>			
Office of Community Planning and Development			
Passed through the Wyoming Community Development Authority Community Development Block Grant	14.228	None	65,000
Passed through the Wyoming Business Council Community Development Block Grant	14.228	None	23,804
Total U.S. Department of Housing and Urban Development			<u>88,804</u>
<u>U.S. Department of Justice</u>			
Direct Award			
Bureau of Justice Bulletproof Vest Partnership Program	16.607	None	2,787
Justice and Delinquency Prevention Passed through the Wyoming Association of Sheriffs and Chiefs of Police Enforcing Underage Drinking Laws Program	16.727	None	1,483
Total U.S. Department of Justice			<u>4,270</u>
<u>U. S. Department of Transportation:</u>			
<i>Highway Planning and Construction Cluster</i>			
Passed through Wyoming Department of Transportation			
Federal Highway Administration			
Highway Planning and Construction	20.205	STP-E-SH 0.00TL08012	188,851
Highway Planning and Construction	20.205	STP-E-SH 0.00TL09012	26,761
<i>Highway Safety Cluster</i>			
National Highway Traffic Safety Administration			
State and Community Highway Safety	20.600	10-PTO5AM	2,363
National Highway Traffic Safety Administration Alcohol Open Container Requirements	20.607	10-154AL22AM	4,414
Total U.S. Department of Transportation			<u>222,389</u>

(Continued)

CITY OF SHERIDAN, WYOMING

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass Through Grantor's Number	Expenditures
<u>U. S. Environmental Protection Agency</u>			
Passed through State Land and Investment Board			
Office of Water			
ARRA - Capitalization Loans for Clean Water State Revolving Funds - Recovery Act	66.458	CWSRF #109	\$ 399,054
Capitalization Loans for Drinking Water State Revolving Funds	66.468	DWSRF #110	870,112
ARRA - Capitalization Loans for Drinking Water State Revolving Funds - Recovery Act	66.468	DWSRF #101	186,703
			<u>1,056,815</u>
Total U. S. Environmental Protection Agency			<u>1,455,869</u>
<u>U. S. Department Energy</u>			
Direct Award			
ARRA - Energy Efficiency and Conservation - Block Grant Program - Recovery Act	81.128	DE-RW0000109	67,983
Total U.S. Department of Energy			<u>67,983</u>
<u>U. S. Department of Homeland Security</u>			
<i>Homeland Security Cluster</i>			
Passed through Wyoming Department of Homeland Security			
Homeland Security Grant Program	97.067	07-ODP-SHE-LP-HLE7	16,904
Homeland Security Grant Program	97.067	09-GPD-SHE-LP-HLE9	3,727
Total U.S. Department of Homeland Security			<u>20,631</u>
Total federal awards			<u>\$ 1,863,186</u>

Note:

Prepared on the cash basis of accounting.



PORTER, MUIRHEAD, CORNIA & HOWARD

(A Corporation of Certified Public Accountants)

123 West First Street Suite 800 P.O. Box 2759 Casper, Wyoming 82602 (307) 265-4311 Fax (307) 265-5180

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and City Council
City of Sheridan, Wyoming

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Sheridan, Wyoming as of and for the year ended June 30, 2010, which collectively comprise the City of Sheridan, Wyoming's basic financial statements and have issued our report thereon dated March 02, 2011. 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. Other auditors audited the financial statements of the Sheridan Area Water System, a discretely presented component unit of the City of Sheridan as described in our report on the City of Sheridan's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Sheridan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Sheridan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Sheridan's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Sheridan's financial statements are free of 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*.

We noted certain matters that we reported to management of the City of Sheridan in a separate letter dated March 02, 2011.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies, pass-through entities, and the Wyoming Department of Audit, and is not intended to be and should not be used by anyone other than these specified parties.



Porter, Muirhead, Cornia & Howard
Certified Public Accountants

March 02, 2011



PORTER, MUIRHEAD, CORNIA & HOWARD

(A Corporation of Certified Public Accountants)

123 West First Street Suite 800 P.O. Box 2759 Casper, Wyoming 82602 (307) 265-4311 Fax (307) 265-5180

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Sheridan, Wyoming

Compliance

We have audited the City of Sheridan, Wyoming's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the City of Sheridan's major federal programs for the year ended June 30, 2010. The City of Sheridan, Wyoming's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Sheridan, Wyoming's management.

The City of Sheridan, Wyoming's basic financial statements include the operations of the Sheridan Area Water Supply of the City of Sheridan, Wyoming, a discretely presented component unit. Our audit described below, did not include the operations of the Sheridan Area Water Supply because the component unit engaged other auditors to perform its audit. The report of those auditors did not reference any federal awards being expended by the Sheridan Area Water Supply of the City of Sheridan, Wyoming. Our responsibility is to express an opinion on the City of Sheridan, Wyoming's compliance based on our audit.

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 OMB Circular A-133. Those standards and OMB Circular A-133 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 City of Sheridan, Wyoming'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. Our audit does not provide a legal determination on the City of Sheridan, Wyoming's compliance with those requirements.

In our opinion, the City of Sheridan, Wyoming complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

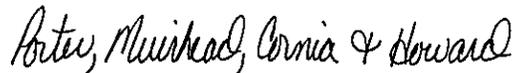
Internal Control over Compliance

Management of the City of Sheridan, Wyoming is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Sheridan, Wyoming's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 City'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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies, pass-through entities and the Wyoming Department of Audit and is not intended to be and should not be used by anyone other than these specified parties.



Porter, Muirhead, Cornia & Howard

Certified Public Accountants

March 02, 2011

CITY OF SHERIDAN, WYOMING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued Unqualified

Internal control over financial reporting:

Material weaknesses identified? No

Significant deficiencies identified
that are not considered to be material
weaknesses? No

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs

Material weaknesses identified? No

Significant deficiencies identified
that are not considered to be material
weaknesses? No

Type of auditor’s report issued on compliance for
major programs Unqualified

Any audit findings disclosed that are required to be
reported in accordance with section 510 (a)
of Circular A-133? No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
66.458	ARRA - Capitalization Loans for Clean Water State Revolving Funds – Recovery Act
66.468	Capitalization Loans for Drinking Water State Revolving Funds
66.468	ARRA - Capitalization Loans for Drinking Water State Revolving Funds – Recovery Act

Dollar threshold used to distinguish between
type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? No

CITY OF SHERIDAN, WYOMING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

Year Ended June 30, 2010

Section II – Financial Statement Findings

Significant Deficiencies in Internal Control

No matters were noted.

Compliance Findings

No matters were noted.

Section III - Federal Award Findings and Questioned Costs

No matters were noted.

CITY OF SHERIDAN, WYOMING

SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2010

SA – 2009 – 01

Department of Housing and Urban Development (HUD)

Passed through the Wyoming Business Council

CFDA No. 14.228 – Community Development Block Grant

Department of Justice, Bureau of Justice Assistance

CFDA No. 16.607 –Bulletproof Vest Partnership Program

Department of Transportation (DOT)

Passed through the Wyoming Department of Transportation

CFDA No. 20.205 – Highway Planning and Construction

CFDA No. 20.600 – State and Community Highway Safety

Environmental Protection Agency (EPA)

Passed through the State Land and Investment Board

CFDA No. 66.458 – Capitalization Grants for Clean Water State Revolving Funds

Department of Homeland Security (DHS)

Passed through Wyoming Department of Homeland Security

CFDA No. 97.044 – Assistance to Firefighters Grant

CFDA No. 97.067 – Homeland Security Grant Program

The City neglected to contract with an auditor for a single audit to be performed and, consequently, did not submit a data collection form within the timeframe set forth in the above mentioned criteria statements.

Status

This situation has been corrected.

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