

CITY OF SHERIDAN, WYOMING
FINANCIAL AND COMPLIANCE REPORT
FOR THE FISCAL YEAR ENDED
June 30, 2012

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FINANCIAL SECTION

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PORTER, MUIRHEAD, CORNIA & HOWARD

(A Corporation of Certified Public Accountants)

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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, 2012, 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 the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2012, and the respective changes in financial position and, where applicable, cash flows 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 December 21, 2012 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 58 through 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 other supplementary information on pages 63 through 70 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Additionally, the accompanying schedule of expenditure of federal awards is presented for 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 of the City of Sheridan. The other supplementary information and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The other supplementary information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements 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, state and federal 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

December 21, 2012

CITY OF SHERIDAN, WYOMING
MANAGEMENT'S DISCUSSION & ANALYSIS
June 30, 2012
(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, 2012. 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 3.8% (\$6 million) during the fiscal year. Our business type activities accounted for 68% of the increase and governmental activities 32%.

During the fiscal year the City's state shared tax revenues decreased 2.6% or \$362,000. General government expenditures increased by 5%, or nearly \$822,000 with a 121.5% increase of \$885,000 for general government expenses. This increase is due to \$759,000 of sales and use tax repayment and the remaining are grant expenditures.

The City's business-type revenues increased by 14% or \$1.5 million to nearly \$12.8 million. Expenses decreased by 6.3% or about \$728,000.

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, 2012
(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, 2012
 (Unaudited)

Net Assets

As explained above net assets are the difference between assets and liabilities. Between fiscal years 2011 and 2012 combined net assets increased by approximately 3.8%.

CITY OF SHERIDAN'S NET ASSETS

	Governmental Activities		Business- Type Activities		Total		Total Percent Change
	2011		2011		2011		
	as restated	2012	2011	2012	as restated	2012	
Current & Other Assets	\$ 16,414,204	\$ 11,845,242	\$ 9,160,444	\$ 14,084,228	\$ 25,574,648	\$ 25,929,470	1.4%
Capital Assets	65,709,969	70,955,083	86,683,037	87,403,585	152,393,006	158,358,668	3.9%
Total Assets	82,124,173	82,800,325	95,843,481	101,487,813	177,967,654	184,288,138	3.6%
Long-Term Debt	3,007,990	3,112,061	10,976,948	10,162,054	13,984,938	13,274,115	(5.1)%
Other Liabilities	2,233,595	2,758,060	1,024,914	1,494,946	3,258,509	4,253,006	30.5%
Total Liabilities	5,241,585	5,870,121	12,001,862	11,657,000	17,243,447	17,527,121	1.6%
Net Assets							
Invested in Capital Assets, net of Related Debt	63,830,444	69,507,717	77,080,029	78,527,360	140,910,473	148,035,077	5.1%
Restricted	315,278	390,215	-	-	315,278	390,215	23.8%
Unrestricted	12,736,866	7,032,272	6,761,590	11,303,453	19,498,456	18,335,725	(6.0)%
Total Net Assets	\$ 76,882,588	\$ 76,930,204	\$ 83,841,619	\$ 89,830,813	\$ 160,724,207	\$ 166,761,017	3.8%

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 \$5.9 million, or approximately 7%. Approximately \$2.9 million of the increase in current assets is to fund future capital needs and mandates while long-term debt decreased about \$800,000. 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 42% of the City's revenues come from other taxes, such as sales and use taxes and mineral royalties. Another 33% comes from fees charged for services while property tax revenue represents about 5% of total revenues.

During fiscal year 2012, nearly 39% 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 24% of the total costs for City operations, while public works activities which include planning, engineering, code enforcement and streets accounted for 14% of the total costs.

CITY OF SHERIDAN, WYOMING
MANAGEMENT'S DISCUSSION & ANALYSIS
 June 30, 2012
 (Unaudited)

CHANGES IN CITY OF SHERIDAN'S NET ASSETS

	Governmental Activities		Business- Type Activities		Total		Total Percentage Change
	2011	2012	2011	2012	2011	2012	
Program Revenues							
Charges for Services	\$ 1,042,072	\$ 1,014,140	\$ 8,906,843	\$ 10,295,828	\$ 9,948,915	\$ 11,309,968	13.7%
Operating Grants and Other Support	803,349	1,080,068	188,827	-	992,176	1,080,068	8.9%
Capital Grants and Other Support	4,247,301	2,868,752	2,133,121	2,456,014	6,380,422	5,324,766	(16.5)%
General Revenues							
Property Taxes	1,747,362	1,726,317	-	-	1,747,362	1,726,317	(1.2)%
Special Assessments	243,444	252,800	-	-	243,444	252,800	3.8%
Other Taxes	14,186,198	13,823,935	-	-	14,186,198	13,823,935	(2.6)%
Other	295,404	175,481	-	-	295,404	175,481	(40.6)%
Investment Income	33,175	47,753	41,628	37,350	74,803	85,103	13.8%
Total Revenues	22,598,305	20,989,246	11,270,419	12,789,192	33,868,724	33,778,438	(0.3)%
Expenditures							
General Government	728,150	1,612,698	-	-	728,150	1,612,698	121.5%
Public Safety	7,064,457	6,615,290	-	-	7,064,457	6,615,290	(6.4)%
Public Works	4,118,919	3,809,845	-	-	4,118,919	3,809,845	(7.5)%
Parks and Recreation	548,883	524,658	-	-	548,883	524,658	(4.4)%
Interest on Long-term Debt	102,279	101,029	-	-	102,279	101,029	(1.2)%
Unallocated Depreciation	3,576,749	4,297,745	-	-	3,576,749	4,297,745	20.2%
Water and Sewer	-	-	6,300,915	6,466,645	6,300,915	6,466,645	2.6%
Solid Waste	-	-	3,828,566	3,318,376	3,828,566	3,318,376	(13.3)%
Golf Course	-	-	651,672	610,346	651,672	610,346	(6.3)%
Other	-	-	727,021	384,996	727,021	384,996	(47.0)%
Total Expenditures	16,139,437	16,961,265	11,508,174	10,780,363	27,647,611	27,741,628	0.3%
Excess (Deficiency)							
before Transfers	6,458,868	4,027,981	(237,755)	2,008,829	6,221,113	6,036,810	(3.0)%
Transfers	(2,824,202)	(1,252,935)	2,824,202	1,252,935	-	-	100.0%
Increase (Decrease) in Net Assets	\$ 3,634,666	\$ 2,775,046	\$ 2,586,447	\$ 3,261,764	\$ 6,221,113	\$ 6,036,810	(3.0)%

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 decreased 3% from the prior year and is expected to decrease slightly 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, 2010, 2011, and 2012 to alleviate the loss in funding from the cap. The City received \$1,094,792 and \$1,281,137 in supplemental distributions respectively for 2011 and 2012. The City is expected to receive \$981,00 in 2013, however the State Legislature has requested the supplemental be used for capital or one time uses.

The cost of all governmental activities this year was nearly \$17 million, an increase of 5% from last year. However, the amount paid by taxpayers for these activities through taxes was \$6.9 million. The City received \$1 million from those who directly benefited from the activities. The City also received nearly \$4 million from other governments and organizations that subsidized certain programs through grants and contributions.

CITY OF SHERIDAN, WYOMING
MANAGEMENT'S DISCUSSION & ANALYSIS
 June 30, 2012
 (Unaudited)

Net Cost of City of Sheridan's Governmental Activities

	Total Cost			Net Cost (Revenues)		
	Of Services		Percentage Change	Of Services		Percentage Change
	2011	2012		2011	2012	
General Government	\$ 728,150	\$ 1,612,698	54.8%	\$ 9,120	\$ 802,787	98.9%
Public Safety	7,064,457	6,615,290	(6.8)%	5,925,256	5,929,626	0.1%
Health and Human Services	-	-	-	(2,805)	(3,825)	26.7%
Public Works	4,118,919	3,809,845	(8.1)%	31,911	675,152	95.3%
Parks and Recreation	548,883	524,658	(4.6)%	404,205	195,791	(106.4)%
Interest on long-term debt	102,279	101,029	(1.2)%	102,279	101,029	(1.2)%
Unallocated depreciation	3,576,749	4,297,745	16.8%	3,576,749	4,297,745	16.8%
Total	\$ 16,139,437	\$ 16,961,265	4.8%	\$ 10,046,715	\$ 11,998,305	16.3%

The City's business type activities are now operating at a proper funding level, except for the Golf Course which requires General Fund subsidies. The increase in the General Government cost of services is due to the payback of sales and use tax distribution approximately \$759,000. Aside from the \$759,000 expense, the City is in line with 2011 cost of services. Utility rates for water, sewer, and solid waste services were increased in July and December 2011 to fund capital needs and EPA mandates.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's combined fund balance in its governmental funds at June 30, 2012 was nearly \$8 million, a \$2 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 \$9.8 million available to budget, which is a decrease of 12% or about \$1,300,000 from last year.

CITY OF SHERIDAN, WYOMING
MANAGEMENT'S DISCUSSION & ANALYSIS
 June 30, 2012
 (Unaudited)

General Fund Budgetary Highlights

General Fund Budget Analyses

	Original Budget	Final Budget	Percentage Change	Final Budget	Actual	Percentage Change
Revenues	\$ 14,078,205	\$ 14,168,205	0.6%	\$ 14,168,205	\$ 13,654,321	(3.8)%
Expenses						
General Government	\$ 2,376,436	\$ 2,734,866	13.1%	\$ 2,734,866	\$ 2,317,354	(18.0)%
Public Safety	6,395,738	6,585,103	2.9%	6,585,103	6,216,092	(5.9)%
Public Works	2,242,366	2,242,366	0.0%	2,242,366	2,099,583	(6.8)%
Parks and Recreation	533,870	553,870	3.6%	553,870	504,297	(9.8)%
Capital Outlay	1,805,500	3,201,922	43.6%	3,201,922	2,401,491	(33.3)%
Debt Service	439,013	439,013	0.0%	439,013	350,681	(25.2)%
Total	\$ 13,792,923	\$ 15,757,140	12.5%	\$ 15,757,140	\$ 13,889,498	(13.4)%

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, 2012
 (Unaudited)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2012, the City has invested \$158.4 million (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 4% 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				
	2011	2012	2011	2012	2011	2012	
Infrastructure	\$ 63,180,185	\$ 64,894,491	\$ -	\$ -	\$ 63,180,185	\$ 64,894,491	100.0%
Land and Improvements	11,965,781	15,985,744	76,326,074	77,859,233	88,291,855	93,844,977	6.3%
Buildings	10,712,772	10,731,654	19,804,261	19,814,261	30,517,033	30,545,915	0.1%
Machinery & Equipment	11,432,683	11,510,560	11,161,721	11,346,341	22,594,404	22,856,901	1.2%
Construction in Progress	6,282,137	9,935,054	13,313,437	15,780,158	19,595,574	25,715,212	31.2%
Total	\$ 103,573,558	\$ 113,057,503	\$ 120,605,493	\$ 124,799,993	\$ 224,179,051	\$ 237,857,496	6.1%

This year's major capital asset additions included East Ridge Road, South Gateway remodel, North Lift Station Expansion, Green House Living, energy audit upgrades, toolcat, forklift, pipeline inspection equipment, utilities work trucks, patrol vehicles, Elk Pasture shelter construction, and sculptures.

Outstanding Long-Term Debt

City of Sheridan's Outstanding Debt

	Governmental		Business-Type		Total		Total Percent Change
	Activities		Activities				
	2011	2012	2011	2012	2011	2012	
Special Assessment							
Bonds	\$ 1,125,000	\$ 1,065,000	\$ -	\$ -	\$ 1,125,000	\$ 1,065,000	(5.3)%
Capital Lease Obligations	754,525	382,366	2,475,794	1,965,035	3,230,319	2,347,401	(27.3)%
SLIB Loans	-	-	7,127,214	6,911,190	7,127,214	6,911,190	(3.0)%
Repayment of sales tax	-	759,332	-	-	-	759,332	100.0%
Other	1,128,465	905,363	1,373,940	1,285,829	2,502,405	2,191,192	(12.4)%
Total	\$ 3,007,990	\$ 3,112,061	\$ 10,976,948	\$ 10,162,054	\$ 13,984,938	\$ 13,274,115	(5.1)%

At year end the City had \$12.5 million in bonds and notes outstanding, a decrease of 10.5% or nearly \$1.5 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, 2012
(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 nearly \$1.3 million to help alleviate the effect of capping the severance tax and mineral royalty revenues. For 2013 the request from the state is that the funding go toward capital or one time uses.
- 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 2012.

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, Wyoming/Park Street, South Side Sewer, Northwest Treated Water & Storage, High Tech Business Park, North Main Street and Interchange, 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, including separately issued reports for the Sheridan Area Water Supply and the Sheridan Economic and Educational Development Authority, should be addressed to the Office of the Treasurer, Jennifer Reed, 55 Grinnell Plaza, Sheridan, WY 82801.

BASIC FINANCIAL STATEMENTS

CITY OF SHERIDAN, WYOMING

STATEMENT OF NET ASSETS

June 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 8,905,327	\$ 8,200,033	\$ 17,105,360
Accounts receivable, net	230,961	1,823,742	2,054,703
Special assessments receivable, net	1,092,363	-	1,092,363
Investments	116,439	96,462	212,901
Due from other governments	911,685	1,111,493	2,023,178
Due from component unit	-	2,727,430	2,727,430
Internal balances	369,201	(369,201)	-
Inventory	-	46,381	46,381
Prepaid expense	97,088	144,656	241,744
Restricted cash	122,178	303,232	425,410
Real estate held for sale	-	-	-
Capital assets not being depreciated	15,707,677	17,420,296	33,127,973
Capital assets, net of accumulated depreciation	55,247,406	69,983,289	125,230,695
Total assets	<u>82,800,325</u>	<u>101,487,813</u>	<u>184,288,138</u>
LIABILITIES			
Outstanding checks in excess of bank balance	229,845	173,306	403,151
Accounts payable	2,340,466	991,100	3,331,566
Accrued liabilities	187,749	70,092	257,841
Accrued interest payable	-	143,487	143,487
Deposits due others	-	116,961	116,961
Due to primary government	-	-	-
Long-term liabilities			
Due within one year	827,074	1,161,382	1,988,456
Due in more than one year	2,284,987	9,000,672	11,285,659
Total liabilities	<u>5,870,121</u>	<u>11,657,000</u>	<u>17,527,121</u>
NET ASSETS			
Invested in capital assets, net of related debt	69,507,717	78,527,360	148,035,077
Restricted for			
Debt service	390,215	-	390,215
Sheridan Area Water Supply	-	-	-
Unrestricted	7,032,272	11,303,453	18,335,725
Total net assets	<u>\$ 76,930,204</u>	<u>\$ 89,830,813</u>	<u>\$ 166,761,017</u>

See accompanying notes to the financial statements

Component Units		
Sheridan Area Water Supply	Sheridan Economic and Educational Development Authority	Total
\$ 4,486,991	\$ 110,389	\$ 4,597,380
156,605	-	156,605
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
4,801,517	-	4,801,517
-	1,018,922	1,018,922
-	-	-
30,736,812	3,301,562	34,038,374
<u>40,181,925</u>	<u>4,430,873</u>	<u>44,612,798</u>
-	-	-
176,772	594	177,366
-	-	-
99,421	-	99,421
-	-	-
2,727,430	-	2,727,430
240,706	-	240,706
5,597,892	-	5,597,892
<u>8,842,221</u>	<u>594</u>	<u>8,842,815</u>
24,992,078	3,301,562	28,293,640
-	-	-
2,074,087	-	2,074,087
4,273,539	1,128,717	5,402,256
<u>\$ 31,339,704</u>	<u>\$ 4,430,279</u>	<u>\$ 35,769,983</u>

CITY OF SHERIDAN, WYOMING

STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 1,612,698	\$ 129,207	\$ 680,704	\$ -
Public safety	6,615,290	250,983	66,672	368,009
Health and human services	-	-	3,825	-
Public works	3,809,845	633,950	-	2,500,743
Parks and recreation	524,658	-	328,867	-
Interest on long-term debt	101,029	-	-	-
Unallocated depreciation	4,297,745	-	-	-
Total governmental activities	<u>16,961,265</u>	<u>1,014,140</u>	<u>1,080,068</u>	<u>2,868,752</u>
Business-type activities				
Solid waste	3,318,376	4,148,051	-	-
Water and sewer	6,466,645	5,590,131	-	2,456,014
Golf	610,346	384,767	-	-
Nonmajor	384,996	172,879	-	-
Total business-type activities	<u>10,780,363</u>	<u>10,295,828</u>	<u>-</u>	<u>2,456,014</u>
Total primary government	<u>\$ 27,741,628</u>	<u>\$ 11,309,968</u>	<u>\$ 1,080,068</u>	<u>\$ 5,324,766</u>
Component units				
Sheridan Area Water Supply	\$ 1,451,737	\$ 1,615,282	\$ -	\$ 126,905
Sheridan Economic and Educational Development Authority	117,726	-	-	-
Total component units	<u>\$ 1,569,463</u>	<u>\$ 1,615,282</u>	<u>\$ -</u>	<u>\$ 126,905</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

Rental income

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
\$ (802,787)	\$ -	\$ (802,787)	\$ -	\$ -	\$ -
(5,929,626)	-	(5,929,626)	-	-	-
3,825	-	3,825	-	-	-
(675,152)	-	(675,152)	-	-	-
(195,791)	-	(195,791)	-	-	-
(101,029)	-	(101,029)	-	-	-
(4,297,745)	-	(4,297,745)	-	-	-
(11,998,305)	-	(11,998,305)	-	-	-
-	829,675	829,675	-	-	-
-	1,579,500	1,579,500	-	-	-
-	(225,579)	(225,579)	-	-	-
-	(212,117)	(212,117)	-	-	-
-	1,971,479	1,971,479	-	-	-
(11,998,305)	1,971,479	(10,026,826)	-	-	-
-	-	-	290,450	-	290,450
-	-	-	-	(117,726)	(117,726)
-	-	-	290,450	(117,726)	172,724
1,726,317	-	1,726,317	-	-	-
252,800	-	252,800	-	-	-
13,045,873	-	13,045,873	-	-	-
778,062	-	778,062	-	-	-
175,481	-	175,481	-	-	-
-	-	-	-	6,000	6,000
47,753	37,350	85,103	53,542	34	53,576
(1,252,935)	1,252,935	-	-	-	-
14,773,351	1,290,285	16,063,636	53,542	6,034	59,576
2,775,046	3,261,764	6,036,810	343,992	(111,692)	232,300
74,155,158	83,841,619	157,996,777	30,995,712	4,541,971	35,537,683
-	2,727,430	2,727,430	-	-	-
74,155,158	86,569,049	160,724,207	30,995,712	4,541,971	35,537,683
\$ 76,930,204	\$ 89,830,813	\$ 166,761,017	\$ 31,339,704	\$ 4,430,279	\$ 35,769,983

CITY OF SHERIDAN, WYOMING

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012**

	General Fund	Debt Service Fund	Capital Facilities Fund	Capital Projects Fund
ASSETS				
Cash and cash equivalents	\$ 6,150,107	\$ 390,043	\$ 1,513,484	\$ 31,727
Investments	116,439	-	-	-
Accounts receivable, net	226,519	-	-	-
Special assessments receivable, net	-	1,092,363	-	-
Due from other governments	554,350	-	-	181,351
Due from other funds	369,201	-	-	-
Restricted cash	122,178	-	-	-
Prepaid expense	95,520	-	-	-
Total assets	<u>\$ 7,634,314</u>	<u>\$ 1,482,406</u>	<u>\$ 1,513,484</u>	<u>\$ 213,078</u>
 LIABILITIES AND FUND BALANCES				
Liabilities				
Outstanding checks in excess of bank balance	\$ -	\$ -	\$ -	\$ -
Accounts payable	1,571,975	-	540	582,763
Accrued liabilities	183,701	-	-	-
Deferred revenue	-	1,092,191	-	-
Compensated absences payable	7,787	-	-	-
Total liabilities	<u>1,763,463</u>	<u>1,092,191</u>	<u>540</u>	<u>582,763</u>
 Fund balances				
Nonspendable	95,520	-	-	96
Restricted for debt service	-	390,215	-	-
Committed	1,472,929	-	-	-
Unassigned	4,302,402	-	1,512,944	(369,781)
Total fund balances (deficits)	<u>5,870,851</u>	<u>390,215</u>	<u>1,512,944</u>	<u>(369,685)</u>
Total liabilities and fund balances	<u>\$ 7,634,314</u>	<u>\$ 1,482,406</u>	<u>\$ 1,513,484</u>	<u>\$ 213,078</u>

See accompanying notes to the financial statements

Other Nonmajor Governmental	
Funds	Total
\$ 819,966	\$ 8,905,327
-	116,439
4,442	230,961
-	1,092,363
175,984	911,685
-	369,201
-	122,178
1,568	97,088
<u>\$ 1,001,960</u>	<u>\$11,845,242</u>

\$ 229,845	\$ 229,845
185,188	2,340,466
4,048	187,749
-	1,092,191
-	7,787
<u>419,081</u>	<u>3,858,038</u>

1,568	97,184
-	390,215
-	1,472,929
581,311	6,026,876
<u>582,879</u>	<u>7,987,204</u>
<u>\$ 1,001,960</u>	<u>\$11,845,242</u>

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CITY OF SHERIDAN, WYOMING

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

June 30, 2012

Total fund balances - governmental funds		\$ 7,987,204
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.		70,955,083
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		1,092,191
Some liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds.		
Capital leases	(382,366)	
Repayment of sales tax due to incorrect distribution	(759,332)	
Compensated absences	(905,363)	
Compensated absences due and payable in the funds.	7,787	
Other long-term debt	<u>(1,065,000)</u>	<u>(3,104,274)</u>
Net assets of governmental activities		<u>\$ 76,930,204</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, 2012

	General Fund	Debt Service	Capital Facilities Fund
	<u> </u>	<u> </u>	<u> </u>
Revenues			
Taxes	\$ 12,199,684	\$ -	\$ 2,888,050
Licenses and permits	840,218	-	-
Intergovernmental	104,485	-	-
Special assessments	-	252,800	-
Fines and forfeitures	250,983	-	-
Charges for services	129,207	-	-
Net investment income	39,216	-	7,003
Contributions	250	-	-
Miscellaneous	90,278	-	-
Total revenues	<u>13,654,321</u>	<u>252,800</u>	<u>2,895,053</u>
Expenditures			
Current			
General government	2,317,354	-	-
Public safety	6,216,092	-	-
Public works	2,099,583	1,500	-
Parks and recreation	504,297	-	-
Capital outlay	2,401,491	-	3,791
Debt service - principal	302,215	60,000	-
interest	48,466	52,563	-
Total expenditures	<u>13,889,498</u>	<u>114,063</u>	<u>3,791</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(235,177)</u>	<u>138,737</u>	<u>2,891,262</u>
Other financing sources (uses)			
Operating transfers in	1,008,721	40,200	-
Operating transfers out	<u>(2,370,829)</u>	<u>(100,000)</u>	<u>(2,610,538)</u>
Total other financing sources (uses)	<u>(1,362,108)</u>	<u>(59,800)</u>	<u>(2,610,538)</u>
Net change in fund balances	(1,597,285)	78,937	280,724
Fund balances - beginning of year	<u>7,468,136</u>	<u>311,278</u>	<u>1,232,220</u>
Fund balances (deficits) - end of year	<u>\$ 5,870,851</u>	<u>\$ 390,215</u>	<u>\$ 1,512,944</u>

See accompanying notes to the financial statements

Capital Projects Fund	Other Nonmajor Governmental Funds	Total
\$ -	\$ 462,518	\$ 15,550,252
-	-	840,218
2,500,743	1,234,589	3,839,817
-	-	252,800
-	-	250,983
-	-	129,207
-	1,534	47,753
-	108,753	109,003
375	84,828	175,481
<u>2,501,118</u>	<u>1,892,222</u>	<u>21,195,514</u>
-	693,095	3,010,449
-	399,198	6,615,290
1,432,825	275,937	3,809,845
-	20,361	524,658
3,106,909	2,082,457	7,594,648
-	-	362,215
-	-	101,029
<u>4,539,734</u>	<u>3,471,048</u>	<u>22,018,134</u>
<u>(2,038,616)</u>	<u>(1,578,826)</u>	<u>(822,620)</u>
2,836,263	1,578,569	5,463,753
(1,633,910)	(1,411)	(6,716,688)
<u>1,202,353</u>	<u>1,577,158</u>	<u>(1,252,935)</u>
(836,263)	(1,668)	(2,075,555)
<u>466,578</u>	<u>584,547</u>	<u>10,062,759</u>
<u>\$ (369,685)</u>	<u>\$ 582,879</u>	<u>\$ 7,987,204</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, 2012**

Change in fund balances as reported in the governmental fund statement \$ (2,075,555)

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	\$ 9,542,859	
Depreciation	<u>(4,297,745)</u>	5,245,114

The issuance of long-term debt (e.g. capital leases) provides current financial resources to governmental funds, while the repayment or principal consumes the current financial resources of governmental funds.

Repayment of sales tax due to incorrect distribution		(759,332)
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Certain revenues are not recognized as current financial resources and, therefore, are not reported as revenues in governmental funds.

Current year deferred revenue	1,092,191	
Prior year deferred revenue	<u>(1,298,459)</u>	(206,268)

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.

60,000

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.

372,159

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.

Accrued compensated absences - current year	7,787	
Accrued compensated absences - prior year	(91,961)	
Compensated absences - current year	(905,363)	
Compensated absences - prior year	<u>1,128,465</u>	<u>138,928</u>

Change in net assets of governmental activities		<u><u>\$ 2,775,046</u></u>
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See accompanying notes to the financial statements

CITY OF SHERIDAN, WYOMING

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

June 30, 2012

	Solid Waste Fund	Water and Sewer Fund	Golf Fund
ASSETS			
Current assets			
Cash and cash equivalents	\$ 3,768,603	\$ 4,311,328	\$ -
Service receivables, net	558,763	1,238,783	23,256
Investments	32,166	64,296	-
Due from other funds	-	156	-
Due from other governments	360,056	708,717	-
Due from component unit	-	2,727,430	-
Inventory	-	46,381	-
Prepaid expenses	10,354	46,611	87,543
Restricted cash	83,802	7,223	190,518
Total current assets	4,813,744	9,150,925	301,317
Capital assets, net of accumulated depreciation	6,607,652	79,433,544	1,193,524
Total assets	11,421,396	88,584,469	1,494,841
LIABILITIES			
Current liabilities			
Outstanding checks in excess of bank balance	-	-	164,017
Accounts payable	230,476	742,840	9,494
Accrued liabilities	24,983	45,109	-
Accrued interest payable	73,525	26,443	43,519
Due to other funds	228,929	19,684	-
Deposits due others	-	116,961	-
Compensated absences payable, current portion	77,458	180,020	-
Current portion of capital lease	235,706	3,408	106,310
Current portion of notes payable	320,364	227,871	-
Total current liabilities	1,191,441	1,362,336	323,340
Long-term liabilities			
Landfill closure liability	939,580	-	-
Notes payable	2,087,472	4,275,483	-
Compensated absences payable	26,246	62,525	-
Obligation under capital lease	707,346	15,104	841,644
Total long-term liabilities	3,760,644	4,353,112	841,644
NET ASSETS			
Invested in capital assets, net of related debt	3,256,764	74,911,678	245,570
Unrestricted	3,212,547	7,957,343	84,287
Total net assets	\$ 6,469,311	\$ 82,869,021	\$ 329,857

See accompanying notes to the financial statements

Nonmajor Funds	Totals
\$ 120,102	\$ 8,200,033
2,940	1,823,742
-	96,462
-	156
42,720	1,111,493
-	2,727,430
-	46,381
148	144,656
21,689	303,232
<u>187,599</u>	<u>14,453,585</u>
<u>168,865</u>	<u>87,403,585</u>
<u>356,464</u>	<u>101,857,170</u>
9,289	173,306
8,290	991,100
-	70,092
-	143,487
120,744	369,357
-	116,961
-	257,478
10,245	355,669
-	548,235
<u>148,568</u>	<u>3,025,685</u>
-	939,580
-	6,362,955
-	88,771
45,272	1,609,366
<u>45,272</u>	<u>9,000,672</u>
113,348	78,527,360
49,276	11,303,453
<u>\$ 162,624</u>	<u>\$ 89,830,813</u>

CITY OF SHERIDAN, WYOMING

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS - PROPRIETARY FUNDS**

Year Ended June 30, 2012

	Solid Waste Fund	Water and Sewer Fund	Golf Fund
Operating revenue			
Service fees	\$ 4,119,673	\$ 5,590,131	\$ 384,767
Other operating revenue	28,378	-	-
Total operating revenues	<u>4,148,051</u>	<u>5,590,131</u>	<u>384,767</u>
Operating expenses			
Salaries and benefits	1,324,214	2,254,906	-
Other operating expenses	1,068,979	1,536,984	385,921
Landfill closure costs	27,681	-	-
Depreciation expense	734,369	2,524,908	178,330
Total operating expenses	<u>3,155,243</u>	<u>6,316,798</u>	<u>564,251</u>
Operating income (loss)	992,808	(726,667)	(179,484)
Nonoperating revenues (expenses)			
Net investment income	17,742	19,225	-
Interest expense	(163,133)	(148,033)	(46,095)
Loss on disposal of assets	-	(1,814)	-
Total nonoperating revenues (expenses)	<u>(145,391)</u>	<u>(130,622)</u>	<u>(46,095)</u>
Income (loss) before contributions and transfers	847,417	(857,289)	(225,579)
Grants and contributions	-	2,456,014	-
Operating transfers in	159,221	3,946,596	220,000
Operating transfers out	<u>(442,973)</u>	<u>(2,824,706)</u>	<u>(73,017)</u>
Change in net assets	<u>563,665</u>	<u>2,720,615</u>	<u>(78,596)</u>
Net assets - beginning of year, as previously reported	5,905,646	77,420,976	408,453
Prior period adjustment	<u>-</u>	<u>2,727,430</u>	<u>-</u>
Net assets - beginning of year, as restated	<u>5,905,646</u>	<u>80,148,406</u>	<u>408,453</u>
Net assets - end of year	<u>\$ 6,469,311</u>	<u>\$ 82,869,021</u>	<u>\$ 329,857</u>

See accompanying notes to the financial statements

Nonmajor Funds	Totals
\$ 37,124	\$ 10,131,695
135,755	164,133
<u>172,879</u>	<u>10,295,828</u>
19,125	3,598,245
304,640	3,296,524
-	27,681
61,231	3,498,838
<u>384,996</u>	<u>10,421,288</u>
(212,117)	(125,460)
383	37,350
-	(357,261)
-	(1,814)
<u>383</u>	<u>(321,725)</u>
(211,734)	(447,185)
-	2,456,014
271,414	4,597,231
<u>(3,600)</u>	<u>(3,344,296)</u>
56,080	3,261,764
106,544	83,841,619
-	2,727,430
<u>106,544</u>	<u>86,569,049</u>
<u>\$ 162,624</u>	<u>\$ 89,830,813</u>

CITY OF SHERIDAN, WYOMING

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds		
	Solid Waste Fund	Water and Sewer Fund	Golf Fund
Cash flows from Operating Activities			
Receipts from customers and users	\$ 3,956,994	\$ 5,214,806	\$ 429,075
Payments to suppliers	(936,359)	(1,004,438)	(471,544)
Payments to employees	(1,414,566)	(2,375,006)	-
Net cash provided by (used in) operating activities	<u>1,606,069</u>	<u>1,835,362</u>	<u>(42,469)</u>
Cash flows from Noncapital Financing Activities			
Operating transfers in	159,221	3,946,596	220,000
Operating transfers out	(442,973)	(2,824,706)	(73,017)
Outstanding checks in excess of bank balance	-	-	164,017
Net cash provided by (used in) noncapital financing activities	<u>(283,752)</u>	<u>1,121,890</u>	<u>311,000</u>
Cash Flows from Capital and Related Financing Activities			
Capital grants from federal and state sources	-	2,003,209	-
Acquisition of notes payable	-	311,262	-
Principal payments on notes payable to the Office of State Land and Investments	(320,244)	(207,042)	-
Principal payments on capital leases	(335,710)	(19,003)	(98,982)
Interest paid on capital debt	(177,539)	(187,263)	(48,629)
Purchases of property and equipment	(55,172)	(4,133,358)	(17,552)
Net cash used in capital and related financing activities	<u>(888,665)</u>	<u>(2,232,195)</u>	<u>(165,163)</u>
Cash Flows from Investing Activities			
Purchase of investments	(5,746)	93,955	-
Interest received	17,742	19,737	-
Net cash provided by investing activities	<u>11,996</u>	<u>113,692</u>	<u>-</u>
 Net increase (decrease) in cash and cash equivalents	 445,648	 838,749	 103,368
Cash and cash equivalents - beginning of year	3,406,757	3,479,802	87,150
Cash and cash equivalents - end of year	<u>\$ 3,852,405</u>	<u>\$ 4,318,551</u>	<u>\$ 190,518</u>
 Reported in the following captions			
Cash and cash equivalents	3,768,603	4,311,328	-
Restricted cash	83,802	7,223	190,518
	<u>\$ 3,852,405</u>	<u>\$ 4,318,551</u>	<u>\$ 190,518</u>

See accompanying notes to the financial statements

Nonmajor Funds	Totals
\$ 121,260	\$ 9,722,135
(306,840)	(2,719,181)
(169,701)	(3,959,273)
<u>(355,281)</u>	<u>3,043,681</u>
271,414	4,597,231
(3,600)	(3,344,296)
<u>9,289</u>	<u>173,306</u>
<u>277,103</u>	<u>1,426,241</u>
-	2,003,209
-	311,262
-	(527,286)
(57,064)	(510,759)
-	(413,431)
<u>(15,118)</u>	<u>(4,221,200)</u>
<u>(72,182)</u>	<u>(3,358,205)</u>
-	88,209
383	37,862
<u>383</u>	<u>126,071</u>
(149,977)	1,237,788
291,768	7,265,477
<u>\$ 141,791</u>	<u>\$ 8,503,265</u>
120,102	8,200,033
21,689	303,232
<u>\$ 141,791</u>	<u>\$ 8,503,265</u>

(Continued)

CITY OF SHERIDAN, WYOMING

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)

Year Ended June 30, 2012

	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)	\$ 992,808	\$ (726,667)	\$ (179,484)
Adjustments to reconcile operating income (loss) to cash provided by (used in) operating activities			
Depreciation	734,369	2,524,908	178,330
Increase (decrease) in cash as a result of changes in operating assets and liabilities			
Due from other funds	-	(156)	61,507
Due from other governments	-	-	-
Inventory	-	9,365	-
Prepaid expenses	(6,057)	(28,175)	(86,808)
Accounts payable	138,677	551,356	1,185
Accrued liabilities	(76,622)	(132,667)	-
Due to other funds	156	-	-
Deposits due others	-	12,569	-
Net cash provided by (used in) operating activities	<u>\$ 1,606,069</u>	<u>\$ 1,835,362</u>	<u>\$ (42,469)</u>

See accompanying notes to the financial statements

Nonmajor Funds	Totals
\$ (212,117)	\$ (125,460)
61,231	3,498,838
-	61,351
(5,942)	(5,942)
-	9,365
2,653	(118,387)
(4,853)	686,365
(35,947)	(245,236)
(123,035)	(122,879)
-	12,569
<u>\$ (355,281)</u>	<u>\$ 3,043,681</u>

CITY OF SHERIDAN, WYOMING

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS**

June 30, 2012

	<u>Agency Funds</u>		
	Crime Victims Fund	Wyoming Court Automation Fees Fund	Total
ASSETS			
Cash	<u>\$ 902</u>	<u>\$ 1,410</u>	<u>\$ 2,312</u>
Total assets	<u><u>\$ 902</u></u>	<u><u>\$ 1,410</u></u>	<u><u>\$ 2,312</u></u>
LIABILITIES			
Accounts payable	<u>\$ 902</u>	<u>\$ 1,410</u>	<u>\$ 2,312</u>
Total liabilities	<u><u>\$ 902</u></u>	<u><u>\$ 1,410</u></u>	<u><u>\$ 2,312</u></u>

See accompanying notes to the financial statements

CITY OF SHERIDAN, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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 component units 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. 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, including the County and City governments. 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. The governing board of this component unit is appointed collectively by the City, Northern Wyoming Community College, and Sheridan County School District 2. The assets of the Joint Powers Board will revert to the City should the JPB be dissolved. Complete financial statements for the Sheridan Economic and 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, 2012

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

Government-Wide and Fund Financial Statements (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. Indirect expenses such as depreciation and interest are allocated to specific functions when it is practicable. 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.

CITY OF SHERIDAN, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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

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.

CITY OF SHERIDAN, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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 uncollectible. Trade accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for uncollectible. 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 2012 property taxes were levied as of July 1, 2011 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, 2012. 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, 2012

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, 2012 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, 2012.

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, 2012

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 \$1,252,000 for accrued vacation, sick and holiday leave, with accrued benefits as of June 30, 2012, 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, 2012.

Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as restrictions 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 \$150 at the end of fiscal year end June 30, 2012.

Fund Equity

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the City Council's board through approval of resolutions, the Council's highest level of decision-making authority. Assigned fund balances is a limitation imposed by a designee of the City Council's board. Unassigned fund balance in the general fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed, or assigned to those purposes. Proprietary fund equity is classified the same as in the government-wide statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

For the government-wide financial statements, net assets are reported as restricted when constraints placed on net assets are either: (1) Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of the governments or (2) imposed by law through constitutional provision or enabling legislation.

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.

CITY OF SHERIDAN, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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 City's deposits may not be returned to it. State statutes require that the City'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, 2012, 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. Deposits in excess of federal deposit insurance limits that were collateralized by the bank were \$246,940 as of June 30, 2012.

As of June 30, 2012, the City had the following investments:

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 3.50% to 8.00%)	\$ 178,542	\$ -	\$ -	\$ 17	\$ 178,525
U.S. sponsored entity obligations (FNMA) (interest rates from 2.50% to 5.00%)	34,359	-	-	-	34,359
	<u>\$ 212,901</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17</u>	<u>\$ 212,884</u>

Interest Rate Risk

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 issuer or counterparty to 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 backed by the full faith and credit of the U.S. Government.

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, 2012, the City had 79.8% of its investments in GNMA securities and 20.2% of the City's investments were in FNMA securities.

CITY OF SHERIDAN, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 2. Cash and Investments (Continued)

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.

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 allowance has been required since June 30, 2000.

Allowances for uncollectible receivables are as follows:

Water and Sewer Fund	\$	27,951
Solid Waste Fund		20,598
Ambulance Fund		1,037
Mosquito Control Fund		93
Total	\$	49,679

Note 4. Individual Fund Interfund Receivables, Payables, Advances and Transfers

Individual fund interfund receivable and payable balances at June 30, 2012 are as follows:

	Receivables	Payables
General Fund	\$ 369,201	\$ -
Water and Sewer Fund	156	19,684
Solid Waste Fund	-	228,929
Ambulance Fund	-	120,744
	\$ 369,357	\$ 369,357

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

CITY OF SHERIDAN, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 4. Individual Fund Interfund Receivables, Payables, Advances and Transfers (Continued)

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers during the year ended June 30, 2012 were as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ 1,008,721	\$ 2,370,829
Debt Service Fund	40,200	100,000
Capital Facilities Fund	-	2,610,538
Capital Projects Fund	2,836,263	1,633,910
Public Safety Fund	133,552	-
Community Promotion Fund	17,800	1,025
Bike Trail Fund	1,427,217	-
Health and Human Services Fund	-	386
Water and Sewer Fund	3,946,596	2,824,706
Solid Waste Fund	159,221	442,973
Golf Fund	220,000	73,017
Ambulance Fund	271,414	-
Mosquito Fund	-	3,600
	<u>\$ 10,060,984</u>	<u>\$ 10,060,984</u>

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CITY OF SHERIDAN, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	Balance June 30, 2011	Increases Transfers In	Decreases Transfers Out	Balance June 30, 2012
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 3,783,982	\$ 1,988,641	\$ -	\$ 5,772,623
Construction in progress	6,282,137	7,403,294	(3,750,377)	9,935,054
Total capital assets, not being depreciated	<u>10,066,119</u>	<u>9,391,935</u>	<u>(3,750,377)</u>	<u>15,707,677</u>
Capital assets, being depreciated				
Infrastructure	63,180,185	1,714,306	-	64,894,491
Buildings	10,712,772	18,882	-	10,731,654
Improvements, other than buildings	8,181,799	2,031,322	-	10,213,121
Machinery and equipment	11,432,683	136,791	(58,914)	11,510,560
Total capital assets, being depreciated	<u>93,507,439</u>	<u>3,901,301</u>	<u>(58,914)</u>	<u>97,349,826</u>
Less accumulated depreciation for				
Infrastructure	21,925,765	3,008,581	-	24,934,346
Buildings	4,699,535	249,250	-	4,948,785
Improvements, other than buildings	3,288,745	384,217	-	3,672,962
Machinery and equipment	7,949,544	655,697	(58,914)	8,546,327
Total accumulated depreciation	<u>37,863,589</u>	<u>4,297,745</u>	<u>(58,914)</u>	<u>42,102,420</u>
Total capital assets, being depreciated, net	<u>55,643,850</u>	<u>(396,444)</u>	<u>-</u>	<u>55,247,406</u>
Governmental activities capital assets, net	<u>\$ 65,709,969</u>	<u>\$ 8,995,491</u>	<u>\$ (3,750,377)</u>	<u>\$70,955,083</u>

Assets acquired through capital leases of \$2,183,296 are included in machinery and equipment above. The related accumulated depreciation on those assets was \$967,472 as of June 30, 2012.

Depreciation expense for the governmental activities has not been allocated to specific functions. All applicable amortization expense is reported with depreciation expense.

CITY OF SHERIDAN, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 5. Capital Assets (Continued)

	Balance June 30, 2011	Increases Transfers In	Decreases Transfers Out	Balance June 30, 2012
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 1,640,138	\$ -	\$ -	\$ 1,640,138
Construction in progress	13,313,437	3,864,755	(1,398,034)	15,780,158
Total capital assets, not being depreciated	14,953,575	3,864,755	(1,398,034)	17,420,296
Capital assets, being depreciated				
Buildings	19,804,261	10,000	-	19,814,261
Improvements, other than buildings	74,685,936	1,533,159	-	76,219,095
Machinery and equipment	11,161,721	211,318	(26,698)	11,346,341
Total capital assets, being depreciated	105,651,918	1,754,477	(26,698)	107,379,697
Less accumulated depreciation for				
Buildings	11,266,112	597,920	-	11,864,032
Improvements, other than buildings	14,901,023	2,066,536	-	16,967,559
Machinery and equipment	7,755,321	834,382	(24,886)	8,564,817
Total accumulated depreciation	33,922,456	3,498,838	(24,886)	37,396,408
Total capital assets, being depreciated, net	71,729,462	(1,744,361)	(1,812)	69,983,289
Business-type activities capital assets, net	<u>\$ 86,683,037</u>	<u>\$ 2,120,394</u>	<u>\$ (1,399,846)</u>	<u>\$ 87,403,585</u>

Assets acquired through capital leases of \$4,137,368 are included in machinery and equipment above. The related accumulated depreciation on those assets was \$2,414,120 as of June 30, 2012.

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

Solid waste	\$ 734,369
Water and sewer	2,524,908
Golf	178,330
Ambulance	55,541
Mosquito	5,690
Total depreciation expense - business-type activities	<u>\$ 3,498,838</u>

All applicable amortization expense is reported with depreciation expense.

CITY OF SHERIDAN, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 6. 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 the bonds.

Special Assessment Bonds	Project	Component
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 \$417,200 as of June 30, 2012.

Special improvement district bonds outstanding as of June 30, 2012, were as follows:

	<u>Balance</u> <u>June 30, 2011</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2012</u>
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.	\$ 45,000	\$ -	\$ -	\$ 45,000
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.	10,000	-	(10,000)	-
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.	1,070,000	-	(50,000)	1,020,000
	<u>\$ 1,125,000</u>	<u>\$ -</u>	<u>\$ (60,000)</u>	<u>1,065,000</u>
Less current portion				-
Total Special Improvement District				<u>\$ 1,065,000</u>

CITY OF SHERIDAN, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 6. 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
2013	\$ -	\$ 46,793	\$ 46,793
2014	65,000	46,738	111,738
2015	150,000	44,150	194,150
2016	125,000	38,675	163,675
2017	125,000	33,531	158,531
2018-2022	600,000	82,987	682,987
	\$ 1,065,000	\$ 292,874	\$ 1,357,874

The City has entered into two 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 street sweeper, subject to refunding clause, annual payments of \$38,361 including interest at 6.36%, expires September 2013, collateralized by street sweeper	\$ 69,792
--	-----------

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, collateralized by equipment	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: right;">312,574</td> </tr> <tr> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 382,366</td> </tr> </table>	312,574	\$ 382,366
312,574			
\$ 382,366			

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

	2013	\$ 108,564
	2014	108,341
	2015	70,194
	2016	70,305
	2017	70,304
		427,708
Less amount representing interest		(45,342)
Net present value of minimum lease payments		\$ 382,366

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, 2012

Note 6. Long-Term Debt (Continued)

Repayment of Sales Tax

During the year ending June 30, 2012, the State of Wyoming discovered that sales and use tax in the amount of \$759,332 was incorrectly reported and paid to the City. The City agreed to repay the State over 5 years in quarterly payments beginning on September 30, 2012. The state will not charge interest on the repayment of sales tax. The general and capital facilities tax funds are responsible for payment of this debt. Minimum agreed upon payments are as follows for the years ending June 30,

2013	\$	151,866
2014		151,866
2015		151,866
2016		151,866
2017		151,868
	<u>\$</u>	<u>759,332</u>

Business-Type Activities

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

	<u>Balance</u> <u>June 30, 2011</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2012</u>
Water and Sewer Fund				
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	\$ 823,744	\$ -	\$ (49,808)	\$ 773,936
State Land and Investment Board loan, Drinking Water SRF, due in annual installments of \$39,094, including interest of 2.5%, due September 2024	457,112	-	(28,605)	428,507
State Land and Investment Board loan, Sugarland Utilities Project, Drinking Water SRF #110, due in annual installments of \$111,191, including interest of 2.5%, due October 2030	1,739,000	-	(67,114)	1,671,886
State Land and Investment Board loan, Sheridan North Main Project, Clean Water SRF #109, due in annual installments of \$61,961, due October 2031	1,050,986	188,232	-	1,239,218
State Land and Investment Board loan, North Main Project Street Reconstruction, Drinking Water SRF #101, due in annual installments of \$11,694, due October 2031	295,400	-	(61,515)	233,885

(Continued)

CITY OF SHERIDAN, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 6. Long-Term Debt (Continued)

	Balance June 30, 2011	Issued	Retired	Balance June 30, 2012
Water and Sewer Fund (Continued)				
State Land and Investment Board loan, North Main Project Street Reconstruction, Drinking Water SRF #101, due in annual installments of \$10,002, including interest of 2.5%, due October 2031, currently in construction, amortization will be finalized one year after completion of construction	32,892	123,030	-	155,922
	4,399,134	311,262	(207,042)	4,503,354
 Solid Waste Fund				
State Land and Investment Board loan, Landfill Improvements Project, due in annual installments of \$304,140, including interest of 2.5%, due April 2018	2,180,048	-	(254,610)	1,925,438
State Land and Investment Board loan, Landfill Improvements Project, due in annual installments of \$76,456, including interest of 2.5%, due April 2018	548,032	-	(65,634)	482,398
	2,728,080	-	(320,244)	2,407,836
 Total for all business-type activities				6,911,190
Less current portion				548,235
				\$ 6,362,955

CITY OF SHERIDAN, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 6. 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
2013	\$ 548,236	\$ 134,480	\$ 682,716
2014	561,397	122,982	684,379
2015	573,453	110,925	684,378
2016	585,808	98,570	684,378
2017	598,468	85,911	684,379
2018-2022	2,017,776	256,760	2,274,536
2023-2027	1,191,468	111,596	1,303,064
2028-2032	834,585	29,664	864,249
Total amortizing debt	<u>\$ 6,911,191</u>	<u>\$ 950,888</u>	<u>\$ 7,862,079</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, collateralized by pumphouse	\$ 40,610
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, collateralized by irrigation system	831,901
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, collateralized by golf carts	75,443
	<u>\$ 947,954</u>

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

2013	\$ 150,749
2014	148,640
2015	85,965
2016	88,740
2017	91,265
Thereafter	685,789
	<u>1,251,148</u>
Less amount representing interest	(303,194)
Net present value of minimum lease payments	<u>\$ 947,954</u>

CITY OF SHERIDAN, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 6. Long-Term Debt (Continued)

The Solid Waste Fund also has the following capital lease outstanding as of June 30, 2012:

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, collateralized by wheel loader	\$ 87,020
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, collateralized by landfill compactor	346,433
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, collateralized by equipment	214,398
Obligation under capital lease of caterpillar scraper, subject to refunding clause, annual payments of \$98,401, interest at 0%, expires August 2014, collateralized by equipment	295,201
	\$ 943,052

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

2013	\$ 259,744
2014	310,471
2015	336,276
2016	48,244
2017	48,149
	1,002,884
Less amount representing interest	(59,832)
Net present value of minimum lease payments	\$ 943,052

The Ambulance Fund also has the following capital lease outstanding as of June 30, 2012:

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, collateralized by equipment	\$ 55,517
	\$ 55,517

CITY OF SHERIDAN, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 6. Long-Term Debt (Continued)

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

	2013	\$ 12,459
	2014	12,419
	2015	12,457
	2016	12,477
	2017	12,523
		<u>62,335</u>
Less amount representing interest		(6,818)
Net present value of minimum lease payments		<u>\$ 55,517</u>

The Water and Sewer Fund also has the following capital lease outstanding as of June 30, 2012:

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, collateralized by equipment

	\$ 18,512
	<u>\$ 18,512</u>

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

	2013	\$ 4,144
	2014	4,131
	2015	4,143
	2016	4,149
	2017	4,212
		<u>20,779</u>
Less amount representing interest		(2,267)
Net present value of minimum lease payments		<u>\$ 18,512</u>

CITY OF SHERIDAN, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 6. 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, 2012:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Special Improvement District Bonds	\$ 1,125,000	\$ -	\$ (60,000)	\$ 1,065,000	\$ -
Capital leases	754,525	-	(372,159)	382,366	91,521
Repayment of sales tax due to incorrect distribution	-	759,332	-	759,332	151,866
Compensated absences	1,128,465	905,363	(1,128,465)	905,363	583,687
Governmental activity long-term liabilities	<u>\$ 3,007,990</u>	<u>\$ 1,664,695</u>	<u>\$ (1,560,624)</u>	<u>\$ 3,112,061</u>	<u>\$ 827,074</u>
Business-type activities					
Capital leases	\$ 2,475,794	\$ -	\$ (510,759)	\$ 1,965,035	\$ 355,669
Landfill closure liability	911,899	27,681	-	939,580	-
Notes payable	7,127,214	311,262	(527,286)	6,911,190	548,235
Compensated absences	462,041	346,249	(462,041)	346,249	257,478
Business-type activity long-term liabilities	<u>\$ 10,976,948</u>	<u>\$ 685,192</u>	<u>\$ (1,500,086)</u>	<u>\$ 10,162,054</u>	<u>\$ 1,161,382</u>

Note 7. Fund Equity

In order to meet future needs, the City Council has committed \$1,472,929 of fund equity within the general fund for reserves and emergency needs.

The following funds reported negative fund balance as of June 30, 2012.

Fund	Fund Deficit
Public Safety Fund	\$ (140,787)
Bike Trail Project Fund	(36,059)
Ambulance Fund	(37,463)
Capital Projects Fund	(369,685)

The deficit in each of these funds is expected to be restored by future revenues or transfers from general fund revenues.

Note 8. 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 made their total required contribution to the System for the years ended June 30, 2012, 2011, and 2010 which was \$765,734, \$845,503, and \$838,569, respectively. An overview of the different plans follows.

CITY OF SHERIDAN, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 8. 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 14.12% of the covered employees' salary to be contributed to the plan, of which 7.00% is paid by the employee and 7.12% is paid by the City.

Effective September 1, 2010, the Wyoming Retirement System increased the employer and employee contributions for regular employees by 1.44% and 1.43%, respectively. The City 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 the 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 9. 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 \$939,580 reported as landfill closure and postclosure care liability at June 30, 2012, represents the cumulative amount estimated to date based on the use of 74% of the estimated capacity of the site. The City will recognize the remaining estimated cost of closure and postclosure care of \$331,397 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 2012. The estimate of this liability may change based on a change in inflation or deflation, technology, or applicable laws or regulations. At last year's rate of usage, the landfill would have an estimated remaining life of approximately 11 years.

The current year expenditure for landfill closure and postclosure care reflected in the Solid Waste Fund was \$27,681.

CITY OF SHERIDAN, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 10. Primary Government and Component Unit Transactions

The City has business transactions with its component units throughout the year which are recorded as arm's length transactions. A summary of these transactions is presented below:

Sheridan Area Water Supply Joint Powers Board					
Payments to the City for shared overhead costs	<table style="margin-left: auto; margin-right: 0;"> <tr> <td style="text-align: right;">\$</td> <td style="text-align: right;">394,351</td> </tr> <tr> <td style="text-align: right; border-top: 1px solid black;">\$</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">394,351</td> </tr> </table>	\$	394,351	\$	394,351
\$	394,351				
\$	394,351				

Note 11. Budgetary Compliance

For the year ended June 30, 2012, the following expenditures exceeded their departmental budgets; this is a violation of Wyoming State Statute §16-4-108.

	Budget	Expenditure	Over Expenditure
Capital Facilities Fund			
Capital Outlay	\$ -	\$ 3,791	\$ (3,791)
Debt Service			
Public Works	-	1,500	(1,500)
Public Safety Fund			
General Government	58,563	210,107	(151,544)
Bike Trail Project Fund			
Public Works	-	223,736	(223,736)
Solid Waste Fund			
Public Works	903,246	1,056,699	(153,453)
Ambulance Fund			
Public Safety	155,000	174,731	(19,731)

CITY OF SHERIDAN, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 12. 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 (LGLP). While participants in WARM could be assessed additional amounts in the event that the pool consumes its reserves, the LGLP manages this risk by receiving an annual actuarial assessment of funding needs. The LGLP have never requested a reserve call on its members. 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

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 2012 were approximately \$87,000.

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 2012 and 2011 were as follows for the City's participation in the Unemployment Compensation Act Program:

	Fiscal Year Ended 2012	Fiscal Year Ended 2011
Unpaid claims, beginning of year	\$ -	\$ -
Incurred claims	70,838	52,553
Claim payments	(70,838)	(52,553)
Unpaid claims, end of year	\$ -	\$ -

CITY OF SHERIDAN, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 13. Construction Commitments

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, 2012, the City has committed to fund various projects in the approximate amounts of \$9.3 million in the capital projects fund, from future appropriations.

Project Name	Original Contract Amount	Expended To Date	Remaining Commitment
Governmental-activities			
General Fund			
City Service Center Relocation	\$ 500,000	\$ 288,453	\$ 211,547
WYO Theatre	2,000,000	193,963	1,806,037
Sheridan Commercial Park	2,248,511	135,995	2,112,516
W. 5th Street/Mydland Road	120,000	83,791	36,209
Lewis Street Bridge & Pathway	2,053,000	331,550	1,721,450
Downtown Phase III	3,712,000	670,568	3,041,432
WYO/Park Street	8,291,187	2,155,857	6,135,330
North Main Rebuild	5,125,000	4,968,417	156,583
High Tech Business Park	1,150,000	1,106,460	43,540
Downtown Parking	50,000	-	50,000
Supplemental Projects	365,000	-	365,000
West Water Loop	400,000	-	400,000
Total governmental activities	26,014,698	9,935,054	16,079,644
Business-type activities			
Water and Sewer Fund			
WYO/Park Street	2,282,855	825,122	1,457,733
North Main Rebuild	4,600,000	4,556,433	43,567
Brooks / Smith Phase II	600,000	538,698	61,302
High Tech Business Park	1,500,000	1,426,973	73,027
Conventional WT Upgrades	6,104,096	551,392	5,552,704
South Side Sewer	1,750,000	1,639,892	110,108
NW Treated Water Transmission & Storage	9,100,000	6,241,648	2,858,352
N. Heights Water Line Replacement	745,047	-	745,047
Total business-type activities	26,681,998	15,780,158	10,901,840
Total primary government	\$ 52,696,696	\$ 25,715,212	\$ 26,981,484

CITY OF SHERIDAN, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 13. Construction Commitments (Continued)

Contingencies

There are several lawsuits pending against the City for various reasons. The outcome and eventual liability to the City, if any, in these cases is not known at this time; however, management and legal counsel estimate the potential claims against the City, not covered by insurance, resulting from such litigation would not materially affect the basic financial statements of the City.

Note 14. Accounting Standards Issued, But Not Implemented

As of June 30, 2012, the Governmental Accounting Standards Board has issued the following standards which the City may implement in its next fiscal year.

Governmental Accounting Standard No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, was issued to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this statement, an SCA is an arrangement between a transferor (a government) and an operator (a governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a facility) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. This standard applies to financial statements for periods beginning after December 15, 2011. Management has not finished assessing the effect of implementing this standard.

Governmental Accounting Standard No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, was issued to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. This Statement also clarifies the reporting of equity interests in legally separate organizations. This standard applies to financial statements for periods beginning after June 15, 2012. Management has not finished assessing the effect of implementing this standard.

Governmental Accounting Standard No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, was issued to improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. This effort brings the authoritative accounting and financial reporting literature together in one place, with that guidance modified as necessary to appropriately recognize the governmental environment and the needs of governmental financial statement users. It will eliminate the need for financial statement preparers and auditors to determine which FASB and AICPA pronouncement provisions apply to state and local governments, thereby resulting in a more consistent application of applicable guidance in financial statements of state and local governments. This standard applies to financial statements for periods beginning after December 15, 2011. Management has not finished assessing the effect of implementing this standard.

CITY OF SHERIDAN, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 15. Accounting Standards Issued, But Not Implemented (Continued)

Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, was issued to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. This standard applies to financial statements for periods beginning after December 15, 2011. Management has not finished assessing the effect of implementing this standard.

Governmental Accounting Standard No. 65, *Items Previously Reported as Assets and Liabilities*, was issued to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This standard applies to financial statements for periods beginning after December 15, 2012. Management has not finished assessing the effect of implementing this standard.

Governmental Accounting Standard No. 66, *Technical Corrections 2012 an amendment of GASB Statements No. 10 and No. 62*, was issued to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This standard applies to financial statements for periods beginning after December 15, 2012. Management has not finished assessing the effect of implementing this standard.

Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, was issued to improve accounting and financial reporting by state and local governments for pensions and improve information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as GASB Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trust or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions are also addressed. In addition, this statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This standard applies to financial statements for periods beginning after June 15, 2014. Management has not finished assessing the effect of implementing this standard.

CITY OF SHERIDAN, WYOMING

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 15. Prior Period Adjustment

During the year ended June 30, 2012, it was discovered that a transfer had been made in the past to the Sheridan Area Water Supply Joint Powers Board for \$2,727,430 had not been identified and recorded as a due from component unit in the prior year. An adjustment to the beginning equity of water and sewer fund was necessary to correct the due from component unit balance. The detail of the effect of the current year financial statement of this adjustment is as follows:

Proprietary Funds

Fund balance - beginning of year	\$ 77,420,976
Net increase due to prior period adjustment	<u>2,727,430</u>
Fund balance - beginning of year as restated	<u><u>\$ 80,148,406</u></u>

Note 16. Subsequent Events

On October 1, 2012, the City entered into a capital lease agreement of the purchase of a grinder. The amount of the grinder is \$595,000 and will be paid in semi-annual installments of \$44,992 beginning September 14, 2012.

On July 3, 2012, the City created and established Special Improvement District No. 78 for the purpose of paving streets and drainage improvements.

On April 20, 2012, the City received DWSRF Loan #123 from the Office of State Lands and Investments for the upgrades at the Sheridan and Big Goose Treatment Plants. The loan agreement is for \$4,814,096, with an interest rate of 2.5% for twenty years commencing with year 2013. Upon the completion of the project and prior to repayment of the loan, this loan will be granted principal forgiveness up to fifty percent of the drawn funds, not to exceed \$2,407,048. As of June 30, 2012 there were no amounts drawn down on this loan.

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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 12,595,871	\$ 12,595,871	\$ 12,199,684	\$ (396,187)
Licenses and permits	639,000	639,000	840,218	201,218
Intergovernmental	-	-	104,485	104,485
Fines and forfeitures	340,000	340,000	250,983	(89,017)
Charges for services	163,334	253,334	129,207	(124,127)
Net investment income	70,000	70,000	39,216	(30,784)
Contributions	-	-	250	250
Miscellaneous revenue	270,000	270,000	90,278	(179,722)
Total revenues	14,078,205	14,168,205	13,654,321	(513,884)
Expenditures				
Current				
General government	2,376,436	2,734,866	2,317,354	417,512
Public safety	6,395,738	6,585,103	6,216,092	369,011
Public works	2,242,366	2,242,366	2,099,583	142,783
Parks and recreation	533,870	553,870	504,297	49,573
Capital outlay	1,805,500	3,201,922	2,401,491	800,431
Debt service - principal	385,513	385,513	302,215	83,298
interest	53,500	53,500	48,466	5,034
Total expenditures	13,792,923	15,757,140	13,889,498	1,867,642
Excess (deficiency) of revenues over expenditures	285,282	(1,588,935)	(235,177)	1,353,758 (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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Other financing sources (uses)				
Operating transfers in	\$ 1,097,310	\$ 1,097,310	\$ 1,008,721	\$ (88,589)
Operating transfers out	<u>(1,421,100)</u>	<u>(3,221,346)</u>	<u>(2,370,829)</u>	<u>850,517</u>
Total other financing sources (uses)	<u>(323,790)</u>	<u>(2,124,036)</u>	<u>(1,362,108)</u>	<u>761,928</u>
Net change in fund balances	(38,508)	(3,712,971)	(1,597,285)	<u>\$ 2,115,686</u>
Fund balance - beginning of year	<u>7,468,136</u>	<u>7,468,136</u>	<u>7,468,136</u>	
Fund balance - end of year	<u>\$ 7,429,628</u>	<u>\$ 3,755,165</u>	<u>\$ 5,870,851</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, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 2,846,500	\$ 2,846,500	\$ 2,888,050	\$ 41,550
Net investment income	3,000	3,000	7,003	4,003
Total revenues	<u>2,849,500</u>	<u>2,849,500</u>	<u>2,895,053</u>	<u>45,553</u>
Expenditures				
Capital outlay	-	-	3,791	(3,791)
Total expenditures	<u>-</u>	<u>-</u>	<u>3,791</u>	<u>(3,791)</u>
Excess of revenues over expenditures	<u>2,849,500</u>	<u>2,849,500</u>	<u>2,891,262</u>	<u>49,344</u>
Other financing (uses)				
Operating transfers out	<u>(2,846,500)</u>	<u>(4,003,692)</u>	<u>(2,610,538)</u>	<u>1,393,154</u>
Total other financing (uses)	<u>(2,846,500)</u>	<u>(4,003,692)</u>	<u>(2,610,538)</u>	<u>1,393,154</u>
Net change in fund balances	3,000	(1,154,192)	280,724	<u>\$ 1,434,916</u>
Fund balance - beginning of year	<u>1,232,220</u>	<u>1,232,220</u>	<u>1,232,220</u>	
Fund balance - end of year	<u>\$ 1,235,220</u>	<u>\$ 78,028</u>	<u>\$ 1,512,944</u>	

See accompanying notes to required supplementary information

CITY OF SHERIDAN, WYOMING

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2012

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, 2012

	Special Revenue Funds			
	Lodging Tax Fund	Public Safety Fund	Community Promotion Fund	Bike Trail Project Fund
ASSETS				
Cash and cash equivalents	\$ 421,257	\$ -	\$ 352,261	\$ 44,426
Accounts receivables, net	-	-	4,442	-
Due from other governments	36,957	137,072	-	-
Prepaid expenses	1,568	-	-	-
Total assets	\$ 459,782	\$ 137,072	\$ 356,703	\$ 44,426
 LIABILITIES AND FUND BALANCES				
Liabilities				
Outstanding checks in excess of bank balance	\$ -	\$ 229,845	\$ -	\$ -
Accounts payable	34,998	48,014	21,461	80,485
Other accrued liabilities	4,048	-	-	-
Total liabilities	39,046	277,859	21,461	80,485
 Fund Balances				
Nonspendable	1,568	-	-	-
Unassigned	419,168	(140,787)	335,242	(36,059)
Total fund balances (deficit)	420,736	(140,787)	335,242	(36,059)
 Total liabilities and fund balances	\$ 459,782	\$ 137,072	\$ 356,703	\$ 44,426

Health and Human Services Fund	Total Nonmajor Governmental Funds
\$ 2,022	\$ 819,966
-	4,442
1,955	175,984
-	1,568
<u>\$ 3,977</u>	<u>\$ 1,001,960</u>

\$ -	\$ 229,845
230	185,188
-	4,048
<u>230</u>	<u>419,081</u>

-	1,568
3,747	581,311
<u>3,747</u>	<u>582,879</u>

<u>\$ 3,977</u>	<u>\$ 1,001,960</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, 2012

	Special Revenue Funds			
	Lodging Tax Fund	Public Safety Fund	Community Promotion Fund	Bike Trail Project Fund
Revenues				
Taxes	\$ 462,518	\$ -	\$ -	\$ -
Intergovernmental	-	368,009	575,969	290,611
Net investment income	1,422	-	112	-
Contributions	-	66,672	38,256	-
Miscellaneous	9,603	57,517	17,708	-
Total revenues	<u>473,543</u>	<u>492,198</u>	<u>632,045</u>	<u>290,611</u>
Expenditures				
Current				
General government	480,164	210,107	-	-
Public safety	-	399,198	-	-
Public works	-	-	52,201	223,736
Parks and recreation	-	-	20,361	-
Capital outlay	-	169,495	432,359	1,480,603
Total expenditures	<u>480,164</u>	<u>778,800</u>	<u>504,921</u>	<u>1,704,339</u>
Excess (deficiency) of revenues over expenditures	(6,621)	(286,602)	127,124	(1,413,728)
Other financing sources (uses)				
Transfers in	-	133,552	17,800	1,427,217
Transfers out	-	-	(1,025)	-
Total other financing sources (uses)	<u>-</u>	<u>133,552</u>	<u>16,775</u>	<u>1,427,217</u>
Net change in fund balances	<u>(6,621)</u>	<u>(153,050)</u>	<u>143,899</u>	<u>13,489</u>
Fund balances (deficit) - beginning of year	427,357	12,263	191,343	(49,548)
Fund balances (deficit) - end of year	<u>\$ 420,736</u>	<u>\$ (140,787)</u>	<u>\$ 335,242</u>	<u>\$ (36,059)</u>

Health and Human Services Fund	Total Nonmajor Governmental Funds
\$ -	\$ 462,518
-	1,234,589
-	1,534
3,825	108,753
-	84,828
3,825	1,892,222
2,824	693,095
-	399,198
-	275,937
-	20,361
-	2,082,457
2,824	3,471,048
1,001	(1,578,826)
-	1,578,569
(386)	(1,411)
(386)	1,577,158
615	(1,668)
3,132	584,547
\$ 3,747	\$ 582,879

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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, 2012

ASSETS	Ambulance Fund	Mosquito Fund	Total
Current assets			
Cash	\$ -	\$ 120,102	\$ 120,102
Service receivables, net	-	2,940	2,940
Due from other governments	-	42,720	42,720
Prepaid expense	-	148	148
Restricted cash	21,689	-	21,689
Total current assets	<u>21,689</u>	<u>165,910</u>	<u>187,599</u>
Capital assets, net of accumulated depreciation	130,671	38,194	168,865
Total assets	<u>152,360</u>	<u>204,104</u>	<u>356,464</u>
 LIABILITIES			
Current liabilities			
Outstanding checks in excess of bank balance	9,289	-	9,289
Accounts payable	4,273	4,017	8,290
Due to other funds	120,744	-	120,744
Current portion of capital lease	10,245	-	10,245
Total current liabilities	<u>144,551</u>	<u>4,017</u>	<u>148,568</u>
Long-term liabilities			
Obligation under capital lease	45,272	-	45,272
Total long-term liabilities	<u>45,272</u>	<u>-</u>	<u>45,272</u>
 NET ASSETS			
Invested in capital assets, net of related debt	75,154	38,194	113,348
Unrestricted	(112,617)	161,893	49,276
Total net assets (deficit)	<u>\$ (37,463)</u>	<u>\$ 200,087</u>	<u>\$ 162,624</u>

CITY OF SHERIDAN, WYOMING

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

Year Ended June 30, 2012

	Ambulance Fund	Mosquito Fund	Total
Operating revenue			
Service fees	\$ 18,644	\$ 18,480	\$ 37,124
Other operating income	-	135,755	135,755
Total operating revenue	<u>18,644</u>	<u>154,235</u>	<u>172,879</u>
Operating expenses			
Salaries and benefits	19,125	-	19,125
Other operating expenses	174,729	129,911	304,640
Depreciation	55,541	5,690	61,231
Total operating expenses	<u>249,395</u>	<u>135,601</u>	<u>384,996</u>
Operating income (loss)	(230,751)	18,634	(212,117)
Nonoperating revenues (expenses)			
Net investment income	-	383	383
Total nonoperating expenses	<u>-</u>	<u>383</u>	<u>383</u>
Income (loss) before transfers	(230,751)	19,017	(211,734)
Operating transfers in	271,414	-	271,414
Operating transfers out	<u>-</u>	<u>(3,600)</u>	<u>(3,600)</u>
	<u>271,414</u>	<u>(3,600)</u>	<u>267,814</u>
Change in net assets	40,663	15,417	56,080
Net assets (deficit) - beginning of year	<u>(78,126)</u>	<u>184,670</u>	<u>106,544</u>
Net assets (deficit) - end of year	<u>\$ (37,463)</u>	<u>\$ 200,087</u>	<u>\$ 162,624</u>

SINGLE AUDIT SECTION

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CITY OF SHERIDAN, WYOMING

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass Through Grantor's Number	Expenditures
<u>U.S. Department of Agriculture Forest Service</u>			
Passed through the Wyoming State Forestry Division			
Cooperative Forestry Assistance	10.664	-	\$ 4,485
Total U.S. Department of Agriculture Forest Service			<u>4,485</u>
<u>U.S. Department of Housing and Urban Development</u>			
Office of Community Planning and Development			
Passed through the Wyoming Business Council			
<i>CDBG - State-Administered CDBG Cluster</i>			
Community Development Block Grant	14.228	-	\$ 4,850
Total U.S. Department of Housing and Urban Development			<u>4,850</u>
<u>U.S. Department of the Interior National Park Service</u>			
Passed through Wyoming State Parks & Cultural Resources			
Outdoor Recreation Acquisition, Development and Planning	15.916	LWCF #56-00866	40,611
Total U.S. Department of the Interior National Park Service			<u>40,611</u>
<u>U.S. Department of Justice</u>			
Direct Award			
Bureau of Justice			
Bulletproof Vest Partnership Program	16.607	-	2,974
Justice and Delinquency Prevention			
Passed through the Wyoming Association			
of Sheriffs and Chiefs of Police			
Enforcing Underage Drinking Laws Program	16.727	-	26,617
Total U.S. Department of Justice			<u>29,591</u>
<u>U. S. Department of Transportation</u>			
Passed through the Wyoming Department of Transportation			
<i>Highway Planning and Construction Cluster</i>			
Federal Highway Administration			
Total Highway Planning and Construction Cluster	20.205	STP-E-SH 0.00 TL11009	250,000
<i>Highway Safety Cluster</i>			
State and Community Highway Safety	20.600	FY2012-PT05	4,290
State and Community Highway Safety	20.600	HSO2012-402G	7,925
Total Highway Safety Cluster			<u>12,215</u>
Alcohol Open Container Requirements	20.607	HSO2011-154AL	9,800
Alcohol Open Container Requirements	20.607	HSO2012-154AL	27,150
Total Alcohol Open Container Requirements			<u>36,950</u>
Total U.S. Department of Transportation			<u>299,165</u>

(Continued)

CITY OF SHERIDAN, WYOMING

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
 Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass Through Grantor's Number	Expenditures
<u>U. S. Environmental Protection Agency, Office of Water</u>			
Passed through the State Land and Investment Board			
ARRA - Capitalization Grants for Clean Water			
State Revolving Funds - Recovery Act	66.458	CWSRF #109	\$ 450,372
Passed through the Wyoming Department of Environmental Quality			
Nonpoint Source Implementation Grants	66.460	WQD1009120	14,850
Passed through the State Land and Investment Board			
Capitalization Grants for Drinking Water			
State Revolving Funds	66.468	DWSRF #101	155,923
ARRA - Capitalization Grants for Drinking Water			
State Revolving Funds - Recovery Act	66.468	DWSRF #101	31,995
			<u>187,918</u>
Total U. S. Environmental Protection Agency			<u>653,140</u>
<u>U. S. Department Energy</u>			
Passed through the Wyoming Business Council			
ARRA - State Energy Program - Recovery Act	81.041	AD040212000000001467	320,570
ARRA - Energy Efficiency and Conservation -			
Block Grant Program - Recovery Act	81.128	AD073012000000000112	5,776
Total U.S. Department of Energy			<u>326,346</u>
<u>U. S. Department of Homeland Security</u>			
Direct Award			
Homeland Security Grant Program	97.067	09-GPD-SHE-LP-HLE9	21,319
Homeland Security Grant Program	97.067	10-GPD-SHE-LP-HLE10	4,131
Total U.S. Department of Homeland Security			<u>25,450</u>
Total federal awards			<u>\$ 1,383,638</u>

Note:

Prepared on the cash basis of accounting.



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, 2012, which collectively comprise the City of Sheridan, Wyoming's basic financial statements and have issued our report thereon dated December 21, 2012. Our report includes a reference to 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 the Comptroller General of the United States. Other auditors audited the financial statements of the Sheridan Area Water Supply Joint Powers Board, a discretely presented component unit of the City of Sheridan, Wyoming as described in our report on the City of Sheridan, Wyoming'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

Management of the City of Sheridan, Wyoming is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Sheridan, Wyoming'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, Wyoming's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Sheridan, Wyoming'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 previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Sheridan, Wyoming'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, Wyoming in a separate letter dated December 21, 2012.

This report is intended solely for the information and use of the City Council, management, others within the entity, 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

December 21, 2012



PORTER, MUIRHEAD, CORNIA & HOWARD

(A Corporation of Certified Public Accountants)

123 West First Street Suite 800 P.O. Box 2750 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, Wyoming's major federal programs for the year ended June 30, 2012. 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. Our responsibility is to express an opinion on the City of Sheridan, Wyoming's compliance based on our audit.

The City of Sheridan, Wyoming's basic financial statements include the operations of the Sheridan Area Water Supply Joint Powers Board 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.

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, *Audits of States, Local Governments, and Non-Profit Organizations*. 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, 2012.

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. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item SA-2012-01. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The City of Sheridan, Wyoming's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Sheridan, Wyoming's response and accordingly, we express no opinion on the response.

We noted certain matters that we reported to management of the City of Sheridan, Wyoming in a separate letter dated December 21, 2012.

This report is intended solely for the information and use of the City Council, management, others within the entity, 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

December 21, 2012

CITY OF SHERIDAN, WYOMING

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

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?	Yes
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?	Yes

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
66.458	ARRA - Capitalization Grants for Clean Water State Revolving Funds – Recovery Act
81.041	State Energy Program

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, 2012

Section II – Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

Significant Deficiency in Internal Control

SA-2012-01

U.S Department of Energy

Passed through the Wyoming Business Council

CFDA No. 81.041 – State Energy Program

Criteria:

Governmentwide requirements for nonprocurement suspension and debarment are contained in guidance at 2 CFR part 180. Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. “Covered transactions” include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria. 2 CFR section 180.220 of the governmentwide nonprocurement debarment and suspension guidance contains those additional limited circumstances. All nonprocurement transactions (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions.

Condition:

The City does not determine that contractors used in this program were not identified as suspended or debarred parties.

Effect:

If the contractors used had been suspended or debarred, the City could have to repay to the granting agency the funds expended under this program.

Questioned Costs:

None

Cause:

The City received a list from the State of Wyoming of contractors authorized by the State to perform services funded by this grant. The City believed the State had already determined the contractors included on the list were not suspended or debarred. Based on that understanding the City did not check the status of the contractors before engaging them to perform services.

Recommendation:

While there were no instances of any expenditures to an identified suspended or debarred vendor and the State had initially checked the status of the vendors before including them on their approved contractor listing, the risk still remains that a particular contractor could have been added to the list in the intervening period. We recommend the City review the suspension and debarment status on all procurements funded with federal grants.

Management Response:

The City will review the suspension and debarment requirements and establish control procedures accordingly.

CITY OF SHERIDAN, WYOMING

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2012

Significant Deficiency in Internal Control

YB-2011-01

U.S Department of Agriculture

Passed through the Wyoming State Forestry Division
CFDA No. 10.664 – Cooperative Forestry Assistance

U.S Department of Housing and Urban Development

Passed through the Wyoming Community Development Authority
CFDA No. 14.228– Community Development Grant

U.S Department of Housing and Urban Development

Passed through the Wyoming Business Council
CFDA No. 14.228– Community Development Grant

U.S Department of the Interior National Park Service

Passed through the Wyoming State Parks & Cultural Resources
CFDA No. 15.916 – Outdoor Recreation Acquisition, Development and Planning

U.S Department of Justice

Bureau of Justice
CFDA No. 16.607– Bulletproof Vest Partnership Program

U.S Department of Justice

Passed through the Wyoming Association of Sheriffs and Chiefs of Police
CFDA No. 16.727 – Enforcing Underage Drinking Laws Program

U.S Department of Justice

Passed through Sheridan County
CFDA No. 16.804 – Enforcing Underage Drinking Laws Program

U.S Department of Transportation

Passed through the Wyoming Department of Transportation
CFDA No. 20.205 – Federal Highway Administration.

U.S Department of Transportation

Passed through the Wyoming Department of Transportation
CFDA No. 20.600 – National Highway Traffic Safety Administration
CFDA No. 20.607 – Alcohol Open Container Requirements

U.S National Endowment of the Arts

Passed through the Wyoming Arts Council
CFDA No. 45.025 – Promotion of the Arts Partnership Agreements

CITY OF SHERIDAN, WYOMING

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2012

YB-2011-01 (Continued)

U.S Environmental Protection Agency

Passed through the State Land and Investment Board Office of Water

CFDA No. 66.458 -- ARRA -- Capitalization of Loans for Clean Water State Revolving Funds --
Recovery Act

U.S Environmental Protection Agency

Passed through the State Land and Investment Board Office of Water

CFDA No. 66.468 -- Capitalization of Loans for Clean Water State Revolving

U.S Environmental Protection Agency

Passed through the State Land and Investment Board Office of Water

CFDA No. 66.468 -- ARRA -- Capitalization of Loans for Drinking Water State Revolving
Funds -- Recovery Act

U.S Environmental Protection Agency

Office of Solid Waste and Emergency Response

CFDA No. 66.808 -- Solid Waste Management Assistance Grants

U.S Department of Energy

Office of Solid Waste and Emergency Response

CFDA No. 81.128 -- ARRA -- Energy Efficiency and Conservation Block Grant Program --
Recovery Act

U.S Department of Homeland Security

CFDA No. 97.036 -- Disaster Grants --Public Assistance (Presidentially Declared Disasters)

U.S Department of Homeland Security

CFDA No. 97.044 -- Assistance to Firefighter Grant

Criteria:

OMB Circular A-133 Subpart C .300 states that the auditee (the City) shall identify in its accounts all Federal awards received and expended and the Federal programs under which they were received. Federal program and award information shall include, as applicable, the Catalog of Federal Domestic Assistance (CFDA) title and number, award number and year, name of Federal agency, and name of the pass-through entity.

Condition:

Not all Federal grants were included in the schedule, nor were all identified by the current CFDA Number.

Recommendation:

The program managers must assume a higher level of responsibility to insure that funds have been requested, received, and reported as expenditures for grants under the correct CFDA number.

CITY OF SHERIDAN, WYOMING

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2012

YB-2011-01 (Continued)

Management Response:

The City is in the process of having project invoicing, cost, and funding tracked in the Treasurer's department. In addition, departments have been advised to inform the Treasurer's department of grants that are being applied for to ensure the requirements are understood before the grant is awarded.

Compliance Finding
SEE YB-2011-01.

Status:
Corrected

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