

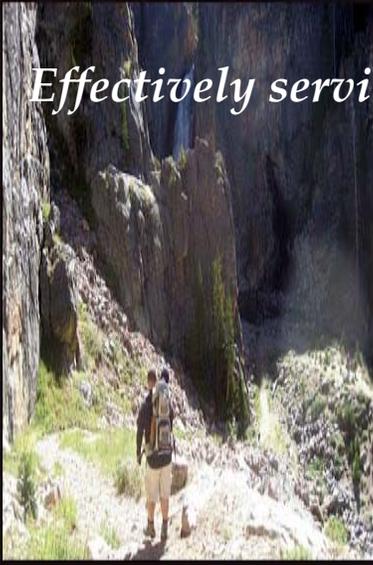


# City of Sheridan



## Financial and Compliance Report

For Fiscal Year Ended  
June 30, 2014



### Our Mission

*Effectively servicing present and future needs of Sheridan citizens*



### Core Values

*Build Partnerships*

*Contribute to Team Success*

*Initiate Action*

*Effective Communicate*

*Build Trust*



**CITY OF SHERIDAN, WYOMING**  
**FINANCIAL AND COMPLIANCE REPORT**  
**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2014**

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**FINANCIAL SECTION**



INDEPENDENT AUDITOR'S REPORT

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

**Report on the Financial Statements**

We have audited the accompanying 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 ("City"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Sheridan Area Water Supply Joint Powers Board, a discretely presented component unit of the City which represents 88 percent, 86 percent, and 99 percent, respectively, of the assets, net position and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Sheridan Area Water Supply Joint Powers Board, 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 from material misstatement.

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

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

***Basis for Qualified Opinion on the Major Proprietary Fund – Solid Waste Fund and Business-type Activities***

Management has not performed an evaluation of the estimated total closure and postclosure monitoring costs for its landfill. Accounting principles generally accepted in the United States of America require recording a liability and related expense for closure and postclosure monitoring costs as the landfill capacity is used. Without a professional evaluation the effect on the liabilities and expenses of the solid waste fund cannot be quantified or determined.

***Qualified Opinions***

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinions on the Major Proprietary Fund – Solid Waste Fund and the Business-type Activities” paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the solid waste fund and the business-type activities of the City of Sheridan, Wyoming, as of June 30, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Unmodified 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 aggregate discretely presented component units, general fund, debt service fund, capital tax fund, special revenue fund the water and sewer fund, the golf fund, and the aggregate remaining fund information of the City of Sheridan, Wyoming, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and budgetary comparison information as listed in the table of contents 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 basic financial statements. This information has been subjected to the auditing procedures applied during the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Other Supplementary Information and Schedule of Expenditures of Federal Awards*

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 as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Additionally, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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.

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 basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2015, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Sheridan's internal control over financial reporting and compliance.



Porter, Muirhead, Cornia & Howard  
Certified Public Accountants

Casper, Wyoming  
January 27, 2015

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

June 30, 2014

(Unaudited)

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This section of the City of Sheridan's ("City") annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2014. 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 position increased by 4.3% (\$7.1 million) during the fiscal year. Our business-type activities accounted for 27% of the increase and governmental activities 73%.

During the fiscal year the City's state shared tax revenues increased 13.4% or \$1,857,671. This increase is mainly due to increases in supplemental tax of \$466,000, sales/use tax of \$829,000, capital facilities tax of \$287,000, and gas tax of \$201,000. The supplemental increase was mainly due to the City qualifying for additional hardship funds of \$445,000 approved by the State Legislature. This hardship calculation contained in the appropriation legislation is subject to recalculation each biennium with some communities being added while others are removed from this designation. General government expenses increased by 15.8% or nearly \$2.7 million.

The City's business-type revenues increased by 13.1% or nearly \$1.9 million to \$15.5 million. Expenses increased by 9.6% or \$1 million compared to prior year.

**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 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 position 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 proprietary funds.

**CITY OF SHERIDAN, WYOMING**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
June 30, 2014  
(Unaudited)

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***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 position* (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:

- *Governmental 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 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, 2014  
 (Unaudited)

***Financial Position***

As explained, net position is the difference between assets and liabilities. Between fiscal years 2013 and 2014 combined net assets increased by approximately 4.3%.

***CITY OF SHERIDAN'S NET POSITION***

	Governmental		Business- Type		Total		Total Percent Change
	Activities		Activities				
	2013	2014	2013	2014	2013	2014	
Current & Other Assets	\$ 13,488,047	\$ 15,023,492	\$ 15,151,307	\$ 16,856,383	\$ 28,639,354	\$ 31,879,875	11.3%
Capital Assets	73,717,142	76,365,325	81,896,793	86,699,002	155,613,935	163,064,327	4.8%
<b>Total Assets</b>	<b>87,205,189</b>	<b>91,388,817</b>	<b>97,048,100</b>	<b>103,555,385</b>	<b>184,253,289</b>	<b>194,944,202</b>	<b>5.8%</b>
Long-Term Liabilities	3,512,295	2,926,339	11,801,774	14,594,709	15,314,069	17,521,048	14.4%
Other Liabilities	2,672,991	2,225,891	2,504,218	4,316,239	5,177,209	6,542,130	26.4%
<b>Total Liabilities</b>	<b>6,185,286</b>	<b>5,152,230</b>	<b>14,305,992</b>	<b>18,910,948</b>	<b>20,491,278</b>	<b>24,063,178</b>	<b>17.4%</b>
Property tax revenue	-	1,327,486	-	-	-	1,327,486	0.0%
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>1,327,486</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,327,486</b>	<b>0.0%</b>
Net Position							
Net investment in capital assets	71,764,130	74,897,423	71,414,607	73,494,380	143,178,737	148,391,803	3.6%
Restricted	766,117	465,490	-	-	766,117	465,490	(39.2)%
Unrestricted	8,489,656	9,546,188	11,327,501	11,150,057	19,817,157	20,696,245	4.4%
<b>Total Net Position</b>	<b>\$ 81,019,903</b>	<b>\$ 84,909,101</b>	<b>\$ 82,742,108</b>	<b>\$ 84,644,437</b>	<b>\$ 163,762,011</b>	<b>\$ 169,553,538</b>	<b>3.5%</b>

Unrestricted net position includes funds that have been committed or assigned by the City Council for special projects, such as capital projects and replacement reserves. It is important to understand that funds committed or assigned by the Council are not considered restricted.

Net position for business-type activities increased by \$1.9 million, or approximately 2%. 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 this net position to fund enterprise activities such as water and sewer operations and solid waste activities.

***Results of Operations***

The City's total revenues come from numerous sources. Around 39% of the City's revenues come from other taxes, which include sales/use taxes, gas tax, severance tax, supplemental, capital facilities tax, and mineral royalties. Supplemental revenues are directly distributed to local governments each August and are subject to fluctuation through the state legislative process. Another 30% comes from fees charged for services while property tax revenue represents about 4% of total revenues.

During fiscal year 2014, nearly 37% 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 17% of the total costs for City operations, while public works activities which include planning, engineering, code enforcement and streets accounted for 11% of the total costs.

**CITY OF SHERIDAN, WYOMING**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
 June 30, 2014  
 (Unaudited)

*CHANGES IN CITY OF SHERIDAN'S NET POSITION*

	Governmental		Business- Type		Total		Total
	Activities		Activities				Percentage
	2013	2014	2013	2014	2013	2014	Change
Program Revenues							
Charges for Services	\$ 1,056,896	\$ 1,169,262	\$ 10,401,346	\$ 11,089,387	\$ 11,458,242	\$ 12,258,649	7.0%
Operating Grants and Other Support	830,429	17,704	-	-	830,429	17,704	(97.9)%
Capital Grants and Other Support	3,480,543	3,694,543	3,231,283	4,356,263	6,711,826	8,050,806	19.9%
General Revenues							
Property Taxes	1,677,850	1,748,812	-	-	1,677,850	1,748,812	4.2%
Special Assessments	64,585	46,129	-	-	64,585	46,129	(28.6)%
Other Taxes	13,829,840	15,687,511	-	-	13,829,840	15,687,511	13.4%
Miscellaneous Revenues	117,955	1,369,857	-	-	117,955	1,369,857	1061.3%
Investment Income	13,477	14,316	50,797	24,664	64,274	38,980	(39.4)%
<b>Total Revenues</b>	<b>21,071,575</b>	<b>23,748,134</b>	<b>13,683,426</b>	<b>15,470,314</b>	<b>34,755,001</b>	<b>39,218,448</b>	<b>12.8%</b>
Expenses							
General Administration	3,890,255	6,221,299	-	-	3,890,255	6,221,299	59.9%
Public Safety	5,126,000	5,344,546	-	-	5,126,000	5,344,546	4.3%
Health and Welfare	97,332	106,554	-	-	97,332	106,554	9.5%
Public Works	2,905,821	3,459,834	-	-	2,905,821	3,459,834	19.1%
Parks and Recreation	440,347	499,750	-	-	440,347	499,750	13.5%
Interest on Long-term Debt	60,144	74,610	-	-	60,144	74,610	24.1%
Unallocated Depreciation	4,852,249	4,414,028	-	-	4,852,249	4,414,028	(9.0)%
Water and Sewer Fund	-	-	6,650,384	7,233,349	6,650,384	7,233,349	8.8%
Solid Waste Fund	-	-	3,430,051	3,784,609	3,430,051	3,784,609	10.3%
Golf Fund	-	-	569,878	619,229	569,878	619,229	8.7%
Nonmajor Funds	-	-	132,044	180,122	132,044	180,122	36.4%
<b>Total Expenses</b>	<b>17,372,148</b>	<b>20,120,621</b>	<b>10,782,357</b>	<b>11,817,309</b>	<b>28,154,505</b>	<b>31,937,930</b>	<b>13.4%</b>
Excess (Deficiency)							
before Transfers	3,699,427	3,627,513	2,901,069	3,653,005	6,600,496	7,280,518	10.3%
Transfers	465,425	(357,635)	(1,573,334)	357,635	(1,107,909)	-	(100.0)%
<b>Increase in Net Position</b>	<b>\$ 4,164,852</b>	<b>\$ 3,269,878</b>	<b>\$ 1,327,735</b>	<b>\$ 4,010,640</b>	<b>\$ 5,492,587</b>	<b>\$ 7,280,518</b>	<b>32.6%</b>

***Governmental Activities***

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

- The City's property tax valuation increased 2% from the prior year and is expected to increase by 1.5% for the upcoming fiscal year.
- The cap placed on severance tax and mineral royalty distributions is 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 to alleviate the loss in funding from the cap. The City received \$981,603 and \$1,447,867 in supplemental distributions respectively for 2013 and 2014. The City has already received \$1,990,141 for fiscal year 2015 with the same amount expected for fiscal year 2016 unless modified during the 2015 session. Furthermore, the State Legislature has requested the supplemental distributions not be used for salary adjustments, additional personnel or increased personnel benefits.

The cost of all governmental activities this year was nearly \$20.2 million, an increase of 16.3% from last year. The City received \$1.2 million from those who directly benefited from the activities. The City also received nearly \$3.7 million from other governments and organizations that subsidized certain programs through grants and contributions.

**CITY OF SHERIDAN, WYOMING**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
 June 30, 2014  
 (Unaudited)

*Net Cost of City of Sheridan's Governmental Activities*

	<b>Total Cost</b>			<b>Net Cost (Revenues)</b>		
	<b>Of Services</b>		<b>Percentage</b>	<b>Of Services</b>		<b>Percentage</b>
	<b>2013</b>	<b>2014</b>		<b>Change</b>	<b>2013</b>	
General Administration	\$ 3,890,255	\$ 6,221,299	59.9%	\$ 2,374,307	\$ 4,708,812	98.3%
Public Safety	5,126,000	5,344,546	4.3%	4,976,533	5,125,443	3.0%
Health and Welfare	97,332	106,554	9.5%	97,332	106,554	9.5%
Public Works	2,905,821	3,459,834	19.1%	(94,803)	2,104,166	(2319.5)%
Parks and Recreation	440,347	499,750	13.5%	(261,482)	(1,294,501)	395.1%
Interest on long-term debt	60,144	74,610	24.1%	60,144	74,610	24.1%
Unallocated depreciation	4,852,249	4,414,028	(9.0)%	4,852,249	4,414,028	(9.0)%
<b>Total</b>	<b>\$ 17,372,148</b>	<b>\$ 20,120,621</b>	<b>15.8%</b>	<b>\$ 12,004,280</b>	<b>\$ 15,239,112</b>	<b>26.9%</b>

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 can mainly be attributed to the increase in capital projects compared to prior year.

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

The City's combined fund balance in its governmental funds at June 30, 2014 was approximately \$10.3 million, an \$800,000 increase 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 City has \$465,490 that is restricted and \$.5 million in commitments as these amounts affect availability of the City's funds.

**CITY OF SHERIDAN, WYOMING**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
 June 30, 2014  
 (Unaudited)

**General Fund Budgetary Highlights**

*General Fund Budget Analyses*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Percentage Change</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Percentage Change</u>
Revenues	\$ 12,658,169	\$ 13,260,825	4.8%	\$ 13,260,825	\$ 13,609,106	2.6%
Expenditures						
General Administration	\$ 2,438,834	\$ 2,777,219	13.9%	\$ 2,777,219	\$ 2,126,189	(23.4)%
Health and Welfare	82,263	84,343	2.5%	84,343	72,386	(14.2)%
Public Safety	4,991,463	5,223,143	4.6%	5,223,143	4,994,635	(4.4)%
Public Works	3,096,172	3,533,032	14.1%	3,533,032	3,087,528	(12.6)%
Parks and Recreation	425,807	484,007	13.7%	484,007	461,425	(4.7)%
Capital Outlay	2,061,800	4,402,370	113.5%	4,402,370	3,107,852	(29.4)%
Debt Service	96,361	98,861	2.6%	98,861	310,914	214.5%
<b>Total</b>	<b>\$ 13,192,700</b>	<b>\$ 16,602,975</b>	<b>25.8%</b>	<b>\$ 16,602,975</b>	<b>\$ 14,160,929</b>	<b>(14.7)%</b>

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, 2014  
(Unaudited)

**CAPITAL ASSET AND DEBT ADMINISTRATION**

*Capital Assets*

As of June 30, 2014, the City has invested \$163 million (net of depreciation) in a broad range of capital assets, including police, fire equipment, buildings, park facilities, automobiles, and water and sewer lines. This represents an increase of 4.8% over last year. More detailed information concerning the City's capital assets can be found in the notes to the financial statements.

*City of Sheridan's Capital Assets*

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2013	2014	2013	2014	2013	2014	
Land	\$ 5,772,623	\$ 4,590,702	\$ 1,091,984	\$ 1,091,984	\$ 6,864,607	\$ 5,682,686	(17.2)%
Construction in progress	16,286,814	11,903,109	11,622,725	11,247,346	27,909,539	23,150,455	(17.1)%
Infrastructure	64,894,491	75,131,926	-	-	64,894,491	75,131,926	15.8%
Buildings	10,731,654	10,731,654	19,814,261	19,814,261	30,545,915	30,545,915	0.0%
Improvements, other than buildings	10,467,528	12,188,669	77,369,648	85,582,157	87,837,176	97,770,826	11.3%
Machinery and equipment	12,398,425	12,972,119	12,016,614	12,099,807	24,415,039	25,071,926	2.7%
Accumulated Depreciation	(46,834,393)	(51,152,854)	(40,018,439)	(43,136,553)	(86,852,832)	(94,289,407)	8.6%
<b>Total</b>	<b>\$ 73,717,142</b>	<b>\$ 76,365,325</b>	<b>\$ 81,896,793</b>	<b>\$ 86,699,002</b>	<b>\$ 242,466,767</b>	<b>\$ 257,353,734</b>	<b>6.1%</b>

This year's major capital asset additions included North Main Street rebuild, High Tech Business Park, Mydland Road Sewer Crossing, West Downtown, loader, compactor, land, Pathways and SRTS improvements, compaction roller, utility vehicles, computers and servers, patrol vehicles, snow blower, Hot Mix Plant conversion, Sheridan Commercial Park improvements, and sculptures.

*Outstanding Long-Term Debt*

*City of Sheridan's Outstanding Debt*

	Governmental Activities		Business-Type Activities		Total		Total Percent Change
	2013	2014	2013	2014	2013	2014	
Special Assessment Bonds	\$ 1,615,000	\$ 1,160,000	\$ -	\$ -	\$ 1,615,000	\$ 1,160,000	(28.2)%
Capital Leases	336,107	229,669	2,242,276	2,478,508	2,578,383	2,708,177	5.0%
SLIB Loans	1,905	78,233	8,239,910	10,726,114	8,241,815	10,804,347	31.1%
Repayment of sales tax	645,432	455,599	-	-	645,432	455,599	(29.4)%
Compensated absences	913,851	1,002,838	352,692	384,786	1,266,543	1,387,624	9.6%
Landfill closure liability	-	-	966,896	1,005,301	966,896	1,005,301	4.0%
<b>Total</b>	<b>\$ 3,512,295</b>	<b>\$ 2,926,339</b>	<b>\$ 11,801,774</b>	<b>\$ 14,594,709</b>	<b>\$ 15,314,069</b>	<b>\$ 17,521,048</b>	<b>14.4%</b>

At year end the City had \$17.5 million in bonds and notes outstanding, an increase of 14.4% or nearly \$2.2 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, 2014  
(Unaudited)

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**FUTURE OF THE CITY**

- Property tax revenues will continue to remain steady or increase as a result of valuations relative to the economy.
- Through State Legislation, severance tax and mineral royalty revenues continue to be capped.
- The State Legislature did approve through its supplemental budget a distribution of \$1.99 million, which the City received in August of 2014. These funds were to help alleviate the effect of capping the severance tax and mineral royalty revenues. For fiscal year 2015, the State Legislature has requested the supplemental distributions not be used for salary adjustments, additional personnel or increased personnel benefits. The State Legislature has also approved through its supplemental budget for fiscal year 2015 and 2016 a distribution of \$1.9 million in each year. This increase is due to the City currently qualifying for \$445,000 of hardship funds, of those fiscal years. This is the first time the City of Sheridan will receive hardship funds due to Sheridan's sales/use tax collections trailing other communities and the State of Wyoming as a whole. This designation is recalculated each biennium which could result in a status change for the City of Sheridan for fiscal years 2017 and 2018.
- Sheridan County voters previously voted to extend the 1 cent Capital Facilities Tax in August of 2009, which is estimated to end fiscal year 2014. Voters in November 2013 reapproved the tax with the expectation of the tax continuing for an additional eight years using current collections as estimates. This will enable the City to continue working on its Capital Improvement Plan.
- The voters also approved in November 2014 the continuance of Optional One Cent Tax, the other optional tax for a total sales and use tax rate of 6%, extending the existing tax through fiscal year 2019.
- These factors will have a dramatic effect on the City's activities and were taken into account when adopting the general fund budget for 2015.
- State Legislative efforts to "fully fund" pensions for all public employees, especially Fire Plan A, B and Civilian pensions, continue to be a concern and the unknown full impacts of the federal Affordable Health Care act are reasons city officials are considering increases to reserves.

Current projects of the City are the continuation of the Pathway Projects, Lewis Street Bridge and Pathway, Street overlay program, Service Center upgrades, Downtown Parking, Wyoming/Park Street, South Side Sewer, North Sheridan Interchange, NW Water Loop, Water Treatment Plant upgrades, Illinois Street, Waste Water Treatment Plant Dewatering Improvements, Fluoride Addition, WWTP RAS and WAS Pumps, HHW Improvements, and 5th St/Mydland to End of Pavement.

***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, 55 Grinnell Plaza, Sheridan, WY 82801.

**BASIC FINANCIAL STATEMENTS**

**CITY OF SHERIDAN, WYOMING**

STATEMENT OF NET POSITION

June 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 10,239,830	\$ 9,755,707	\$ 19,995,537
Accounts receivable, net	277,781	1,555,804	1,833,585
Special assessments receivable, net	1,137,963	-	1,137,963
Investments	16,604	80,929	97,533
Due from other governments	3,180,663	1,837,442	5,018,105
Due from component unit	-	3,382,096	3,382,096
Due from primary government	-	-	-
Inventory	-	56,622	56,622
Prepaid items	60,814	20,011	80,825
Restricted cash	109,837	167,772	277,609
Real estate held for sale	-	-	-
Note receivable - long-term	-	-	-
Capital assets not being depreciated	16,493,811	12,339,330	28,833,141
Capital assets, net of accumulated depreciation	59,871,514	74,359,672	134,231,186
Total assets	<u>91,388,817</u>	<u>103,555,385</u>	<u>194,944,202</u>
<b>LIABILITIES</b>			
Accounts payable	2,050,903	936,065	2,986,968
Accrued liabilities	174,988	74,633	249,621
Accrued interest payable	-	162,366	162,366
Deposits due others	-	118,581	118,581
Due to primary government	-	-	-
Due to component unit	-	3,024,594	3,024,594
Long-term liabilities			
Due within one year	1,016,866	1,706,882	2,723,748
Due in more than one year	1,909,473	12,887,827	14,797,300
Total liabilities	<u>5,152,230</u>	<u>18,910,948</u>	<u>24,063,178</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property tax revenue	1,327,486	-	1,327,486
Total deferred inflows of resources	<u>1,327,486</u>	<u>-</u>	<u>1,327,486</u>
<b>NET POSITION</b>			
Net investment in capital assets	74,897,423	73,494,380	148,391,803
Restricted for			
Debt service	465,490	-	465,490
Sheridan Area Water Supply	-	-	-
Unrestricted	9,546,188	11,150,057	20,696,245
Total net position	<u>\$ 84,909,101</u>	<u>\$ 84,644,437</u>	<u>\$ 169,553,538</u>

See accompanying notes to the financial statements

Component Units		
Sheridan Area Water Supply	Sheridan Economic and Educational Development Authority	Total
\$ 1,810,303	\$ 78,350	\$ 1,888,653
130,854	-	130,854
-	-	-
-	-	-
-	16,500	16,500
-	-	-
3,024,594	-	3,024,594
-	-	-
-	500	500
6,496,098	-	6,496,098
-	2,647,563	2,647,563
1,305,353	-	1,305,353
178,961	426,500	605,461
30,681,607	2,720,631	33,402,238
<u>43,627,770</u>	<u>5,890,044</u>	<u>49,517,814</u>
20,548	22,460	43,008
-	-	-
78,570	-	78,570
-	-	-
3,382,096	-	3,382,096
-	-	-
233,893	-	233,893
4,005,522	-	4,005,522
<u>7,720,629</u>	<u>22,460</u>	<u>7,743,089</u>
-	-	-
-	-	-
26,621,153	3,147,131	29,768,284
-	-	-
2,262,213	-	2,262,213
7,023,775	2,720,453	9,744,228
<u>\$ 35,907,141</u>	<u>\$ 5,867,584</u>	<u>\$ 41,774,725</u>

**CITY OF SHERIDAN, WYOMING**

**STATEMENT OF ACTIVITIES**

Year Ended June 30, 2014

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government</b>				
Governmental activities				
General administration	\$ 6,221,299	\$ 1,169,262	\$ 1,000	\$ 342,225
Health and welfare	106,554	-	-	-
Public safety	5,344,546	-	-	219,103
Public works	3,459,834	-	-	1,355,668
Parks and recreation	499,750	-	16,704	1,777,547
Interest on long-term debt	74,610	-	-	-
Unallocated depreciation	4,414,028	-	-	-
Total governmental activities	<u>20,120,621</u>	<u>1,169,262</u>	<u>17,704</u>	<u>3,694,543</u>
Business-type activities				
Solid waste fund	3,784,609	4,880,966	-	-
Water and sewer fund	7,233,349	5,725,405	-	4,356,263
Golf fund	619,229	330,458	-	-
Nonmajor funds	180,122	152,558	-	-
Total business-type activities	<u>11,817,309</u>	<u>11,089,387</u>	<u>-</u>	<u>4,356,263</u>
Total primary government	<u>\$ 31,937,930</u>	<u>\$ 12,258,649</u>	<u>\$ 17,704</u>	<u>\$ 8,050,806</u>
<b>Component units</b>				
Sheridan Area Water Supply	\$ 1,554,316	\$ 1,358,673	\$ -	\$ -
Sheridan Economic and Educational Development Authority	135,925	-	-	1,661,641
Total component units	<u>\$ 1,690,241</u>	<u>\$ 1,358,673</u>	<u>\$ -</u>	<u>\$ 1,661,641</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
Net investment income
Net capital assets contributed to/from component units
Transfers
Total general revenues and transfers
Change in net position
Net position - beginning of year, as previously reported
Prior period adjustment
Net position - beginning of year, as restated
Net position - end of year

See accompanying notes to the financial statements

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	Sheridan Area Water Supply	Sheridan Economic and Educational Development Authority	Total
\$ (4,708,812)	\$ -	\$ (4,708,812)	\$ -	\$ -	\$ -
(106,554)	-	(106,554)	-	-	-
(5,125,443)	-	(5,125,443)	-	-	-
(2,104,166)	-	(2,104,166)	-	-	-
1,294,501	-	1,294,501	-	-	-
(74,610)	-	(74,610)	-	-	-
(4,414,028)	-	(4,414,028)	-	-	-
(15,239,112)	-	(15,239,112)	-	-	-
-	1,096,357	1,096,357	-	-	-
-	2,848,319	2,848,319	-	-	-
-	(288,771)	(288,771)	-	-	-
-	(27,564)	(27,564)	-	-	-
-	3,628,341	3,628,341	-	-	-
(15,239,112)	3,628,341	(11,610,771)	-	-	-
-	-	-	(195,643)	-	(195,643)
-	-	-	-	1,525,716	1,525,716
-	-	-	(195,643)	1,525,716	1,330,073
1,748,812	-	1,748,812	-	-	-
46,129	-	46,129	-	-	-
14,821,323	-	14,821,323	-	-	-
866,188	-	866,188	-	-	-
1,369,857	-	1,369,857	-	-	-
-	-	-	-	14,400	14,400
14,316	24,664	38,980	44,930	11	44,941
-	(2,190,395)	(2,190,395)	2,190,395	-	2,190,395
(357,635)	357,635	-	-	-	-
18,508,990	(1,808,096)	16,700,894	2,235,325	14,411	2,249,736
3,269,878	1,820,245	5,090,123	2,039,682	1,540,127	3,579,809
81,019,903	82,742,108	163,762,011	33,867,459	4,327,457	38,194,916
619,320	82,084	701,404	-	-	-
81,639,223	82,824,192	164,463,415	33,867,459	4,327,457	38,194,916
\$ 84,909,101	\$ 84,644,437	\$ 169,553,538	\$ 35,907,141	\$ 5,867,584	\$ 41,774,725

**CITY OF SHERIDAN, WYOMING**

BALANCE SHEET -  
GOVERNMENTAL FUNDS

June 30, 2014

	General Fund	Debt Service Fund	Capital Tax Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,757,130	\$ 465,213	\$ 2,137,408
Investments	16,604	-	-
Accounts receivable, net	163,245	-	-
Special assessments receivable, net	-	1,137,963	-
Due from other governments	2,716,417	-	-
Restricted cash	109,837	-	-
Prepaid items	56,814	-	-
Total assets	<u>\$ 8,820,047</u>	<u>\$ 1,603,176</u>	<u>\$ 2,137,408</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 705,870	\$ -	\$ 315,224
Accrued liabilities	173,147	-	-
Compensated absences payable	31,753	-	-
Total liabilities	<u>910,770</u>	<u>-</u>	<u>315,224</u>
<b>Deferred inflows of resources</b>			
Property tax revenue	1,327,486	-	-
Special assessments	-	1,137,686	-
Total deferred inflows of resources	<u>1,327,486</u>	<u>1,137,686</u>	<u>-</u>
<b>Fund balances</b>			
Nonspendable - related prepaid items	56,814	-	-
Restricted for debt service	-	465,490	-
Committed	2,087,929	-	-
Unassigned	4,437,048	-	1,822,184
Total fund balances	<u>6,581,791</u>	<u>465,490</u>	<u>1,822,184</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 8,820,047</u>	 <u>\$ 1,603,176</u>	 <u>\$ 2,137,408</u>

See accompanying notes to the financial statements

Special Revenue Fund	Total
\$ 1,880,079	\$10,239,830
-	16,604
114,536	277,781
-	1,137,963
464,246	3,180,663
-	109,837
4,000	60,814
<u>\$ 2,462,861</u>	<u>\$15,023,492</u>

\$ 1,029,809	\$ 2,050,903
1,841	174,988
-	31,753
<u>1,031,650</u>	<u>2,257,644</u>

-	1,327,486
-	1,137,686
<u>-</u>	<u>2,465,172</u>

4,000	60,814
-	465,490
-	2,087,929
1,427,211	7,686,443
<u>1,431,211</u>	<u>10,300,676</u>

<u>\$ 2,462,861</u>	<u>\$15,023,492</u>
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**CITY OF SHERIDAN, WYOMING**

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

June 30, 2014

Total fund balances - governmental funds		\$ 10,300,676
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		76,365,325
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		1,137,686
Some liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds.		
Capital leases	\$ (229,669)	
Repayment of sales tax	(455,599)	
Notes payable	(78,233)	
Compensated absences	(1,002,838)	
Compensated absences due and payable in the funds	31,753	
Special assessment bonds	<u>(1,160,000)</u>	<u>(2,894,586)</u>
Net position of governmental activities		<u><u>\$ 84,909,101</u></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, 2014

	General Fund	Debt Service Fund	Capital Tax Fund
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Revenues			
Taxes	\$ 11,921,190	\$ -	\$ 3,057,311
Licenses and permits	862,608	-	-
Intergovernmental	108,260	-	-
Special assessments	-	214,640	-
Fines and forfeitures	250,720	-	-
Charges for services	353,502	-	-
Net investment income	11,973	-	1,902
Contributions	13,726	-	-
Miscellaneous revenues	87,127	-	-
Total revenues	<u>13,609,106</u>	<u>214,640</u>	<u>3,059,213</u>
Expenditures			
Current			
General administration	2,126,189	-	-
Health and welfare	72,386	-	-
Public safety	4,994,635	-	-
Public works	3,087,528	300	36,260
Parks and recreation	461,425	-	-
Capital outlay	3,107,852	-	2,360,382
Debt service - principal	296,271	455,000	-
interest	14,643	59,967	-
Total expenditures	<u>14,160,929</u>	<u>515,267</u>	<u>2,396,642</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(551,823)</u>	<u>(300,627)</u>	<u>662,571</u>
Other financing sources (uses)			
Operating transfers in	982,601	-	-
Operating transfers out	(290,199)	-	-
Other financing source	76,328	-	-
Total other financing sources (uses)	<u>768,730</u>	<u>-</u>	<u>-</u>
Net change in fund balances	216,907	(300,627)	662,571
Fund balances - beginning of year, as previously reported	5,810,057	766,117	1,159,613
Prior period adjustment	554,827	-	-
Fund balances - beginning of year, as restated	<u>6,364,884</u>	<u>766,117</u>	<u>1,159,613</u>
Fund balances - end of year	<u>\$ 6,581,791</u>	<u>\$ 465,490</u>	<u>\$ 1,822,184</u>

See accompanying notes to the financial statements

Special Revenue Fund	Total
\$ 2,457,822	\$ 17,436,323
-	862,608
3,167,578	3,275,838
-	214,640
-	250,720
-	353,502
441	14,316
125,116	138,842
1,282,730	1,369,857
<u>7,033,687</u>	<u>23,916,646</u>
626,138	2,752,327
34,168	106,554
349,911	5,344,546
335,746	3,459,834
38,325	499,750
5,005,715	10,473,949
-	751,271
-	74,610
<u>6,390,003</u>	<u>23,462,841</u>
<u>643,684</u>	<u>453,805</u>
85,171	1,067,772
(1,135,208)	(1,425,407)
-	76,328
<u>(1,050,037)</u>	<u>(281,307)</u>
(406,353)	172,498
1,773,071	9,508,858
<u>64,493</u>	<u>619,320</u>
1,837,564	10,128,178
<u>\$ 1,431,211</u>	<u>\$ 10,300,676</u>

**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, 2014

Change in fund balances as reported in the governmental fund statement		\$ 172,498
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	\$ 8,690,852	
Contribution of land to SEEDA	(1,628,641)	
Depreciation	<u>(4,414,028)</u>	2,648,183
The issuance of long-term debt provides current financial resources to governmental funds, while these amounts are deferred and then amortized in the statement of activities.		
Issuance of Clean Water State Revolving fund loan	<u>(76,328)</u>	(76,328)
Certain revenues are not recognized as current financial resources and, therefore, are not reported as revenues in governmental funds.		
Current year deferred revenue	1,137,686	
Prior year deferred revenue	<u>(1,306,198)</u>	(168,512)
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.		
		644,833
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.		
		106,438
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.		
Current portion accrued compensated absences - current year	31,753	
Total compensated absences - current year	(1,002,838)	
Total compensated absences - prior year	<u>913,851</u>	<u>(57,234)</u>
Change in net position of governmental activities		<u><u>\$ 3,269,878</u></u>

See accompanying notes to the financial statements

**CITY OF SHERIDAN, WYOMING**

**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**

June 30, 2014

	Solid Waste Fund	Water and Sewer Fund	Golf Fund
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 4,518,658	\$ 5,076,878	\$ 6,141
Service receivables, net	542,864	989,628	20,366
Investments	21,150	59,779	-
Due from other governments	500,519	1,304,729	-
Due from component unit	-	3,382,096	-
Inventory	-	56,622	-
Prepaid items	3,653	15,734	624
Restricted cash	63,980	5,514	98,278
Total current assets	<u>5,650,824</u>	<u>10,890,980</u>	<u>125,409</u>
Capital assets, net of accumulated depreciation	<u>8,337,984</u>	<u>77,291,960</u>	<u>1,034,221</u>
Total assets	<u>13,988,808</u>	<u>88,182,940</u>	<u>1,159,630</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	188,168	678,427	29,519
Accrued liabilities	29,511	45,122	-
Accrued interest payable	46,967	76,152	39,247
Due to component unit	-	3,024,594	-
Deposits due to others	-	118,581	-
Compensated absences payable, current portion	112,861	190,586	-
Current portion of capital leases payable	378,359	3,690	72,280
Current portion of notes payable	517,722	431,384	-
Total current liabilities	<u>1,273,588</u>	<u>4,568,536</u>	<u>141,046</u>
Long-term liabilities			
Landfill closure liability	1,005,301	-	-
Notes payable	2,476,863	7,300,145	-
Compensated absences payable	17,760	63,579	-
Capital leases payable	1,203,661	7,873	812,645
Total long-term liabilities	<u>4,703,585</u>	<u>7,371,597</u>	<u>812,645</u>
<b>NET POSITION</b>			
Net investment in capital assets	3,761,379	69,548,868	149,296
Unrestricted	4,250,256	6,693,939	56,643
Total net position	<u>\$ 8,011,635</u>	<u>\$ 76,242,807</u>	<u>\$ 205,939</u>

See accompanying notes to the financial statements

Nonmajor Funds	Totals
\$ 154,030	\$ 9,755,707
2,946	1,555,804
-	80,929
32,194	1,837,442
-	3,382,096
-	56,622
-	20,011
-	167,772
<u>189,170</u>	<u>16,856,383</u>
34,837	86,699,002
<u>224,007</u>	<u>103,555,385</u>
39,951	936,065
-	74,633
-	162,366
-	3,024,594
-	118,581
-	303,447
-	454,329
-	949,106
<u>39,951</u>	<u>6,023,121</u>
-	1,005,301
-	9,777,008
-	81,339
-	2,024,179
<u>-</u>	<u>12,887,827</u>
34,837	73,494,380
149,219	11,150,057
<u>\$ 184,056</u>	<u>\$ 84,644,437</u>

**CITY OF SHERIDAN, WYOMING**

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

Year Ended June 30, 2014

	Solid Waste Fund	Water and Sewer Fund	Golf Fund
Operating revenues			
Service fees	\$ 4,614,284	\$ 5,725,405	\$ 330,458
Other operating revenue	266,682	-	-
Total operating revenues	<u>4,880,966</u>	<u>5,725,405</u>	<u>330,458</u>
Operating expenses			
Salaries and benefits	1,432,854	2,298,362	-
Other operating expenses	1,219,417	2,085,569	392,127
Landfill closure costs	67,597	-	-
Depreciation expense	735,215	2,727,458	187,750
Total operating expenses	<u>3,455,083</u>	<u>7,111,389</u>	<u>579,877</u>
Operating income (loss)	1,425,883	(1,385,984)	(249,419)
Nonoperating revenues (expenses)			
Net investment income	6,410	15,184	3,070
Interest expense	(59,461)	(121,960)	(39,352)
Loss on disposal of assets	(270,065)	-	-
Total nonoperating revenues (expenses)	<u>(323,116)</u>	<u>(106,776)</u>	<u>(36,282)</u>
Income (loss) before contributions and transfers	1,102,767	(1,492,760)	(285,701)
Other financing sources (uses)			
Net capital assets contributed to/from component units	-	(2,190,395)	-
Grants and contributions	-	4,356,263	-
Operating transfers in	-	1,026,888	195,624
Operating transfers out	(309,767)	(540,000)	(11,510)
Total other financing sources (uses)	<u>(309,767)</u>	<u>2,652,756</u>	<u>184,114</u>
Change in net position	<u>793,000</u>	<u>1,159,996</u>	<u>(101,587)</u>
Net position - beginning of year, as previously reported	7,218,635	75,082,811	225,442
Prior period adjustment	-	-	82,084
Net position - beginning of year, as restated	<u>7,218,635</u>	<u>75,082,811</u>	<u>307,526</u>
Net position - end of year	<u>\$ 8,011,635</u>	<u>\$ 76,242,807</u>	<u>\$ 205,939</u>

See accompanying notes to the financial statements

Nonmajor Funds	Totals
\$ 18,777	\$ 10,688,924
133,781	400,463
<u>152,558</u>	<u>11,089,387</u>
-	3,731,216
178,883	3,875,996
-	67,597
1,239	3,651,662
<u>180,122</u>	<u>11,326,471</u>
(27,564)	(237,084)
-	24,664
-	(220,773)
-	(270,065)
<u>-</u>	<u>(466,174)</u>
(27,564)	(703,258)
-	(2,190,395)
-	4,356,263
-	1,222,512
(3,600)	(864,877)
<u>(3,600)</u>	<u>2,523,503</u>
(31,164)	1,820,245
215,220	82,742,108
-	82,084
<u>215,220</u>	<u>82,824,192</u>
<u>\$ 184,056</u>	<u>\$ 84,644,437</u>

**CITY OF SHERIDAN, WYOMING**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds		
	Solid Waste Fund	Water and Sewer Fund	Golf Fund
<b>Cash Flows from Operating Activities</b>			
Receipts from customers and users	\$ 4,740,747	\$ 5,739,855	\$ 331,852
Payments to suppliers	(1,573,188)	212,438	(366,250)
Payments to employees	(1,435,948)	(2,324,823)	-
Net cash provided by (used in) operating activities	<u>1,731,611</u>	<u>3,627,470</u>	<u>(34,398)</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Operating transfers in	-	1,026,888	195,624
Operating transfers out	(309,767)	(540,000)	(11,510)
Outstanding checks in excess of bank balance	-	-	(119,818)
Net cash provided by (used in) noncapital financing activities	<u>(309,767)</u>	<u>486,888</u>	<u>64,296</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Capital grants from federal and state sources	-	3,933,130	-
Acquisition of notes payable and capital leases	2,038,425	1,870,370	-
Principal payments on notes payable to the Office of State Land and Investments	(329,511)	(291,158)	-
Principal payments on capital leases	(512,154)	(3,536)	(50,000)
Interest paid on capital debt	(68,789)	(108,990)	(38,140)
Purchases of property and equipment	(2,324,409)	(6,375,770)	(23,757)
Net cash used in capital and related financing activities	<u>(1,196,438)</u>	<u>(975,954)</u>	<u>(111,897)</u>
<b>Cash Flows from Investing Activities</b>			
Proceeds from the sale of investments	(676)	(1,921)	-
Interest received	6,410	15,184	3,070
Net cash provided by investing activities	<u>5,734</u>	<u>13,263</u>	<u>3,070</u>
 Net increase (decrease) in cash and cash equivalents	 231,140	 3,151,667	 (78,929)
Cash and cash equivalents - beginning of year	4,351,498	4,121,120	183,348
Cash and cash equivalents - end of year	<u>\$ 4,582,638</u>	<u>\$ 7,272,787</u>	<u>\$ 104,419</u>
 Reported in the following captions			
Cash and cash equivalents	4,518,658	5,076,878	6,141
Restricted cash	63,980	5,514	98,278
	<u>\$ 4,582,638</u>	<u>\$ 5,082,392</u>	<u>\$ 104,419</u>

See accompanying notes to the financial statements

Nonmajor Funds	Totals
\$ 160,435	\$ 10,972,889
(139,795)	(1,866,795)
-	(3,760,771)
20,640	5,345,323
-	1,222,512
(3,600)	(864,877)
-	(119,818)
(3,600)	237,817
-	3,933,130
-	3,908,795
-	(620,669)
-	(565,690)
-	(215,919)
-	(8,723,936)
-	(2,284,289)
-	(2,597)
-	24,664
-	22,067
17,040	3,320,918
136,990	8,792,956
\$ 154,030	\$ 12,113,874
154,030	9,755,707
-	167,772
\$ 154,030	\$ 9,923,479

(Continued)

**CITY OF SHERIDAN, WYOMING**

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)  
Year Ended June 30, 2014

	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)	\$ 1,425,883	\$ (1,385,984)	\$ (249,419)
Adjustments to reconcile operating income (loss) to cash provided by (used in) operating activities			
Depreciation expense	735,215	2,727,458	187,750
Landfill closure costs	38,405	-	-
Increase (decrease) in cash as a result of changes in operating assets and liabilities			
Service receivables, net	300	80,217	1,394
Due from other governments	(140,519)	-	-
Due from component unit	-	(68,830)	-
Inventory	-	(9,251)	-
Prepaid items	(3,653)	(15,734)	(624)
Accounts payable	(320,926)	(179,583)	26,501
Accrued liabilities	(21,700)	(39,949)	-
Due to component units	-	2,502,575	-
Deposits due to others	-	3,063	-
Compensated absences payable	18,606	13,488	-
Net cash provided by (used in) operating activities	<u>\$ 1,731,611</u>	<u>\$ 3,627,470</u>	<u>\$ (34,398)</u>

See accompanying notes to the financial statements

Nonmajor Funds	Totals
\$ (27,564)	\$ (237,084)
1,239	3,651,662
-	38,405
157	82,068
7,720	(132,799)
-	(68,830)
-	(9,251)
-	(20,011)
39,088	(434,920)
-	(61,649)
-	2,502,575
-	3,063
-	32,094
<u>\$ 20,640</u>	<u>\$ 5,345,323</u>

**CITY OF SHERIDAN, WYOMING**

STATEMENT OF FIDUCIARY NET POSITION -  
FIDUCIARY FUNDS

June 30, 2014

	Agency Funds		
		Wyoming Court Automation Fees Fund	
<b>ASSETS</b>	Crime Victims Fund	Wyoming Court Automation Fees Fund	Total
Cash	\$ 1,465	\$ 2,360	\$ 3,825
Total assets	\$ 1,465	\$ 2,360	\$ 3,825
<b>LIABILITIES</b>			
Accounts payable	\$ 1,465	\$ 2,360	\$ 3,825
Total liabilities	\$ 1,465	\$ 2,360	\$ 3,825

See accompanying notes to the financial statements

**CITY OF SHERIDAN, WYOMING**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2014

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**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 (SAWS)* 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 (SEEDA)* 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 SEEDA 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.

***Related Organization***

The Sheridan Recreation District is a legally-separate related organization which is governed by a five-member board consisting of two City-appointed members, two Sheridan County School District #2-appointed members, and one at-large member appointed by the City and Sheridan County School District #2 in alternating years, for which the City has no significant financial accountability.

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

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

***Related Organization (Continued)***

Sheridan County School District #2 imposes a one mill levy on its assessed valuation to be expended by the Sheridan Recreation District as outlined in Wyoming Statute §18-9-201 in addition to its other sources of revenue. This jointly established system of public recreation operates, maintains, and assists with improving parks located in the City of Sheridan, Wyoming, and surrounding areas in Sheridan County, Wyoming, as well as providing recreational services to youths and adults. For the year ended June 30, 2014, the City paid the Sheridan Recreation District \$110,500 for services associated with maintaining community parks and facilities and coordinating programs at these facilities. Further financial information is available from the Sheridan Recreation District.

***Government-Wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net position and the statement of activities) 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.

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.

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

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

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

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

The *special revenue fund* is used to account for proceeds from specific revenue sources, which are required to be accounted for separately and used for specific purposes.

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. In the current year, the golf fund did not meet the criteria to be reported as a major fund. Since it is management's intention that this would be a significant fund in the future, it has been reported separately for consistency with prior and future years.

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

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

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

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.

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.

***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 to purchase the assets financed by the agreement or to repay the debt.

***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.

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

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

***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 accounts. 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 January 1. The 2014 property taxes were levied as of July 1, 2013 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, 2014. 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 and the Sheridan County Assessor. 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.

***Prepaid Items***

Prepaid items represent payments made to vendors for services that will benefit periods beyond June 30, 2014 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.

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

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

***Capital Assets***

Capital assets, which include property, plant, and 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, 2014.

***Real Estate Held for Sale***

As part of the City's commitment to economic development, the SEEDA may receive donated land from the City to assist them in their mission. In the year ended June 30, 2011, the City donated land valued at \$1,171,000 to the SEEDA to use for a business park. In the year ended June 30, 2014, the City donated land valued at \$1,628,641 to the SEEDA. Parcels valued at \$152,078 have been sold through June 30, 2014, with parcels valued at \$2,647,563 still available for sale.

***Deferred Inflows of Resources***

In addition to the liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents and acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The government has one type of item that qualifies for reporting in this category. Unavailable revenue is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In the government-wide statement of net position, only property taxes are reported as a deferred inflow of resources. Property taxes are recognized as an inflow of resources in the year they are levied.

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

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

***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.

***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 \$1,388,000 for accrued vacation, sick and holiday leave, with accrued benefits as of June 30, 2014, 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, 2014.

***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 re-appropriated and honored during the subsequent year. Outstanding encumbrances at the end of fiscal year end June 30, 2014 were as follow:

General Fund	\$	36,367
Special Revenue Fund		22,379
Water and Sewer Fund		12,155
Solid Waste Fund		17,914
Golf Fund		1,170
	\$	<u>89,985</u>

***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.

**CITY OF SHERIDAN, WYOMING**

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

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

***Fund Equity (Continued)***

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 position are reported as restricted when constraints placed on net position 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.

**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, 2014, 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 \$191,001 as of June 30, 2014.

As of June 30, 2014, 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 backed securities - GNMA, interest rates from 4.0% to 8.0%	\$ 86,315	\$ 19,592	\$ -	\$ 14	\$ 66,709
U.S. sponsored entity obligations FNMA, interest rates from 3.5% to 5.0%	11,218	-	-	-	11,218
	<u>\$ 97,533</u>	<u>\$ 19,592</u>	<u>\$ -</u>	<u>\$ 14</u>	<u>\$ 77,927</u>

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

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**Note 2. Cash and Investments (Continued)**

***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, 2014, the City had 88% of its investments in GNMA securities and 12% of the City's investments were in FNMA securities.

***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. 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	\$	27,727
Solid Waste Fund		14,617
Mosquito Fund		94
Total	\$	<u>42,438</u>

**CITY OF SHERIDAN, WYOMING**

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

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

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, 2014 were as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
Primary Government		
Governmental Funds		
General Fund	\$ 982,601	\$ 290,199
Special Revenue Fund	85,171	1,135,208
Total governmental activities - governmental funds	<u>1,067,772</u>	<u>1,425,407</u>
Proprietary Funds - Business-type Activities		
Water and Sewer Fund	1,026,888	540,000
Solid Waste Fund	-	309,767
Golf Fund	195,624	11,510
Mosquito Fund	-	3,600
Total proprietary funds - business-type activities	<u>1,222,512</u>	<u>864,877</u>
	<u>\$ 2,290,284</u>	<u>\$ 2,290,284</u>
Net Capital Assets Contributed to/from Component Units		
Proprietary Funds - Business-type Activities		
Water and Sewer Fund	\$ 312,181	\$ 2,502,576
Component Units		
Sheridan Area Water Supply Joint Powers Board	<u>2,502,576</u>	<u>312,181</u>
Total component units	<u>\$ 2,814,757</u>	<u>\$ 2,814,757</u>
	<u>\$ 5,105,041</u>	<u>\$ 5,105,041</u>

**CITY OF SHERIDAN, WYOMING**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2014

**Note 5. Capital Assets**

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance June 30, 2013	Increases Transfers In	Decreases Transfers Out	Balance June 30, 2014
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 5,772,623	\$ 446,720	\$ (1,628,641)	\$ 4,590,702
Construction in progress	16,286,814	6,249,926	(10,633,631)	11,903,109
Total capital assets, not being depreciated	<u>22,059,437</u>	<u>6,696,646</u>	<u>(12,262,272)</u>	<u>16,493,811</u>
Capital assets, being depreciated				
Infrastructure	64,894,491	10,237,435	-	75,131,926
Buildings	10,731,654	-	-	10,731,654
Improvements, other than buildings	10,467,528	1,721,141	-	12,188,669
Machinery and equipment	12,398,425	669,261	(95,567)	12,972,119
Total capital assets, being depreciated	<u>98,492,098</u>	<u>12,627,837</u>	<u>(95,567)</u>	<u>111,024,368</u>
Less accumulated depreciation for				
Infrastructure	27,975,537	3,128,857	-	31,104,394
Buildings	5,195,836	245,420	-	5,441,256
Improvements, other than buildings	4,118,567	456,223	-	4,574,790
Machinery and equipment	9,544,453	583,528	(95,567)	10,032,414
Total accumulated depreciation	<u>46,834,393</u>	<u>4,414,028</u>	<u>(95,567)</u>	<u>51,152,854</u>
Total capital assets, being depreciated, net	<u>51,657,705</u>	<u>8,213,809</u>	<u>-</u>	<u>59,871,514</u>
Governmental activities capital assets, net	<u>\$ 73,717,142</u>	<u>\$ 14,910,455</u>	<u>\$ (12,262,272)</u>	<u>\$ 76,365,325</u>

Assets acquired through capital leases of \$2,478,629 are included in machinery and equipment above. The related accumulated depreciation on those assets was \$1,660,506 as of June 30, 2014.

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 THE FINANCIAL STATEMENTS  
June 30, 2014

**Note 5. Capital Assets (Continued)**

	Balance June 30, 2013	Increases Transfers In	Decreases Transfers Out	Balance June 30, 2014
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 1,091,984	\$ -	\$ -	\$ 1,091,984
Construction in progress	11,622,725	7,729,606	(8,104,985)	11,247,346
Total capital assets, not being depreciated	<u>12,714,709</u>	<u>7,729,606</u>	<u>(8,104,985)</u>	<u>12,339,330</u>
Capital assets, being depreciated				
Buildings	19,814,261	-	-	19,814,261
Improvements, other than buildings	77,369,648	8,215,355	(2,846)	85,582,157
Machinery and equipment	12,016,614	883,961	(800,768)	12,099,807
Total capital assets, being depreciated	<u>109,200,523</u>	<u>9,099,316</u>	<u>(803,614)</u>	<u>117,496,225</u>
Less accumulated depreciation for				
Buildings	12,460,361	571,490	-	13,031,851
Improvements, other than buildings	18,820,827	2,324,004	(2,846)	21,141,985
Machinery and equipment	8,737,251	756,168	(530,702)	8,962,717
Total accumulated depreciation	<u>40,018,439</u>	<u>3,651,662</u>	<u>(533,548)</u>	<u>43,136,553</u>
Total capital assets, being depreciated, net	<u>69,182,084</u>	<u>5,447,654</u>	<u>(270,066)</u>	<u>74,359,672</u>
Business-type activities capital assets, net	<u>\$ 81,896,793</u>	<u>\$ 13,177,260</u>	<u>\$ (8,375,051)</u>	<u>\$ 86,699,002</u>

Assets acquired through capital leases of \$4,703,032 are included in machinery and equipment above. The related accumulated depreciation on those assets was \$2,685,999 as of June 30, 2014.

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

Solid waste fund	\$ 735,215
Water and sewer fund	2,727,458
Golf fund	187,750
Mosquito fund	1,239
Total depreciation expense - business-type activities	<u>\$ 3,651,662</u>

All applicable amortization expense is reported with depreciation expense.

**CITY OF SHERIDAN, WYOMING**

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2014

**Note 5. Capital Assets (Continued)**

***Components Units***

Capital asset activity for each component unit for the year ended June 30, 2014, was as follows:

Capital asset activity for the Sheridan Area Water Supply Joint Powers Board for the year ended June 30, 2014, was as follows:

	Balance June 30, 2013	Increases Transfers In	Decreases Transfers Out	Balance June 30, 2014
Capital assets, not being depreciated				
Reservoir water shares	\$ 73,571	\$ -	\$ -	\$ 73,571
Construction in progress	54,032	51,358	-	105,390
Total capital assets, not being depreciated	127,603	51,358	-	178,961
Capital assets, being depreciated				
Water system	39,119,664	268,781	-	39,388,445
Total capital assets, being depreciated	39,119,664	268,781	-	39,388,445
Total accumulated depreciation	8,155,294	551,544	-	8,706,838
Total capital assets, being depreciated, net	30,964,370	(282,763)	-	30,681,607
Governmental activities capital assets, net	\$31,091,973	\$ (231,405)	\$ -	\$30,860,568

Capital asset activity for the Sheridan Economic and Educational Development Authority Joint Powers Board for the year ended June 30, 2014, was as follows:

	Balance June 30, 2013	Increases Transfers In	Decreases Transfers Out	Balance June 30, 2014
Capital assets, not being depreciated				
Land	\$ 426,500	\$ -	\$ -	\$ 426,500
Total capital assets, not being depreciated	426,500	-	-	426,500
Capital assets, being depreciated				
Buildings	3,075,397	-	-	3,075,397
Improvements	2,316	-	-	2,316
Total capital assets, being depreciated	3,077,713	-	-	3,077,713
Less accumulated depreciation for				
Buildings	278,708	76,885	-	355,593
Improvements	1,159	330	-	1,489
Total accumulated depreciation	279,867	77,215	-	357,082
Total capital assets, being depreciated, net	2,797,846	(77,215)	-	2,720,631
Governmental activities capital assets, net	\$ 3,224,346	\$ (77,215)	\$ -	\$ 3,147,131

**CITY OF SHERIDAN, WYOMING**

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

**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 77	Street Paving/Utility Replacement	N. Broadway
Special Improvement District 78	Street Paving/Utility Replacement	Comm. Park

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 debt retirement revolving fund. The revolving fund balance was \$232,000 as of June 30, 2014.

Special improvement district bonds outstanding as of June 30, 2014, were as follows:

	Balance June 30, 2013	Issued	Retired	Balance June 30, 2014
Special Improvement District 75, issued September 15, 1999, interest at 6.0% to 6.1%; paid in full	\$ 45,000	\$ -	\$ (45,000)	\$ -
Special Improvement District 77, issued August 1, 2007, interest at 4.35% to 5.0%; matures June 1, 2022, redeemable to the extent of assessment collections in direct numerical order on any interest date	930,000	-	(250,000)	680,000
Special Improvement District 78, issued September 15, 2012, interest at 0.75% to 4.15%; matures September 1, 2027, redeemable to the extent of assessment collections in direct numerical order on any interest date	640,000	-	(160,000)	480,000
	<u>\$ 1,615,000</u>	<u>\$ -</u>	<u>\$ (455,000)</u>	<u>1,160,000</u>
Less current portion				-
Total Special Improvement District				<u>\$ 1,160,000</u>

**CITY OF SHERIDAN, WYOMING**

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

**Note 6. Long-Term Debt (Continued)**

***Special Assessment Bonds (Continued)***

The debt service requirement for the special assessment bonds as of June 30, 2014 is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ -	\$ 36,140	\$ 36,140
2016	-	38,044	38,044
2017	120,000	39,164	159,164
2018	175,000	35,937	210,937
2019	175,000	30,441	205,441
2020-2024	580,000	61,497	641,497
2025-2029	110,000	7,231	117,231
	<u>\$ 1,160,000</u>	<u>\$ 248,454</u>	<u>\$ 1,408,454</u>

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 tax exempt equipment, subject to refunding clause, annual payments of approximately \$82,800 based on a proportional share of the total lease facility, including interest at 3.99%, expires December 2016, collateralized by equipment

\$ 229,669
<u>\$ 229,669</u>

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

2015	\$ 82,497
2016	82,792
2017	82,788
	<u>248,077</u>
Less amount representing interest	(18,408)
Net present value of minimum lease payments	<u>\$ 229,669</u>

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

**CITY OF SHERIDAN, WYOMING**

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

**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,

Repayment of Sales Tax			
	2015		\$ 151,866
	2016		151,866
	2017		151,867
			<u>\$ 455,599</u>

***Note Payable***

The City has the following note payable:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2014</u>
State Land and Investment Board loan, Mavrakis Recreational Pond Porous Pavement Project, Clean Water SRF #126, granted 50% principal forgiveness, due in one annual installment of \$78,233, currently in construction, amortization to be set one year after completion of construction	\$ 1,905	\$ 76,328	\$ -	\$ 78,233
	<u>\$ 1,905</u>	<u>\$ 76,328</u>	<u>\$ -</u>	<u>78,233</u>
Less current portion				<u>78,233</u>
				<u>\$ -</u>

This debt will be serviced by the general fund with one percent funds.

**CITY OF SHERIDAN, WYOMING**

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

**Note 6. Long-Term Debt (Continued)**

***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, 2013</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2014</u>
<b>Water and Sewer Fund</b>				
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	\$ 721,870	\$ -	\$ (51,824)	\$ 670,046
State Land and Investment Board loan, Drinking Water SRF, due in annual installments of \$39,094, including interest of 2.5%, due August 2024	400,507	-	(28,944)	371,563
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	1,597,016	-	(69,696)	1,527,320
State Land and Investment Board loan, Sheridan North Main Project, Clean Water SRF #109, due in annual installments of \$61,961, with 0% interest, due October 2031	1,177,257	-	(61,961)	1,115,296
State Land and Investment Board loan, North Main Project Street Reconstruction, Drinking Water SRF #101, due in annual installments of \$11,694, with 0% interest, due October 2031	222,191	-	(11,694)	210,497
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	149,402	-	(5,950)	143,452

(Continued)

**CITY OF SHERIDAN, WYOMING**

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

**Note 6. Long-Term Debt (Continued)**

	<u>Balance</u> <u>June 30, 2013</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2014</u>
<b>Water and Sewer Fund (Continued)</b>				
State Land and Investment Board loan, Upgrades at Water Treatment Plants, Drinking Water SRF #123, granted 50% principal forgiveness, due in annual installments of \$154,405, including interest of 2.5%, due April 2034, currently in construction, amortization will be finalized one year after completion of construction	\$ 276,902	\$ 1,338,877	\$ -	\$ 1,615,779
State Land and Investment Board loan, Upgrades at Water Treatment Plants, Drinking Water SRF #125, granted 50% principal forgiveness, due in annual installments of \$35,983, including interest of 2.5%, due April 2034, currently in construction, amortization will be finalized one year after completion of construction	64,369	312,181	-	376,550
State Land and Investment Board loan, Wyoming Park Improvements Phase 2, Drinking Water SRF #135, granted 50% principal forgiveness, due in annual installments of \$25,382, including interest of 2.5%, due November 2033, currently in construction, amortization will be finalized one year after completion of construction	176,364	219,312	-	395,676
Sheridan Area Water Supply Joint Powers Board, repayment for construction loan, due in annual installments of \$25,771, including interest of 2.5%, due December 2036	461,466	-	(14,392)	447,074
Sheridan Area Water Supply Joint Powers Board, repayment of Big Goose Water Pipeline Loan, due in annual installments of \$69,320, including interest of 2.5%, due October 2028	904,973	-	(46,697)	858,276
	<u>6,152,317</u>	<u>1,870,370</u>	<u>(291,158)</u>	<u>7,731,529</u>

(Continued)

**CITY OF SHERIDAN, WYOMING**

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

**Note 6. Long-Term Debt (Continued)**

	<u>Balance</u> <u>June 30, 2013</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2014</u>
<b>Solid Waste Fund</b>				
State Land and Investment Board loan, Landfill Improvements Project, due in annual installments of \$303,602, including interest of 2.5%, due August 2018	\$ 1,671,004	\$ -	\$ (261,834)	\$ 1,409,170
State Land and Investment Board loan, Landfill Improvements Project, due in annual installments of \$76,321, including interest of 2.5%, due August 2018	416,589	-	(67,677)	348,912
State Land and Investment Board loan, Landfill Improvements Project, due in annual installments of \$211,457, including interest of 2.5%, due May 2021	-	1,236,503	-	1,236,503
	<u>2,087,593</u>	<u>1,236,503</u>	<u>(329,511)</u>	<u>2,994,585</u>
Total for all business-type activities				10,726,114
Less current portion				949,106
				<u>\$ 9,777,008</u>

The debt service requirements for business-type activities as of June 30, 2014 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 949,106	\$ 210,358	\$ 1,159,464
2016	970,027	185,899	1,155,926
2017	979,376	168,266	1,147,642
2018	1,015,101	150,518	1,165,619
2019	1,029,765	139,468	1,169,233
2020-2024	2,781,072	461,766	3,242,838
2025-2029	2,238,272	201,291	2,439,563
2030-2034	691,739	39,710	731,449
2035-2038	71,656	3,510	75,166
Total amortizing debt	<u>\$ 10,726,114</u>	<u>\$ 1,560,786</u>	<u>\$ 12,286,900</u>

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

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**Note 6. Long-Term Debt (Continued)**

The City has entered into two 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 an irrigation system, subject to refunding clause, varying annual payments from approximately \$86,000-89,000, with a final balloon payment of \$210,500, plus various interest rates averaging 4.87%, expires July 2022, collateralized by irrigation system	\$ 725,000
Obligation under capital lease of golf carts, subject to refunding clause, annual payments of \$25,766 plus tax and interest of 2.18%, with a final balloon payment of \$66,625, expires November 2017, collateralized by golf carts	159,925
	<u>\$ 884,925</u>

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

2015	\$ 111,731
2016	114,506
2017	117,031
2018	187,582
2019	95,388
Thereafter	490,026
	<u>1,116,264</u>
Less amount representing interest	(231,339)
Net present value of minimum lease payments	<u>\$ 884,925</u>

**CITY OF SHERIDAN, WYOMING**

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2014

**Note 6. Long-Term Debt (Continued)**

The Solid Waste Fund also has the following capital leases outstanding as of June 30, 2014:

Obligation under capital lease of tax exempt equipment, subject to refunding clause, annual payments of approximately \$48,200 based on a proportional share of the total lease facility, including interest at 3.99%, expires December 2016, collateralized by equipment	\$ 133,768
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	98,400
Obligation under capital lease of caterpillar landfill compactor, subject to refunding clause, annual payments of \$110,874 plus interest at 2.7%, with a final balloon payment of \$120,500, expires April 2019, collateralized by landfill compactor	617,622
Obligation under capital lease of caterpillar wheel loader, subject to refunding clause, annual payments of \$26,161 plus interest at 2.7%, with a final balloon payment of \$98,661, expires November 2018, collateralized by wheel loader	184,300
Obligation under capital lease of landfill grinder, subject to refunding clause, semiannual payments of \$44,992, interest at 1.78%, expires March 2018, collateralized by equipment	428,650
Obligation under capital lease of excavator, subject to refunding clause, semiannual payments of \$20,514, interest at 1.8%, expires March 2017, collateralized by equipment	119,280
	\$ 1,582,020

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

2015	\$ 414,503
2016	316,275
2017	316,259
2018	227,020
2019	420,019
	1,694,076
Less amount representing interest	(112,056)
Net present value of minimum lease payments	\$ 1,582,020

**CITY OF SHERIDAN, WYOMING**

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2014

**Note 6. Long-Term Debt (Continued)**

The Water and Sewer Fund also has the following capital lease outstanding as of June 30, 2014:

Obligation under capital lease of tax exempt equipment, subject to refunding clause, annual payments of approximately \$4,200 based on a proportional share of the total lease facility including interest at 3.99%, expires December 2016, collateralized by equipment	\$ 11,563
	<u>\$ 11,563</u>

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

2015	\$ 4,142
2016	4,156
2017	4,189
	<u>12,487</u>
Less amount representing interest	(924)
Net present value of minimum lease payments	<u>\$ 11,563</u>

The following is a summary of the changes in the long-term liabilities of the City for the year ended June 30, 2014:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Special Assessment Bonds	\$ 1,615,000	\$ -	\$ (455,000)	\$ 1,160,000	\$ -
Capital leases	336,107	-	(106,438)	229,669	73,498
Repayment of sales tax	645,432	-	(189,833)	455,599	151,866
Notes payable	1,905	76,328	-	78,233	78,233
Compensated absences	913,851	1,002,838	(913,851)	1,002,838	713,269
	<u>\$ 3,512,295</u>	<u>\$ 1,079,166</u>	<u>\$ (1,665,122)</u>	<u>\$ 2,926,339</u>	<u>\$ 1,016,866</u>
Business-type activities					
Capital leases	\$ 2,242,276	\$ 801,922	\$ (565,690)	\$ 2,478,508	\$ 454,329
Landfill closure liability	966,896	38,405	-	1,005,301	-
Notes payable	8,239,910	3,106,873	(620,669)	10,726,114	949,106
Compensated absences	352,692	384,786	(352,692)	384,786	303,447
	<u>\$ 11,801,774</u>	<u>\$ 4,331,986</u>	<u>\$ (1,539,051)</u>	<u>\$ 14,594,709</u>	<u>\$ 1,706,882</u>

**Note 7. Fund Equity**

In order to meet future needs, the City Council has committed \$2,087,929 of fund equity within the general fund for reserves and emergency needs.

No funds reported negative fund balance as of June 30, 2014.

**CITY OF SHERIDAN, WYOMING**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2014

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**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, 2014, 2013, and 2012 which was \$1,247,398, \$1,209,358, and \$1,239,934, respectively. An overview of the different plans follows.

***Wyoming Retirement System***

The System provides retirement benefits at age 60 with early retirement options available. The System statutorily requires 14.62% of the covered employees' salary to be contributed to the plan, of which is 7.00% is paid by the employee and 7.62% is paid by the City.

Effective July 1, 2014, the employer contribution will increase by 1.25% from 7.62% to 8.87%.

***Wyoming Paid Firemen’s Retirement System***

The System provides retirement benefits at age 50, with early retirement options available. WRS requires 20.725% of the covered employee’s salary to be contributed for City firefighters participating in the plan, of which 2.725% is paid by the employee and 18% is paid by the City. On April 18, 2014 this changed to 8.725% is paid by the employee and 12% is paid by the City.

Effective July 1, 2014, the employee contribution will increase by .52% from 8.725% to 9.245%.

***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 Postclosure 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 \$1,005,301 reported as landfill closure and postclosure care liability at June 30, 2014, represents the cumulative amount estimated to date based on the use of 79% of the estimated capacity of the site. The City will recognize the remaining estimated cost of closure and postclosure care of \$265,676 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 2014.

**CITY OF SHERIDAN, WYOMING**

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

**Note 9. Landfill Postclosure and Monitoring Costs (Continued)**

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 8 years.

The current year expenditure for landfill closure and postclosure care reflected in the Solid Waste Fund was \$67,597.

**Note 10. Primary Government and Component Units 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:

**Transactions with Sheridan Area Water Supply Joint Powers Board**

*Payments to SAWS*

*Big Goose Treated Water Pipeline Loan*

The City owes \$904,973 to SAWS for the City's portion of a construction note. In the current year, the City made its required annual payments of \$69,320 towards the payment of the loan.

\$ 69,320

*Big Goose Water Treatment Plant Loan*

The City owes \$461,466 to SAWS for the City's portion of a construction note. In the current year, the City made its required annual payments of \$25,771 towards the payment of the loan.

25,771

*Due to Component Unit*

The City and SAWS are working together on a construction project called called Conventional WTP Upgrades. The City is administering the current construction. Upon the completion of the project the City will eventually own 28.7% of the asset and SAWS will own 71.3%

Total Conventional WTP Upgrades construction in progress recorded on the City's books	\$ 4,242,068
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Assets that will belong to SAWS at completion	<u>71.3%</u>	<u>3,024,594</u>
Total due to component unit		<u><u>\$ 3,024,594</u></u>

**CITY OF SHERIDAN, WYOMING**

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

**Note 10. Primary Government and Component Units Transactions (Continued)**

***Due from Component Unit***

in prior years, the City contributed to a funds held by SAWS to be used to purchase additional water should it ever become necessary. These funds have continued to be held for such a contingency.

City funds held by SAWS for additional water purchases	\$ 2,727,430	
Interest earned to date on held funds	<u>32,823</u>	\$ 2,760,253

The City and SAWS are working together on a project called Conventional WTP Upgrades. The City has a loan with the Office of State State Land Investments (OSLI). SAWS is responsible for 19% of the total loan amount.

SAWS 19% portion of the amount incurred to date	376,550
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Payments due to the City for reimbursement of shared overhead costs	<u>245,293</u>
Total due from component unit	<u><u>\$ 3,382,096</u></u>

**Note 11. Budgetary Compliance**

For the year ended June 30, 2014, the following expenditures exceeded their final departmental budgets; this is a violation of Wyoming State Statute §16-4-108.

	<u>Budget</u>	<u>Expenditure</u>	<u>Over Expenditure</u>
Municipal Court	\$ 116,673	\$ 132,069	\$ (15,396)
Travel and Tourism	518,735	577,128	(58,393)
Mosquito Control	153,748	182,484	(28,736)

**CITY OF SHERIDAN, WYOMING**

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

**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 2014 were approximately \$141,400.

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 2014 and 2013 were as follows for the City's participation in the Unemployment Compensation Act Program:

	Fiscal Year Ended 2014	Fiscal Year Ended 2013
Unpaid claims, beginning of year	\$ -	\$ -
Incurred claims	1,673	21,001
Claim payments	(1,673)	(21,001)
Unpaid claims, end of year	\$ -	\$ -

**CITY OF SHERIDAN, WYOMING**

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

**Note 13. Construction Commitments**

The City is required by the Department of Environmental Quality to monitor a landfill site for possible contamination (Note 9). 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, 2014, the City has committed to fund various projects in the approximate amounts of \$26.5 million from future appropriations.

Project Name	Original Contract Amount	Expended To Date	Remaining Commitment
Primary government			
Governmental activities			
General Fund			
City Service Center Relocation	\$ 530,000	\$ 345,751	\$ 184,249
WYO Theater	3,303,000	3,302,361	639
Downtown Parking Development	135,000	57,032	77,968
Kendrick Park Pool	100,000	8,500	91,500
Linden Hill Land	25,000	21,189	3,811
W. 5th Street/Mydland Road	100,000	88,191	11,809
WYO/Park Street	8,300,000	5,652,411	2,647,589
Lewis Street Bridge & Pathway	2,800,000	995,332	1,804,668
Illinois Street	2,600,000	646,894	1,953,106
North Sheridan Interchange	8,000,000	161,871	7,838,129
319 Funding	588,500	99,826	488,674
5th St - Mydland to End of Pavement	950,000	15,575	934,425
North West Water Loop	1,711,000	508,176	1,202,824
Total governmental activities	<u>29,142,500</u>	<u>11,903,109</u>	<u>17,239,391</u>

(Continued)

**CITY OF SHERIDAN, WYOMING**

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

**Note 13. Construction Commitments (Continued)**

Project Name	Original Contract Amount	Expended To Date	Remaining Commitment
Business-type activities			
Water and Sewer Fund			
WYO/Park Street	\$ 2,600,000	\$ 2,005,176	\$ 594,824
North Heights Neighborhood	20,000	15,130	4,870
Conventional WTP Upgrades	6,014,096	4,242,068	1,772,028
South Side Sewer Inceptor	1,900,000	1,768,518	131,482
North Sheridan Interchange	2,000,000	27,943	1,972,057
Mydland-Dome PRV's	120,000	754	119,246
North West Water Loop	2,289,000	1,593,468	695,532
Fluoride Addition	650,000	72,837	577,163
WWTP RAS & WAS Pumps	150,000	17,563	132,437
WWTP Dewatering Improvements	3,150,000	25,763	3,124,237
Total Water and Sewer Fund	<u>18,893,096</u>	<u>9,769,220</u>	<u>9,123,876</u>
Solid waste fund			
Landfill Cell 9	1,500,000	1,468,256	31,744
HHW Improvements	120,000	9,870	110,130
Total solid waste fund	<u>1,620,000</u>	<u>1,478,126</u>	<u>141,874</u>
Total business-type activities	<u>20,513,096</u>	<u>11,247,346</u>	<u>9,265,750</u>
Total primary government	<u>\$ 49,655,596</u>	<u>\$ 23,150,455</u>	<u>\$ 26,505,141</u>

**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. Prior Period Adjustment**

**Change in Accounting Estimate**

Derived tax revenues are recognized when the related exchange transaction has occurred as defined by enabling legislation. Governmental Accounting Standards Board Statement (GASB) No. 33 and 36 require that derived tax revenues be recorded in the same period in which the exchange transaction that generates the tax revenue occurs. However the City receives these revenues through the State of Wyoming through a continuing appropriation and the State does not provide periodic notification of the accrual-basis information.

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

**Note 14. Prior Period Adjustment (Continued)**

GASB 36 allows the City to use a reasonable estimate of the amount to be accrued. Traditionally, the City has estimated these amounts by using the subsequent cash remittances received from the State in July, as their best estimate of the additional modified accrual-basis revenue for their fiscal year. There is technically a time lag of two months from the time the taxable transaction occurred to the time the State remits the City's share of the revenue (i.e., the City should consider both July and August subsequent collections as additional modified accrual based revenues).

The City's change in estimating derived tax revenue resulted in the following changes:

General Fund	\$	554,827
Special Revenue Fund		64,493
		<hr/>
Total prior period adjustment	\$	619,320
		<hr/> <hr/>

The annual lease payment for the Golf Fund has been recorded differently from year to year. In some years it was recorded as a prepaid item at year end, and in some as or a payment in the current the fiscal year. Since the payment is due on July 1, any payment in June results in a restricted cash balance with the paying agent as of June 30. The City has not recorded the restricted cash balance. This resulted in City assets being understated. This adjustment increases net position.

Golf Fund	\$	82,084
		<hr/>
Total prior period adjustment	\$	82,084
		<hr/> <hr/>

**Note 15. Subsequent Events**

On November 20, 2014, the City prepaid the total obligation under capital lease of tax exempt equipment in the General, Solid Waste, and Water and Sewer Funds. The due date of the last annual lease payment was originally scheduled for December 1, 2016. The total payoff balance was \$393,988, which consisted of \$375,000 in principal, \$14,963 in interest, \$3,825 in prepayment penalties, and \$200 in trust termination fees. The payment included funds from the debt reserve account of \$179,596 and the remaining payoff balance of \$214,392 was paid from operating cash on hand.

**Note 16. Accounting Standards Issued, But Not Implemented**

As of June 30, 2014, the Governmental Accounting Standards Board has issued the following standards which the City may implement in its next fiscal year.

Governmental Accounting Standards Board Statement 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. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions in regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

**CITY OF SHERIDAN, WYOMING**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2014

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**Note 16. Accounting Standards Issued, But Not Implemented (Continued)**

Governmental Accounting Standards Board Statement No. 71, *Pensions Transition for Contributions Made Subsequent to the Measurement Date (an amendment of GASB Statement No. 68)*, amends Statement 68 related to transition provisions for certain pension contributions made to defined benefit pension plans prior to implementation of Statement 68 by employers and non-employer contributing entities.

Management has not concluded its assessment of the effect of implementing this guidance.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF SHERIDAN, WYOMING**

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND  
BALANCES - BUDGET AND ACTUAL - GENERAL FUND  
Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 11,241,502	\$ 11,641,502	\$ 11,921,190	\$ 279,688
Licenses and permits	723,000	773,000	862,608	89,608
Intergovernmental	-	152,656	108,260	(44,396)
Fines and forfeitures	177,000	177,000	250,720	73,720
Charges for services	396,667	396,667	353,502	(43,165)
Net investment income	15,000	15,000	11,973	(3,027)
Contributions	15,000	15,000	13,726	(1,274)
Miscellaneous revenues	90,000	90,000	87,127	(2,873)
<b>Total revenues</b>	<b>12,658,169</b>	<b>13,260,825</b>	<b>13,609,106</b>	<b>348,281</b>
<b>Expenditures</b>				
<b>Current</b>				
General administration	2,438,834	2,777,219	2,126,189	651,030
Health and welfare	82,263	84,343	72,386	11,957
Public safety	4,991,463	5,223,143	4,994,635	228,508
Public works	3,096,172	3,533,032	3,087,528	445,504
Parks and recreation	425,807	484,007	461,425	22,582
Capital outlay	2,061,800	4,402,370	3,107,852	1,294,518
Debt service - principal	87,003	89,503	296,271	(206,768)
interest	9,358	9,358	14,643	(5,285)
<b>Total expenditures</b>	<b>13,192,700</b>	<b>16,602,975</b>	<b>14,160,929</b>	<b>2,442,046</b>
Deficiency of revenues over expenditures	(534,531)	(3,342,150)	(551,823)	2,790,327

(Continued)

**CITY OF SHERIDAN, WYOMING**

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND  
BALANCES - BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)

Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Other financing sources (uses)				
Operating transfers in	\$ 816,510	\$ 816,510	\$ 982,601	\$ 166,091
Operating transfers out	(87,800)	(239,035)	(290,199)	(51,164)
Other financing sources	-	-	76,328	76,328
Total other financing sources	<u>728,710</u>	<u>577,475</u>	<u>768,730</u>	<u>191,255</u>
Net change in fund balances	194,179	(2,764,675)	216,907	<u>\$ 2,981,582</u>
Fund balance - beginning of year, as previously reported	5,810,057	5,810,057	5,810,057	
Prior period adjustment	<u>554,827</u>	<u>554,827</u>	<u>554,827</u>	
Fund balances - beginning of year, as restated	<u>6,364,884</u>	<u>6,364,884</u>	<u>6,364,884</u>	
Fund balance - end of year	<u>\$ 6,559,063</u>	<u>\$ 3,600,209</u>	<u>\$ 6,581,791</u>	

See accompanying note to required supplementary information

**CITY OF SHERIDAN, WYOMING**

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND  
BALANCES - BUDGET AND ACTUAL - CAPITAL TAX FUND  
Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ -	\$ 2,850,000	\$ 3,057,311	\$ 207,311
Total revenues	-	2,850,000	3,059,213	209,213
Expenditures				
Current				
Public works	-	36,500	36,260	240
Capital outlay	-	3,750,000	2,360,382	1,389,618
Total expenditures	-	3,786,500	2,396,642	1,389,858
Excess (deficiency) of revenues over expenditures	-	(936,500)	662,571	(1,180,645)
Net change in fund balances	-	(936,500)	662,571	\$ 1,599,071
Fund balance - beginning of year	1,159,613	1,159,613	1,159,613	
Fund balance - end of year	\$ 1,159,613	\$ 223,113	\$ 1,822,184	

See accompanying note to required supplementary information

**CITY OF SHERIDAN, WYOMING**

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND  
BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUND  
Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues				
Taxes	\$ 5,213,097	\$ 2,363,097	\$ 2,457,822	\$ 94,725
Intergovernmental	83,700	4,629,713	3,167,578	(1,462,135)
Net investment income	700	700	441	(259)
Contributions	28,850	69,389	125,116	55,727
Miscellaneous revenues	11,000	1,359,043	1,282,730	(76,313)
Total revenues	<u>5,337,347</u>	<u>8,421,942</u>	<u>7,033,687</u>	<u>(1,388,255)</u>
Expenditures				
Current				
General administration	610,210	654,138	626,138	28,000
Health and welfare	90,000	90,000	34,168	55,832
Public safety	298,575	326,245	349,911	(23,666)
Public works	388,000	474,927	335,746	139,181
Parks and recreation	33,000	33,000	38,325	(5,325)
Capital outlay	<u>3,732,570</u>	<u>7,896,807</u>	<u>5,005,715</u>	<u>2,891,092</u>
Total expenditures	<u>5,152,355</u>	<u>9,475,117</u>	<u>6,390,003</u>	<u>3,085,114</u>
Excess (deficiency) of revenues over expenditures	<u>184,992</u>	<u>(1,053,175)</u>	<u>643,684</u>	<u>1,696,859</u>
Other financing sources (uses)				
Operating transfers in	-	5,075	85,171	80,096
Operating transfers out	<u>-</u>	<u>(100,000)</u>	<u>(1,135,208)</u>	<u>(1,035,208)</u>
Total other financing uses	<u>-</u>	<u>(94,925)</u>	<u>(1,050,037)</u>	<u>(955,112)</u>
Net change in fund balances	184,992	(1,148,100)	(406,353)	<u>\$ 741,747</u>
Fund balance - beginning of year, as previously reported	<u>1,773,071</u>	<u>1,773,071</u>	<u>1,773,071</u>	
Prior period adjustment	<u>64,493</u>	<u>64,493</u>	<u>64,493</u>	
Fund balances - beginning of year, as restated	<u>1,837,564</u>	<u>1,837,564</u>	<u>1,837,564</u>	
Fund balance - end of year	<u>\$ 2,022,556</u>	<u>\$ 689,464</u>	<u>\$ 1,431,211</u>	

See accompanying note to required supplementary information

**CITY OF SHERIDAN, WYOMING**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2014

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**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.

## **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:

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

**CITY OF SHERIDAN, WYOMING**

**COMBINING STATEMENT OF NET POSITION - NONMAJOR PROPRIETARY FUNDS**

June 30, 2014

	<u>Mosquito Fund</u>	<u>Total</u>
<b>ASSETS</b>		
Current assets		
Cash	\$ 154,030	\$ 154,030
Service receivables, net	2,946	2,946
Due from other governments	32,194	32,194
Total current assets	<u>189,170</u>	<u>189,170</u>
Capital assets, net of accumulated depreciation	<u>34,837</u>	<u>34,837</u>
Total assets	<u>224,007</u>	<u>224,007</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	<u>39,951</u>	<u>39,951</u>
Total current liabilities	<u>39,951</u>	<u>39,951</u>
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	34,837	34,837
Unrestricted	149,219	149,219
Total net position	<u>\$ 184,056</u>	<u>\$ 184,056</u>

**CITY OF SHERIDAN, WYOMING**

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND BALANCES - NONMAJOR PROPRIETARY FUNDS  
Year Ended June 30, 2014

	Mosquito Fund	Total
Operating revenues		
Service fees	\$ 18,777	\$ 18,777
Other operating income	133,781	133,781
Total operating revenues	152,558	152,558
Operating expenses		
Other operating expenses	178,883	178,883
Depreciation expense	1,239	1,239
Total operating expenses	180,122	180,122
Operating loss	(27,564)	(27,564)
Other financing uses		
Operating transfers out	(3,600)	(3,600)
Total other financing uses	(3,600)	(3,600)
Change in net position	(31,164)	(31,164)
Net position - beginning of year	215,220	215,220
Net position - end of year	\$ 184,056	\$ 184,056

**SINGLE AUDIT SECTION**

**CITY OF SHERIDAN, WYOMING**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2014

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	11-DG-11020000-027	\$ 1,847
Total U.S. Department of Agriculture Forest Service			<u>1,847</u>
<u>U.S. Department of Justice</u>			
Bureau of Justice Assistance			
Bulletproof Vest Partnership Program	16.607	-	<u>1,642</u>
Public Safety Partnership and Community Policing Grants	16.710	2013UMWX0081	<u>15,427</u>
Office of Juvenile Justice and Delinquency Prevention			
Passed through the Wyoming Association			
of Sheriffs and Chiefs of Police			
Enforcing Underage Drinking Laws Program	16.727	-	<u>11,925</u>
Total U.S. Department of Justice			<u>28,994</u>
<u>U. S. Department of Transportation</u>			
Passed through the Wyoming Department of Transportation			
<i>Highway Planning and Construction Cluster</i>			
Highway Planning and Construction	20.205	STP-E-SH 0.00 TL12008	225,094
Highway Planning and Construction	20.205	SR12006	<u>166,974</u>
Total Highway Planning and Construction Cluster			<u>392,068</u>
<i>Highway Safety Cluster</i>			
State and Community Highway Safety	20.600	HS02013-402	2,750
State and Community Highway Safety	20.600	HS02014-402	15,550
Alcohol Impaired Driving Countermeasures Incentive Grant I	20.601	EUDL 2014 - NHTSA	5,225
Alcohol Impaired Driving Countermeasures Incentive Grant I	20.601	HS02013-410	4,050
Alcohol Impaired Driving Countermeasures Incentive Grant I	20.601	HS02013-410 Sturgis	1,000
Alcohol Impaired Driving Countermeasures Incentive Grant I	20.601	HS02014-410	<u>7,300</u>
Total Highway Safety Cluster			<u>35,875</u>
Alcohol Open Container Requirements	20.607	HS02014-402/154 Media	<u>154</u>
Total U.S. Department of Transportation			<u>428,097</u>

(Continued)

See accompanying note to the schedule of expenditures of federal awards

**CITY OF SHERIDAN, WYOMING**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

Year Ended June 30, 2014

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			
<i>Clean Water State Revolving Fund Cluster</i>			
Capitalization Grants for Clean Water			
State Revolving Funds	66.458	CWSRF #126	\$ 152,656
Capitalization Grants for Clean Water			
State Revolving Funds	66.458	CWSRF #135	<u>1,236,503</u>
Total Clean Water State Revolving Fund Cluster			<u>1,389,159</u>
Passed through the Wyoming Department of Environmental Quality			
Nonpoint Source Implementation Grants	66.460	NPS2010D	<u>33,382</u>
Passed through the State Land and Investment Board			
<i>Drinking Water State Revolving Fund Cluster</i>			
Capitalization Grants for Drinking Water			
State Revolving Funds	66.468	DWSRF #123	2,213,097
Capitalization Grants for Drinking Water			
State Revolving Funds	66.468	DWSRF #125	516,020
Capitalization Grants for Drinking Water			
State Revolving Funds	66.468	DWSRF #135	<u>362,372</u>
Total Drinking Water State Revolving Fund Cluster			<u>3,091,489</u>
Total U. S. Environmental Protection Agency			<u>4,514,030</u>
<u>U. S. Department of Health and Human Services</u>			
Passed through the Wyoming Department of Transportation			
Substance Abuse and Mental Health Services Projects			
of Regional and National Significance	93.243	PFS	<u>8,300</u>
Total U.S. Department of Health and Human Services			<u>8,300</u>
<u>U. S. Department of Homeland Security</u>			
Homeland Security Grant Program	97.067	10-GPD-SHE-LP-HLE10	3,018
Homeland Security Grant Program	97.067	11-GPD-SHE-LP-HLE11	24,545
Homeland Security Grant Program	97.067	12-GPD-SHE-LP-HLE12	<u>5,933</u>
Total U.S. Department of Homeland Security			<u>33,496</u>
Total federal awards			<u>\$ 5,014,764</u>

See accompanying note to the schedule of expenditures of federal awards

**CITY OF SHERIDAN, WYOMING**

**NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

June 30, 2014

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**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of the City of Sheridan, Wyoming for the year ended June 30, 2014 and is presented on the cash basis. This is a basis of accounting which differs from generally accepted accounting principles in the United States of America. Therefore, some amounts presented in this Schedule may differ from amounts presented in or used in the preparation of the financial statements.



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

INDEPENDENT AUDITOR’S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the remaining fund information of the City of Sheridan, Wyoming, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Sheridan, Wyoming’s basic financial statements and have issued our report thereon dated January 27, 2015. Our report included an unmodified opinion on the governmental activities, the aggregate discretely presented component units, general fund, debt service fund, capital tax fund, special revenue fund, the water and sewer fund, the golf fund, and the aggregate remaining funds of the City of Sheridan, Wyoming. In addition, we qualified our opinion on the solid waste fund and the business-type activities of the City of Sheridan, Wyoming due to the lack of a professional evaluation of the closure costs and monitoring costs post closure related to its landfill. Our report includes a reference to other auditors who audited the financial statements of the Sheridan Area Water Supply Joint Powers Board, 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***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

A *material weakness* is a deficiency, or 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2014-001 that we consider to be a significant deficiency.

### ***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*.

### ***City of Sheridan, Wyoming's Response to Finding***

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. The City of Sheridan, Wyoming's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

### ***Purpose of this Report***

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



Porter, Muirhead, Cornia & Howard

Certified Public Accountants

Casper, Wyoming  
January 27, 2015



REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

INDEPENDENT AUDITOR'S REPORT

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

**Report on Compliance for the Major Federal Program**

We have audited the City of Sheridan, Wyoming's compliance with the types of compliance requirements described in the *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, 2014. 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.

The City of Sheridan, Wyoming's basic financial statements include the operations of the Sheridan Area Water Supply Joint Powers Board, which did not receive federal awards greater than \$500,000 and are not included in the schedule during the year ended June 30, 2014. Our audit described below, did not include the operations of the Sheridan Area Water Supply Joint Powers Board as these component units engaged other auditors to perform the audit.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City of Sheridan, Wyoming's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of City of Sheridan, Wyoming's compliance.

***Opinion on the Major Federal Program***

In our opinion, City of Sheridan, Wyoming complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2014.

**Report on Internal Control over Compliance**

Management of City of Sheridan, Wyoming is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Sheridan, Wyoming's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program 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 of Sheridan, Wyoming's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Porter, Muirhead, Cornia & Howard  
Certified Public Accountants

Casper, Wyoming  
January 27, 2015

**CITY OF SHERIDAN, WYOMING**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2014

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**Section I – Summary of Auditor’s Results**

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**Financial Statements**

Type of auditor’s report issued	Qualified with respect to the solid waste fund and business-type activities Unmodified with respect to all other opinion units
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	Yes
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?	None reported
Type of auditor’s report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of Circular A-133?	No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
20.205	<i>Highway Planning and Construction Cluster</i> Highway Planning and Construction
66.468	<i>Drinking Water State Revolving Fund Cluster</i> Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**CITY OF SHERIDAN, WYOMING**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2014

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**Section II – Financial Statement Findings**

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**A. Significant Deficiencies in Internal Control**

**YB 2014-001:** Significant Deficiency

***Criteria:***

The Wyoming Uniform Municipal Fiscal Procedures Act (W.S. Title 16 Chapter 4) requires each municipality to propose a budget, hold public hearings on the budget and then adopt a legally restricted budget for a given year or biennium. The budget may be amended after a public hearing by a resolution of the governing body in a public meeting. Amounts expended by the municipality must be equal to or less than the adopted final budget.

***Condition:***

The City overexpended its final budget in three of its budget categories. There was no public hearing to move unexpended appropriation to these departments/funds before the end of the fiscal year and therefore, these expenditures were unauthorized by the constituents of the City. A process of reviewing the City's budgetary compliance during the fiscal year is needed to ensure compliance with Wyoming budget statutes.

***Recommendation:***

In our judgment, management and those charged with governance need to understand the importance of this communication. A process of reviewing the City's budgetary compliance during the fiscal year is needed to ensure compliance with Wyoming budget statutes.

***Response:***

The City will establish a process for reviewing the City's Budgetary compliance during the fiscal year. During our budget revisions, we will review all budget categories to make sure they have the budget to cover the years projected expenditures.

**B. Compliance**

There were no compliance findings.

**CITY OF SHERIDAN, WYOMING**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
Year Ended June 30, 2014

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**Section III - Federal Award Findings and Questioned Costs**

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None.

**CITY OF SHERIDAN, WYOMING**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
Year Ended June 30, 2014

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None.