

CITY OF SHERIDAN, WYOMING
FINANCIAL AND COMPLIANCE REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

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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, 2015, 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 89 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.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sheridan, Wyoming, as of June 30, 2015, 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, budgetary comparison information, and pension schedules 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 and pension schedules 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, Wyoming'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, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis 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 March 14, 2016, on our consideration of the City of Sheridan, Wyoming’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, Wyoming’s internal control over financial reporting and compliance.

Casper, Wyoming
March 14, 2016

Porter, Muirhead, Cornia & Howard
Certified Public Accountants

CITY OF SHERIDAN, WYOMING

MANAGEMENT'S DISCUSSION & ANALYSIS

June 30, 2015

(Unaudited)

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, 2015. 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 participates in the Public Employees' Pension Plan ("PEPP"), a statewide cost-sharing multiple-employer public employee retirement plan administered by the State of Wyoming Retirement System. Implementation of GASB 68 and 71 in fiscal year 2015 required the City to record its proportional share of the overall plan's net position. This resulted in recording a net pension liability of \$18.0 million and \$9.0 million as of June 30, 2015 and 2014, respectively. All plan components, including the major components of participation, eligibility, investment strategy, benefit structure, contribution rates and plan administration are overseen by the Wyoming Retirement System's Board. The City has no control over the plan elements that affect the net position.

The City's total net position decreased by 4.8% (\$7.6 million) during the fiscal year mainly due to the recording of net pension liability during the year which was mentioned previously.

During the fiscal year the City's state shared tax revenues increased 5.4% or \$841,962. This increase is mainly due to increases in supplemental tax of \$542,000, capital facilities tax of \$247,000, and gas tax of \$73,000. 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 governmental expenses increased by 38.7% or nearly \$7.8 million mainly due to the recording of the pension liability for the 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.

CITY OF SHERIDAN, WYOMING

MANAGEMENT'S DISCUSSION & ANALYSIS

June 30, 2015

(Unaudited)

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.

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.
- The government-wide financial statements include not only the City of Sheridan (known as the primary government), but also includes the legally separate entities of the Sheridan Area Water Supply and the Sheridan Economic and Educational Development Authority. Due to the appointment of the board members of these entities or the level of funding the city provides, the City has authority to affect these entities. Financial information for these component units are reported separately from the financial information presented for the primary government itself.

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.

CITY OF SHERIDAN, WYOMING

MANAGEMENT'S DISCUSSION & ANALYSIS

June 30, 2015

(Unaudited)

- *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.

Financial Position

As explained, net position is the difference between assets and liabilities. Between fiscal years 2014 and 2015 combined net assets decreased by approximately 4.8% mainly due to the recording of pension liability.

CITY OF SHERIDAN'S NET POSITION

	Governmental		Business- Type		Total		Total Percent Change
	Activities		Activities				
	Restated 2014	2015	Restated 2014	2015	Restated 2014	2015	
Current and Other Assets	\$ 15,023,492	\$ 14,691,230	\$ 16,856,383	\$ 13,205,339	\$ 31,879,875	\$ 27,896,569	(12.5)%
Capital Assets	76,365,325	80,968,237	86,699,002	90,055,044	163,064,327	171,023,281	4.9%
Total Assets	91,388,817	95,659,467	103,555,385	103,260,383	194,944,202	198,919,850	2.0%
Pension Plan Items	444,064	1,152,239	188,090	444,461	632,154	1,596,700	152.6%
Total Deferred Outflows of Resources	444,064	1,152,239	188,090	444,461	632,154	1,596,700	152.6%
Long-term Liabilities	2,926,339	2,716,731	14,854,489	16,432,841	17,780,828	19,149,572	7.7%
Net Pension Liability	6,845,427	15,383,849	2,173,177	2,666,031	9,018,604	18,049,880	100.1%
Other Liabilities	2,086,383	3,076,591	4,180,239	5,311,946	6,266,622	8,388,537	33.9%
Total Liabilities	11,858,149	21,177,171	21,207,905	24,410,818	33,066,054	45,587,989	37.9%
Property Tax Revenue	1,327,486	1,383,763	-	-	1,327,486	1,383,763	4.2%
Total Deferred Inflows of Resources	1,327,486	1,383,763	-	-	1,327,486	1,383,763	4.2%
Net Position							
Net Investment in							
Capital Assets	74,897,423	79,558,390	73,494,380	77,070,717	148,391,803	156,629,107	5.6%
Restricted	465,490	519,056	-	-	465,490	519,056	11.5%
Unrestricted (Deficit)	3,284,333	(5,826,674)	9,041,190	2,223,309	12,325,523	(3,603,365)	(129.2)%
Total Net Position	\$ 78,647,246	\$ 74,250,772	\$ 82,535,570	\$ 79,294,026	\$ 161,182,816	\$ 153,544,798	(4.7)%

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 City Council are not considered restricted.

Net position for business-type activities decreased by \$3.2 million, or approximately 3.9%. 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.

CITY OF SHERIDAN, WYOMING

MANAGEMENT'S DISCUSSION & ANALYSIS

June 30, 2015

(Unaudited)

Results of Operations

The City's total revenues come from numerous sources. Around 46% 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 33% comes from fees charged for services while property tax revenue represents about 4.8% of total revenues.

During fiscal year 2015, nearly 34% 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 31% of the total costs for City operations with \$7.7 million of the increase coming from the pension liability, while public works activities which include planning, engineering, code enforcement and streets accounted for 10% of the total costs.

CHANGES IN CITY OF SHERIDAN'S NET POSITION

	Governmental Activities		Business- Type Activities		Total		Total Percentage Change
	2014	2015	2014	2015	2014	2015	
Program Revenues							
Charges for Services	\$ 1,169,262	\$ 1,293,351	\$ 11,089,387	\$ 10,603,424	\$ 12,258,649	\$ 11,896,775	(3.0)%
Operating Grants and Other Support	17,704	16,799	-	-	17,704	16,799	(5.1)%
Capital Grants and Other Support	3,694,543	3,306,170	4,356,263	2,080,515	8,050,806	5,386,685	(33.1)%
General Revenues							
Property Taxes	1,748,812	1,734,424	-	-	1,748,812	1,734,424	(0.8)%
Special Assessments	46,129	34,504	-	-	46,129	34,504	(25.2)%
Other Taxes	15,687,511	16,529,473	-	-	15,687,511	16,529,473	5.4%
Miscellaneous Revenues	1,369,857	196,214	-	-	1,369,857	196,214	(85.7)%
Investment Income	14,316	14,016	24,664	26,874	38,980	40,890	4.9%
Total Revenues	23,748,134	23,124,951	15,470,314	12,710,813	39,218,448	35,835,764	(8.6)%
Expenses							
General Administration	6,221,299	4,975,655	-	-	6,221,299	4,975,655	(20.0)%
Public Safety	5,344,546	13,152,711	-	-	5,344,546	13,152,711	146.1%
Health and Welfare	106,554	243,463	-	-	106,554	243,463	128.5%
Public Works	3,459,834	4,224,056	-	-	3,459,834	4,224,056	22.1%
Parks and Recreation	499,750	617,620	-	-	499,750	617,620	23.6%
Interest on Long-term Debt	74,610	44,159	-	-	74,610	44,159	(40.8)%
Unallocated Depreciation	4,414,028	4,653,637	-	-	4,414,028	4,653,637	5.4%
Water and Sewer Fund	-	-	7,233,349	7,601,757	7,233,349	7,601,757	5.1%
Solid Waste Fund	-	-	3,784,609	6,112,067	3,784,609	6,112,067	61.5%
Golf Fund	-	-	619,229	604,700	619,229	604,700	(2.3)%
Nonmajor Funds	-	-	180,122	131,482	180,122	131,482	(27.0)%
Total Expenses	20,120,621	27,911,301	11,817,309	14,450,006	31,937,930	42,361,307	32.6%
Excess (Deficiency)							
Before Transfers	3,627,513	(4,786,350)	3,653,005	(1,739,193)	7,280,518	(6,525,543)	(189.6)%
Transfers	(357,635)	389,876	357,635	(389,876)	-	-	0.0%
Net Capital Assets Contributed to/from							
Component Units	-	-	(2,190,395)	(1,112,475)	(2,190,395)	(1,112,475)	(49.2)%
Increase (Decrease) in Net Position	\$ 3,269,878	\$ (4,396,474)	\$ 4,010,640	\$ (3,241,544)	\$ 7,280,518	\$ (7,638,018)	(204.9)%

CITY OF SHERIDAN, WYOMING

MANAGEMENT'S DISCUSSION & ANALYSIS

June 30, 2015

(Unaudited)

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 1.5% from the prior year and is expected to increase by 4.2% 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, \$1,447,867, \$1,990,141 in supplemental distributions respectively for 2013, 2014, and 2015. The City has already received \$2,202,788 for fiscal year 2016 and currently for fiscal 2017 and 2018 the amount is yet to be determined by State Legislature. 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 \$27.9 million, an increase of 38.7% from last year. As mentioned before the recording for the pension expense accounted for \$7.9 million of this increase for the year. The City received \$1.3 million from those who directly benefited from charged services (i.e. permits, licenses, and fines). The City also received nearly \$3.3 million from other governments and organizations that subsidized certain programs through grants and contributions.

Net Cost of City of Sheridan’s Governmental Activities

	Total Cost			Net Cost (Revenues)		
	Of Services		Percentage Change	Of Services		Percentage Change
	2014	2015		2014	2015	
General Administration	\$ 6,221,299	\$ 4,975,655	(20.0)%	\$ 4,708,812	\$ 3,216,981	(31.7)%
Public Safety	5,344,546	13,152,711	146.1%	5,125,443	12,871,635	151.1%
Health and Welfare	106,554	243,463	128.5%	106,554	243,463	128.5%
Public Works	3,459,834	4,224,056	22.1%	2,104,166	1,801,720	(14.4)%
Parks and Recreation	499,750	617,620	23.6%	(1,294,501)	463,386	(135.8)%
Interest on long-term debt	74,610	44,159	(40.8)%	74,610	44,159	(40.8)%
Unallocated depreciation	4,414,028	4,653,637	5.4%	4,414,028	4,653,637	5.4%
Total	\$ 20,120,621	\$ 27,911,301	38.7%	\$ 15,239,112	\$ 23,294,981	52.9%

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 recording of the pension liability.

CITY OF SHERIDAN, WYOMING

MANAGEMENT'S DISCUSSION & ANALYSIS

June 30, 2015

(Unaudited)

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's combined fund balance in its governmental funds at June 30, 2015 was approximately \$9.2 million, a decrease of \$1,100,000 versus 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 \$519,056 that is restricted for SID payments and \$2.6 million in commitments related to general cash reserves. These amounts affect availability of the City's funds.

General Fund Budgetary Highlights

General Fund Budget Analysis

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Percentage Change</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Percentage Change</u>
Revenues	\$ 13,658,250	\$ 13,709,410	0.4%	\$ 13,709,410	\$ 13,693,966	(0.1)%
Expenditures						
General Administration	\$ 3,089,603	\$ 3,335,699	8.0%	\$ 3,335,699	\$ 2,373,059	(28.9)%
Health and Welfare	107,394	115,903	7.9%	115,903	93,836	(19.0)%
Public Safety	5,217,019	5,339,476	2.3%	5,339,476	5,165,089	(3.3)%
Public Works	3,520,094	3,767,553	7.0%	3,767,553	3,626,155	(3.8)%
Parks and Recreation	597,268	604,149	1.2%	604,149	580,166	(4.0)%
Capital Outlay	2,060,000	1,146,495	(44.3)%	1,146,495	823,939	(28.1)%
Debt Service	60,500	392,999	549.6%	392,999	460,666	17.2%
Total	\$ 14,651,878	\$ 14,702,274	0.3%	\$ 14,702,274	\$ 13,122,910	(10.7)%

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.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2015, the City has invested \$171 million (net of depreciation) in a broad range of capital assets, including police & fire equipment, buildings, park facilities, automobiles, and water and sewer lines.

CITY OF SHERIDAN, WYOMING

MANAGEMENT'S DISCUSSION & ANALYSIS

June 30, 2015

(Unaudited)

This represents an increase of 4.9% over last year. More detailed information concerning the City's capital assets can be found in the notes to the financial statements.

	<i>City of Sheridan's Capital Assets</i>						Total Percentage Change
	Governmental Activities		Business-Type Activities		Total		
	2014	2015	2014	2015	2014	2015	
Land	\$ 4,590,702	\$ 4,767,744	\$ 1,091,984	\$ 1,091,984	\$ 5,682,686	\$ 5,859,728	3.1%
Construction in progress	11,903,109	15,075,578	11,247,346	15,453,440	23,150,455	30,529,018	31.9%
Infrastructure	75,131,926	75,626,231	-	-	75,131,926	75,626,231	0.7%
Buildings	10,731,654	14,669,709	19,814,261	20,006,159	30,545,915	34,675,868	13.5%
Improvements, other than buildings	12,188,669	13,012,547	85,582,157	87,190,994	97,770,826	100,203,541	2.5%
Machinery and equipment	12,972,119	13,114,877	12,099,806	12,955,059	25,071,925	26,069,936	4.0%
Accumulated Depreciation	(51,152,854)	(55,298,449)	(43,136,553)	(46,642,592)	(94,289,407)	(101,941,041)	8.1%
Total	\$ 76,365,325	\$ 80,968,237	\$ 86,699,001	\$ 90,055,044	\$ 163,064,326	\$ 171,023,281	4.9%

This year's major capital asset additions included WYO Theater Renovations, Landfill Cell 9, land additions, Pathway and Safe Routes to School improvements, forklifts, utility vehicles, pumps, Household Hazardous Waste building, recycling center equipment, storage containers, computers and servers, City Service Center/Shop Improvements, City Hall remodel, Fire Station improvements, City Park improvements, patrol vehicles, loader, grader, storm inceptors, and sculptures.

Outstanding Long-Term Debt

	<i>City of Sheridan's Outstanding Debt</i>						Total Percent Change
	Governmental Activities		Business-Type Activities		Total		
	Restated		Restated		Restated		
	2014	2015	2014	2015	2014	2015	
Special Assessment Bonds	\$ 1,160,000	\$ 1,045,000	\$ -	\$ -	\$ 1,160,000	\$ 1,045,000	(9.9)%
Capital Leases	229,669	364,847	2,738,287	1,250,351	2,967,956	1,615,198	(45.6)%
State Loan and Investment Board	78,233	-	10,726,114	11,733,976	10,804,347	11,733,976	8.6%
Repayment of sales tax	455,599	303,733	-	-	455,599	303,733	(33.3)%
Compensated absences	1,002,838	1,003,151	384,786	403,576	1,387,624	1,406,727	1.4%
Landfill closure liability	-	-	1,005,301	3,044,938	1,005,301	3,044,938	202.9%
Net pension liability	6,845,427	15,383,849	2,173,177	2,666,031	9,018,604	18,049,880	100.1%
Total	\$ 9,771,766	\$ 18,100,580	\$ 17,027,665	\$ 19,098,872	\$ 26,799,431	\$ 37,199,452	38.8%

At year end the City had \$37.2 million in outstanding debt, an increase of 38.8% or nearly \$10.4 million from last year, mainly due to the recording of the net pension liability (\$9.0 million increase in FY2015) mentioned earlier in the financial highlights. More detailed information can be found in the notes to the financial statements.

CITY OF SHERIDAN, WYOMING

MANAGEMENT'S DISCUSSION & ANALYSIS

June 30, 2015

(Unaudited)

FUTURE OF THE CITY

- 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 \$2.2 million, which the City received in August of 2015. These funds are to help alleviate the effect of capping the severance tax and mineral royalty revenues. For fiscal year 2016, the State Legislature has requested the supplemental distributions not be used for salary adjustments, additional personnel or increased personnel benefits. Currently, the amounts for fiscal years 2017 and 2018 have yet to be determined by the State Legislature. Last year was first time the City of Sheridan had received hardship funds of \$445,000 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 in November 2013 reapproved the 1 cent Capital Facilities 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.
- State Legislative efforts to "fully fund" pensions for all public employees, especially Fire Plan A & B, Law Enforcement, 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.
- With the decrease in oil and gas prices and decline and/or lack of new exploration for these mineral sources, the City will possibly see a decrease in severance and mineral revenues, as well as sales and use taxes until we see a turnaround in these markets.
- The above factors will have a dramatic effect on the City's activities and will be taken into account when adopting the general fund budget for 2017 and 2018.

Current projects of the City are the continuation of the Pathway Projects, Lewis Street Bridge and Pathway, Street overlay program, 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, 4MG Tank repairs, Hydropower project, Leopard Street Waterline replacement, Loucks Street & Waterline replacement, 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, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 9,791,140	\$ 7,470,682	\$ 17,261,822
Restricted cash	-	-	-
Investments	16,869	83,977	100,846
Real estate held for sale	-	-	-
Prepaid items	525	-	525
Inventory	-	77,855	77,855
Net pension asset	43,087	-	43,087
Accounts receivable, net	277,406	1,547,025	1,824,431
Special assessments receivable, net	958,939	-	958,939
Due from other governments	3,603,264	389,990	3,993,254
Due from component unit	-	3,635,810	3,635,810
Due from primary government	-	-	-
Note receivable - long-term	-	-	-
Capital assets not being depreciated	19,843,322	16,545,424	36,388,746
Capital assets, net of accumulated depreciation	61,124,915	73,509,620	134,634,535
Total assets	<u>95,659,467</u>	<u>103,260,383</u>	<u>198,919,850</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension plan items	<u>1,152,239</u>	<u>444,461</u>	<u>1,596,700</u>

See accompanying notes to the financial statements

Component Units

Sheridan Area Water Supply	Sheridan Economic and Educational Development Authority	Total
\$ 1,831,614	\$ 52,718	\$ 1,884,332
6,270,669	-	6,270,669
-	-	-
-	2,647,563	2,647,563
-	500	500
-	-	-
-	-	-
134,789	9,000	143,789
-	-	-
-	-	-
-	-	-
4,259,939	-	4,259,939
1,242,741	-	1,242,741
614,961	426,500	1,041,461
30,363,672	2,643,416	33,007,088
<u>44,718,385</u>	<u>5,779,697</u>	<u>50,498,082</u>
-	-	-

(Continued)

CITY OF SHERIDAN, WYOMING

STATEMENT OF NET POSITION (CONTINUED)

June 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accounts payable	\$ 2,879,805	\$ 690,578	\$ 3,570,383
Accrued liabilities	196,786	93,492	290,278
Accrued interest payable		144,731	144,731
Deposits due to others	-	123,206	123,206
Due to primary government	-	-	-
Due to component unit	-	4,259,939	4,259,939
Long-term liabilities			
Due within one year	987,494	1,673,031	2,660,525
Due in more than one year	1,729,237	14,759,810	16,489,047
Net pension liability	15,383,849	2,666,031	18,049,880
Total liabilities	<u>21,177,171</u>	<u>24,410,818</u>	<u>45,587,989</u>
DEFERRED INFLOWS OF RESOURCES			
Property tax revenue	1,383,763	-	1,383,763
Total deferred inflows of resources	<u>1,383,763</u>	<u>-</u>	<u>1,383,763</u>
NET POSITION			
Net investment in capital assets	79,558,390	77,070,717	156,629,107
Restricted for			
Special revenue fund	-	-	-
Debt service	519,056	-	519,056
Sheridan Area Water Supply	-	-	-
Unrestricted (deficit)	(5,826,674)	2,223,309	(3,603,365)
Total net position	<u>\$ 74,250,772</u>	<u>\$ 79,294,026</u>	<u>\$ 153,544,798</u>

See accompanying notes to the financial statements

Component Units		
Sheridan Area Water Supply	Sheridan Economic and Educational Development Authority	Total
\$ -	\$ 160	\$ 160
-	-	-
74,186	-	74,186
-	-	-
3,635,810	-	3,635,810
-	-	-
239,740	-	239,740
3,902,614	-	3,902,614
-	-	-
<u>7,852,350</u>	<u>160</u>	<u>7,852,510</u>
-	-	-
-	-	-
27,209,112	3,069,916	30,279,028
-	-	-
-	-	-
2,269,167	-	2,269,167
7,387,756	2,709,621	10,097,377
<u>\$ 36,866,035</u>	<u>\$ 5,779,537</u>	<u>\$ 42,645,572</u>

CITY OF SHERIDAN, WYOMING

STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General administration	\$ 4,975,655	\$ 1,293,351	\$ -	\$ 465,323
Health and welfare	243,463	-	-	-
Public safety	13,152,711	-	-	281,076
Public works	4,224,056	-	-	2,422,336
Parks and recreation	617,620	-	16,799	137,435
Interest on long-term debt	44,159	-	-	-
Unallocated depreciation	4,653,637	-	-	-
Total governmental activities	<u>27,911,301</u>	<u>1,293,351</u>	<u>16,799</u>	<u>3,306,170</u>
Business-type activities				
Solid waste fund	6,112,067	4,485,932	-	-
Water and sewer fund	7,601,757	5,636,796	-	2,080,515
Golf fund	604,700	331,577	-	-
Nonmajor funds	131,482	149,119	-	-
Total business-type activities	<u>14,450,006</u>	<u>10,603,424</u>	<u>-</u>	<u>2,080,515</u>
Total primary government	<u>\$ 42,361,307</u>	<u>\$ 11,896,775</u>	<u>\$ 16,799</u>	<u>\$ 5,386,685</u>
Component units				
Sheridan Area Water Supply	\$ 1,640,473	\$ 1,439,814	\$ -	\$ -
Sheridan Economic and Educational Development Authority	114,754	-	-	16,500
Total component units	<u>\$ 1,755,227</u>	<u>\$ 1,439,814</u>	<u>\$ -</u>	<u>\$ 16,500</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
\$ (3,216,981)	\$ -	\$ (3,216,981)	\$ -	\$ -	\$ -
(243,463)	-	(243,463)	-	-	-
(12,871,635)	-	(12,871,635)	-	-	-
(1,801,720)	-	(1,801,720)	-	-	-
(463,386)	-	(463,386)	-	-	-
(44,159)	-	(44,159)	-	-	-
(4,653,637)	-	(4,653,637)	-	-	-
(23,294,981)	-	(23,294,981)	-	-	-
-	(1,626,135)	(1,626,135)	-	-	-
-	115,554	115,554	-	-	-
-	(273,123)	(273,123)	-	-	-
-	17,637	17,637	-	-	-
-	(1,766,067)	(1,766,067)	-	-	-
(23,294,981)	(1,766,067)	(25,061,048)	-	-	-
-	-	-	(200,659)	-	(200,659)
-	-	-	-	(98,254)	(98,254)
-	-	-	(200,659)	(98,254)	(298,913)
1,734,424	-	1,734,424	-	-	-
34,504	-	34,504	-	-	-
15,678,011	-	15,678,011	-	-	-
851,462	-	851,462	-	-	-
196,214	-	196,214	-	-	-
-	-	-	-	10,207	10,207
14,016	26,874	40,890	47,078	-	47,078
-	(1,112,475)	(1,112,475)	1,112,475	-	1,112,475
389,876	(389,876)	-	-	-	-
18,898,507	(1,475,477)	17,423,030	1,159,553	10,207	1,169,760
(4,396,474)	(3,241,544)	(7,638,018)	958,894	(88,047)	870,847
84,909,101	84,644,437	169,553,538	35,907,141	5,867,584	41,774,725
(6,261,855)	(2,108,867)	(8,370,722)	-	-	-
78,647,246	82,535,570	161,182,816	35,907,141	5,867,584	41,774,725
\$ 74,250,772	\$ 79,294,026	\$ 153,544,798	\$ 36,866,035	\$ 5,779,537	\$ 42,645,572

CITY OF SHERIDAN, WYOMING

BALANCE SHEET -
GOVERNMENTAL FUNDS
June 30, 2015

	General Fund	Debt Service Fund	Capital Tax Fund
ASSETS			
Cash and cash equivalents	\$ 5,317,157	\$ 518,779	\$ 360,492
Investments	16,869	-	-
Accounts receivable, net	147,034	-	-
Special assessments receivable, net	-	958,939	-
Due from other governments	2,823,603	-	-
Prepaid items	525	-	-
Total assets	<u>\$ 8,305,188</u>	<u>\$ 1,477,718</u>	<u>\$ 360,492</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 800,196	\$ -	\$ -
Accrued liabilities	196,363	-	-
Compensated absences payable	38,180	-	-
Total liabilities	<u>1,034,739</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources			
Property tax revenue	1,383,763	-	-
Special assessments	-	958,662	-
Total deferred inflows of resources	<u>1,383,763</u>	<u>958,662</u>	<u>-</u>
Fund balances			
Nonspendable - related prepaid items	525	-	-
Restricted for debt service	-	519,056	-
Committed	2,550,724	-	-
Unassigned	3,335,437	-	360,492
Total fund balances	<u>5,886,686</u>	<u>519,056</u>	<u>360,492</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,305,188</u>	<u>\$ 1,477,718</u>	<u>\$ 360,492</u>

See accompanying notes to the financial statements

Special Revenue Fund	Total Governmental Funds
\$ 3,594,712	\$ 9,791,140
-	16,869
130,372	277,406
-	958,939
779,661	3,603,264
-	525
<u>\$ 4,504,745</u>	<u>\$14,648,143</u>

\$ 2,079,609	\$ 2,879,805
423	196,786
-	38,180
<u>2,080,032</u>	<u>3,114,771</u>

-	1,383,763
<u>-</u>	<u>958,662</u>
<u>-</u>	<u>2,342,425</u>

-	525
-	519,056
-	2,550,724
2,424,713	6,120,642
<u>2,424,713</u>	<u>9,190,947</u>

<u>\$ 4,504,745</u>	<u>\$14,648,143</u>
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CITY OF SHERIDAN, WYOMING

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

June 30, 2015

Total fund balances - governmental funds		\$ 9,190,947
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.		80,968,237
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		958,662
Deferred outflows are not available to pay for current period expenditures and therefore the underlying resources		
Net pension assets	\$ 43,087	
Pension contributions subsequent to measurement date	478,209	
Difference in investment returns on pension investments	<u>674,030</u>	1,195,326
Some liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds.		
Capital leases	(364,847)	
Repayment of sales tax	(303,733)	
Compensated absences	(1,003,151)	
Compensated absences due and payable in the funds	38,180	
Special assessment bonds	(1,045,000)	
Pension liability	<u>(15,383,849)</u>	(18,062,400)
Net position of governmental activities		<u>\$ 74,250,772</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, 2015

	General Fund	Debt Service Fund	Capital Tax Fund
Revenues			
Taxes	\$ 11,901,305	\$ -	\$ 3,304,409
Licenses and permits	960,236	-	-
Intergovernmental	146,907	-	-
Special assessments	-	213,527	-
Fines and forfeitures	293,985	-	-
Charges for services	345,529	-	-
Net investment income	8,602	-	4,155
Contributions	12,017	-	-
Miscellaneous revenues	25,385	-	-
Total revenues	13,693,966	213,527	3,308,564
Expenditures			
Current			
General administration	2,373,059	-	-
Health and welfare	93,836	-	-
Public safety	5,165,089	-	-
Public works	3,626,155	1,700	-
Parks and recreation	580,166	-	-
Capital outlay	823,939	-	31,724
Debt service - principal	459,768	115,000	-
interest	898	43,261	-
Total expenditures	13,122,910	159,961	31,724
Excess (deficiency) of revenues over (under) expenditures	571,056	53,566	3,276,840
Other financing sources (uses)			
Transfers in	1,084,067	-	-
Transfers out	(2,715,075)	-	(4,738,532)
Other financing source	364,847	-	-
Total other financing sources (uses)	(1,266,161)	-	(4,738,532)
Net change in fund balances	(695,105)	53,566	(1,461,692)
Fund balances - beginning of year	6,581,791	465,490	1,822,184
Fund balances - end of year	\$ 5,886,686	\$ 519,056	\$ 360,492

See accompanying notes to the financial statements

Special Revenue Fund	Total Governmental Funds
\$ 3,058,183	\$ 18,263,897
-	960,236
2,745,188	2,892,095
-	213,527
-	293,985
-	345,529
1,259	14,016
112,458	124,475
170,829	196,214
6,087,917	23,303,974
805,601	3,178,660
146,543	240,379
255,803	5,420,892
471,096	4,098,951
23,034	603,200
10,151,754	11,007,417
-	574,768
-	44,159
11,853,831	25,168,426
(5,765,914)	(1,864,452)
9,952,664	11,036,731
(3,193,248)	(10,646,855)
-	364,847
6,759,416	754,723
993,502	(1,109,729)
1,431,211	10,300,676
\$ 2,424,713	\$ 9,190,947

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, 2015

Change in fund balances as reported in the governmental fund statement		\$ (1,109,729)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital asset additions	\$ 9,335,838	
Loss on disposal	(79,289)	
Depreciation	<u>(4,653,637)</u>	4,602,912
Certain revenues are not recognized as current financial resources and, therefore, are not reported as revenues in governmental funds.		
Current year deferred revenue	958,662	
Prior year deferred revenue	<u>(1,137,686)</u>	(179,024)
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.		345,099
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.		229,669
Pension expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures governmental funds		
Pension liability as of June 30, 2014	6,845,427	
Pension liability as of June 30, 2015	(15,383,849)	
Deferred outflows - pension contributions and differences in investment returns as of June 30, 2014	(444,064)	
Deferred outflows - pension contributions and differences in investment returns as of June 30, 2015	1,152,239	(7,830,247)
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.		
Net pension assets - current year	43,087	
Net pension assets - prior year	(139,508)	
Proceeds from capital lease	(364,847)	
Current portion accrued compensated absences - current year	38,180	
Current portion accrued compensated absences - prior year	(31,753)	
Total compensated absences - current year	(1,003,151)	
Total compensated absences - prior year	<u>1,002,838</u>	<u>(455,154)</u>
Change in net position of governmental activities		<u>\$ (4,396,474)</u>

See accompanying notes to the financial statements

CITY OF SHERIDAN, WYOMING

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

June 30, 2015

	Solid Waste Fund	Water and Sewer Fund	Golf Fund
ASSETS			
Current assets			
Cash and cash equivalents	\$ 3,329,064	\$ 3,966,456	\$ 6,486
Service receivables, net	542,341	985,506	16,183
Investments	21,899	62,078	-
Due from other governments	360,000	-	-
Due from component unit	-	3,635,810	-
Inventory	-	77,855	-
Total current assets	<u>4,253,304</u>	<u>8,727,705</u>	<u>22,669</u>
Capital assets, net of accumulated depreciation	<u>8,554,074</u>	<u>80,619,580</u>	<u>847,711</u>
Total assets	<u>12,807,378</u>	<u>89,347,285</u>	<u>870,380</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension plan items	<u>170,869</u>	<u>273,592</u>	<u>-</u>
LIABILITIES			
Current liabilities			
Accounts payable	323,958	319,679	9,694
Accrued liabilities	37,711	55,781	-
Accrued interest payable	42,011	99,243	3,477
Due to component unit	-	4,259,939	-
Deposits due to others	-	123,206	-
Compensated absences payable, current portion	148,281	255,295	-
Current portion of capital leases payable	242,451	-	22,766
Current portion of notes payable	527,015	477,223	-
Total current liabilities	<u>1,321,427</u>	<u>5,590,366</u>	<u>35,937</u>
Long-term liabilities			
Net pension liability	963,759	1,702,272	-
Landfill closure liability	3,044,938	-	-
Notes payable	2,057,038	8,672,700	-
Capital leases payable	870,255	-	114,879
Total long-term liabilities	<u>6,935,990</u>	<u>10,374,972</u>	<u>114,879</u>
NET POSITION			
Net investment in capital assets	4,857,315	71,469,657	710,066
Unrestricted	(136,485)	2,185,882	9,498
Total net position	<u>\$ 4,720,830</u>	<u>\$ 73,655,539</u>	<u>\$ 719,564</u>

See accompanying notes to the financial statements

Mosquito Fund	Totals
\$ 168,676	\$ 7,470,682
2,995	1,547,025
-	83,977
29,990	389,990
-	3,635,810
-	77,855
<u>201,661</u>	<u>13,205,339</u>
33,679	90,055,044
<u>235,340</u>	<u>103,260,383</u>
-	444,461
37,247	690,578
-	93,492
-	144,731
-	4,259,939
-	123,206
-	403,576
-	265,217
-	1,004,238
<u>37,247</u>	<u>6,984,977</u>
-	2,666,031
-	3,044,938
-	10,729,738
-	985,134
<u>-</u>	<u>17,425,841</u>
33,679	77,070,717
164,414	2,223,309
<u>\$ 198,093</u>	<u>\$ 79,294,026</u>

CITY OF SHERIDAN, WYOMING

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

Year Ended June 30, 2015

	Solid Waste Fund	Water and Sewer Fund	Golf Fund
Operating revenues			
Service fees	\$ 4,480,173	\$ 5,633,746	\$ 331,577
Other operating revenue	5,759	3,050	-
Total operating revenues	<u>4,485,932</u>	<u>5,636,796</u>	<u>331,577</u>
Operating expenses			
Salaries and benefits	1,588,332	2,433,502	-
Other operating expenses	1,686,420	2,232,785	380,769
Landfill closure costs	2,039,637	-	-
Depreciation expense	690,844	2,797,006	186,510
Total operating expenses	<u>6,005,233</u>	<u>7,463,293</u>	<u>567,279</u>
Operating income (loss)	(1,519,301)	(1,826,497)	(235,702)
Nonoperating revenues (expenses)			
Net investment income	6,381	17,660	2,833
Interest expense	(106,834)	(138,464)	(37,421)
Total nonoperating revenues (expenses)	<u>(100,453)</u>	<u>(120,804)</u>	<u>(34,588)</u>
Income (loss) before contributions and transfers	(1,619,754)	(1,947,301)	(270,290)
Other financing sources (uses)			
Net capital assets contributed to/from component units	-	(1,112,475)	-
Grants and contributions	-	2,080,515	-
Transfers in	-	3,049,145	795,715
Transfers out	(704,000)	(3,515,336)	(11,800)
Total other financing sources (uses)	<u>(704,000)</u>	<u>501,849</u>	<u>783,915</u>
Change in net position	<u>(2,323,754)</u>	<u>(1,445,452)</u>	<u>513,625</u>
Net position - beginning of year, as previously reported	8,011,635	76,242,807	205,939
Prior period adjustment	(967,051)	(1,141,816)	-
Net position - beginning of year, as restated	<u>7,044,584</u>	<u>75,100,991</u>	<u>205,939</u>
Net position - end of year	<u>\$ 4,720,830</u>	<u>\$ 73,655,539</u>	<u>\$ 719,564</u>

See accompanying notes to the financial statements

Mosquito Fund	Totals
\$ 18,958	\$ 10,464,454
130,161	138,970
<u>149,119</u>	<u>10,603,424</u>
-	4,021,834
130,324	4,430,298
-	2,039,637
1,158	3,675,518
<u>131,482</u>	<u>14,167,287</u>
17,637	(3,563,863)
-	26,874
-	(282,719)
<u>-</u>	<u>(255,845)</u>
17,637	(3,819,708)
-	(1,112,475)
-	2,080,515
-	3,844,860
(3,600)	(4,234,736)
<u>(3,600)</u>	<u>578,164</u>
14,037	(3,241,544)
184,056	84,644,437
-	(2,108,867)
<u>184,056</u>	<u>82,535,570</u>
<u>\$ 198,093</u>	<u>\$ 79,294,026</u>

CITY OF SHERIDAN, WYOMING

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
Year Ended June 30, 2015

	Business-type Activities - Enterprise Funds		
	Solid Waste Fund	Water and Sewer Fund	Golf Fund
Cash Flows from Operating Activities			
Cash receipts from services	\$ 4,626,974	\$ 5,391,829	\$ 335,760
Cash paid to suppliers for goods and services	(1,650,831)	(2,490,678)	(399,970)
Cash paid to employees for services	(1,372,999)	(2,118,332)	-
Net cash provided by (used in) operating activities	<u>1,603,144</u>	<u>782,819</u>	<u>(64,210)</u>
Cash Flows from Noncapital Financing Activities			
Transfers in	-	3,049,145	795,715
Transfers out	(704,000)	(3,515,336)	(11,800)
Net cash provided by (used in) noncapital financing activities	<u>(704,000)</u>	<u>(466,191)</u>	<u>783,915</u>
Cash Flows from Capital and Related Financing Activities			
Capital grants from federal and state sources	-	3,385,244	-
Acquisition of notes payable and capital leases	106,120	1,735,660	-
Principal payments on notes payable to the Office of State Land and Investments	(516,650)	(317,267)	-
Principal payments on capital leases	(729,095)	(11,563)	(747,280)
Interest paid on capital debt	(111,790)	(115,373)	(73,191)
Purchases of property and equipment	(906,934)	(6,124,626)	-
Net cash used in capital and related financing activities	<u>(2,158,349)</u>	<u>(1,447,925)</u>	<u>(820,471)</u>
Cash Flows from Investing Activities			
Proceeds from the sale of investments	(749)	(2,299)	-
Interest received	6,380	17,660	2,833
Net cash provided by investing activities	<u>5,631</u>	<u>15,361</u>	<u>2,833</u>
 Net increase (decrease) in cash and cash equivalents	 (1,253,574)	 (1,115,936)	 (97,933)
Cash and cash equivalents - beginning of year	4,582,638	5,082,392	104,419
Cash and cash equivalents - end of year	<u>\$ 3,329,064</u>	<u>\$ 3,966,456</u>	<u>\$ 6,486</u>
 Reported in the following captions			
Cash and cash equivalents	<u>3,329,064</u>	<u>3,966,456</u>	<u>6,486</u>
	<u>\$ 3,329,064</u>	<u>\$ 3,966,456</u>	<u>\$ 6,486</u>

See accompanying notes to the financial statements

Mosquito Fund	Totals
\$ 151,274	\$ 10,505,837
(133,028)	(4,674,507)
-	(3,491,331)
<u>18,246</u>	<u>2,339,999</u>
-	3,844,860
<u>(3,600)</u>	<u>(4,234,736)</u>
<u>(3,600)</u>	<u>(389,876)</u>
-	3,385,244
-	1,841,780
-	(833,917)
-	(1,487,938)
-	(300,354)
-	(7,031,560)
<u>-</u>	<u>(4,426,745)</u>
-	(3,048)
-	26,873
<u>-</u>	<u>23,825</u>
14,646	(2,452,797)
154,030	9,923,479
<u>\$ 168,676</u>	<u>\$ 7,470,682</u>
<u>168,676</u>	<u>7,470,682</u>
<u>\$ 168,676</u>	<u>\$ 7,470,682</u>

(Continued)

CITY OF SHERIDAN, WYOMING

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)
 Year Ended June 30, 2015

	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)	\$ (1,519,301)	\$ (1,826,497)	\$ (235,702)
Adjustments to reconcile operating income (loss) to cash provided by (used in) operating activities			
Depreciation expense	690,844	2,797,006	186,510
Amortization of differences on pension investment earnings	21,748	34,823	-
Landfill closure costs	2,039,637	-	-
Increase (decrease) in cash resulting from changes in operating assets, deferred outflows, and liabilities			
Service receivables, net	523	4,122	4,183
Due from other governments	140,519	-	-
Due from component unit	-	(253,714)	-
Inventory	-	(21,233)	-
Prepaid items	3,653	15,734	624
Deferred outflow - pension plan items	(125,602)	(187,340)	-
Accounts payable	135,790	(358,748)	(19,825)
Accrued liabilities	8,200	10,659	-
Due to component units	-	258,871	-
Deposits due to others	-	4,625	-
Compensated absences payable	17,660	1,130	-
Net pension liability	189,473	303,381	-
Net cash provided by (used in) operating activities	\$ 1,603,144	\$ 782,819	\$ (64,210)
Noncash investing, capital and related financing activities			
Prior period adjustment for due from component units	\$ -	\$ (136,000)	\$ -
Prior period adjustment for pension liabilities	\$ 707,271	\$ 1,277,816	\$ -

See accompanying notes to the financial statements

Nonmajor Funds	Totals
\$ 17,637	\$ (3,563,863)
1,158	3,675,518
-	56,571
-	2,039,637
(49)	8,779
2,204	142,723
-	(253,714)
-	(21,233)
-	20,011
-	(312,942)
(2,704)	(245,487)
-	18,859
-	258,871
-	4,625
-	18,790
-	492,854
\$ 18,246	\$ 2,339,999

\$ - \$ (136,000)
 \$ - \$ 1,985,087

CITY OF SHERIDAN, WYOMING

STATEMENT OF FIDUCIARY NET POSITION -
 FIDUCIARY FUNDS
 June 30, 2015

	Agency Funds		
	Crime Victims Fund	Wyoming Court Automation Fees Fund	Total
	\$	\$	\$
ASSETS			
Cash	1,465	2,360	3,825
 Total assets	\$ 1,465	\$ 2,360	\$ 3,825
 LIABILITIES			
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, 2015

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 and Northern Wyoming Community College. 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 for which the City has no significant financial accountability. The District 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.

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

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, 2015, the City paid the Sheridan Recreation District \$125,250 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, 2015

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.

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.

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

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

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

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.

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.

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

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

Receivables and Payables (Continued)

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 2015 property taxes were levied as of July 1, 2014 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, 2015. 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, 2015 and are recorded as prepaid expenses in enterprise funds or prepaid expenditures in governmental funds.

Inventories

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

Capital Assets

Capital assets, which include property, plant, 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

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

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

Capital Assets (Continued)

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, 2015.

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, 2015, 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.

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the pension plan items reported in the government-wide and proprietary funds statement of net position. The pension plan items are the result of differences between projected and actual earning on pension plan items, as well as the City's contributions subsequent to the measurement date used by the Wyoming Retirement System for the pension plan liability.

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.

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, 2015.

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

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

Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation, sick and holiday leave benefits, which will be paid to the employees upon separation from the City. In governmental and fiduciary funds, the cost for these benefits is recognized when payments are made. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. A long-term liability of approximately \$1,407,000 for accrued vacation, sick and holiday leave, with accrued benefits as of June 30, 2015, 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.

Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported within the appropriate component of fund balance based on the classifications noted below. Encumbrances 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, 2015 were as follow:

General Fund	\$	155,870
Special Revenue Fund		62,464
Water and Sewer Fund		65,820
Solid Waste Fund		87,843
	\$	<u>371,997</u>

Pensions

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

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 balance is a limitation imposed by the City Council's board through measures less than a resolution or by their designee. 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, 2015

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, 2015, 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 \$2,849,461 as of June 30, 2015.

As of June 30, 2015, 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%	\$ 92,763	\$ 30,013	\$ -	\$ 12	\$ 62,738
U.S. sponsored entity obligations FNMA, interest rates from 3.5% to 5.0%	8,083	-	-	-	8,083
	<u>\$ 100,846</u>	<u>\$ 30,013</u>	<u>\$ -</u>	<u>\$ 12</u>	<u>\$ 70,821</u>

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

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 92% of its investments in GNMA securities and 8% 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	\$	27,123
Solid Waste Fund		14,752
Mosquito Fund		95
Total	\$	<u>41,970</u>

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

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, 2015 were as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
Primary Government		
Governmental Funds		
General Fund	\$ 1,084,067	\$ 2,715,075
Capital Projects Fund	-	4,738,532
Special Revenue Fund	9,952,664	3,193,248
Total governmental activities - governmental funds	<u>11,036,731</u>	<u>10,646,855</u>
Proprietary Funds - Business-type Activities		
Water and Sewer Fund	3,049,145	3,515,336
Solid Waste Fund	-	704,000
Golf Fund	795,715	11,800
Mosquito Fund	-	3,600
Total proprietary funds - business-type activities	<u>3,844,860</u>	<u>4,234,736</u>
	<u>\$ 14,881,591</u>	<u>\$ 14,881,591</u>
Net Capital Assets Contributed to/from Component Units		
Proprietary Funds - Business-type Activities		
Water and Sewer Fund	\$ 122,870	\$ 1,235,345
Component Units		
Sheridan Area Water Supply Joint Powers Board	1,235,345	122,870
Total component units	<u>\$ 1,358,215</u>	<u>\$ 1,358,215</u>
	<u>\$ 16,239,806</u>	<u>\$ 16,239,806</u>

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance June 30, 2014	Increases Transfers In	Decreases Transfers Out	Balance June 30, 2015
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 4,590,702	\$ 177,042	\$ -	\$ 4,767,744
Construction in progress	11,903,109	7,553,445	(4,380,976)	15,075,578
Total capital assets, not being depreciated	<u>16,493,811</u>	<u>7,730,487</u>	<u>(4,380,976)</u>	<u>19,843,322</u>
Capital assets, being depreciated				
Infrastructure	75,131,926	494,305	-	75,626,231
Buildings	10,731,654	3,938,055	-	14,669,709
Improvements, other than buildings	12,188,669	823,878	-	13,012,547
Machinery and equipment	12,972,119	730,089	(587,331)	13,114,877
Total capital assets, being depreciated	<u>111,024,368</u>	<u>5,986,327</u>	<u>(587,331)</u>	<u>116,423,364</u>
Less accumulated depreciation for				
Infrastructure	31,104,394	3,182,290	-	34,286,684
Buildings	5,441,256	414,369	-	5,855,625
Improvements, other than buildings	4,574,790	521,596	-	5,096,386
Machinery and equipment	10,032,414	535,382	(508,042)	10,059,754
Total accumulated depreciation	<u>51,152,854</u>	<u>4,653,637</u>	<u>(508,042)</u>	<u>55,298,449</u>
Total capital assets, being depreciated, net	<u>59,871,514</u>	<u>1,332,690</u>	<u>(79,289)</u>	<u>61,124,915</u>
Governmental activities capital assets, net	<u>\$ 76,365,325</u>	<u>\$ 9,063,177</u>	<u>\$ (4,460,265)</u>	<u>\$ 80,968,237</u>

Assets acquired through capital leases of \$2,752,476 are included in machinery and equipment above. The related accumulated depreciation on those assets was \$1,733,646 as of June 30, 2015.

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, 2015

Note 5. Capital Assets (Continued)

	Restated Balance June 30, 2014	Increases Transfers In	Decreases Transfers Out	Balance June 30, 2015
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 1,091,984	\$ -	\$ -	\$ 1,091,984
Construction in progress	11,247,346	6,056,429	-	15,453,440
Total capital assets, not being depreciated	<u>12,339,330</u>	<u>6,056,429</u>	<u>-</u>	<u>16,545,424</u>
Capital assets, being depreciated				
Buildings	19,814,261	191,898	-	20,006,159
Improvements, other than buildings	85,582,157	1,608,837	-	87,190,994
Machinery and equipment	12,099,806	1,024,732	(169,479)	12,955,059
Total capital assets, being depreciated	<u>117,496,224</u>	<u>2,825,467</u>	<u>(169,479)</u>	<u>120,152,212</u>
Less accumulated depreciation for				
Buildings	13,031,851	561,906	-	13,593,757
Improvements, other than buildings	21,141,985	2,465,980	-	23,607,965
Machinery and equipment	8,962,717	647,632	(169,479)	9,440,870
Total accumulated depreciation	<u>43,136,553</u>	<u>3,675,518</u>	<u>(169,479)</u>	<u>46,642,592</u>
Total capital assets, being depreciated, net	<u>74,359,671</u>	<u>(850,051)</u>	<u>-</u>	<u>73,509,620</u>
Business-type activities capital assets, net	<u>\$ 86,699,001</u>	<u>\$ 5,206,378</u>	<u>\$ -</u>	<u>\$90,055,044</u>

Assets acquired through capital leases of \$2,808,042 are included in machinery and equipment above. The related accumulated depreciation on those assets was \$1,419,300 as of June 30, 2015.

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

Solid waste fund	\$ 690,844
Water and sewer fund	2,797,006
Golf fund	186,510
Mosquito fund	1,158
Total depreciation expense - business-type activities	<u>\$ 3,675,518</u>

All applicable amortization expense is reported with depreciation expense.

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

Note 5. Capital Assets (Continued)

Components Units

Capital asset activity for each component unit for the year ended June 30, 2015, was as follows:

Capital asset activity for the Sheridan Area Water Supply Joint Powers Board for the year ended June 30, 2015, was as follows:

	Balance June 30, 2014	Increases Transfers In	Decreases Transfers Out	Balance June 30, 2015
Capital assets, not being depreciated				
Reservoir water shares	\$ 209,571	\$ 300,000	\$ -	\$ 509,571
Construction in progress	105,390	-	-	105,390
Total capital assets, not being depreciated	<u>314,961</u>	<u>300,000</u>	<u>-</u>	<u>614,961</u>
Capital assets, being depreciated				
Water system	39,388,445	223,846	-	39,612,291
Total capital assets, being depreciated	<u>39,388,445</u>	<u>223,846</u>	<u>-</u>	<u>39,612,291</u>
Total accumulated depreciation	<u>8,706,838</u>	<u>541,781</u>	<u>-</u>	<u>9,248,619</u>
Total capital assets, being depreciated, net	<u>30,681,607</u>	<u>(317,935)</u>	<u>-</u>	<u>30,363,672</u>
Governmental activities capital assets, net	<u>\$30,996,568</u>	<u>\$ (17,935)</u>	<u>\$ -</u>	<u>\$30,978,633</u>

Capital asset activity for the Sheridan Economic and Educational Development Authority Joint Powers Board for the year ended June 30, 2015, was as follows:

	Balance June 30, 2014	Increases Transfers In	Decreases Transfers Out	Balance June 30, 2015
Capital assets, not being depreciated				
Land	\$ 426,500	\$ -	\$ -	\$ 426,500
Total capital assets, not being depreciated	<u>426,500</u>	<u>-</u>	<u>-</u>	<u>426,500</u>
Capital assets, being depreciated				
Buildings	3,075,397	-	-	3,075,397
Improvements	2,316	-	-	2,316
Total capital assets, being depreciated	<u>3,077,713</u>	<u>-</u>	<u>-</u>	<u>3,077,713</u>
Less accumulated depreciation for				
Buildings	355,593	77,215	-	432,808
Improvements	1,489	-	-	1,489
Total accumulated depreciation	<u>357,082</u>	<u>77,215</u>	<u>-</u>	<u>434,297</u>
Total capital assets, being depreciated, net	<u>2,720,631</u>	<u>(77,215)</u>	<u>-</u>	<u>2,643,416</u>
Governmental activities capital assets, net	<u>\$ 3,147,131</u>	<u>\$ (77,215)</u>	<u>\$ -</u>	<u>\$ 3,069,916</u>

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

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 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 \$209,000 as of June 30, 2015.

Special improvement district bonds outstanding as of June 30, 2015, were as follows:

	<u>Balance</u> <u>June 30, 2014</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2015</u>
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	\$ 680,000	\$ -	\$ (75,000)	\$ 605,000
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	480,000	-	(40,000)	440,000
	<u>\$ 1,160,000</u>	<u>\$ -</u>	<u>\$ (115,000)</u>	<u>1,045,000</u>
Less current portion				-
Total Special Improvement District				<u>\$ 1,045,000</u>

The debt service requirement for the special assessment bonds as of June 30, 2015 is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ -	\$ 34,040	\$ 34,040
2017	5,000	35,373	40,373
2018	175,000	35,937	210,937
2019	175,000	30,442	205,442
2020	175,000	24,299	199,299
2021-2025	435,000	40,501	475,501
2026-2030	80,000	3,928	83,928
	<u>\$ 1,045,000</u>	<u>\$ 204,520</u>	<u>\$ 1,249,520</u>

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

Note 6. Long-Term Debt (Continued)

Lease Purchase Agreements

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 a Caterpillar Wheel Loader, interest rate of 3.5%, annual payments of \$16,150 including interest through October 2025.	\$ 164,487
Obligation under capital lease of a Caterpillar Motor Grader, interest rate of 3.20% annual payments of \$15,798 including interest through June 2025.	200,360
	<u>\$ 364,847</u>

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

2016	\$ 15,799
2017	31,948
2018	31,948
2019	31,948
2020	31,948
Thereafter	310,210
	<u>453,801</u>
Less amount representing interest	(88,954)
Net present value of minimum lease payments	<u>\$ 364,847</u>

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

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	
2016	\$ 151,866
2017	151,867
	<u>\$ 303,733</u>

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

Note 6. Long-Term Debt (Continued)

Note Payable

The City had the following note payable:

	Balance June 30, 2014	Issued	Retired	Balance June 30, 2015
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	\$ 78,233	\$ -	\$ (78,233)	\$ -
	\$ 78,233	\$ -	\$ (78,233)	-
Less current portion				-
				\$ -

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

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CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

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, 2014</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2015</u>
Water and Sewer Fund				
State Land and Investment Board loan, Water Replacement Project, Clean Water SRF #47, due in annual installments of \$70,513, including interest of 2.5%, due September 2024	\$ 670,046	\$ -	\$ (53,579)	\$ 616,467
State Land and Investment Board loan, Drinking Water SRF #37, due in annual installments of \$39,094, including interest of 2.5%, due August 2024	371,563	-	(29,678)	341,885
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	1,527,320	-	(73,634)	1,453,686
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	1,115,296	-	(61,961)	1,053,335
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	210,497	-	(11,694)	198,803
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	143,452	-	(6,425)	137,027

(Continued)

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

Note 6. Long-Term Debt (Continued)

Business-type Activities (Continued)

	<u>Balance</u> <u>June 30, 2014</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2015</u>
Water and Sewer Fund (Continued)				
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	\$ 1,615,779	\$ 527,236	\$ -	\$ 2,143,015
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	376,550	122,870	-	499,420
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	395,676	-	(17,686)	377,990
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	447,074	-	(14,747)	432,327

(Continued)

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

Note 6. Long-Term Debt (Continued)

Business-type Activities (Continued)

	<u>June 30, 2014</u>	<u>Issued</u>	<u>Retired</u>	<u>June 30, 2015</u>
Water and Sewer Fund (Continued)				
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	\$ 858,276	\$ -	\$ (47,863)	\$ 810,413
State Land and Investment Board loan, Wyoming Park Improvement Phase III Drinking Water SRF #148, granted 50% principal forgiveness, due in annual installments of \$36,103, including interest of 2.5%, due April 2034, currently in construction, amortization will be finalized one year after completion of construction	-	185,125	-	185,125
State Land and Investment Board loan, Hydropower Project, Drinking Water SRF #156, granted 50% principal forgiveness, due in annual installments of \$31,417, including interest of 2.5%, due April 2035, currently in construction, amortization will be finalized one year after completion of construction	-	430	-	430
State Land and Investment Board loan, Construction of New Utilities Center, Loan #JPA-15584 Sh of \$900,000, due in annual installments of \$69,910, including interest of 4.62%, due December 2034.	-	900,000	-	900,000
	<u>7,731,529</u>	<u>1,735,661</u>	<u>(317,267)</u>	<u>9,149,923</u>
				(Continued)

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

Note 6. Long-Term Debt (Continued)

Business-type Activities (Continued)

	<u>Balance June 30, 2014</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2015</u>
Solid Waste Fund				
State Land and Investment Board loan, Landfill Improvements Project, Clean Water SRF #86, due in annual installments of \$303,602, including interest of 2.5%, due August 2018	\$ 1,409,170	\$ -	\$ (268,379)	\$ 1,140,791
State Land and Investment Board loan, Landfill Improvements Project, Clean Water SRF #83, due in annual installments of \$76,321, including interest of 2.5%, due August 2018	348,912	-	(69,369)	279,543
State Land and Investment Board loan, Landfill Improvements Project, Clean Water SRF #135, due in annual installments of \$211,457, including interest of 2.5%, due May 2021	<u>1,236,503</u>	<u>106,119</u>	<u>(178,903)</u>	<u>1,163,719</u>
	<u>2,994,585</u>	<u>106,119</u>	<u>(516,651)</u>	<u>2,584,053</u>
Total for all business-type activities				11,733,976
Less current portion				1,004,238
				<u><u>\$ 10,729,738</u></u>

The debt service requirements for business-type activities as of June 30, 2015 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,004,238	\$ 282,710	\$ 1,286,948
2017	1,027,514	259,004	1,286,518
2018	1,038,925	234,682	1,273,607
2019	1,066,687	220,154	1,286,841
2020	722,475	184,444	906,919
2021-2025	2,994,949	693,818	3,688,767
2026-2030	2,473,924	367,978	2,841,902
2031-2035	1,357,613	100,694	1,458,307
2036-2039	47,651	1,743	49,394
Total amortizing debt	<u><u>\$ 11,733,976</u></u>	<u><u>\$ 2,345,227</u></u>	<u><u>\$ 14,079,203</u></u>

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

Note 6. Long-Term Debt (Continued)

Business-type Activities (Continued)

The City has entered into a lease purchase agreement with a financial institution for items 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 golf carts, subject to refunding clause, annual payments of \$25,766 including tax and interest of 2.18%, with a final balloon payment of \$66,625, expires November 2017, collateralized by golf carts	\$ 137,645
	<u>\$ 137,645</u>

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

2016	\$ 25,766
2017	25,766
2018	94,108
	<u>145,640</u>
Less amount representing interest	(7,995)
Net present value of minimum lease payments	<u>\$ 137,645</u>

The Solid Waste Fund also has the following capital leases outstanding as of June 30, 2015:

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 \$231,374, expires June 2019, collateralized by landfill compactor	\$ 523,424
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 March 2019, collateralized by wheel loader	163,115
Obligation under capital lease of landfill grinder, subject to refunding clause, semiannual payments of \$44,992, interest at 1.78%, expires March 2019, collateralized by equipment	345,933
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	80,234
	<u>\$ 1,112,706</u>

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

2016	\$ 268,049
2017	268,049
2018	227,019
2019	420,019
	<u>1,183,136</u>
Less amount representing interest	(70,430)
Net present value of minimum lease payments	<u>\$ 1,112,706</u>

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

Note 6. Long-Term Debt (Continued)

The following is a summary of the changes in the long-term liabilities of the City for the year ended June 30, 2015:

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Special Assessment Bonds	\$ 1,160,000	\$ -	\$ (115,000)	\$ 1,045,000	\$ -
Capital leases	229,669	364,847	(229,669)	364,847	9,386
Repayment of sales tax	455,599	-	(151,866)	303,733	151,866
Notes payable	78,233	-	(78,233)	-	-
Compensated absences	1,002,838	1,003,151	(1,002,838)	1,003,151	826,242
Net pension liability	6,845,427	8,538,422	-	15,383,849	-
Governmental activity long-term liabilities	\$ 9,771,766	\$ 9,906,420	\$ (1,577,606)	\$ 18,100,580	\$ 987,494
Business-type activities					
Capital leases	\$ 2,738,287	\$ -	\$ (1,487,936)	\$ 1,250,351	\$ 265,217
Landfill closure liability	1,005,301	2,039,637	-	3,044,938	-
Notes payable	10,726,114	1,841,780	(833,918)	11,733,976	1,004,238
Compensated absences	384,786	403,575	(384,786)	403,576	403,576
Net pension liability	2,173,177	492,854	-	2,666,031	-
Business-type activity long-term liabilities	\$ 17,027,665	\$ 4,777,846	\$ (2,706,640)	\$ 19,098,872	\$ 1,673,031

Note 7. Fund Equity

In order to meet future needs, the City Council has committed \$2,550,724 of fund equity within the general fund for reserves and emergency needs.

No funds reported negative fund balance as of June 30, 2015.

Note 8. Pension Plans

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. 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, 2015, 2014, and 2013 which was \$1,392,925, \$1,247,398, and \$1,209,358, respectively. An overview of the different plans follows.

Public Employees’ Pension Plan

The System provides retirement benefits at age 60 with early retirement options available. The System statutorily requires 15.87% of the covered employees' salary to be contributed to the plan, of which is 7.00% is paid by the employee and 8.87% is paid by the City.

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

Note 8. Pension Plans (Continued)

Wyoming Paid Firemen's Retirement System

The City participates in the Paid Firemen's Pension Fund ("Fund"), a statewide cost-sharing multiple-employer public employee retirement fund administered by the State of Wyoming Retirement System Board. All paid City firemen are eligible to participate. The Fund provides retirement, disability and death benefits according to predetermined formulas. Benefits are established by Wyoming Statutes. The Fund is comprised of two plans. Plan A relates to members hired prior to July 1, 1981 and Plan B relates to members hired on or after July 1, 1981 (and any earlier hires electing this plan).

Plan A statutorily required participants to contribute 8% of their salary, while employers were required to contribute 21% of their salary. Effective April 1, 1997, required contributions were suspended as Plan A had been determined to be actuarially over-funded. Plan A statutorily provides retirement, disability and death benefits according to a percentage of a fireman first class salary. Employees under Plan A qualify for a retirement allowance if they have 20 years of active service. This plan is being reviewed by the Wyoming Retirement System to determine the appropriate measures to take to ensure this plan is adequately funded, as it is a closed plan.

Members under Plan B qualify for benefits if they are 50 years old and have at least 10 years of credited service. The benefit equals 50% of the salary for 20 years of service plus 1% of such salary for years of service in excess of 20 worked after July 1, 1981, up to a maximum of 60% of the salary. The basic monthly benefit for participants of Plan B is equal to a percentage of the highest average monthly salary during any period of 36 consecutive months, with such percentage based on years of service. The percentage is equal to the sum of (i) 2.00% multiplied by the first 20 years of credited service, (ii) 2.50% multiplied by the next 5 years of credited service, and (iii) 1.00% multiplied by years of service in excess of 25, up to a maximum of 60%. The basic monthly benefit is reduced by 1/3% for each month that the retiring member is under age 55, if any. The Fund also provides disability retirement to any employee who becomes permanently incapacitated, mentally or physically, and who cannot continue in the performance of his duties.

Individual members participating under Plan B requires 21.245% of the covered employee's salary to be contributed for City firefighters participating in the plan, of which 9.245% is paid by the employee and 12% is paid by the City.

Wyoming Law Enforcement Retirement Fund

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

Pension Plan Fiduciary Net Position

The Wyoming Retirement System issues a publicly available financial report which includes audited financial statements and required supplementary information for each plan. Detailed information about the pension plans' fiduciary net position is available in separately issued Wyoming Retirement System financial report. The report may be obtained from the Wyoming Retirement System website at <http://retirement.state.wy.us>.

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

Note 8. Pension Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the City reported a total liability of \$18,006,793 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by a January 1, 2014 actuarial valuation. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating governmental entities, actuarially determined. At December 31, 2014, the City's liability as well as their proportion and increase from its proportion measured at December 31, 2013 were as follows for each plan in which the City participates:

	Pension (asset) liability at December 31, 2014	Proportion at December 31, 2014	Increase (decrease) from December 31, 2013
Public Employees' Pension Plan	\$ 5,177,882	0.293415604%	0.013672404%
Wyoming Law Enforcement Retirement Plan	372,337	1.263715835%	0.028532401%
Firemen's Pension Plan A	12,499,661	7.594531813%	-0.141772346%
Firemen's Pension Plan B	(43,087)	3.831260855%	-0.036491138%
	<u>\$ 18,006,793</u>		

At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 900,313
City contributions subsequent to the measurement date	696,387
Total	<u>\$ 1,596,700</u>

The City reported \$696,387 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows or resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outflows
2016	\$ 225,078
2017	225,078
2018	225,078
2019	225,079
	<u>\$ 900,313</u>

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

Note 8. Pension Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Actuarial Assumptions

The total pension liability in the December 31, 2014 measurement date was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Assumptions and Methods	
Valuation Date	1/1/2014
Actuarial cost method	Individual Entry Age Normal
Amortization method	Level percent or level dollar open
Remaining amortization period	10 to 60
Asset valuation method	5-year
Actuarial assumptions:	
Projected salary increases (includes inflation)	4.25% to 8.00%
Assumed inflation rate	3.25%
Mortality	RP-2000 Combined Mortality Table, fully generational

The current actuarial assumptions and methods used in the January 1, 2014 valuation were based upon an experience study that covered a five-year period ending December 31, 2011. Differences between assumptions and actual experience since the prior valuation are identified as actuarial gains and losses. These gains and losses impact the unfunded actuarial liability and future funding requirements determined in subsequent valuations.

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

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

Note 8. Pension Plans (Continued)

Actuarial Assumptions (Continued)

For each major asset class that is included in the pension plans' target allocation as of January 1, 2014, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.50%	0.50%
Fixed income	15.00%	0.98%
Equity	55.00%	6.66%
Marketable alternatives	15.50%	4.19%
Private markets	12.00%	7.13%
Total	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions for participating governmental entities will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. However, for the Wyoming Paid Firemen's Retirement Fund Plan A, the discount rate was changed from 7.75% in the prior valuation to 4.468% for the current valuation.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Primary government pension plans			
Public Employees' Pension Plan	\$ 8,091,459	\$ 5,177,882	\$ 2,731,149
Wyoming Law Enforcement Retirement Plan	1,300,084	372,337	(393,272)
Paid Firemen's Retirement Plan A	15,982,317	12,499,661	9,709,752
Paid Firemen's Retirement Plan B	569,650	(43,087)	(553,691)

Payables to the pension plan – At June 30, 2015, the City reported no payables to the pension plans.

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

Note 9. Prior Period Adjustment

As part of implementing the requirements of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and Governmental Accounting Standards Board Statement No. 71, *Pensions Transition for Contributions Made Subsequent to the Measurement Date (an amendment of GASB Statement No. 68)*, the City adjusted its statements of net position for the portion of the pension liability attributable to periods before the year ended June 30, 2014. In addition, errors pertaining to prior period capital assets were noted.

The table below illustrates the capital assets, deferred outflows, net pension asset and liability, and net position as originally stated and restated:

	As originally stated		Restated
	June 30, 2014	Adjustment	June 30, 2014
<i>Governmental activities</i>			
Net pension asset	-	(139,508)	(139,508)
Deferred outflows - pension items	-	(444,064)	(444,064)
Net pension liability	-	6,845,427	6,845,427
Net position	(84,909,101)	6,261,855	(78,647,246)
<i>Business-type activities</i>			
Solid waste fund			
Capital assets	-	259,780	259,780
Deferred outflows - pension items	-	(67,015)	(67,015)
Net pension liability	-	774,286	774,286
Net position	(8,011,635)	967,051	(7,044,584)
Water and Sewer Fund			
Due from component unit	-	(136,000)	(136,000)
Deferred outflows - pension items	-	(121,075)	(121,075)
Net pension liability	-	1,398,891	1,398,891
Net position	(76,242,807)	1,141,816	(75,100,991)

Note 10. 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 \$3,044,938 reported as landfill closure and postclosure care liability at June 30, 2015, represents the cumulative amount estimated to date based on the use of 82% of the estimated capacity of the site. The City will recognize the remaining estimated cost of closure and postclosure care of \$656,154 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 post closure care in 2015.

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 6 years.

The current year expenditure for landfill closure and postclosure care reflected in the Solid Waste Fund was \$2,039,637.

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

Note 11. 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 \$810,414 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 \$432,326 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	\$ 5,974,669	
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Assets that will belong to SAWS at completion	<u>71.3%</u>	<u>4,259,939</u>
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Total due to component unit		<u><u>\$ 4,259,939</u></u>
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Due from Component Unit

In prior years, the City contributed to 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	\$ 2,527,430	
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Interest earned to date on held funds	<u>38,950</u>	\$ 2,566,380
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SAWS purchased reservoir water shares. SAWS holds the certificates for the entire purchase.

City portion of reservoir water shares		336,000
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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		499,420
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Payments due to the City for reimbursement of shared overhead costs		<u>234,010</u>
Total due from component unit		<u><u>\$ 3,635,810</u></u>

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

Note 12. Budgetary Compliance

For the year ended June 30, 2015, 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	\$ 105,374	\$	117,731	\$	(12,357)
Travel and Tourism	577,070		746,383		(169,313)

Note 13. 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 2015 were approximately \$191,251.

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 2015 and 2014 were as follows for the City's participation in the Unemployment Compensation Act Program:

	<u>Fiscal Year Ended 2015</u>		<u>Fiscal Year Ended 2014</u>
Unpaid claims, beginning of year	\$ -	\$	-
Incurred claims	7,063		1,673
Claim payments	(7,063)		(1,673)
Unpaid claims, end of year	<u>\$ -</u>	\$	<u>-</u>

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

Note 14. Construction Commitments

The City is required by the Department of Environmental Quality to monitor a landfill site for possible contamination (Note 10). 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, 2015, the City has committed to fund various projects in the approximate amounts of \$31.6 million from future appropriations.

Project Name	Original Contract Amount	Expended To Date	Remaining Commitment
Primary government			
Governmental activities			
General Fund			
Downtown Parking Development	\$ 135,000	\$ 57,033	\$ 77,967
Senior Center Daybreak	720,000	89,225	630,775
Kendrick Park Pool	100,000	8,500	91,500
Council Chambers Video Equipment	63,000	22,162	40,839
ICOP/Radars for New Patrol Vehicles	5,000	3,333	1,668
City Hall New locking Door System	14,800	7,000	7,800
Linden Hill Land	25,000	21,834	3,167
WYO/Park Street	7,000,000	6,749,904	250,096
Lewis Street Bridge and Pathway	3,000,000	2,508,239	491,761
Illinois Street	3,500,000	3,416,744	83,256
North Sheridan Interchange	9,000,000	343,456	8,656,544
5th St - Mydland to End of Pavement	4,000,000	15,575	3,984,425
Loucks St and Waterline Replacement	3,500,000	181,549	3,318,451
North West Water Loop	1,711,000	1,651,026	59,974
Total governmental activities	<u>32,773,800</u>	<u>15,075,578</u>	<u>17,698,223</u>

(Continued)

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

Note 14. Construction Commitments (Continued)

Project Name	Original Contract Amount	Expended To Date	Remaining Commitment
Business-type activities			
Water and Sewer Fund			
4MG Tank Repairs	\$ 3,200,000	\$ 17,223	\$ 3,182,778
Sheridan Hydropower	1,256,700	860	1,255,840
UM Service Center	2,300,000	2,231,234	68,766
WYO/Park Street	2,700,000	2,660,901	39,099
Conventional WTP Upgrades	6,664,096	5,974,669	689,427
South Side Sewer Inceptor	1,900,000	1,821,133	78,867
North Sheridan Interchange	2,000,000	27,944	1,972,056
Leopard Street Waterline Replacement	3,200,000	15,750	3,184,250
W 5th St Waterlines Project	160,000	2,577	157,424
North West Water Loop	2,750,000	2,569,151	180,849
WWTP Dewatering Improvements	3,150,000	70,000	3,080,000
Total Water and Sewer Fund	<u>29,280,796</u>	<u>15,391,440</u>	<u>13,889,356</u>
Solid waste fund			
Curbside Recycle	150,000	62,000	88,000
Total solid waste fund	<u>150,000</u>	<u>62,000</u>	<u>88,000</u>
Total business-type activities	<u>29,430,796</u>	<u>15,453,440</u>	<u>13,977,356</u>
Total primary government	<u>\$ 62,204,596</u>	<u>\$ 30,529,018</u>	<u>\$ 31,675,579</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.

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

Note 15. Implementation of Governmental Accounting Standards Board Statement 68 and 71

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date (an amendment of GASB Statement No. 68)* were issued to improve accounting and financial reporting by state and local governments for pensions. They also improve information provided by state and local governmental employers about financial support for pensions that is provided by other entities. These Statements result from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

Note 16. Accounting Standards Issued, But Not Implemented

As of June 30, 2015, 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. 72, *Fair Value Measurement and Application*, defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements.

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

Note 17. Subsequent Events

In September 2015, the City entered into a capital lease agreement for the purchase of a Caterpillar hydraulic excavator. The amount of the Caterpillar is \$187,872 and will be paid in annual installments of \$19,734.

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 12,173,250	\$ 12,223,250	\$ 11,901,305	\$ (321,945)
Licenses and permits	822,000	822,000	960,236	138,236
Intergovernmental	-	1,160	146,907	145,747
Fines and forfeitures	196,000	196,000	293,985	97,985
Charges for services	403,000	403,000	345,529	(57,471)
Net investment income	9,000	9,000	8,602	(398)
Contributions	15,000	15,000	12,017	(2,983)
Miscellaneous revenues	40,000	40,000	25,385	(14,615)
Total revenues	13,658,250	13,709,410	13,693,966	(15,444)
Expenditures				
Current				
General administration	3,089,603	3,335,699	2,373,059	962,640
Health and welfare	107,394	115,903	93,836	22,067
Public safety	5,217,019	5,339,476	5,165,089	174,387
Public works	3,520,094	3,767,553	3,626,155	141,398
Parks and recreation	597,268	604,149	580,166	23,983
Capital outlay	2,060,000	1,146,495	823,939	322,556
Debt service - principal	53,500	383,835	459,768	(75,933)
interest	7,000	9,164	898	8,266
Total expenditures	14,651,878	14,702,274	13,122,910	1,579,364
Deficiency of revenues over expenditures	(993,628)	(992,864)	571,056	1,563,920

(Continued)

See accompanying note to required supplementary information

CITY OF SHERIDAN, WYOMING

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

Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Other financing sources (uses)				
Transfers in	\$ 829,800	\$ 1,008,133	\$ 1,084,067	\$ 75,934
Transfers out	(135,000)	(2,961,092)	(2,715,075)	246,017
Other financing sources	-	-	364,847	364,847
Total other financing sources (uses)	694,800	(1,952,959)	(1,266,161)	686,798
Net change in fund balances	(298,828)	(2,945,823)	(695,105)	\$ 2,250,718
Fund balances - beginning of year	6,581,791	6,581,791	6,581,791	
Fund balance - end of year	\$ 6,282,963	\$ 3,635,968	\$ 5,886,686	

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 3,100,000	\$ 3,300,000	\$ 3,304,409	\$ 4,409
Net investment income	-	-	4,155	4,155
Total revenues	<u>3,100,000</u>	<u>3,300,000</u>	<u>3,308,564</u>	<u>8,564</u>
Expenditures				
Current				
Capital outlay	3,035,000	161,544	31,724	129,820
Total expenditures	<u>3,035,000</u>	<u>161,544</u>	<u>31,724</u>	<u>129,820</u>
Excess (deficiency) of revenues over expenditures	<u>65,000</u>	<u>3,138,456</u>	<u>3,276,840</u>	<u>(121,256)</u>
Other financing (uses)				
Transfers out	-	(4,738,532)	(4,738,532)	-
Total other financing (uses)	<u>-</u>	<u>(4,738,532)</u>	<u>(4,738,532)</u>	<u>-</u>
Net change in fund balances	65,000	(1,600,076)	(1,461,692)	<u>\$ 138,384</u>
Fund balance - beginning of year	<u>1,822,184</u>	<u>1,822,184</u>	<u>1,822,184</u>	
Fund balance - end of year	<u>\$ 1,887,184</u>	<u>\$ 222,108</u>	<u>\$ 360,492</u>	

CITY OF SHERIDAN, WYOMING

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUND
Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 2,953,524	\$ 2,953,141	\$ 3,058,183	\$ 105,042
Intergovernmental	2,260,000	11,193,543	2,745,188	(8,448,355)
Net investment income	-	-	1,259	1,259
Contributions	97,000	119,374	112,458	(6,916)
Miscellaneous revenues	-	405,142	170,829	(234,313)
Total revenues	<u>5,310,524</u>	<u>14,671,200</u>	<u>6,087,917</u>	<u>(8,583,283)</u>
Expenditures				
Current				
General administration	758,090	814,413	805,601	8,812
Health and welfare	90,500	146,332	146,543	(211)
Public safety	201,320	282,420	255,803	26,617
Public works	526,418	597,600	471,096	126,504
Parks and recreation	34,000	34,000	23,034	10,966
Capital outlay	4,204,000	21,392,590	10,151,754	11,240,836
Total expenditures	<u>5,814,328</u>	<u>23,343,288</u>	<u>11,853,831</u>	<u>11,489,457</u>
Deficiency of revenues over expenditures	<u>(503,804)</u>	<u>(8,672,088)</u>	<u>(5,765,914)</u>	<u>2,906,174</u>
Other financing sources (uses)				
Transfers in	-	9,601,706	9,952,664	350,958
Transfers out	<u>(100,000)</u>	<u>(107,770)</u>	<u>(3,193,248)</u>	<u>(3,085,478)</u>
Total other financing sources (uses)	<u>(100,000)</u>	<u>9,493,936</u>	<u>6,759,416</u>	<u>(2,734,520)</u>
Net change in fund balances	(603,804)	821,848	993,502	<u>\$ 171,654</u>
Fund balance - beginning of year	<u>1,431,211</u>	<u>1,431,211</u>	<u>1,431,211</u>	
Fund balance - end of year	<u>\$ 827,407</u>	<u>\$ 2,253,059</u>	<u>\$ 2,424,713</u>	

See accompanying note to required supplementary information

CITY OF SHERIDAN, WYOMING

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2015

Note 1. Basis of Budgeting

Budgets

Annual budgets are adopted on the modified accrual basis for all governmental funds. Encumbered appropriations are re-appropriated 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.

CITY OF SHERIDAN, WYOMING

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last 10 fiscal years

(Unaudited)

	2015	2014	2013
Primary Government			
Public Employees Pension Plan			
Proportion of the net pension liability (asset)	0.293415604%	*	*
Proportionate share of the net pension liability (asset)	\$ 5,177,882	*	*
Covered-employee payroll	\$ 5,015,683	*	*
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	103.23%	*	*
Plan fiduciary net position as a percentage of the total pension liability	79.08%	*	*
Wyoming Law Enforcement Retirement Plan			
Proportion of the net pension liability (asset)	1.263715835%	*	*
Proportionate share of the net pension liability (asset)	\$ 372,337	*	*
Covered-employee payroll	\$ 1,867,656	*	*
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	19.94%	*	*
Plan fiduciary net position as a percentage of the total pension liability	94.76%	*	*
Paid Firemen's Pension Plan A			
Proportion of the net pension liability (asset)	7.594531813%	*	*
Proportionate share of the net pension liability (asset)	\$ 12,499,661	*	*
Covered-employee payroll	\$ -	*	*
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	82955.81%	*	*
Plan fiduciary net position as a percentage of the total pension liability	45.95%	*	*
Paid Firemen's Pension Plan B			
Proportion of the net pension liability (asset)	3.831260855%	*	*
Proportionate share of the net pension liability (asset)	\$ (43,087)	*	*
Covered-employee payroll	\$ 940,673	*	*
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-4.58%	*	*
Plan fiduciary net position as a percentage of the total pension liability	100.98%	*	*

The amounts presented for each fiscal year were determined as of 12/31.

* Information for years prior to 2015 is not available;
the schedule will be completed as information becomes available.

See accompanying note to required supplementary information

CITY OF SHERIDAN, WYOMING

SCHEDULE OF PENSION CONTRIBUTIONS

Last 10 fiscal years
(Unaudited)

	2015	2014	2013	2012
Primary Government				
Public Employees Pension Plan				
Contractually required contribution	\$ 777,770	*	*	*
Contributions in relation to the contractually required contribution	(777,770)	*	*	*
Contribution deficiency (excess)	\$ -	*	*	*
Covered-employee payroll	\$ 5,015,683	*	*	*
Contributions as a percentage of covered-employee payroll	15.51%	*	*	*
Wyoming Law Enforcement Retirement Plan				
Contractually required contribution	\$ 336,432	*	*	*
Contributions in relation to the contractually required contribution	(336,432)	*	*	*
Contribution deficiency (excess)	\$ -	*	*	*
Covered-employee payroll	\$ 1,867,656	*	*	*
Contributions as a percentage of covered-employee payroll	18.01%	*	*	*
Paid Firemen's Pension Plan A				
Contractually required contribution	\$ -	*	*	*
Contributions in relation to the contractually required contribution	-	*	*	*
Contribution deficiency (excess)	\$ -	*	*	*
Covered-employee payroll	\$ -	*	*	*
Contributions as a percentage of covered-employee payroll	0.00%	*	*	*
Paid Firemen's Pension Plan B				
Contractually required contribution	\$ 214,492	*	*	*
Contributions in relation to the contractually required contribution	(214,492)	*	*	*
Contribution deficiency (excess)	\$ -	*	*	*
Covered-employee payroll	\$ 940,673	*	*	*
Contributions as a percentage of covered-employee payroll	22.80%	*	*	*

* Information for years prior to 2015 is not available; the schedule will be completed as information becomes available.

See accompanying note to required supplementary information

SINGLE AUDIT SECTION

CITY OF SHERIDAN, WYOMING

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015

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	\$ 1,153
Cooperative Forestry Assistance	10.664	12-DG-11020000-031	36
Total U.S. Department of Agriculture Forest Service			<u>1,189</u>
<u>U.S. Department of the Interior National Park Service</u>			
Passed through the Dept of State Parks & Cultural Resources			
Outdoor Recreation - Acquisition, Development and Planning	15.916	LCWF#56-00894	<u>50,000</u>
<u>U.S. Department of Justice</u>			
Public Safety Partnership and Community Policing Grants	16.710	2013UMWX0081	<u>50,468</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	EUDL 2014-PFS	5,350
Enforcing Underage Drinking Laws Program	16.727	EUDL 2015-PFS	4,255
Total U.S. Department of Justice			<u>60,073</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	SR12006	3,500
Highway Planning and Construction	20.205	CM .00 CM 15010	15,257
Total Highway Planning and Construction Cluster			<u>18,757</u>
Passed through the Wyoming Association of Sheriffs and Chiefs			
<i>Highway Safety Cluster</i>			
State and Community Highway Safety	20.600	HS02014-402	3,200
State and Community Highway Safety	20.600	HS02015-402 Radars	4,000
State and Community Highway Safety	20.600	HS02015-402 Video Camera	4,828
Alcohol Impaired Driving Countermeasures Incentive Grant I	20.601	EUDL 2014 - NHTSA	14,575
Alcohol Impaired Driving Countermeasures Incentive Grant I	20.601	HS02014-410	5,050
National Priority Safety Programs	20.616	EUDL 2015 - NHTSA	10,565
National Priority Safety Programs	20.616	HS02015-405D	7,260
National Priority Safety Programs	20.616	HS02015-405B	7,977
Total Highway Safety Cluster			<u>57,455</u>
Passed through the Wyoming Association of Sheriffs and Chiefs			
Alcohol Open Container Requirements	20.607	HS02014-402/154 Media	<u>704</u>
Total U.S. Department of Transportation			<u>76,916</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, 2015

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 #135	\$ 106,119
Total Clean Water State Revolving Fund Cluster			<u>106,119</u>
Passed through the Wyoming Department of Environmental Quality			
Nonpoint Source Implementation Grants	66.460	NPS2010D	<u>284,989</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	876,515
Capitalization Grants for Drinking Water			
State Revolving Funds	66.468	DWSRF #125	204,238
Capitalization Grants for Drinking Water			
State Revolving Funds	66.468	DWSRF #148	307,723
Capitalization Grants for Drinking Water			
State Revolving Funds	66.468	DWSRF #156	714
Total Drinking Water State Revolving Fund Cluster			<u>1,389,190</u>
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-96828601	<u>23,697</u>
Total U. S. Environmental Protection Agency			<u>1,803,995</u>
<u>U. S. Department of Homeland Security</u>			
Homeland Security Grant Program	97.067	13-GPD-SHE-LP-HLE13	<u>11,196</u>
Total U.S. Department of Homeland Security			<u>11,196</u>
Total federal awards			<u>\$ 2,003,369</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, 2015**

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, 2015 and is presented on the accrual basis of accounting.



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 aggregate fund information of the City of Sheridan, Wyoming, as of and for the year ended June 30, 2015, 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 March 14, 2016. 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. However, material weaknesses may exist that have not been identified.

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*.

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
March 14, 2016



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 Each 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, 2015. The City of Sheridan, Wyoming's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 2015. Our audit described below, did not include the operations of the Sheridan Area Water Supply Joint Powers Board as this component unit 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 the City of Sheridan, Wyoming's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the 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, 2015.

Report on Internal Control over Compliance

Management of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-001, that we consider to be significant deficiencies.

The City of Sheridan, Wyoming's response to the internal control over compliance finding identified in our audit is described in the 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 compliance and, accordingly, we express no opinion on the response.

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

Porter, Muirhead, Cornia & Howard
Certified Public Accountants

Casper, Wyoming
March 14, 2016

CITY OF SHERIDAN, WYOMING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended JUNE 30, 2015

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Type of auditor’s report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of Circular A-133?	Yes

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
66.460	Nonpoint Source Implementation Grants
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, 2015

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

A. Significant Deficiencies in Internal Control Over Compliance

2015-001:

U.S. Environmental Protection Agency, Office of Water
Passed through the Wyoming Department of Environmental Quality
CFDA No. 66.460 – Nonpoint Source Implementation Grants

U.S. Environmental Protection Agency, Office of Water
Passed through the State Land and Investment Board
CFDA No. 66.468 – Capitalization Grants for Drinking Water State Revolving Funds

Criteria:

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

Condition:

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

Effect:

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

Questioned Costs:

None

Cause:

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

CITY OF SHERIDAN, WYOMING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2015

Section III – Federal Award Findings and Questioned Costs (Continued)

A. Significant Deficiencies in Internal Control Over Compliance (Continued)

2015-001: (Continued)

Recommendation:

We recommend the City review the suspension and debarment status on all procurements funded with federal grants. This verification may be accomplished by (1) Checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA) and available at <https://www.sam.gov/portal/public/SAM/> (Note: EPLS is no longer a separate system; however, the OMB guidance and agency implementing regulations still refer to it as EPLS), (2) Collecting a certification from the entity, or (3) Adding a clause or condition to the covered transaction with that entity.

Management Response:

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

B. Compliance Findings

None

CITY OF SHERIDAN, WYOMING

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2015

None.