

**CITY OF SHERIDAN, WYOMING**  
**FINANCIAL AND COMPLIANCE REPORT**  
**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

# CONTENTS

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Independent Auditor's Report	1
Management's Discussion & Analysis – (Unaudited)	4
Basic Financial Statements	12
Government-wide Financial Statements	
Statement of Net Position	13
Statement of Activities	17
Fund Financial Statements	
Balance Sheet - Governmental Funds	19
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	21
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	24
Statement of Net Position - Proprietary Funds	25
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	27
Statement of Cash Flows - Proprietary Funds	29
Statement of Fiduciary Net Position - Fiduciary Funds	33
Notes to the Financial Statements	34
Required Supplementary Information	70
Schedule of Revenues, Expenses and Changes in Fund Balances - Budget and Actual - General Fund	71
Schedule of Revenues, Expenses and Changes in Fund Balances - Budget and Actual - Capital Tax Fund	73
Schedule of Revenues, Expenses and Changes in Fund Balances - Budget and Actual - Special Revenue Fund	74
Schedule of Changes in Net Position Liability and Related Ratios (Unaudited)	75
Schedule of Pension Contributions (Unaudited)	77
Notes to Required Supplementary Information	79
Single Audit Section	80
Schedule of Expenditures of Federal Awards	81
Notes to the Schedule of Expenditures of Federal Awards	83
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	84

**CONTENTS (CONTINUED)**

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Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance	86
Schedule of Findings and Questioned Costs	88
Summary Schedule of Prior Audit Findings	90

**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, 2016, 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, 87 percent, and 61 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, 2016, 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.

#### ***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 accompanying schedule of expenditures of federal awards as listed in the table of contents is presented as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the basic financial statements of the City.

The schedule of expenditures of federal awards 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. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2017, 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.



Porter, Muirhead, Cornia & Howard  
Certified Public Accountants

Casper, Wyoming  
February 2, 2017

# CITY OF SHERIDAN, WYOMING

## MANAGEMENT'S DISCUSSION & ANALYSIS

June 30, 2016

(Unaudited)

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This section of the City of Sheridan's ("City") annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2016. 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 \$23.8 million and \$18.0 million as of June 30, 2016 and 2015, 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 increased by 1.3% or \$2.0 million during the fiscal year, even with the \$5.8 million increase in the net pension liability during the year.

During the fiscal year, the City's total revenue increased by 3.5% to \$37.1 million from \$35.8 million last fiscal year. The business-type charges for services accounted for \$801,000 of this \$1.3 million increase in revenue. The City's total expenses decreased by 17.6% to \$34.9 million from \$42.4 million last fiscal year. A large portion of this reduction in expenses can be attributed to the pension liability expense being \$2.5 million this year versus \$8.2 million last 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, 2016

(Unaudited)

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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, 2016

(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 2015 and 2016 combined net assets increased by approximately 1.3%.

**CITY OF SHERIDAN'S NET POSITION**

	Governmental		Business- Type		Total		Total
	Activities		Activities				Percent
	Restated 2015	2016	2015	2016	2015	2016	Change
Current and Other Assets	\$ 14,691,230	\$ 16,187,489	\$ 13,205,339	\$ 13,231,086	\$ 27,896,569	\$ 29,418,575	5.5%
Capital Assets	81,285,883	84,255,190	90,055,044	90,144,895	171,340,927	174,400,085	1.8%
<b>Total Assets</b>	<b>95,977,113</b>	<b>100,442,679</b>	<b>103,260,383</b>	<b>103,375,981</b>	<b>199,237,496</b>	<b>203,818,660</b>	<b>2.3%</b>
Pension Plan Items	1,152,239	3,893,325	444,461	1,139,702	1,596,700	5,033,027	215.2%
<b>Total Deferred Outflows of Resources</b>	<b>1,152,239</b>	<b>3,893,325</b>	<b>444,461</b>	<b>1,139,702</b>	<b>1,596,700</b>	<b>5,033,027</b>	<b>215.2%</b>
Long-term Liabilities	2,716,731	2,367,938	16,432,841	16,849,824	19,149,572	19,217,762	0.4%
Net Pension Liability	15,383,849	20,200,145	2,666,031	3,566,884	18,049,880	23,767,029	31.7%
Other Liabilities	3,076,591	2,890,889	5,311,946	5,517,405	8,388,537	8,408,294	0.2%
<b>Total Liabilities</b>	<b>21,177,171</b>	<b>25,458,972</b>	<b>24,410,818</b>	<b>25,934,113</b>	<b>45,587,989</b>	<b>51,393,085</b>	<b>12.7%</b>
Property Tax Revenue	1,383,763	1,451,360	-	-	1,383,763	1,451,360	4.9%
Pension Plan Items	-	68,505	-	77,022	-	145,527	0.0%
<b>Total Deferred Inflows of Resources</b>	<b>1,383,763</b>	<b>1,519,865</b>	<b>-</b>	<b>77,022</b>	<b>1,383,763</b>	<b>1,596,887</b>	<b>15.4%</b>
Net Position							
Net Investment in							
Capital Assets	79,876,036	83,049,729	77,070,717	76,868,088	156,946,753	159,917,817	1.9%
Restricted	519,056	442,998	-	-	519,056	442,998	(14.7)%
Unrestricted (Deficit)	(5,826,674)	(6,135,560)	2,223,309	1,636,460	(3,603,365)	(4,499,100)	24.9%
<b>Total Net Position</b>	<b>\$ 74,568,418</b>	<b>\$ 77,357,167</b>	<b>\$ 79,294,026</b>	<b>\$ 78,504,548</b>	<b>\$ 153,862,444</b>	<b>\$ 155,861,715</b>	<b>1.3%</b>

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

The net position of government-type activities increased by \$2.8 million or 3.7%. The net position for business-type activities decreased by \$0.8 million, or approximately 1%. 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, 2016

(Unaudited)

***Results of Operations***

The City's total revenues come from numerous sources. Around 45% 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 34% comes from fees charged for services, grants and other support represents 15%, while property tax revenue represents about 5.4% of total revenues.

During fiscal year 2016, nearly 37% of the total cost of all programs and services were expended by the business type activities or the enterprise funds. Our public safety programs, such as the police and fire rescue departments, accounted for 22% of the total costs for City operations, while public works activities which include planning, engineering, code enforcement and streets accounted for 11% of the total costs.

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

	Governmental		Business- Type		Total		Total
	Activities		Activities				Percentage
	2015	2016	2015	2016	2015	2016	Change
Program Revenues							
Charges for Services	\$ 1,293,351	\$ 1,156,110	\$ 10,473,262	\$ 11,274,113	\$ 11,766,613	\$ 12,430,223	5.6%
Operating Grants and Other Support	16,799	141,133	-	-	16,799	141,133	740.1%
Capital Grants and Other Support	3,306,170	3,833,659	2,080,515	1,600,260	5,386,685	5,433,919	0.9%
General Revenues							
Property Taxes	1,734,424	1,847,693	130,162	139,338	1,864,586	1,987,031	6.6%
Special Assessments	34,504	31,486	-	-	34,504	31,486	(8.7)%
Other Taxes	16,529,473	16,723,574	-	-	16,529,473	16,723,574	1.2%
Miscellaneous Revenues	196,214	284,157	-	-	196,214	284,157	44.8%
Investment Income	14,016	20,575	26,874	27,438	40,890	48,013	17.4%
<b>Total Revenues</b>	<b>23,124,951</b>	<b>24,038,387</b>	<b>12,710,813</b>	<b>13,041,149</b>	<b>35,835,764</b>	<b>37,079,536</b>	<b>3.5%</b>
Expenses							
General Administration	4,975,655	4,636,077	-	-	4,975,655	4,636,077	(6.8)%
Public Safety	13,152,711	7,642,573	-	-	13,152,711	7,642,573	(41.9)%
Health and Welfare	243,463	216,633	-	-	243,463	216,633	(11.0)%
Public Works	4,224,056	3,931,933	-	-	4,224,056	3,931,933	(6.9)%
Parks and Recreation	617,620	545,720	-	-	617,620	545,720	(11.6)%
Interest on Long-term Debt	44,159	47,754	-	-	44,159	47,754	8.1%
Unallocated Depreciation	4,653,637	5,050,193	-	-	4,653,637	5,050,193	8.5%
Water and Sewer Fund	-	-	7,601,757	7,969,298	7,601,757	7,969,298	4.8%
Solid Waste Fund	-	-	6,112,067	4,137,800	6,112,067	4,137,800	(32.3)%
Golf Fund	-	-	604,700	598,535	604,700	598,535	(1.0)%
Nonmajor Funds	-	-	131,482	140,426	131,482	140,426	6.8%
<b>Total Expenses</b>	<b>27,911,301</b>	<b>22,070,883</b>	<b>14,450,006</b>	<b>12,846,059</b>	<b>42,361,307</b>	<b>34,916,942</b>	<b>(17.6)%</b>
Excess (Deficiency)							
Before Transfers	(4,786,350)	1,967,504	(1,739,193)	195,090	(6,525,543)	2,162,594	(133.1)%
Transfers	389,876	821,245	(389,876)	(821,245)	-	-	0.0%
Net Capital Assets Contributed to/from							
Component Units	-	-	(1,112,475)	(163,323)	(1,112,475)	(163,323)	(85.3)%
<b>Increase (Decrease) in Net Position</b>	<b>\$ (4,396,474)</b>	<b>\$ 2,788,749</b>	<b>\$ (3,241,544)</b>	<b>\$ (789,478)</b>	<b>\$ (7,638,018)</b>	<b>\$ 1,999,271</b>	<b>(126.2)%</b>

**CITY OF SHERIDAN, WYOMING**

**MANAGEMENT'S DISCUSSION & ANALYSIS**

June 30, 2016

(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 4.2% from the prior year and is expected to increase by 4.9% 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, \$2,202,788 in supplemental distributions respectively for fiscal years 2013, 2014, 2015, and 2016. The City has already received \$990,166 for fiscal year 2017 of the \$1,980,333 budgeted for fiscal years 2017 and 2018 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 \$22.1 million, a decrease of 21% from last year's amount of \$27.9 million. The pension expense was \$2.2 million this year versus \$7.9 million last year, thus this accounted for most of the decrease over last year. The City received \$1.2 million from those who directly benefited from charged services (i.e. permits, licenses, and fines). The City also received nearly \$3.9 million from other governments and organizations that subsidized certain programs through grants and contributions.

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

	<b>Total Cost</b>			<b>Net Cost (Revenues)</b>		
	<b>Of Services</b>		<b>Percentage Change</b>	<b>Of Services</b>		<b>Percentage Change</b>
	<b>2015</b>	<b>2016</b>		<b>2015</b>	<b>2016</b>	
General Administration	\$ 4,975,655	\$ 4,636,077	(6.8)%	\$ 3,216,981	\$ 2,931,047	(8.9)%
Public Safety	13,152,711	7,642,573	(41.9)%	12,871,635	7,412,909	(42.4)%
Health and Welfare	243,463	216,633	(11.0)%	243,463	216,633	(11.0)%
Public Works	4,224,056	3,931,933	(6.9)%	1,801,720	1,626,234	(9.7)%
Parks and Recreation	617,620	545,720	(11.6)%	463,386	(344,789)	(174.4)%
Interest on long-term debt	44,159	47,754	8.1%	44,159	47,754	8.1%
Unallocated depreciation	4,653,637	5,050,193	8.5%	4,653,637	5,050,193	8.5%
<b>Total</b>	<b>\$ 27,911,301</b>	<b>\$ 22,070,883</b>	<b>-20.9%</b>	<b>\$ 23,294,981</b>	<b>\$ 16,939,981</b>	<b>(27.3)%</b>

The City's business-type activities are now operating at a proper funding level, except for the Golf Course which requires General Fund subsidies.

**CITY OF SHERIDAN, WYOMING**

**MANAGEMENT'S DISCUSSION & ANALYSIS**

June 30, 2016

(Unaudited)

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

The City's combined fund balance in its governmental funds at June 30, 2016 was approximately \$11 million, an increase of \$1.8 million 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 \$442,998 that is restricted for SID payments and \$3.6 million in commitments related to general cash reserves and community aquatic facilities. These amounts affect availability of the City's funds.

***General Fund Budgetary Highlights***

*General Fund Budget Analysis*

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Percentage Change</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Percentage Change</b>
Revenues	\$ 10,380,533	\$ 13,899,243	33.9%	\$ 13,899,243	\$ 13,707,184	(1.4)%
Expenditures						
General Administration	\$ 1,815,463	\$ 3,051,814	68.1%	\$ 3,051,814	\$ 2,414,174	(20.9)%
Health and Welfare	109,704	127,380	16.1%	127,380	145,812	14.5%
Public Safety	5,021,735	5,554,670	10.6%	5,554,670	5,456,259	(1.8)%
Public Works	3,501,006	3,941,701	12.6%	3,941,701	3,479,606	(11.7)%
Parks and Recreation	600,718	488,576	(18.7)%	488,576	494,688	1.3%
Capital Outlay	18,500	399,470	2059.3%	399,470	357,956	(10.4)%
Debt Service	-	47,000	0.0%	47,000	49,948	6.3%
<b>Total</b>	<b>\$ 11,067,126</b>	<b>\$ 13,610,611</b>	<b>23.0%</b>	<b>\$ 13,610,611</b>	<b>\$ 12,398,443</b>	<b>(8.9)%</b>

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

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

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

***CAPITAL ASSET AND DEBT ADMINISTRATION***

***Capital Assets***

As of June 30, 2016, the City has invested \$174.4 million (net of depreciation) in a broad range of capital assets, including police & fire equipment, land, buildings, park facilities, automobiles, and water and sewer lines.

**CITY OF SHERIDAN, WYOMING**

**MANAGEMENT'S DISCUSSION & ANALYSIS**

June 30, 2016

(Unaudited)

This represents an increase of 1.8% over last year. More detailed information concerning the City's capital assets can be found in the notes to the financial statements.

*City of Sheridan's Capital Assets*

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	Restated				Restated		
	2015	2016	2015	2016	2015	2016	
Land	\$ 4,767,744	\$ 5,075,687	\$ 1,091,984	\$ 1,091,984	\$ 5,859,728	\$ 6,167,671	5.3%
Works of art	735,849	1,047,549	-	-	735,849	1,047,549	0.0%
Construction							
in progress	15,075,578	7,426,527	15,453,440	10,457,649	30,529,018	17,884,176	(41.4)%
Infrastructure	75,626,231	88,829,043	-	-	75,626,231	88,829,043	17.5%
Buildings	14,669,709	14,827,579	20,006,159	20,075,165	34,675,868	34,902,744	0.7%
Improvements, other than buildings	12,276,698	13,197,417	87,190,994	94,697,602	99,467,692	107,895,019	8.5%
Machinery and equipment	13,114,877	13,644,071	12,955,059	13,814,902	26,069,936	27,458,973	5.3%
Accumulated Depreciation	(54,980,803)	(59,792,683)	(46,642,592)	(49,992,407)	(101,623,395)	(109,785,090)	8.0%
<b>Total</b>	<b>\$ 81,285,883</b>	<b>\$ 84,255,190</b>	<b>\$ 90,055,044</b>	<b>\$ 90,144,895</b>	<b>\$ 171,340,927</b>	<b>\$ 174,400,085</b>	<b>1.8%</b>

This year's major capital asset additions included Wyoming/Park St Reconstruction, South Side Sewer Inceptors, NW Water Loop Construction, West 5<sup>th</sup> St Water Lines, Illinois St Reconstruction, land additions, Pathway and Safe Routes to School improvements, forklifts, utility vehicles, pumps, City Hall remodel, Fire Station improvements, City Park improvements, patrol vehicles, loader, excavator, dump trucks, trash/recycling trucks, mowers, Council chamber video equipment, and sculptures.

***Outstanding Long-Term Debt***

*City of Sheridan's Outstanding Debt*

	Governmental Activities		Business-Type Activities		Total		Total Percent Change
	2015	2016	2015	2016	2015	2016	
Special Assessment							
Bonds	\$ 1,045,000	\$ 850,000	\$ -	\$ -	\$ 1,045,000	\$ 850,000	(18.7)%
Capital Leases	364,847	355,461	1,250,351	1,354,556	1,615,198	1,710,017	5.9%
State Loan and Investment Board	-	-	11,733,976	11,922,251	11,733,976	11,922,251	1.6%
Repayment of sales tax	303,733	151,866	-	-	303,733	151,866	(50.0)%
Compensated absences	1,003,151	1,010,611	403,576	431,036	1,406,727	1,441,647	2.5%
Landfill closure liability	-	-	3,044,938	3,141,981	3,044,938	3,141,981	3.2%
Net pension liability	15,383,849	20,200,145	2,666,031	3,566,884	18,049,880	23,767,029	31.7%
<b>Total</b>	<b>\$ 18,100,580</b>	<b>\$ 22,568,083</b>	<b>\$ 19,098,872</b>	<b>\$ 20,416,708</b>	<b>\$ 37,199,452</b>	<b>\$ 42,984,791</b>	<b>15.6%</b>

At year end the City had \$43.0 million in outstanding debt, an increase of 15.6% or nearly \$5.8 million from last year, mainly due to the recording of the net pension liability (\$5.7 million increase in FY2016). More detailed information can be found in the notes to the financial statements.

# CITY OF SHERIDAN, WYOMING

## MANAGEMENT'S DISCUSSION & ANALYSIS

June 30, 2016

(Unaudited)

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### ***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 \$1.98 million, which the City received 50% of in August of 2016. The remaining funds will be received in January 2017. These funds are to help alleviate the effect of capping the severance tax and mineral royalty revenues. For fiscal year 2017, the State Legislature has requested the supplemental distributions not be used for salary adjustments, additional personnel or increased personnel benefits. The State Legislature approved through its supplemental budget for fiscal years 2017 and 2018, a distribution of \$1.98 million in each year. There is still the possibility that the State Legislature could reduce or remove the fiscal year 2018 supplemental budget due to the downturn in the state's mineral activities. Last biennium was the 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 biennium the hardship funds are around \$244,000. This designation is recalculated each biennium which could result in a status change for the City of Sheridan for fiscal years 2019 and 2020.
- 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, Police Department Remodel, Cemetery Building, West Downtown – Brundage St., North Sheridan Interchange, Water Treatment Plant upgrades, Waste Water Treatment Plant Dewatering Improvements, 4MG Tank repairs, Hydropower project, Leopard Street Waterline replacement, Loucks Street & Waterline replacement, Holloway St. Construction, NE 5<sup>th</sup> St. Infrastructure, 5<sup>th</sup> St Waterline Replacement, Meter 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, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 10,570,951	\$ 7,180,157	\$ 17,751,108
Restricted cash	-	-	-
Investments	17,175	87,017	104,192
Real estate held for sale	-	-	-
Prepaid items	-	-	-
Inventory	-	61,918	61,918
Accounts receivable, net	1,882,139	1,778,624	3,660,763
Special assessments receivable, net	831,522	-	831,522
Due from other governments	2,885,702	391,718	3,277,420
Due from component unit	-	3,731,652	3,731,652
Due from primary government	-	-	-
Notes receivable - long-term	-	-	-
Capital assets not being depreciated	13,549,763	11,549,633	25,099,396
Capital assets, net of accumulated depreciation	70,705,427	78,595,262	149,300,689
Total assets	100,442,679	103,375,981	203,818,660
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension plan items	3,893,325	1,139,702	5,033,027
Total deferred outflows of resources	3,893,325	1,139,702	5,033,027

See accompanying notes to the financial statements

Component Units		
Sheridan Area Water Supply	Sheridan Economic and Educational Development Authority	Total
\$ 1,903,058	\$ 725,188	\$ 2,628,246
6,436,765	171,000	6,607,765
-	-	-
-	1,644,252	1,644,252
-	5,036	5,036
-	-	-
258,296	-	258,296
-	-	-
-	161,793	161,793
-	-	-
4,471,239	-	4,471,239
1,178,571	-	1,178,571
1,782,392	426,500	2,208,892
29,822,320	2,566,201	32,388,521
<u>45,852,641</u>	<u>5,699,970</u>	<u>51,552,611</u>
-	-	-
-	-	-
(Continued)		

**CITY OF SHERIDAN, WYOMING**

STATEMENT OF NET POSITION (CONTINUED)

June 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>LIABILITIES</b>			
Accounts payable	\$ 2,549,772	\$ 343,533	\$ 2,893,305
Accrued liabilities	341,117	201,946	543,063
Accrued interest payable	-	375,058	375,058
Deposits due to others	-	125,629	125,629
Due to primary government	-	-	-
Due to component unit	-	4,471,239	4,471,239
Long-term liabilities			
Due within one year	480,469	1,937,105	2,417,574
Due in more than one year	1,887,469	14,912,719	16,800,188
Net pension liability	20,200,145	3,566,884	23,767,029
Total liabilities	25,458,972	25,934,113	51,393,085
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property tax revenue	1,451,360	-	1,451,360
Pension plan items	68,505	77,022	145,527
Total deferred inflows of resources	1,519,865	77,022	1,596,887
<b>NET POSITION</b>			
Net investment in capital assets	83,049,729	76,868,088	159,917,817
Restricted by			
Debt service	442,998	-	442,998
Sheridan Area Water Supply	-	-	-
Unrestricted (deficit)	(6,135,560)	1,636,460	(4,499,100)
Total net position	\$ 77,357,167	\$ 78,504,548	\$ 155,861,715

See accompanying notes to the financial statements

Component Units		
Sheridan Area Water Supply	Sheridan Economic and Educational Development Authority	Total
\$ 108,051	\$ 16,534	\$ 124,585
-	-	-
80,364	-	80,364
-	-	-
3,731,652	-	3,731,652
-	-	-
245,734	-	245,734
4,860,961	-	4,860,961
-	-	-
<u>9,026,762</u>	<u>16,534</u>	<u>9,043,296</u>
-	-	-
-	-	-
-	-	-
28,134,685	2,992,701	31,127,386
-	-	-
2,039,926	-	2,039,926
6,651,268	2,690,735	9,342,003
<u>\$ 36,825,879</u>	<u>\$ 5,683,436</u>	<u>\$ 42,509,315</u>

**CITY OF SHERIDAN, WYOMING**

**STATEMENT OF ACTIVITIES**

Year Ended June 30, 2016

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government</b>				
Governmental activities				
General administration	\$ 4,636,077	\$ 1,156,110	\$ 127,023	\$ 421,897
Health and welfare	216,633	-	-	-
Public safety	7,642,573	-	-	229,664
Public works	3,931,933	-	-	2,305,699
Parks and recreation	545,720	-	14,110	876,399
Interest on long-term debt	47,754	-	-	-
Unallocated depreciation	5,050,193	-	-	-
Total governmental activities	<u>22,070,883</u>	<u>1,156,110</u>	<u>141,133</u>	<u>3,833,659</u>
Business-type activities				
Solid waste fund	4,137,800	4,554,469	-	-
Water and sewer fund	7,969,298	6,358,942	-	1,600,260
Golf fund	598,535	341,562	-	-
Weed and pest fund	140,426	19,140	-	-
Total business-type activities	<u>12,846,059</u>	<u>11,274,113</u>	<u>-</u>	<u>1,600,260</u>
Total primary government	<u>\$ 34,916,942</u>	<u>\$ 12,430,223</u>	<u>\$ 141,133</u>	<u>\$ 5,433,919</u>
<b>Component units</b>				
Sheridan Area Water Supply	\$ 1,750,533	\$ 1,497,042	\$ -	\$ -
Sheridan Economic and Educational Development Authority	252,720	-	-	21,417
Total component units	<u>\$ 2,003,253</u>	<u>\$ 1,497,042</u>	<u>\$ -</u>	<u>\$ 21,417</u>
<b>General revenues</b>				
Taxes				
Property taxes, levied for general purposes				
Special assessments, levied for debt service				
Sales, severance, royalties, cigarette, gasoline, use taxes				
Franchise taxes				
Miscellaneous revenues				
Net investment income				
Net capital assets contributed to/from component units				
Gain on sale of real estate held for sale				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning of year, as previously stated				
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
\$ (2,931,047)	\$ -	\$ (2,931,047)	\$ -	\$ -	\$ -
(216,633)	-	(216,633)	-	-	-
(7,412,909)	-	(7,412,909)	-	-	-
(1,626,234)	-	(1,626,234)	-	-	-
344,789	-	344,789	-	-	-
(47,754)	-	(47,754)	-	-	-
(5,050,193)	-	(5,050,193)	-	-	-
(16,939,981)	-	(16,939,981)	-	-	-
-	416,669	416,669	-	-	-
-	(10,096)	(10,096)	-	-	-
-	(256,973)	(256,973)	-	-	-
-	(121,286)	(121,286)	-	-	-
-	28,314	28,314	-	-	-
(16,939,981)	28,314	(16,911,667)	-	-	-
-	-	-	(253,491)	-	(253,491)
-	-	-	-	(231,303)	(231,303)
-	-	-	(253,491)	(231,303)	(484,794)
1,847,693	139,338	1,987,031	-	-	-
31,486	-	31,486	-	-	-
15,825,501	-	15,825,501	-	-	-
898,073	-	898,073	-	-	-
284,157	-	284,157	-	-	-
20,575	27,438	48,013	50,012	42	50,054
-	(163,323)	(163,323)	163,323	-	163,323
-	-	-	-	135,160	135,160
821,245	(821,245)	-	-	-	-
19,728,730	(817,792)	18,910,938	213,335	135,202	348,537
2,788,749	(789,478)	1,999,271	(40,156)	(96,101)	(136,257)
74,250,772	79,294,026	153,544,798	36,866,035	5,779,537	42,645,572
317,646	-	317,646	-	-	-
74,568,418	79,294,026	153,862,444	36,866,035	5,779,537	42,645,572
\$ 77,357,167	\$ 78,504,548	\$ 155,861,715	\$ 36,825,879	\$ 5,683,436	\$ 42,509,315

**CITY OF SHERIDAN, WYOMING**

BALANCE SHEET -  
GOVERNMENTAL FUNDS  
June 30, 2016

	General Fund	Debt Service Fund	Capital Tax Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,714,739	\$ 442,721	\$ 269,200
Investments	17,175	-	-
Accounts receivable, net	1,442,209	-	-
Special assessments receivable, net	-	831,522	-
Due from other governments	1,534,792	-	-
Total assets	<u>\$ 8,708,915</u>	<u>\$ 1,274,243</u>	<u>\$ 269,200</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 574,993	\$ -	\$ -
Accrued liabilities	338,674	-	-
Compensated absences payable	60,620	-	-
Total liabilities	<u>974,287</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources			
Property tax revenue	1,451,360	-	-
Special assessments	-	831,245	-
Total deferred inflows of resources	<u>1,451,360</u>	<u>831,245</u>	<u>-</u>
Fund balances			
Restricted for debt service	-	442,998	-
Committed			
Reserves and emergency needs	2,550,724	-	-
Community aquatic facilities	1,000,000	-	-
Unassigned	2,732,544	-	269,200
Total fund balances	<u>6,283,268</u>	<u>442,998</u>	<u>269,200</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,708,915</u>	<u>\$ 1,274,243</u>	<u>\$ 269,200</u>

See accompanying notes to the financial statements

Special Revenue Fund	Total Governmental Funds
\$ 4,144,291	\$10,570,951
-	17,175
439,930	1,882,139
-	831,522
1,350,910	2,885,702
<u>\$ 5,935,131</u>	<u>\$16,187,489</u>

\$ 1,974,779	\$ 2,549,772
2,443	341,117
-	60,620
<u>1,977,222</u>	<u>2,951,509</u>

-	1,451,360
<u>-</u>	<u>831,245</u>

<u>-</u>	<u>2,282,605</u>
----------	------------------

-	442,998
-	2,550,724
-	1,000,000
3,957,909	6,959,653
<u>3,957,909</u>	<u>10,953,375</u>

<u>\$ 5,935,131</u>	<u>\$16,187,489</u>
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**CITY OF SHERIDAN, WYOMING**

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

June 30, 2016

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

Total fund balances - governmental funds		\$ 10,953,375
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		84,255,190
Deferred outflows and inflows are not available revenues or available to pay for current expenditures and therefore the underlying resources are not reported in the government funds.		
Pension plan items - deferred outflows of resources	\$ 3,893,325	
Pension plan items - deferred inflows of resources	<u>(68,505)</u>	3,824,820
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		831,245
Some liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds.		
Special assessment bonds	(850,000)	
Capital leases	(355,461)	
Repayment of sales tax	(151,866)	
Compensated absences	(1,010,611)	
Compensated absences due and payable in the funds	60,620	
Pension liability	<u>(20,200,145)</u>	<u>(22,507,463)</u>
Net position of governmental activities		<u><u>\$ 77,357,167</u></u>

See accompanying notes to the financial statements

**CITY OF SHERIDAN, WYOMING**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS

Year Ended June 30, 2016

	General Fund	Debt Service Fund	Capital Tax Fund
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Revenues			
Taxes	\$ 11,993,208	\$ -	\$ 3,345,797
Licenses and permits	807,879	-	-
Intergovernmental	132,213	-	-
Special assessments	-	158,903	-
Fines, forfeitures and penalties	286,290	-	-
Charges for services	341,811	-	-
Net investment income	12,617	-	2,299
Contributions	106,837	-	-
Miscellaneous revenues	26,329	-	-
Total revenues	<u>13,707,184</u>	<u>158,903</u>	<u>3,348,096</u>
Expenditures			
Current			
General administration	2,414,174	-	-
Health and welfare	145,812	-	-
Public safety	5,456,259	-	-
Public works	3,479,606	1,700	-
Parks and recreation	494,688	-	-
Capital outlay	357,956	-	-
Debt service - principal	46,866	204,386	-
interest	3,082	44,673	-
Total expenditures	<u>12,398,443</u>	<u>250,759</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,308,741</u>	<u>(91,856)</u>	<u>3,348,096</u>
Other financing sources (uses)			
Transfers in	976,279	15,798	-
Transfers out	(1,888,438)	-	(3,439,388)
Total other financing sources (uses)	<u>(912,159)</u>	<u>15,798</u>	<u>(3,439,388)</u>
Net change in fund balances	396,582	(76,058)	(91,292)
Fund balances - beginning of year	<u>5,886,686</u>	<u>519,056</u>	<u>360,492</u>
Fund balances - end of year	<u>\$ 6,283,268</u>	<u>\$ 442,998</u>	<u>\$ 269,200</u>

See accompanying notes to the financial statements

Special Revenue Fund	Total Governmental Funds
\$ 3,232,263	\$ 18,571,268
-	807,879
3,019,759	3,151,972
-	158,903
-	286,290
-	341,811
5,658	20,574
436,114	542,951
257,828	284,157
6,951,622	24,165,805
692,094	3,106,268
67,115	212,927
206,703	5,662,962
312,371	3,793,677
35,088	529,776
9,157,049	9,515,005
105,000	356,252
-	47,755
10,575,420	23,224,622
(3,623,798)	941,183
6,750,328	7,742,405
(1,593,334)	(6,921,160)
5,156,994	821,245
1,533,196	1,762,428
2,424,713	9,190,947
\$ 3,957,909	\$ 10,953,375

**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, 2016**

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

Change in fund balances as reported in the governmental fund statement.		\$ 1,762,428
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital asset additions	\$ 8,019,500	
Depreciation	<u>(5,050,193)</u>	2,969,307
Certain revenues are not recognized as current financial resources and, therefore, are not reported as revenues in governmental funds.		
Current year deferred revenue	831,245	
Prior year deferred revenue	<u>(958,662)</u>	(127,417)
The repayment of principal on long-term debt and capital leases consumes current financial resources of governmental funds while it is not recognized as an expense in the statement of activities.		
		356,253
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, 2015	15,383,849	
Pension liability as of June 30, 2016	(20,200,145)	
Deferred outflows - pension items as of June 30, 2015	(1,152,239)	
Deferred outflows - pension items as of June 30, 2016	3,893,325	
Deferred inflows - pension items as of June 30, 2016	<u>(68,505)</u>	(2,143,715)
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 - prior year	(43,087)	
Current portion accrued compensated absences - current year	60,620	
Current portion accrued compensated absences - prior year	(38,180)	
Total compensated absences - current year	(1,010,611)	
Total compensated absences - prior year	<u>1,003,151</u>	(28,107)
Change in net position of governmental activities		<u><u>\$ 2,788,749</u></u>

See accompanying notes to the financial statements

**CITY OF SHERIDAN, WYOMING**

**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**

June 30, 2016

	Solid Waste Fund	Water and Sewer Fund	Golf Fund
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 2,297,410	\$ 4,763,503	\$ 22,047
Service receivables, net	615,361	1,110,460	49,656
Investments	22,307	64,710	-
Due from other governments	360,000	-	-
Due from component unit	-	3,731,652	-
Inventory	-	61,918	-
Total current assets	<u>3,295,078</u>	<u>9,732,243</u>	<u>71,703</u>
Capital assets, net of accumulated depreciation	<u>8,940,720</u>	<u>80,348,201</u>	<u>739,022</u>
Total assets	<u>12,235,798</u>	<u>90,080,444</u>	<u>810,725</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension plan items	<u>448,890</u>	<u>684,342</u>	<u>-</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	113,417	141,907	58,868
Accrued liabilities	77,147	119,735	-
Accrued interest payable	33,477	339,194	2,387
Due to component unit	-	4,471,239	-
Deposits due to others	-	125,629	-
Compensated absences payable, current portion	97,555	202,775	-
Current portion of capital leases payable	247,879	12,407	23,262
Current portion of notes payable	540,089	813,138	-
Total current liabilities	<u>1,109,564</u>	<u>6,226,024</u>	<u>84,517</u>
Long-term liabilities			
Net pension liability	1,335,102	2,225,481	-
Landfill postclosure liability	3,141,981	-	-
Notes payable	1,513,589	9,055,435	-
Compensated absences payable	52,426	76,593	-
Capital leases payable	803,926	175,465	91,617
Total long-term liabilities	<u>6,847,024</u>	<u>11,532,974</u>	<u>91,617</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension plan items	<u>30,516</u>	<u>45,960</u>	<u>-</u>
<b>NET POSITION</b>			
Net investment in capital assets	5,835,237	70,291,756	624,143
Unrestricted (deficit)	<u>(1,137,653)</u>	<u>2,668,072</u>	<u>10,448</u>
Total net position	<u>\$ 4,697,584</u>	<u>\$ 72,959,828</u>	<u>\$ 634,591</u>

See accompanying notes to the financial statements

Weed and Pest Fund		Totals
\$ 97,197	\$ 7,180,157	
3,147	1,778,624	
-	87,017	
31,718	391,718	
-	3,731,652	
-	61,918	
<u>132,062</u>	<u>13,231,086</u>	
<u>116,952</u>	<u>90,144,895</u>	
<u>249,014</u>	<u>103,375,981</u>	
<u>6,470</u>	<u>1,139,702</u>	
29,341	343,533	
5,064	201,946	
-	375,058	
-	4,471,239	
-	125,629	
-	300,330	
-	283,548	
-	1,353,227	
<u>34,405</u>	<u>7,454,510</u>	
6,301	3,566,884	
-	3,141,981	
-	10,569,024	
1,687	130,706	
-	1,071,008	
<u>7,988</u>	<u>18,479,603</u>	
<u>546</u>	<u>77,022</u>	
116,952	76,868,088	
95,593	1,636,460	
<u>\$ 212,545</u>	<u>\$ 78,504,548</u>	

**CITY OF SHERIDAN, WYOMING**

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

Year Ended June 30, 2016

	Solid Waste Fund	Water and Sewer Fund	Golf Fund
Operating revenues			
Service fees	\$ 4,467,353	\$ 6,328,819	\$ 341,562
Other operating revenue	87,116	30,123	-
Total operating revenues	<u>4,554,469</u>	<u>6,358,942</u>	<u>341,562</u>
Operating expenses			
Salaries and benefits	1,967,472	2,763,867	-
Other operating expenses	1,247,207	1,808,705	410,412
Landfill postclosure costs	97,043	-	-
Depreciation expense	748,011	3,022,491	186,213
Total operating expenses	<u>4,059,733</u>	<u>7,595,063</u>	<u>596,625</u>
Operating income (loss)	494,736	(1,236,121)	(255,063)
Nonoperating revenues (expenses)			
Net investment income	5,365	22,073	-
Interest expense	(78,067)	(374,235)	(1,910)
Total nonoperating revenues (expenses)	<u>(72,702)</u>	<u>(352,162)</u>	<u>(1,910)</u>
Income (loss) before contributions and transfers	422,034	(1,588,283)	(256,973)
Other financing sources (uses)			
Net capital assets contributed to/from component units	-	(163,323)	-
Grants and contributions	-	1,600,260	-
Transfers in	-	636,025	184,000
Transfers out	(445,280)	(1,180,390)	(12,000)
Total other financing sources (uses)	<u>(445,280)</u>	<u>892,572</u>	<u>172,000</u>
Change in net position	<u>(23,246)</u>	<u>(695,711)</u>	<u>(84,973)</u>
Net position - beginning of year	<u>4,720,830</u>	<u>73,655,539</u>	<u>719,564</u>
Net position - end of year	<u>\$ 4,697,584</u>	<u>\$ 72,959,828</u>	<u>\$ 634,591</u>

See accompanying notes to the financial statements

Weed and Pest Fund	Totals
\$ 19,140	\$ 11,156,874
139,338	256,577
<u>158,478</u>	<u>11,413,451</u>
28,993	4,760,332
106,805	3,573,129
-	97,043
4,628	3,961,343
<u>140,426</u>	<u>12,391,847</u>
18,052	(978,396)
-	27,438
-	(454,212)
<u>-</u>	<u>(426,774)</u>
18,052	(1,405,170)
-	(163,323)
-	1,600,260
-	820,025
(3,600)	(1,641,270)
<u>(3,600)</u>	<u>615,692</u>
14,452	(789,478)
<u>198,093</u>	<u>79,294,026</u>
<u>\$ 212,545</u>	<u>\$ 78,504,548</u>



**CITY OF SHERIDAN, WYOMING**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds		
	Solid Waste Fund	Water and Sewer Fund	Golf Fund
<b>Cash Flows from Operating Activities</b>			
Cash receipts from services	\$ 4,481,449	\$ 6,140,569	\$ 308,089
Cash paid to suppliers for goods and services	(1,555,832)	(1,970,845)	(361,238)
Cash paid to employees for services	(1,802,498)	(2,517,421)	-
Net cash provided by (used in) operating activities	<u>1,123,119</u>	<u>1,652,303</u>	<u>(53,149)</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfers in	-	636,025	184,000
Transfers out	(445,280)	(1,180,390)	(12,000)
Net cash provided by (used in) noncapital financing activities	<u>(445,280)</u>	<u>(544,365)</u>	<u>172,000</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Capital grants from federal and state sources	-	1,600,260	-
Acquisition of notes payable and capital leases	181,551	1,259,442	-
Principal payments on notes payable to the Office of State Land and Investments	(530,375)	(352,922)	-
Principal payments on capital leases	(242,452)	-	(22,766)
Interest paid on capital debt	(86,601)	(134,284)	(3,000)
Proceeds from sale of capital assets	105,622	51,396	-
Purchases of property and equipment	(1,142,195)	(2,754,224)	(77,524)
Net cash used in capital and related financing activities	<u>(1,714,450)</u>	<u>(330,332)</u>	<u>(103,290)</u>
<b>Cash Flows from Investing Activities</b>			
Proceeds from the sale of investments	(408)	(2,632)	-
Interest received	5,365	22,073	-
Net cash provided by investing activities	<u>4,957</u>	<u>19,441</u>	<u>-</u>
 Net increase (decrease) in cash and cash equivalents	 (1,031,654)	 797,047	 15,561
Cash and cash equivalents - beginning of year	3,329,064	3,966,456	6,486
Cash and cash equivalents - end of year	<u><u>\$ 2,297,410</u></u>	<u><u>\$ 4,763,503</u></u>	<u><u>\$ 22,047</u></u>

See accompanying notes to the financial statements

Weed and Pest Fund	Totals
\$ 156,598	\$ 11,086,705
(114,711)	(4,002,626)
(21,865)	(4,341,784)
20,022	2,742,295
-	820,025
(3,600)	(1,641,270)
(3,600)	(821,245)
-	1,600,260
-	1,440,993
-	(883,297)
-	(265,218)
-	(223,885)
-	157,018
(87,901)	(4,061,844)
(87,901)	(2,235,973)
-	(3,040)
-	27,438
-	24,398
(71,479)	(290,525)
168,676	7,470,682
\$ 97,197	\$ 7,180,157

(Continued)

**CITY OF SHERIDAN, WYOMING**

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)  
Year Ended June 30, 2016

	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)	\$ 494,736	\$ (1,236,121)	\$ (255,063)
Adjustments to reconcile operating income (loss) to cash provided by (used in) operating activities			
(Gain) loss on sale of capital assets	(98,084)	(48,282)	-
Depreciation expense	748,011	3,022,491	186,213
Amortization of differences on pension investment earnings	84,015	126,534	-
Landfill postclosure costs	97,043	-	-
Increase (decrease) in cash resulting from changes in operating assets, deferred outflows and inflows, and liabilities			
Service receivables, net	(73,020)	(124,954)	(33,473)
Due from other governments	-	-	-
Due from component unit	-	(95,842)	-
Inventory	-	15,937	-
Deferred outflow - pension plan items	(362,036)	(537,284)	-
Accounts payable	(210,541)	(177,772)	49,174
Accrued liabilities	39,436	63,954	-
Due to component units	-	47,977	-
Deposits due to others	-	2,423	-
Compensated absences payable	1,700	24,073	-
Net pension liability	371,343	523,209	-
Deferred inflow - pension plan items	30,516	45,960	-
Net cash provided by (used in) operating activities	<u>\$ 1,123,119</u>	<u>\$ 1,652,303</u>	<u>\$ (53,149)</u>

See accompanying notes to the financial statements

<u>Weed and Pest Fund</u>		<u>Totals</u>
\$ 18,052	\$ (978,396)	
-	(146,366)	
4,628	3,961,343	
1,502	212,051	
-	97,043	
(152)	(231,599)	
(1,728)	(1,728)	
-	(95,842)	
-	15,937	
(7,972)	(907,292)	
(7,906)	(347,045)	
5,064	108,454	
-	47,977	
-	2,423	
1,687	27,460	
6,301	900,853	
546	77,022	
<u>\$ 20,022</u>	<u>\$ 2,742,295</u>	

**CITY OF SHERIDAN, WYOMING**

STATEMENT OF FIDUCIARY NET POSITION -  
FIDUCIARY FUNDS

June 30, 2016

	Agency Funds		
		Wyoming Court Automation Fees Fund	
<b>ASSETS</b>	Crime Victims Fund	Total	
Cash	\$ 740	\$ 1,447	\$ 2,187
Total assets	\$ 740	\$ 1,447	\$ 2,187
<b>LIABILITIES</b>			
Accounts payable	\$ 740	\$ 1,447	\$ 2,187
Total liabilities	\$ 740	\$ 1,447	\$ 2,187

See accompanying notes to the financial statements

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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**Note 1. The Reporting Entity and Significant Accounting Policies**

***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.

***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.

***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, 2016

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

***Related Organization (Continued)***

Sheridan County School District #2 imposes a one mill levy on its assessed valuation to be expended by the Sheridan Recreation District as outlined in Wyoming Statute §18-9-201 in addition to its other sources of revenue. This jointly established system of public recreation operates, maintains, and assists with improving parks located in the City of Sheridan, Wyoming, and surrounding areas in Sheridan County, Wyoming, as well as providing recreational services to youths and adults. For the year ended June 30, 2016, the City paid the Sheridan Recreation District \$122,500 for services associated with maintaining community parks and facilities and coordinating programs at these facilities. Further financial information is available from the Sheridan Recreation District.

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments 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, 2016

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

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

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

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

The government reports the following major governmental funds:

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

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

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

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

The government reports the following major proprietary funds:

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

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

The *golf fund* accounts for revenue and expenses associated with the operation and maintenance of the Sheridan Municipal Golf Course. In the current year, the golf fund did not meet the criteria to be reported as a major fund. Since it is management's intention that this would be a significant fund in the future, it has been reported separately for consistency with prior and future years.

The *weed and pest fund* accounts for revenue and expenses associated with services related to weed and pest control in the City.

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, 2016

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**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, 2016

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**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 current year property taxes were levied as of July 1, 2015 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, 2016. 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, 2016 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, 2016

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**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, 2016.

***Real Estate Held for Sale***

As part of the City's commitment to economic development, 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 SEEDA. Parcels valued at \$1,003,310 were sold through June 30, 2016, with parcels valued at \$1,644,252 still available for sale.

***Deferred Outflows and Deferred Inflows of Resources***

In addition to assets, the financial statements may include a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a decrease of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to the liabilities, the financial statements may include a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an 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 City reports deferred outflows and deferred inflows of resources as follows:

*Unavailable Revenues* – Unavailable revenue is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from 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, property tax revenue is reported as a deferred inflow of resources in the year the taxes are levied.

*Pension-Related Revenues* – In the government-wide and proprietary funds statement of net position, a deferred outflow or deferred inflow or resources is reported for the unrecognized items not yet charged to pension expense related to the net pension liability. This includes the unamortized portion of the net difference between projected and actual earnings on pension plan investments and other differences between expected and actual experience. Deferred outflows for the net difference between projected and actual investment earnings are recognized over a period of five years, while the deferred inflows or deferred outflows for the differences between expected and actual experience for economic/demographic assumptions are recognized over the remaining service life for all active and inactive members.

***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, 2016.

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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**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 \$1,442,000 for accrued vacation, sick and holiday leave, with accrued benefits as of June 30, 2016, 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, 2016 were as follow:

General Fund	\$ 71,554
Special Revenue Fund	9,412
Water and Sewer Fund	58,241
Solid Waste Fund	14,713
	<u>\$ 153,920</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, 2016

**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. The estimate of pension liabilities is especially significant to the City. It is reasonably possible that this estimate will change within one year of the date of the financial statements due to one or more future events. The effect of the change could be material to the financial statements and could result in a loss.

**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, 2016, 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 \$1,231,669 as of June 30, 2016.

As of June 30, 2016, the City had the following investments:

Investment Type	Fair Value	Investment Maturities (In Years)			
		1 year	1-5 years	5-10 years	10 years +
U.S. agency mortgage backed securities - GNMA, interest rates from 4.0% to 8.0%	\$ 59,001	\$ -	\$ -	\$ 9	\$ 58,992
U.S. sponsored entity obligations FNMA, interest rates from 3.5% to 5.0%	4,724	-	-	-	4,724
Money market	40,467	40,467	-	-	-
	<u>\$ 104,192</u>	<u>\$ 40,467</u>	<u>\$ -</u>	<u>\$ 9</u>	<u>\$ 63,716</u>

## CITY OF SHERIDAN, WYOMING

### NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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

##### ***Interest Rate Risk***

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

##### ***Credit Risk***

Generally, credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. State law does not allow governments to invest in corporate bonds, stocks or mutual funds and limits investments in commercial paper to short term maturities (not greater than 270 days) and to the top ratings issued by nationally recognized statistical rating organizations (Moody's and Standard and Poor's). Obligations of the U.S. Government and obligations specifically guaranteed by the U.S. Government are backed by the full faith and credit of the U.S. Government.

##### ***Concentration of Credit Risk***

The City does not have a formal policy that allows for or limits an investment in any one issuer to a specified percentage of the City's total investments. As of June 30, 2016, the City had 95% of its investments in GNMA securities and 5% 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. Fair Value of Investments**

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Following is a description of the valuation methodologies used for investments measured at fair value. There have been no changes in the methodologies used at June 30, 2016.

*U.S. government obligations and U.S. government agency mortgage backed securities* – Valued using matrix pricing models for identical or similar assets in active markets.

**CITY OF SHERIDAN, WYOMING**

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

**Note 3. Fair Value of Investments (Continued)**

The following categorizes the fair value measurements within the fair value hierarchy established by generally accepted accounting principles:

	Investments at Fair Value as of June 30, 2016			
	Level 1	Level 2	Level 3	Total
U.S. government agency obligations	\$ -	\$ 4,724	\$ -	\$ 4,724
U.S. government agency mortgage backed securities	-	59,001	-	59,001
Total investments at fair value	\$ -	\$ 63,725	\$ -	63,725
Other investments reported in the following classifications				
Money market				40,467
Total primary government investments				\$ 104,192

As of June 30, 2016, the City's investment portfolio includes the following investments that have fair values highly sensitive to interest rate changes:

*Mortgage-backed securities* – when interest rates fall, mortgages are refinanced and paid off early. The reduced stream of future interest payments diminishes the value of the investment.

**Note 4. 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	\$ 28,725
Solid Waste Fund	15,864
Weed and Pest Fund	96
Total	\$ 44,685

**CITY OF SHERIDAN, WYOMING**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2016

**Note 5. Individual Fund Interfund Receivables, Payables, Advances, Transfers and Capital 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, 2016 were as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
Primary Government		
Governmental Funds		
General Fund	\$ 976,279	\$ 1,888,438
Debt Service Fund	15,798	-
Capital Projects Fund	-	3,439,388
Special Revenue Fund	6,750,328	1,593,334
Total governmental activities - governmental funds	<u>7,742,405</u>	<u>6,921,160</u>
Proprietary Funds - Business-type Activities		
Water and Sewer Fund	636,025	1,180,390
Solid Waste Fund	-	445,280
Golf Fund	184,000	12,000
Weed and Pest Fund	-	3,600
Total proprietary funds - business-type activities	<u>820,025</u>	<u>1,641,270</u>
	<u>\$ 8,562,430</u>	<u>\$ 8,562,430</u>
Net Capital Assets Contributed to/from Component Units		
Proprietary Funds - Business-type Activities		
Water and Sewer Fund	\$ 47,977	\$ 211,300
Component Units		
Sheridan Area Water Supply Joint Powers Board	211,300	47,977
Total component units	<u>\$ 259,277</u>	<u>\$ 259,277</u>
	<u>\$ 8,821,707</u>	<u>\$ 8,821,707</u>



**CITY OF SHERIDAN, WYOMING**

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

**Note 6. Capital Assets**

Capital asset activity for the year ended June 30, 2016 was as follows:

	Restated Balance June 30, 2015	Increases Transfers In	Decreases Transfers Out	Balance June 30, 2016
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 4,767,744	\$ 307,943	\$ -	\$ 5,075,687
Works of art	735,849	311,700	-	1,047,549
Construction in progress	15,075,578	5,895,942	(13,544,993)	7,426,527
Total capital assets, not being depreciated	<u>20,579,171</u>	<u>6,515,585</u>	<u>(13,544,993)</u>	<u>13,549,763</u>
Capital assets, being depreciated				
Infrastructure	75,626,231	13,202,812	-	88,829,043
Buildings	14,669,709	157,870	-	14,827,579
Improvements, other than buildings	12,276,698	920,719	-	13,197,417
Machinery and equipment	13,114,877	767,507	(238,313)	13,644,071
Total capital assets, being depreciated	<u>115,687,515</u>	<u>15,048,908</u>	<u>(238,313)</u>	<u>130,498,110</u>
Less accumulated depreciation for				
Infrastructure	34,286,684	3,493,500	-	37,780,184
Buildings	5,855,625	437,647	-	6,293,272
Improvements, other than buildings	4,778,740	508,351	-	5,287,091
Machinery and equipment	10,059,754	610,695	(238,313)	10,432,136
Total accumulated depreciation	<u>54,980,803</u>	<u>5,050,193</u>	<u>(238,313)</u>	<u>59,792,683</u>
Total capital assets, being depreciated, net	<u>60,706,712</u>	<u>9,998,715</u>	<u>-</u>	<u>70,705,427</u>
Governmental activities capital assets, net	<u>\$ 81,285,883</u>	<u>\$ 16,514,300</u>	<u>\$ (13,544,993)</u>	<u>\$ 84,255,190</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 \$1,896,500 as of June 30, 2016.

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, 2016

**Note 6. Capital Assets (Continued)**

	Balance June 30, 2015	Increases Transfers In	Decreases Transfers Out	Balance June 30, 2016
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 1,091,984	\$ -	\$ -	\$ 1,091,984
Construction in progress	15,453,440	2,488,955	(7,484,746)	10,457,649
Total capital assets, not being depreciated	<u>16,545,424</u>	<u>2,488,955</u>	<u>(7,484,746)</u>	<u>11,549,633</u>
Capital assets, being depreciated				
Buildings	20,006,159	69,006	-	20,075,165
Improvements, other than buildings	87,190,994	7,535,838	(29,230)	94,697,602
Machinery and equipment	12,955,059	1,452,794	(592,951)	13,814,902
Total capital assets, being depreciated	<u>120,152,212</u>	<u>9,057,638</u>	<u>(622,181)</u>	<u>128,587,669</u>
Less accumulated depreciation for				
Buildings	13,593,757	557,189	-	14,150,946
Improvements, other than buildings	23,607,965	2,689,381	(25,332)	26,272,014
Machinery and equipment	9,440,870	714,773	(586,196)	9,569,447
Total accumulated depreciation	<u>46,642,592</u>	<u>3,961,343</u>	<u>(611,528)</u>	<u>49,992,407</u>
Total capital assets, being depreciated, net	<u>73,509,620</u>	<u>5,096,295</u>	<u>(10,653)</u>	<u>78,595,262</u>
Business-type activities capital assets, net	<u>\$ 90,055,044</u>	<u>\$ 7,585,250</u>	<u>\$ (7,495,399)</u>	<u>\$90,144,895</u>

Assets acquired through capital leases of \$3,042,410 are included in machinery and equipment above. The related accumulated depreciation on those assets was \$1,528,565 as of June 30, 2016.

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

Solid waste fund	\$ 748,011
Water and sewer fund	3,022,491
Golf fund	186,213
Weed and pest fund	4,628
Total depreciation expense - business-type activities	<u>\$ 3,961,343</u>

All applicable amortization expense is reported with depreciation expense.

**CITY OF SHERIDAN, WYOMING**

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

**Note 6. Capital Assets (Continued)**

**Components Units**

Capital asset activity for each component unit for the year ended June 30, 2016, was as follows:

Capital asset activity for the Sheridan Area Water Supply Joint Powers Board for the year ended June 30, 2016, was as follows:

	Balance June 30, 2015	Increases Transfers In	Decreases Transfers Out	Balance June 30, 2016
Capital assets, not being depreciated				
Reservoir water shares	\$ 509,571	\$ -	\$ -	\$ 509,571
Construction in progress	105,390	1,167,431	-	1,272,821
Total capital assets, not being depreciated	614,961	1,167,431	-	1,782,392
Capital assets, being depreciated				
Water system	39,612,291	-	-	39,612,291
Total capital assets, being depreciated	39,612,291	-	-	39,612,291
Total accumulated depreciation	9,248,619	541,352	-	9,789,971
Total capital assets, being depreciated, net	30,363,672	(541,352)	-	29,822,320
Governmental activities capital assets, net	<u>\$30,978,633</u>	<u>\$ 626,079</u>	<u>\$ -</u>	<u>\$31,604,712</u>

Capital asset activity for the Sheridan Economic and Educational Development Authority Joint Powers Board for the year ended June 30, 2016, was as follows:

	Balance June 30, 2015	Increases Transfers In	Decreases Transfers Out	Balance June 30, 2016
Capital assets, not being depreciated				
Land	\$ 426,500	\$ -	\$ -	\$ 426,500
Total capital assets, not being depreciated	426,500	-	-	426,500
Capital assets, being depreciated				
Buildings	3,075,397	-	-	3,075,397
Improvements	2,316	-	-	2,316
Total capital assets, being depreciated	3,077,713	-	-	3,077,713
Less accumulated depreciation for				
Buildings	433,138	77,215	-	510,353
Improvements	1,159	-	-	1,159
Total accumulated depreciation	434,297	77,215	-	511,512
Total capital assets, being depreciated, net	2,643,416	(77,215)	-	2,566,201
Governmental activities capital assets, net	<u>\$ 3,069,916</u>	<u>\$ (77,215)</u>	<u>\$ -</u>	<u>\$ 2,992,701</u>

**CITY OF SHERIDAN, WYOMING**

**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2016

**Note 7. Long-Term Debt**

The following is a summary of the changes in the long-term liabilities of the City for the year ended June 30, 2016:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Special Assessment Bonds	\$ 1,045,000	\$ -	\$ (195,000)	\$ 850,000	\$ -
Capital leases	364,847	-	(9,386)	355,461	20,080
Repayment of sales tax	303,733	-	(151,867)	151,866	151,866
Compensated absences	1,003,151	1,010,611	(1,003,151)	1,010,611	308,523
Net pension liability	15,383,849	4,816,296	-	20,200,145	-
Governmental activity long-term liabilities	<u>\$ 18,100,580</u>	<u>\$ 5,826,907</u>	<u>\$ (1,359,404)</u>	<u>\$ 22,568,083</u>	<u>\$ 480,469</u>
Business-type activities					
Capital leases	\$ 1,250,351	\$ 369,423	\$ (265,218)	\$ 1,354,556	\$ 283,548
Landfill postclosure liability	3,044,938	97,043	-	3,141,981	-
Notes payable	11,733,976	1,071,573	(883,298)	11,922,251	1,353,227
Compensated absences	403,576	431,036	(403,576)	431,036	300,330
Net pension liability	2,666,031	900,853	-	3,566,884	-
Business-type activity long-term liabilities	<u>\$ 19,098,872</u>	<u>\$ 2,869,928</u>	<u>\$ (1,552,092)</u>	<u>\$ 20,416,708</u>	<u>\$ 1,937,105</u>

***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 \$170,000 as of June 30, 2016.

**CITY OF SHERIDAN, WYOMING**

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

**Note 7. Long-Term Debt (Continued)**

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

Special improvement district bonds outstanding as of June 30, 2016, were as follows:

	Balance June 30, 2015	Issued	Retired	Balance June 30, 2016
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	\$ 605,000	\$ -	\$ (130,000)	\$ 475,000
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	440,000	-	(65,000)	375,000
	\$ 1,045,000	\$ -	\$ (195,000)	850,000
Less current portion				-
Total Special Improvement District				\$ 850,000

The debt service requirement for the special assessment bonds as of June 30, 2016 is as follows:

	Principal	Interest	Total
2017	\$ -	\$ 33,902	\$ 33,902
2018	-	33,902	33,902
2019	160,000	33,540	193,540
2020	175,000	26,658	201,658
2021	175,000	19,450	194,450
2022-2026	290,000	28,583	318,583
2027-2031	50,000	2,044	52,044
	\$ 850,000	\$ 178,079	\$ 1,028,079

**CITY OF SHERIDAN, WYOMING**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2016

**Note 7. 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 3.2% annual payments of \$15,798 including interest through June 2025	190,974
	<u>\$ 355,461</u>

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

2017	\$ 31,948
2018	31,948
2019	31,948
2020	31,948
2021	31,948
Thereafter	<u>278,263</u>
	438,003
Less amount representing interest	(82,542)
Net present value of minimum lease payments	<u>\$ 355,461</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	2017	\$ 151,866
		<u>\$ 151,866</u>

**CITY OF SHERIDAN, WYOMING**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2016

**Note 7. Long-Term Debt (Continued)**

***Business-type Activities***

The City has the following notes payable, all of which are collateralized by a pledge and assignment of revenues from the City's water system user fees, in the Water and Sewer Fund and Solid Waste Fund:

	<u>Balance</u> <u>June 30, 2015</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2016</u>
<b>Water and Sewer Fund</b>				
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	\$ 616,467	\$ -	\$ (55,144)	\$ 561,323
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	341,885	-	(30,734)	311,151
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	1,453,686	-	(75,446)	1,378,240
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	1,053,335	-	(61,961)	991,374
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	198,803	-	(11,695)	187,108
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	137,027	-	(6,586)	130,441

(Continued)

**CITY OF SHERIDAN, WYOMING**

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

**Note 7. Long-Term Debt (Continued)**

***Business-type Activities (Continued)***

	<u>Balance</u> <u>June 30, 2015</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2016</u>
<b>Water and Sewer Fund (Continued)</b>				
State Land and Investment Board loan, Upgrades at Water Treatment Plants, Drinking Water SRF #123, granted 50% principal forgiveness, due in annual installments of \$154,405, including interest of 2.5%, due April 2036, currently in construction, amortization will be finalized one year after completion of construction	\$ 2,143,015	\$ 88,382	\$ -	\$ 2,231,397
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 2036, currently in construction, amortization will be finalized one year after completion of construction	499,420	20,597	-	520,017
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	377,990	-	(16,009)	361,981
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	432,327	-	(15,111)	417,216
				(Continued)



**CITY OF SHERIDAN, WYOMING**

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

**Note 7. Long-Term Debt (Continued)**

***Business-type Activities (Continued)***

	<u>Balance</u> <u>June 30, 2015</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2016</u>
<b>Water and Sewer Fund (Continued)</b>				
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	\$ 810,413	\$ -	\$ (49,059)	\$ 761,354
State Land and Investment Board loan, Wyoming Park Improvement Phase III Drinking Water SRF #148, granted 50% principal forgiveness, due in annual installments of \$18,052, including interest of 2.5%, due September 2035	185,125	96,283	-	281,408
State Land and Investment Board loan, WWTP Biosolids Project, Clean Water SRF #152, due in annual installments of \$202,063, including interest of 2.5%, due April 2036, currently in construction, amortization will be finalized one year after completion of construction	-	354,980	-	354,980
State Land and Investment Board loan, Water Meter Replacement Project, Clean Water SRF #154, granted 50% principal forgiveness, due in annual installments of \$37,500, including interest of 0.0%, due April 2035, currently in construction, amortization will be finalized one year after completion of construction	-	45,206	-	45,206

(Continued)

**CITY OF SHERIDAN, WYOMING**

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

**Note 7. Long-Term Debt (Continued)**

***Business-type Activities (Continued)***

	<u>Balance</u> <u>June 30, 2015</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2016</u>
<b>Water and Sewer Fund (Continued)</b>				
State Land and Investment Board loan, Water Meter Replacement Project, Drinking Water SRF #155, granted 50% principal forgiveness, due in annual installments of \$58,161, including interest of 0.0%, due April 2035, currently in construction, amortization will be finalized one year after completion of construction	\$ -	\$ 70,020	\$ -	\$ 70,020
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	44,684	-	45,114
State Land and Investment Board loan, Leopard Street Waterline Project, Drinking Water SRF #157, granted 50% principal forgiveness, due in annual installments of \$32,369, including interest of 2.5%, due April 2035, currently in construction, amortization will be finalized one year after completion of construction	-	90,050	-	90,050
State Land and Investment Board loan, Water Meter Replacement Project, Drinking Water SRF #158, granted 50% principal forgiveness, due in annual installments of \$22,787, including interest of 0.0%, due April 2035, currently in construction, amortization will be finalized one year after completion of construction	-	27,381	-	27,381

(Continued)

**CITY OF SHERIDAN, WYOMING**

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

**Note 7. Long-Term Debt (Continued)**

***Business-type Activities (Continued)***

	Balance June 30, 2015	Issued	Retired	Balance June 30, 2016
<b>Water and Sewer Fund (Continued)</b>				
State Land and Investment Board loan, Rehab 4 MG Water Tank Project, Drinking Water SRF #165, granted 50% principal forgiveness, due in annual installments of \$33,870, including interest of 2.5%, due April 2035, currently in construction, amortization will be finalized one year after completion of construction	\$ -	\$ 25,432	\$ -	\$ 25,432
State Land and Investment Board loan, 5th Street Water Main Project, Drinking Water SRF #166, granted 50% principal forgiveness, due in annual installments of \$24,057, including interest of 2.5%, due April 2035, currently in construction, amortization will be finalized one year after completion of construction	-	208,558	-	208,558
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 including interest of 4.62%, due December 2034	900,000	-	(31,178)	868,822
	9,149,923	1,071,573	(352,923)	9,868,573
				(Continued)

**CITY OF SHERIDAN, WYOMING**

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

**Note 7. Long-Term Debt (Continued)**

***Business-type Activities (Continued)***

	<u>Balance</u> <u>June 30, 2015</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2016</u>
<b>Solid Waste Fund</b>				
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	\$ 1,140,791	\$ -	\$ (276,089)	\$ 864,702
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	279,543	-	(71,285)	208,258
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>1,163,719</u>	<u>-</u>	<u>(183,001)</u>	<u>980,718</u>
	<u>2,584,053</u>	<u>-</u>	<u>(530,375)</u>	<u>2,053,678</u>
Total for all business-type activities				11,922,251
Less current portion				1,353,227
				<u><u>\$10,569,024</u></u>

The debt service requirements for business-type activities as of June 30, 2016 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,353,227	\$ 386,527	\$ 1,739,754
2018	1,253,172	349,898	1,603,070
2019	1,202,328	321,119	1,523,447
2020	756,395	209,352	965,747
2021	758,447	193,515	951,962
2022-2026	2,814,147	685,849	3,499,996
2027-2031	2,497,252	363,928	2,861,180
2032-2036	1,264,227	90,699	1,354,926
2037-2040	23,056	569	23,625
Total amortizing debt	<u><u>\$11,922,251</u></u>	<u><u>\$ 2,601,456</u></u>	<u><u>\$ 14,523,707</u></u>

**CITY OF SHERIDAN, WYOMING**

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

**Note 7. 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 interest of 2.18%, with a final balloon payment of \$66,625, expires November 2017, collateralized by golf carts	\$ 114,879
	\$ 114,879

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

2017	\$ 25,766
2018	94,108
	119,874
Less amount representing interest	(4,995)
Net present value of minimum lease payments	\$ 114,879

The Solid Waste Fund also has the following capital leases outstanding as of June 30, 2016:

Obligation under capital lease of caterpillar landfill compactor, subject to refunding clause, annual payments of \$110,874 plus interest at 2.7%, with a final balloon payment of \$120,500, expires June 2019, collateralized by landfill compactor	\$ 426,681
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 \$72,500, expires March 2019, collateralized by wheel loader	141,359
Obligation under capital lease of caterpillar wheel loader, subject to refunding clause, annual payments of \$30,238 plus interest at 3.2%, with a final balloon payment of \$60,000, expires July 2023, collateralized by wheel loader	181,551
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	261,736
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	40,478
	\$ 1,051,805

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

2017	\$ 273,858
2018	257,257
2019	450,257
2020	30,238
2021	30,238
Thereafter	84,428
	1,126,276
Less amount representing interest	(74,471)
Net present value of minimum lease payments	\$ 1,051,805

**CITY OF SHERIDAN, WYOMING**

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

**Note 7. Long-Term Debt (Continued)**

***Business-type Activities (Continued)***

The Water and Sewer Fund also has the following capital leases outstanding as of June 30, 2016:

Obligation under capital lease of excavator, subject to refunding clause, annual payments of \$19,734, interest at 3.9%, expires October 2025, collateralized by equipment	\$ 187,872
	<u>\$ 187,872</u>

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

2017	\$ 19,734
2018	19,734
2019	19,734
2020	19,734
2021	19,734
Thereafter	<u>138,271</u>
	236,941
Less amount representing interest	(49,069)
Net present value of minimum lease payments	<u>\$ 187,872</u>

***Proprietary Fund Revenues Pledged***

The City has pledged future water and sewer fund and solid waste fund customer revenues to repay debt in the respective proprietary funds. Pledged revenues recognized during the year ended June 30, 2016 exceeded the principal and interest requirements for the debt collateralized by those revenues. Proceeds from the debt were used to fund various projects, and the debt is payable solely from customer net revenues. The following table presents information on future revenues pledged to service this debt:

Fund	Debt	Payable Through	Percentage of Net Revenues	Principal and Interest Remaining	Principal and Interest Paid in Current Year	Net Revenues in Current Year
Water and Sewer	\$ 9,868,573	2036	8%	\$ 12,326,654	\$ 487,206	\$ 6,328,819
Solid Waste	2,053,678	2021	13%	2,197,052	562,924	4,467,353

**Note 8. 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 and \$1,000,000 to be used towards community aquatic facilities. No funds reported negative fund balance as of June 30, 2016.

**Note 9. Pension Plans**

All full-time employees of the City are eligible to participate in the Wyoming Retirement System Plan (“the System”), a statewide cost-sharing multiple-employer defined benefit, contributory retirement plan. 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, 2016, 2015, and 2014 which was \$1,492,160, \$1,392,925, and \$1,247,398, respectively. An overview of the different plans follows.

**CITY OF SHERIDAN, WYOMING**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2016

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**Note 9. Pension Plans (Continued)**

***Public Employees' Pension Plan (PEPP)***

The System provides retirement benefits at age 60 with early retirement options available. The System statutorily requires 16.62% of the covered employees' salary to be contributed to the plan, of which is 7.00% is paid by the employee and 9.62% is paid by the City.

Through legislation passed during the 2014 legislative session, two tiers of benefits were established for participants of this plan. For Tier 1 (first contribution before 9/1/2012), the Plan allows for normal retirement after four years of service and attainment of age 60. Early retirement is allowed provided the employee has completed four years of service and attained age 50 or 25 years of service but will result in a reduction of benefits based on the length of time remaining to age 60. For Tier 2 (first contribution on or after 9/1/2012), the Plan allows for normal retirement after four years of service and attainment of age 65. Early retirement is allowed provided the employee has completed four years of service and attained age 55, or 25 or more years of service but will result in a reduction of benefits based on the length of time remaining to age 65. All employees may also retire on the basis that the sum of the member's age and service is at least 85.

The PEPP provides retirement, disability and death benefits according to predetermined formulas and allows retirees to select one of seven methods for receiving benefits, including two joint and survivor forms of benefits: a 100% joint and survivor annuity, and a 50% joint and survivor annuity. The benefit amounts under these options are determined on an actuarially equivalent basis. Any costs of living adjustment provided to retirees must be granted by the State Legislature. In addition a cost of living adjustment will not be approved by the legislature unless the plan is 100% funded after the COLA is awarded.

Employees terminating prior to normal retirement can elect to withdraw all employee contributions plus accumulated interest through date of termination or, if they are vested, they may elect to remain in the Plan and be eligible for unreduced retirement benefits at age 60 (Tier 1 employee) or 65 (Tier 2 employee).

***Paid Firemen's Pension Plan (Fire A and Fire B)***

The City participates in the Paid Firemen's Pension Fund ("Fund"), a statewide cost-sharing multiple-employer defined benefit, contributory retirement plan 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.

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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**Note 9. Pension Plans (Continued)**

***Paid Firemen's Pension Plan (Fire A and Fire B) (Continued)***

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.

***Law Enforcement Pension Plan (LEPP)***

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.

The LEPP statutorily provides retirement, disability and death benefits according to predetermined amounts primarily determined by salary, age and years of service of the participant. Any cost of living adjustment provided to retirees must be granted by the State Legislature. Any costs of living adjustment provided to retirees must be granted by the State Legislature. In addition a cost of living adjustment will not be approved by the legislature unless the plan is 100% funded after the COLA is awarded. Participants may withdraw from the plan at any time and receive refunds of participant contributions plus accumulated interest.

***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, 2016

**Note 9. Pension Plans (Continued)**

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

At June 30, 2016, the City reported a total liability of \$23,767,029 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by a January 1, 2016 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, 2015, the City's liability as well as their proportion and increase from its proportion measured at December 31, 2014 were as follows for each plan in which the City participates:

	Pension (asset) liability at December 31, 2015	Proportion at December 31, 2015	Increase (decrease) from December 31, 2014
Public Employees' Pension Plan	\$ 6,852,075	0.294162808%	0.000747204%
Wyoming Law Enforcement Retirement Plan	997,180	1.327450060%	0.063734225%
Firemen's Pension Plan A	14,750,947	7.953947175%	0.359415362%
Firemen's Pension Plan B	1,166,827	3.816322995%	-0.014937860%
	<u>\$ 23,767,029</u>		

For the year ended June 30, 2016, the City recognized pension expense of \$3,961,594. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows (Inflows) of Resources				Total Outflows	Total (Inflows)
	PEPP	LEPP	Fire A	Fire B		
Net difference between projected and actual earnings on pension plan investments	\$ 1,677,158	\$ 605,047	\$ 897,027	\$ 386,188	\$ 3,565,420	\$ -
Difference between actual and expected experience rate	(144,959)	18,133	-	4,036	22,169	(144,959)
Difference due to changes in assumptions	-	-	-	677,747	677,747	-
Change in employer's proportion	8,810	7,594	-	(568)	16,404	(568)
Amortizing deferred outflows and deferred inflows	1,541,009	630,774	897,027	1,067,403	4,281,740	(145,527)
Contributions subsequent to measurement date	457,683	182,836	-	110,768	751,287	-
Total	<u>\$ 1,998,692</u>	<u>\$ 813,610</u>	<u>\$ 897,027</u>	<u>\$ 1,178,171</u>	<u>\$ 5,033,027</u>	<u>\$ (145,527)</u>

**CITY OF SHERIDAN, WYOMING**

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

**Note 9. Pension Plans (Continued)**

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

The City reported \$751,287 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, 2017. 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	Deferred (Inflows)
2017	\$ 1,049,500	\$ (49,829)
2018	1,049,500	(49,829)
2019	1,049,237	(45,531)
2020	821,184	(77)
2021	92,366	(77)
Thereafter	219,953	(184)
	<u>\$ 4,281,740</u>	<u>\$ (145,527)</u>

***Actuarial Assumptions***

The total pension liability in the December 31, 2015 measurement date was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Assumptions and Methods	
Valuation Date	1/1/2016
Actuarial cost method	Individual Entry Age Normal
Amortization method	Level percent open
Remaining amortization period	10 to 30
Asset valuation method	5-year
Actuarial assumptions:	
Investment net rate of return	7.75%
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, 2016 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, 2016

**Note 9. Pension Plans (Continued)**

***Actuarial Assumptions (Continued)***

For each major asset class that is included in the pension plans' target allocation as of January 1, 2016, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.50%	0.25%
Fixed income	15.00%	0.87%
Equity	59.00%	5.13%
Marketable alternatives	15.50%	4.75%
Private markets	8.00%	5.84%
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 Paid Firemen's Retirement Fund Plan B, the discount rate was changed from 7.75% in the prior valuation to 6.52% for the current valuation. The discount rate for the Paid Firemen's Retirement Fund Plan A is 4.25%.

***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.

	Current Discount		
	1% Decrease (6.75%)	Rate (7.75%)	1% Increase (8.75%)
Primary government pension plans			
Rates			
Public Employees' Pension Plan	\$ 9,837,155	\$ 6,852,075	\$ 4,328,453
Law Enforcement Pension Plan	2,023,256	997,180	149,293
Rates	(3.25%)	(4.25%)	(5.25%)
Paid Firemen's Retirement Plan A	18,442,525	14,750,947	11,789,436
Rates	(5.52%)	(6.52%)	(7.52%)
Paid Firemen's Retirement Plan B	2,003,312	1,166,827	475,384

***Payables to the pension plan*** – At June 30, 2016, the City reported no payables to the pension plans.

**CITY OF SHERIDAN, WYOMING**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2016

**Note 10. Change in Accounting Principle and Associated Prior Period Adjustment**

During the year ended June 30, 2016, the City elected to change its capital asset policy with regards to the capitalization of sculptures. In prior years, the City included the cost of sculptures in improvements, other than buildings and depreciated them over an estimated useful life of seven years. The City has now elected to recognize the sculptures as non-depreciable works of art and has adjusted its statement of net position to correct for the effects of previously recorded accumulated depreciation.

The table below illustrates the capital assets and net position as originally stated and restated:

<i>Governmental activities</i>	As originally stated June 30, 2015	Adjustment	Restated June 30, 2015
Capital assets not being depreciated	19,843,322	735,849	20,579,171
Capital assets, net of accumulated depreciation	61,124,915	(418,203)	60,706,712
Net position	74,250,772	317,646	74,568,418

**Note 11. 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 \$3,141,981 reported as landfill closure and postclosure care liability at June 30, 2016, represents the cumulative amount estimated to date based on the use of 85% of the estimated capacity of the site. The City will recognize the remaining estimated cost of closure and postclosure care of \$559,111 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 2016.

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 \$97,043.

**CITY OF SHERIDAN, WYOMING**

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

**Note 12. 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 \$761,353 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 \$417,216 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

These balances are recorded as notes receivable - long-term on the Statement of Net Position for SAWS and as long-term liabilities on the Statement of Net Position for the City.

***Due to Component Unit***

The City and SAWS are working together on construction projects called Conventional WTP Upgrades and Meter Replacement #4507. The City is administering the current construction. Upon the completion of the projects the City will eventually own 28.7% and 80.8%, respectively, of the assets and SAWS will own 71.3% and 19.2%, respectively.

Total Conventional WTP Upgrades construction in progress recorded on the City's books	\$ 6,195,930	
Assets that will belong to SAWS at completion	71.3%	4,417,698
Total Meter Replacement #4507 construction in progress recorded on the City's books	278,855	
Assets that will belong to SAWS at completion	19.2%	53,541
Total due to component unit		\$ 4,471,239

***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	
Interest earned to date on held funds	47,638	\$ 2,575,068

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 projects called Conventional WTP Upgrades and Meter Replacement #4507. The City has a loan with the Office of State Land Investments (OSLI). The City's loan is for 81% and SAWS is for 19%.

SAWS 19% portion of the amount incurred to date	547,397
Payments due to the City for reimbursement of shared overhead costs	273,187
Total due from component unit	\$ 3,731,652

**CITY OF SHERIDAN, WYOMING**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2016

**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 2016 were approximately \$161,838.

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 2016 and 2015 were as follows for the City's participation in the Unemployment Compensation Act Program:

	Fiscal Year Ended 2016	Fiscal Year Ended 2015
Unpaid claims, beginning of year	\$ -	\$ -
Incurred claims	21,187	7,063
Claim payments	(21,187)	(7,063)
Unpaid claims, end of year	<u>\$ -</u>	<u>\$ -</u>

**CITY OF SHERIDAN, WYOMING**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2016

**Note 14. Commitments and Contingencies**

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, 2016, the City has committed to fund various projects in the approximate amounts of \$40.5 million from future appropriations.

Project Name	Original Contract Amount	Expended To Date	Remaining Commitment
Primary government			
Governmental activities			
General Fund			
Police Department Remodel	\$ 2,300,000	\$ 365,056	\$ 1,934,944
Downtown Parking Development	165,000	44,464	120,536
Sculptures	43,500	34,800	8,700
Senior Center - Daybreak	945,000	522,728	422,272
Senior Center - Food Service Facility	2,547,675	35,630	2,512,045
South Park Restrooms	205,000	201,966	3,034
Cemetery Building	850,700	671,086	179,614
West 5th St Park	125,750	29,852	95,898
ICOP/Radars for New Patrol Vehicles	15,000	10,430	4,570
City Hall Emergency Generator	104,000	75,375	28,625
Linden Hill Land	25,000	21,833	3,167
Lewis Street Bridge & Pathway	3,000,000	2,721,131	278,869
West Downtown - Brundage St	650,000	-	650,000
North Sheridan Interchange	9,000,000	537,671	8,462,329
Loucks St & Waterline Replacement	3,500,000	1,733,502	1,766,498
Holloway St Construction	850,000	81,216	768,784
North East 5th St Infrastructure	200,000	34,317	165,683
5th St - Mydland to End of Pavement	800,000	80,470	719,530
5th St Waterline Replacement	225,000	225,000	-
Aquatic Center	4,000,000	-	4,000,000
Total governmental activities	<u>29,551,625</u>	<u>7,426,527</u>	<u>22,125,098</u>

(Continued)

**CITY OF SHERIDAN, WYOMING**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2016

**Note 15. Commitments and Contingencies (Continued)**

Project Name	Original Contract Amount	Expended To Date	Remaining Commitment
<b>Business-type activities</b>			
<b>Water and Sewer Fund</b>			
4MG Tank Repairs	\$ 3,200,000	\$ 180,180	\$ 3,019,820
WWTP Dewatering Improvements	3,150,000	430,726	2,719,274
Meter Replacement	4,740,000	278,855	4,461,145
Sheridan Hydropower	1,256,700	89,038	1,167,662
UM Service Center	2,312,000	2,297,477	14,523
Conventional WTP Upgrades	6,664,096	6,195,930	468,166
West Downtown - Brundage St	150,000	-	150,000
North Sheridan Interchange	2,000,000	27,944	1,972,056
Leopard St Waterline Replacement	3,200,000	618,839	2,581,161
Loucks St & Waterline Replacement	1,115,000	-	1,115,000
5th St Waterline Replacement	750,000	199,136	550,864
Total water and sewer fund	<u>28,537,796</u>	<u>10,318,125</u>	<u>18,219,671</u>
<b>Solid waste fund</b>			
Curbside Recycle	175,000	62,000	113,000
Total solid waste fund	<u>175,000</u>	<u>62,000</u>	<u>113,000</u>
<b>Golf fund</b>			
Golf Course Club House Remodel	80,000	77,524	2,476
Total solid waste fund	<u>80,000</u>	<u>77,524</u>	<u>2,476</u>
Total business-type activities	<u>28,792,796</u>	<u>10,457,649</u>	<u>18,335,147</u>
Total primary government	<u>\$ 58,344,421</u>	<u>\$ 17,884,176</u>	<u>\$ 40,460,245</u>

**Contingencies**

At any time there may be 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, 2016

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**Note 16. Implementation of Governmental Accounting Standards Board Statements 72 and 82**

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. During the year ended June 30, 2016 the City adopted the provisions of this standard.

Governmental Accounting Standards Board Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*, is designed to improve consistency in the application of the pension standards by clarifying or amending related areas of existing guidance. The City early implemented this standard.

**Note 17. Subsequent Events**

In November of 2016, the City entered into a capital lease agreement for the purchase of a Caterpillar D6T Dozer. The amount of the lease is \$360,204 and will be paid in annual installments of \$55,232.

In December of 2016, the City purchased a piece of land for the amount of \$141,352.

**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, 2016

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
<b>Revenues</b>				
Taxes	\$ 8,871,533	\$ 12,299,000	\$ 11,993,208	\$ (305,792)
Licenses and permits	842,000	814,000	807,879	(6,121)
Intergovernmental	-	100,899	132,213	31,314
Fines, forfeitures, and penalties	196,000	276,000	286,290	10,290
Charges for services	425,000	344,200	341,811	(2,389)
Net investment income	6,000	10,000	12,617	2,617
Contributions	-	12,000	106,837	94,837
Miscellaneous revenues	40,000	43,144	26,329	(16,815)
<b>Total revenues</b>	<b>10,380,533</b>	<b>13,899,243</b>	<b>13,707,184</b>	<b>(192,059)</b>
<b>Expenditures</b>				
<b>Current</b>				
General administration	1,815,463	3,051,814	2,414,174	637,640
Health and welfare	109,704	127,380	145,812	(18,432)
Public safety	5,021,735	5,554,670	5,456,259	98,411
Public works	3,501,006	3,941,701	3,479,606	462,095
Parks and recreation	600,718	488,576	494,688	(6,112)
Capital outlay	18,500	399,470	357,956	41,514
Debt service - principal	-	47,000	46,866	134
interest	-	-	3,082	(3,082)
<b>Total expenditures</b>	<b>11,067,126</b>	<b>13,610,611</b>	<b>12,398,443</b>	<b>1,212,168</b>
<b>Excess (deficiency) of</b>				
<b>    revenues over expenditures</b>	<b>(686,593)</b>	<b>288,632</b>	<b>1,308,741</b>	<b>1,020,109</b>

(Continued)

See accompanying notes to required supplementary information

**CITY OF SHERIDAN, WYOMING**

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

Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Other financing sources (uses)				
Transfers in	\$ 843,000	\$ 976,280	\$ 976,279	\$ (1)
Transfers out	(100,000)	(1,856,660)	(1,888,438)	(31,778)
Total other financing sources (uses)	743,000	(880,380)	(912,159)	(31,779)
Net change in fund balances	56,407	(591,748)	396,582	\$ 988,330
Fund balances - beginning of year	5,886,686	5,886,686	5,886,686	
Fund balance - end of year	\$ 5,943,093	\$ 5,294,938	\$ 6,283,268	

See accompanying notes 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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 3,150,000	\$ 3,200,000	\$ 3,345,797	\$ 145,797
Net investment income	-	-	2,299	2,299
Total revenues	<u>3,150,000</u>	<u>3,200,000</u>	<u>3,348,096</u>	<u>148,096</u>
Expenditures				
Current				
Capital outlay	2,850,000	-	-	-
Total expenditures	<u>2,850,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>300,000</u>	<u>3,200,000</u>	<u>3,348,096</u>	<u>148,096</u>
Other financing (uses)				
Transfers out	-	(3,338,384)	(3,439,388)	(101,004)
Total other financing (uses)	<u>-</u>	<u>(3,338,384)</u>	<u>(3,439,388)</u>	<u>(101,004)</u>
Net change in fund balances	300,000	(138,384)	(91,292)	<u>\$ 47,092</u>
Fund balance - beginning of year	<u>360,492</u>	<u>360,492</u>	<u>360,492</u>	
Fund balance - end of year	<u>\$ 660,492</u>	<u>\$ 222,108</u>	<u>\$ 269,200</u>	

See accompanying notes to required supplementary information

**CITY OF SHERIDAN, WYOMING**

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND  
BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUND  
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues				
Taxes	\$ 2,985,524	\$ 3,278,788	\$ 3,232,263	\$ (46,525)
Intergovernmental	60,000	20,667,590	3,019,759	(17,647,831)
Net investment income	-	-	5,658	5,658
Contributions	97,000	429,664	436,114	6,450
Miscellaneous revenues	-	321,022	257,828	(63,194)
Total revenues	<u>3,142,524</u>	<u>24,697,064</u>	<u>6,951,622</u>	<u>(17,745,442)</u>
Expenditures				
Current				
General administration	876,414	809,213	692,094	117,119
Health and welfare	99,500	71,000	67,115	3,885
Public safety	200,000	223,922	206,703	17,219
Public works	514,400	886,407	312,371	574,036
Parks and recreation	37,300	48,266	35,088	13,178
Capital outlay	2,181,000	30,720,741	9,157,049	21,563,692
Debt service - principal	-	105,000	105,000	-
Total expenditures	<u>3,908,614</u>	<u>32,864,549</u>	<u>10,575,420</u>	<u>22,289,129</u>
Deficiency of revenues over expenditures	<u>(766,090)</u>	<u>(8,167,485)</u>	<u>(3,623,798)</u>	<u>4,543,687</u>
Other financing sources (uses)				
Transfers in	-	6,649,354	6,750,328	100,974
Transfers out	<u>(100,000)</u>	<u>(996,540)</u>	<u>(1,593,334)</u>	<u>(596,794)</u>
Total other financing sources (uses)	<u>(100,000)</u>	<u>5,652,814</u>	<u>5,156,994</u>	<u>(495,820)</u>
Net change in fund balances	(866,090)	(2,514,671)	1,533,196	<u>\$ 4,047,867</u>
Fund balance - beginning of year	<u>2,424,713</u>	<u>2,424,713</u>	<u>2,424,713</u>	
Fund balance - end of year	<u>\$ 1,558,623</u>	<u>\$ (89,958)</u>	<u>\$ 3,957,909</u>	

See accompanying notes to required supplementary information

**CITY OF SHERIDAN, WYOMING**

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last 10 fiscal years

(Unaudited)

	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Primary Government</b>			
<b>Public Employees Pension Plan</b>			
Proportion of the net pension liability (asset)	0.294162808%	0.293415604%	*
Proportionate share of the net pension liability (asset)	\$ 6,852,075	\$ 5,177,882	*
Covered-employee payroll	\$ 5,130,417	\$ 5,015,683	*
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	133.56%	103.23%	*
Plan fiduciary net position as a percentage of the total pension liability	73.40%	79.08%	*
<b>Wyoming Law Enforcement Retirement Plan</b>			
Proportion of the net pension liability (asset)	1.327450060%	1.263715835%	*
Proportionate share of the net pension liability (asset)	\$ 997,180	\$ 372,337	*
Covered-employee payroll	\$ 1,996,481	\$ 1,867,656	*
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	49.95%	19.94%	*
Plan fiduciary net position as a percentage of the total pension liability	87.49%	94.76%	*
<b>Paid Firemen's Pension Plan A</b>			
Proportion of the net pension liability (asset)	7.953947175%	7.594531813%	*
Proportionate share of the net pension liability (asset)	\$ 14,750,947	\$ 12,499,661	*
Covered-employee payroll	\$ 14,276	\$ 15,068	*
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	103325.47%	82955.81%	*
Plan fiduciary net position as a percentage of the total pension liability	40.05%	45.95%	*
<b>Paid Firemen's Pension Plan B</b>			
Proportion of the net pension liability (asset)	3.816322995%	3.831260855%	*
Proportionate share of the net pension liability (asset)	\$ 1,166,827	\$ (43,087)	*
Covered-employee payroll	\$ 991,727	\$ 940,673	*
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	117.66%	-4.58%	*
Plan fiduciary net position as a percentage of the total pension liability	79.33%	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 notes to required supplementary information





**CITY OF SHERIDAN, WYOMING**

**SCHEDULE OF PENSION CONTRIBUTIONS**

Last 10 fiscal years  
(Unaudited)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>Primary Government</b>				
<b>Public Employees Pension Plan</b>				
Contractually required contribution	\$ 901,498	\$ 818,983	*	*
Contributions in relation to the contractually required contribution	(901,498)	(818,983)	*	*
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>*</u>	<u>*</u>
Covered-employee payroll	\$ 5,424,176	\$ 5,160,573	*	*
Contributions as a percentage of covered-employee payroll	16.62%	15.87%	*	*
<b>Wyoming Law Enforcement Retirement Plan</b>				
Contractually required contribution	\$ 367,984	\$ 348,310	*	*
Contributions in relation to the contractually required contribution	(367,984)	(348,310)	*	*
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>*</u>	<u>*</u>
Covered-employee payroll	\$ 2,139,442	\$ 2,025,058	*	*
Contributions as a percentage of covered-employee payroll	17.20%	17.20%	*	*
<b>Paid Firemen's Pension Plan A</b>				
Contractually required contribution	\$ -	\$ -	*	*
Contributions in relation to the contractually required contribution	-	-	*	*
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>*</u>	<u>*</u>
Covered-employee payroll	\$ -	\$ -	*	*
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	*	*
<b>Paid Firemen's Pension Plan B</b>				
Contractually required contribution	\$ 222,678	\$ 225,632	*	*
Contributions in relation to the contractually required contribution	(222,678)	(225,632)	*	*
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>*</u>	<u>*</u>
Covered-employee payroll	\$ 1,048,143	\$ 1,061,798	*	*
Contributions as a percentage of covered-employee payroll	21.245%	21.250%	*	*

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

See accompanying notes to required supplementary information



**CITY OF SHERIDAN, WYOMING**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2016

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**Note 1. Basis of Budgeting**

***Budgets***

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

Legal spending control for City monies is at the fund 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 fund level budget is maintained.

**Note 2. Explanation of Changes to Pension Plans**

***Changes of assumptions*** - For the Paid Firemen's Pension Plan B, amounts reported in 2016 reflect an adjustment in the discount rate from 7.75% to the blended single discount rate of 6.52%.

***Changes in benefits*** - There have been no changes in the benefit provisions of any pension plans since the prior valuation.

**SINGLE AUDIT SECTION**

**CITY OF SHERIDAN, WYOMING**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Agriculture Forest Service</u>				
Passed through the Wyoming State Forestry Division				
Cooperative Forestry Assistance	10.664	11-DG-11020000-060	\$ -	\$ 8,695
Cooperative Forestry Assistance	10.664	12-DG-11020000-031	-	5,965
Total U.S. Department of Agriculture Forest Service			-	14,660
<u>U.S. Department of Justice</u>				
Direct				
Bulletproof Vest Partnership Program	16.607	-	-	3,796
Direct				
Public Safety Partnership and Community Policing Grants	16.710	2013UMWX0081	-	50,113
Passed through the Wyoming Association of Sheriffs and Chiefs of Police				
Enforcing Underage Drinking Laws Program	16.727	EUDL 2015-PFS	-	8,527
Total U.S. Department of Justice			-	62,436
<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	CM 0.00 CM15010	-	22,215
Total Highway Planning and Construction Cluster			-	22,215
Passed through the Wyoming Association of Sheriffs and Chiefs of Police				
<i>Highway Safety Cluster</i>				
State and Community Highway Safety	20.600	HS02015-402 Sturgis	-	4,999
State and Community Highway Safety	20.600	HS02016-402 Radars	-	2,663
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	HS02016-410 Video Camera	-	14,602
National Priority Safety Programs	20.616	EUDL 2015 - NHTSA	-	8,054
National Priority Safety Programs	20.616	HS02015-405D	-	3,734
National Priority Safety Programs	20.616	HS02015-405B	-	3,935
National Priority Safety Programs	20.616	HS02016-405D	-	6,212
National Priority Safety Programs	20.616	HS02016-405B	-	7,752
Total Highway Safety Cluster			-	51,951
Total U.S. Department of Transportation			-	74,166

(Continued)

See accompanying notes to the schedule of expenditures of federal awards

**CITY OF SHERIDAN, WYOMING**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>U. S. Environmental Protection Agency, Office of Water</u>				
Passed through the Wyoming Department of Environmental Quality				
Nonpoint Source Implementation Grants	66.460	NPS2010I	\$ -	\$ 79,707
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	-	146,802
Capitalization Grants for Drinking Water State Revolving Funds	66.468	DWSRF #125 - SAWS	-	34,211
Capitalization Grants for Drinking Water State Revolving Funds	66.468	DWSRF #148	-	159,926
Capitalization Grants for Drinking Water State Revolving Funds	66.468	DWSRF #156	-	74,220
Capitalization Grants for Drinking Water State Revolving Funds	66.468	DWSRF #157	-	149,572
Capitalization Grants for Drinking Water State Revolving Funds	66.468	DWSRF #155	-	116,303
Capitalization Grants for Drinking Water State Revolving Funds	66.468	DWSRF #165	-	42,242
Capitalization Grants for Drinking Water State Revolving Funds	66.468	DWSRF #166	-	346,415
Total Drinking Water State Revolving Fund Cluster			-	1,069,691
Direct				
Brownfields Assessment and Cleanup				
Cooperative Agreements	66.818	BF-96828601	-	142,960
Total U. S. Environmental Protection Agency			-	1,292,358
<u>U. S. Department of Health and Human Services</u>				
Passed through the Wyoming Department of Transportation				
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	EUDL 2016 - PFS	-	12,080
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	2015 CIT Mini-Grant	-	1,499
Total U.S. Department of Health and Human Services			-	13,579
<u>U. S. Department of Homeland Security</u>				
Passed through the Wyoming Office of Homeland Security				
Homeland Security Grant Program	97.067	14-GPD-SHE-LP-HLE14	-	6,597
Total U.S. Department of Homeland Security			-	6,597
Total Expenditures of Federal Awards			\$ -	\$ 1,463,796

See accompanying notes to the schedule of expenditures of federal awards

**CITY OF SHERIDAN, WYOMING**

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

June 30, 2016

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**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the City of Sheridan, Wyoming under programs of the federal government for the year ended June 30, 2016 and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operation of the City of Sheridan, Wyoming, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Sheridan, Wyoming. The schedule does not include expenditures of federal awards by the Sheridan Area Water Supply Joint Powers Board, a discretely presented component unit for which separate financial statements and schedule of expenditures of federal awards were issued.

**Note 2. Summary of Significant Accounting Policies for the Schedule**

Expenditures reported on the Schedule are reported on the generally accepted accounting principles basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown in the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**Note 3. Indirect Cost Rate**

The City has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.



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, 2016, 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 February 2, 2017. 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  
February 2, 2017



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 Compliance Supplement* that could have a direct and material effect on the City of Sheridan, Wyoming’s major federal program for the year ended June 30, 2016. The City of Sheridan, Wyoming's major federal program is 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, a discretely presented component unit, which received \$926,228 in federal awards which is not included in the Schedule of Expenditures of Federal Awards for the year ended June 30, 2016. Our compliance audit, described below, did not include the operations of the Sheridan Area Water Supply Joint Powers Board as the component unit engaged us to perform a compliance audit in accordance with the Uniform Guidance separate from the audit of the City of Sheridan, Wyoming.

***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 the City of Sheridan, Wyoming’s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 program for the year ended June 30, 2016.

### **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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Sheridan, Wyoming's internal control over compliance.

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

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

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



Porter, Muirhead, Cornia & Howard  
Certified Public Accountants

Casper, Wyoming  
February 2, 2017

**CITY OF SHERIDAN, WYOMING**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2016

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

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**Financial Statements**

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weaknesses identified? No

Significant deficiencies identified? None reported

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major programs:

Material weaknesses identified? No

Significant deficiencies identified? None reported

Type of auditor’s report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major federal programs:

CFDA Numbers	Name of Federal Program or Cluster
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: \$750,000

Auditee qualified as low-risk auditee? No

**CITY OF SHERIDAN, WYOMING**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
Year Ended June 30, 2016

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**Section II – Financial Statement Findings**

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None

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

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None

**CITY OF SHERIDAN, WYOMING**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
Year Ended June 30, 2016

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**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.

**Status:**

This condition was corrected in the current fiscal year for the respective federal program.