

City of Sheridan, Wyoming

FINANCIAL AND COMPLIANCE REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2019



CITY OF SHERIDAN, WYOMING
FINANCIAL AND COMPLIANCE REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2019

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FINANCIAL SECTION

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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, 2019, 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 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.



MAIL: PO Box 2750
Casper, WY 82602-2750



PHONE: (307) 265-4311
FAX: (307) 265-5180



LOCATION: 600 East 1st Street
Casper, WY 82601

Opinions

In our opinion, 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, 2019, 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 and other auditors have applied certain limited procedures to the required supplementary information 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 our 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.

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 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) is presented for purposes of additional analysis, 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 10, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Sheridan, Wyoming's 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 10, 2020

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CITY OF SHERIDAN, WYOMING

MANAGEMENT'S DISCUSSION & ANALYSIS

June 30, 2019

(Unaudited)

This section of the City of Sheridan's ("City") annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2019. 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. Under current GAAP the City was required to record its proportional share of the overall plan's net position. This resulted in recording a net pension liability of \$32.6 million, \$28.2 million, \$24.4 million and \$23.8 million as of June 30, 2019, 2018, 2017 and 2016, 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 4.5% or \$7.4 million during the fiscal year. The governmental type activities recorded an increase in net position of \$3.4 million which resulted in a 4.3% increase over last year. The business-type activities recorded an increase in net position of \$4.0 million or 4.8% over last year.

During the fiscal year, the City's total revenue decreased by 2.0% to \$39.6 million from \$40.4 million last fiscal year. The governmental type activities recorded a \$0.9 million increase in revenues, while the business-type activities recorded a \$1.7 million decrease resulting in a net revenue decrease for the year of \$0.8 million. This drop in revenue is a result of \$2.0 million less in capital grant funding received in FY19 versus FY18. This drop in grant funding was partially covered by increases in Charges for Services of \$321 thousand, Other Taxes of \$439 thousand, Miscellaneous Revenues of \$181 thousand, and Investment Income of \$207 thousand. The City's total expenses dropped by 7.0% in the current fiscal year to \$36.6 million from \$39.4 million last fiscal year. This drop is mainly attributed to the decrease in the pension expense. In FY18, the pension expense was \$5.5 million versus FY19 of \$1.6 million.

USING THE ANNUAL REPORT

This annual report consists of the *Management's Discussion and Analysis* and the *Basic Financial Statements*, required supplementary information. 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, 2019

(Unaudited)

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

Government-Wide Statements

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

The change in *net position* (the difference between total assets, deferred outflows, liabilities, and deferred inflows) 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 systems, 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, 2019

(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 2018 and 2019 combined net assets increased by approximately 4.5%.

CITY OF SHERIDAN'S NET POSITION

| | Governmental Activities | | Business- Type Activities | | Total | | Total Percent Change |
|---|----------------------------|----------------------|------------------------------|----------------------|-----------------------|-----------------------|----------------------------|
| | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | |
| Current and Other Assets | \$ 16,645,135 | \$ 17,553,097 | \$ 15,415,246 | \$ 14,905,919 | \$ 32,060,381 | \$ 32,459,016 | 1.2% |
| Capital Assets | 96,951,901 | 99,218,344 | 100,947,928 | 99,245,589 | 197,899,829 | 198,463,933 | 0.3% |
| Total Assets | 113,597,036 | 116,771,441 | 116,363,174 | 114,151,508 | 229,960,210 | 230,922,949 | 0.4% |
| Pension Plan Items | 3,964,474 | 6,746,998 | 1,251,233 | 1,881,538 | 5,215,707 | 8,628,536 | 65.4% |
| Total Deferred Outflows of Resources | 3,964,474 | 6,746,998 | 1,251,233 | 1,881,538 | 5,215,707 | 8,628,536 | 65.4% |
| Long-term Liabilities | 3,414,735 | 4,238,044 | 23,081,686 | 22,478,847 | 26,496,421 | 26,716,891 | 0.8% |
| Net Pension Liability | 24,351,333 | 27,439,364 | 3,831,945 | 5,118,546 | 28,183,278 | 32,557,910 | 15.5% |
| Other Liabilities | 6,009,865 | 3,780,617 | 6,899,162 | 814,324 | 12,909,027 | 4,594,941 | (64.4)% |
| Total Liabilities | 33,775,933 | 35,458,025 | 33,812,793 | 28,411,717 | 67,588,726 | 63,869,742 | (5.5)% |
| Property Tax Revenue | 1,533,911 | 1,627,024 | - | - | 1,533,911 | 1,627,024 | 6.1% |
| Pension Plan Items | 2,103,604 | 2,857,198 | 749,325 | 615,152 | 2,852,929 | 3,472,350 | 21.7% |
| Total Deferred Inflows of Resources | 3,637,515 | 4,484,222 | 749,325 | 615,152 | 4,386,840 | 5,099,374 | 16.2% |
| Net Position | | | | | | | |
| Net Investment in | | | | | | | |
| Capital Assets | 96,107,274 | 98,193,472 | 81,655,694 | 80,625,626 | 177,762,968 | 178,819,098 | 0.6% |
| Restricted | 226,110 | 177,727 | 3,345,704 | 3,444,252 | 3,571,814 | 3,621,979 | 1.4% |
| Unrestricted (Deficit) | (16,185,322) | (14,795,007) | (1,949,109) | 2,936,299 | (18,134,431) | (11,858,708) | (34.6)% |
| Total Net Position | \$ 80,148,062 | \$ 83,576,192 | \$ 83,052,289 | \$ 87,006,177 | \$ 163,200,351 | \$ 170,582,369 | 4.5% |

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 \$3.4 million or 4.3%. The net position for business-type activities increased by \$4.0 million, or 4.8%. 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, 2019

(Unaudited)

Results of Operations

The City's total revenues come from numerous sources. Around 43% of the City's revenues come from other taxes, which include sales/use taxes, gas tax, severance tax, direct distribution, capital facilities tax, and mineral royalties. Direct distribution revenues are distributed to local governments each August and January and are subject to fluctuation through the state legislative process. Another 33% comes from fees charged for services, capital grants and other support represents 17%, while property tax revenue represents about 5% of total revenues.

CHANGES IN CITY OF SHERIDAN'S NET POSITION

| | Governmental Activities | | Business- Type Activities | | Total | | Total Percentage Change |
|--|----------------------------|-------------------|------------------------------|-------------------|--------------------|--------------------|-------------------------------|
| | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | |
| Program Revenues | | | | | | | |
| Charges for Services | \$ 1,171,058 | \$ 1,161,217 | \$ 11,655,026 | \$ 11,985,687 | \$ 12,826,084 | \$ 13,146,904 | 2.5% |
| Operating Grants and Other Support | 19,696 | 28,019 | - | - | 19,696 | 28,019 | 42.3% |
| Capital Grants and Other Support | 4,676,343 | 4,793,977 | 4,007,369 | 1,851,329 | 8,683,712 | 6,645,306 | (23.5)% |
| General Revenues | | | | | | | |
| Property Taxes | 1,962,066 | 2,032,861 | - | - | 1,962,066 | 2,032,861 | 3.6% |
| Special Assessments | 24,029 | 21,062 | - | - | 24,029 | 21,062 | (12.3)% |
| Other Taxes | 16,467,634 | 16,906,140 | - | - | 16,467,634 | 16,906,140 | 2.7% |
| Miscellaneous Revenues | 47,892 | 220,132 | 152,865 | 161,864 | 200,757 | 381,996 | 90.3% |
| Investment Income | 78,598 | 162,528 | 116,870 | 240,317 | 195,468 | 402,845 | 106.1% |
| Total Revenues | 24,447,316 | 25,325,936 | 15,932,130 | 14,239,197 | 40,379,446 | 39,565,133 | (2.0)% |
| Expenses | | | | | | | |
| General Administration | 5,808,361 | 5,606,991 | - | - | 5,808,361 | 5,606,991 | (3.5)% |
| Public Safety | 10,137,728 | 6,133,420 | - | - | 10,137,728 | 6,133,420 | (39.5)% |
| Health and Welfare | 168,085 | 181,127 | - | - | 168,085 | 181,127 | 7.8% |
| Public Works | 3,910,211 | 4,463,668 | - | - | 3,910,211 | 4,463,668 | 14.2% |
| Parks and Recreation | 614,179 | 731,131 | - | - | 614,179 | 731,131 | 19.0% |
| Interest on Long-term Debt | 46,678 | 69,770 | - | - | 46,678 | 69,770 | 49.5% |
| Unallocated Depreciation | 5,558,424 | 5,786,630 | - | - | 5,558,424 | 5,786,630 | 4.1% |
| Water Fund | - | - | 5,543,731 | 5,775,926 | 5,543,731 | 5,775,926 | 4.2% |
| Sewer Fund | - | - | 2,734,944 | 3,008,491 | 2,734,944 | 3,008,491 | 10.0% |
| Solid Waste Fund | - | - | 4,145,977 | 4,137,535 | 4,145,977 | 4,137,535 | (0.2)% |
| Golf Fund | - | - | 548,041 | 573,168 | 548,041 | 573,168 | 4.6% |
| Nonmajor Funds | - | - | 147,021 | 127,665 | 147,021 | 127,665 | (13.2)% |
| Total Expenses | 26,243,666 | 22,972,737 | 13,119,714 | 13,622,785 | 39,363,380 | 36,595,522 | (7.0)% |
| Excess (Deficiency) | | | | | | | |
| Before Transfers | (1,796,350) | 2,353,199 | 2,812,416 | 616,412 | 1,016,066 | 2,969,611 | 192.3% |
| Transfers | (336,017) | 416,894 | 336,017 | (416,894) | - | - | 0.0% |
| Net Capital Assets Contributed to/from | | | | | | | |
| Component Units | - | - | (474,309) | 3,754,370 | (474,309) | 3,754,370 | (891.5)% |
| Increase (Decrease) in Net Position | (2,132,367) | 2,770,093 | 2,674,124 | 3,953,888 | 541,757 | 6,723,981 | 1141.1% |
| Net position - beginning | 82,280,429 | 80,148,062 | 80,378,165 | 83,052,289 | 162,658,594 | 163,200,351 | 0.3% |
| Prior period adjustment | - | 658,037 | - | - | - | 658,037 | 0.0% |
| Net position - restated | 82,280,429 | 80,806,099 | 80,378,165 | 83,052,289 | 162,658,594 | 163,858,388 | 0.7% |
| Total net position | 80,148,062 | 83,576,192 | 83,052,289 | 87,006,177 | 163,200,351 | 170,582,369 | 4.5% |

CITY OF SHERIDAN, WYOMING

MANAGEMENT'S DISCUSSION & ANALYSIS

June 30, 2019

(Unaudited)

During fiscal year 2019, nearly 37% of the total cost of all programs and services were expended by the business type activities or the enterprise funds. Our public safety programs, such as the police and fire rescue departments, accounted for 17% of the total costs for City operations, while public works activities which include planning, engineering, code enforcement and streets accounted for 12% of the total costs. General administration activities represented 15% of City operations total costs.

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 3.6% from the prior year and is estimated to increase by 3.0% 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. The State Legislature continues to approve direct distributions to cities, towns and counties to alleviate the loss in funding from the cap.
- The City received \$1,447,867, \$1,990,141, \$2,202,788, \$1,980,333, \$1,744,913 and \$1,762,809 in direct distribution funding respectively for fiscal years 2014, 2015, 2016, 2017, 2018 and 2019. The City has already received \$1,769,549 for fiscal year 2020. Currently for fiscal year 2021, the amount is expected to remain the same as fiscal year 2020 calculation. As in the past, the State Legislature has requested that direct distribution funds not be used for salary adjustments, additional personnel or increased personnel benefits.
- The cost of all governmental activities this year was nearly \$23.0 million, a decrease of 12.5% from last year's amount of \$26.2 million. The City received \$1.2 million from those who directly benefited from charged services (i.e. permits, licenses, and fines). The City also received over \$4.8 million from other governments and organizations that subsidized certain programs through grants and contributions.

Net Cost of City of Sheridan's Governmental Activities

| | Total Cost Of Services | | | Percentage Change | Net Cost (Revenues) Of Services | | | Percentage Change |
|----------------------------|---------------------------|----------------------|--|----------------------|------------------------------------|----------------------|--|----------------------|
| | 2018 | 2019 | | | 2018 | 2019 | | |
| General Administration | \$ 5,808,361 | \$ 5,606,991 | | (3.5)% | \$ 4,081,423 | \$ 3,808,947 | | (6.7)% |
| Public Safety | 10,137,728 | 6,133,420 | | (39.5)% | 9,931,763 | 5,929,346 | | (40.3)% |
| Health and Welfare | 168,085 | 181,127 | | 7.8% | 168,085 | 181,127 | | 7.8% |
| Public Works | 3,910,211 | 4,463,668 | | 14.2% | 2,736,727 | 2,064,855 | | (24.6)% |
| Parks and Recreation | 614,179 | 731,131 | | 19.0% | (2,146,531) | (851,151) | | (60.3)% |
| Interest on long-term debt | 46,678 | 69,770 | | 49.5% | 46,678 | 69,770 | | 49.5% |
| Unallocated depreciation | 5,558,424 | 5,786,630 | | 4.1% | 5,558,424 | 5,786,630 | | 4.1% |
| Total | \$ 26,243,666 | \$ 22,972,737 | | -12.5% | \$ 20,376,569 | \$ 16,989,524 | | (16.6)% |

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

CITY OF SHERIDAN, WYOMING

MANAGEMENT'S DISCUSSION & ANALYSIS

June 30, 2019

(Unaudited)

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's combined fund balance in its governmental funds at June 30, 2019 was approximately \$11.4 million, an increase of \$3.1 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 \$177,727 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

| | Original Budget | Final Budget | Percentage Change | Final Budget | Actual | Percentage Change |
|------------------------|----------------------------|-------------------------|------------------------------|-------------------------|----------------------|------------------------------|
| Revenues | \$ 10,225,000 | \$ 10,326,320 | 1.0% | \$ 10,326,320 | \$ 10,640,215 | 3.0% |
| Expenditures | | | | | | |
| General Administration | \$ 2,136,042 | \$ 2,220,982 | 4.0% | \$ 2,220,982 | \$ 1,984,056 | (10.7)% |
| Health and Welfare | 142,720 | 145,720 | 2.1% | 145,720 | 158,694 | 8.9% |
| Public Safety | 5,160,872 | 5,186,872 | 0.5% | 5,186,872 | 4,948,975 | (4.6)% |
| Public Works | 4,001,331 | 3,998,331 | (0.1)% | 3,998,331 | 3,738,373 | (6.5)% |
| Parks and Recreation | 578,020 | 593,050 | 2.6% | 593,050 | 581,232 | (2.0)% |
| Capital Outlay | 23,000 | 893,500 | 3784.8% | 893,500 | 1,141,340 | 27.7% |
| Total | \$ 12,041,985 | \$ 13,038,455 | 8.3% | \$ 13,038,455 | \$ 12,552,670 | (3.7)% |

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

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

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2019, the City has invested \$198.5 million (net of depreciation) in a broad range of capital assets, including police and fire equipment, land, buildings, park facilities, automobiles, and water and sewer lines.

CITY OF SHERIDAN, WYOMING

MANAGEMENT'S DISCUSSION & ANALYSIS

June 30, 2019

(Unaudited)

This represents an increase of 0.3% over last year. More detailed information concerning the City's capital assets can be found in the notes to the financial statements.

| | City of Sheridan's Capital Assets | | | | | | | |
|---------------------|-----------------------------------|---------------|----------------|---------------|----------------|----------------|-------------------|--|
| | Governmental | | Business-Type | | | | Total | |
| | Activities | | Activities | | Total | | Total | |
| | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | Percentage Change | |
| Land | \$ 5,319,172 | \$ 6,360,353 | \$ 1,091,984 | \$ 1,091,984 | \$ 6,411,156 | \$ 7,452,337 | 16.2% | |
| Works of art | 1,148,770 | 1,296,580 | - | - | 1,148,770 | 1,296,580 | 12.9% | |
| Water rights | - | - | 350,000 | 350,000 | 350,000 | 350,000 | 0.0% | |
| Construction | | | | | | | | |
| in progress | 12,740,158 | 9,780,368 | 20,691,618 | 8,618,461 | 33,431,776 | 18,398,829 | (45.0)% | |
| Infrastructure | 93,006,141 | 101,503,164 | 1,417,064 | 5,868,723 | 94,423,205 | 107,371,887 | 13.7% | |
| Buildings | 26,699,056 | 26,763,055 | 23,967,738 | 24,157,510 | 50,666,794 | 50,920,565 | 0.5% | |
| Improvements, other | | | | | | | | |
| than buildings | 13,458,070 | 13,782,651 | 96,049,940 | 99,950,039 | 109,508,010 | 113,732,690 | 3.9% | |
| Machinery and | | | | | | | | |
| equipment | 14,966,693 | 15,635,712 | 15,155,700 | 21,699,339 | 30,122,393 | 37,335,051 | 23.9% | |
| Accumulated | | | | | | | | |
| Depreciation | (70,386,159) | (75,903,539) | (57,776,116) | (62,490,467) | (128,162,275) | (138,394,006) | 8.0% | |
| Total | \$ 96,951,901 | \$ 99,218,344 | \$ 100,947,928 | \$ 99,245,589 | \$ 197,899,829 | \$ 198,463,933 | 0.3% | |

This year's major capital asset additions included Loucks St Reconstruction, Badger St Reconstruction, Brundage St Reconstruction, Water Treatment Plant Upgrades, Meter Replacement project, Hydropower project, 4 MG Tank repairs, Blacktooth Park Improvements, Kendrick Park Road Improvements, land located at 103 N Gould, various utility and maintenance vehicles, patrol vehicles, mowers, side loading trash truck, software upgrades, playground equipment, video equipment, security camera system and sculptures.

Outstanding Long-Term Debt

| City of Sheridan's Outstanding Debt | | | | | | | | |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------|--|
| | Governmental | | Business-Type | | Total | | Total | |
| | Activities | | Activities | | | | Percent | |
| | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | Change | |
| Special Assessment | | | | | | | | |
| Bonds | \$ 530,000 | \$ 485,000 | \$ - | \$ - | \$ 530,000 | \$ 485,000 | (8.5)% | |
| Capital Leases | 314,627 | 539,872 | 1,348,394 | 829,690 | 1,663,021 | 1,369,562 | (17.6)% | |
| State Loan and | | | | | | | | |
| Investment Board | 1,504,292 | 2,082,862 | 17,943,840 | 17,790,273 | 19,448,132 | 19,873,135 | 2.2% | |
| Compensated absences | 1,065,816 | 1,130,310 | 443,748 | 414,632 | 1,509,564 | 1,544,942 | 2.3% | |
| Landfill closure liability | - | - | 3,345,704 | 3,444,252 | 3,345,704 | 3,444,252 | 2.9% | |
| Net pension liability | 24,351,333 | 27,439,364 | 3,831,945 | 5,118,546 | 28,183,278 | 32,557,910 | 15.5% | |
| Total | \$ 27,766,068 | \$ 31,677,408 | \$ 26,913,631 | \$ 27,597,393 | \$ 54,679,699 | \$ 59,274,801 | 8.4% | |

At year end the City had \$59.3 million in outstanding debt, an increase of 8.4% or nearly \$4.6 million from last year. The change was mainly due to an increase the Net Pension Liability of \$4.3 million for the year. More detailed information can be found in the notes to the financial statements.

CITY OF SHERIDAN, WYOMING

MANAGEMENT'S DISCUSSION & ANALYSIS

June 30, 2019

(Unaudited)

FUTURE OF THE CITY

- Through State Legislation, severance tax and mineral royalty revenues continue to be capped.
- The State Legislature did approve through its direct distribution budget a distribution of \$1.77 million, which the City received 100% by January of 2020. These funds are to help alleviate the effect of capping the severance tax and mineral royalty revenues. For fiscal year 2020, the State Legislature has requested that direct distribution funding not be used for salary adjustments, additional personnel or increased personnel benefits. Pending 2020 Legislative changes, the direct distribution amount may drop by an estimated \$20 thousand in 2021.
- 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 Capital Facilities Tax will be voted on again in November 2020.
- The voters also approved in November 2018 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 2023. The Optional One Cent Tax will be voted on again in November 2022 to extend the existing tax through fiscal year 2027.
- 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.
- In fiscal year 2020 the City is still seeing an increase in sales and use taxes. One attributing factor is the increase in the collection of internet sales and use taxes due to legislation passed in early 2019 becoming effective July 1, 2019.
- 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 fiscal year 2021.
- Current projects of the City are the continuation of the Pathway Projects, Street overlay program, Hillside Stabilization, Malcolm Wallop Park Habitat Enhancements, North Sheridan Interchange, Leopard Street Waterline replacement, North End Infrastructure Extension, East 5th Street Corridor, East Downtown Improvements and Sanitary Sewer Creek Crossing Replacements.

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, 2019

| | <u>Primary Government</u> | | |
|---|------------------------------------|-------------------------------------|--------------------|
| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
| ASSETS | | | |
| Cash and cash equivalents | \$ 9,711,098 | \$ 9,335,476 | \$ 19,046,574 |
| Restricted cash and cash equivalents | - | - | - |
| Investments | 17,476 | 90,805 | 108,281 |
| Accounts receivable, net | 602,056 | 1,857,917 | 2,459,973 |
| Special assessments receivable, net | 665,146 | - | 665,146 |
| Due from other governments | 6,557,321 | 395,224 | 6,952,545 |
| Due from component unit | - | 3,169,461 | 3,169,461 |
| Prepaid items | - | - | - |
| Inventory | - | 57,036 | 57,036 |
| Real estate held for sale | - | - | - |
| Notes receivable | - | - | - |
| Capital assets, not being depreciated | 17,437,301 | 10,060,445 | 27,497,746 |
| Capital assets, net of accumulated depreciation | 81,781,043 | 89,185,144 | 170,966,187 |
| Total assets | <u>116,771,441</u> | <u>114,151,508</u> | <u>230,922,949</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension plan items | 6,746,998 | 1,881,538 | 8,628,536 |
| Total deferred outflows of resources | <u>6,746,998</u> | <u>1,881,538</u> | <u>8,628,536</u> |

See accompanying notes to the financial statements

| Component Units | | |
|---|------------|--------------|
| Sheridan Economic and Educational Development Authority | | |
| Sheridan Area Water Supply | | Total |
| \$ 5,412,843 | \$ 428,483 | \$ 5,841,326 |
| 3,839,236 | 769,174 | 4,608,410 |
| - | - | - |
| 231,694 | 10 | 231,704 |
| - | - | - |
| - | 103,695 | 103,695 |
| - | - | - |
| - | 9,583 | 9,583 |
| - | - | - |
| - | 1,794,072 | 1,794,072 |
| 976,304 | - | 976,304 |
| 1,201,414 | 13,234,491 | 14,435,905 |
| 31,935,255 | - | 31,935,255 |
| 43,596,746 | 16,339,508 | 59,936,254 |

| | | |
|---|---|---|
| - | - | - |
| - | - | - |

(Continued)

CITY OF SHERIDAN, WYOMING

STATEMENT OF NET POSITION (CONTINUED)

June 30, 2019

| | Primary Government | | |
|---|----------------------------|-----------------------------|-----------------------|
| | Governmental Activities | Business-type Activities | Total |
| LIABILITIES | | | |
| Accounts payable | \$ 3,390,829 | \$ 282,170 | \$ 3,672,999 |
| Accrued liabilities | 389,788 | 139,191 | 528,979 |
| Accrued interest payable | - | 264,894 | 264,894 |
| Deposits due to others | - | 128,069 | 128,069 |
| Due to primary government | - | - | - |
| Due to component unit | - | - | - |
| Long-term liabilities | | | |
| Due within one year | 704,003 | 1,506,089 | 2,210,092 |
| Due in more than one year | 3,534,041 | 20,972,758 | 24,506,799 |
| Net pension liability | 27,439,364 | 5,118,546 | 32,557,910 |
| Total liabilities | <u>35,458,025</u> | <u>28,411,717</u> | <u>63,869,742</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable property tax revenues | 1,627,024 | - | 1,627,024 |
| Pension plan items | 2,857,198 | 615,152 | 3,472,350 |
| Total deferred inflows of resources | <u>4,484,222</u> | <u>615,152</u> | <u>5,099,374</u> |
| NET POSITION | | | |
| Net investment in capital assets | 98,193,472 | 80,625,626 | 178,819,098 |
| Restricted by | | | |
| Debt service requirements | 177,727 | - | 177,727 |
| Sheridan Area Water Supply JPB agreement | - | - | - |
| SEEDA lease agreement | - | - | - |
| SEEDA grant agreement | - | - | - |
| Landfill closure and post closure - W.S. 35-11-532 | - | 3,444,252 | 3,444,252 |
| Unrestricted (deficit) | (14,795,007) | 2,936,299 | (11,858,708) |
| Total net position | <u>\$ 83,576,192</u> | <u>\$ 87,006,177</u> | <u>\$ 170,582,369</u> |

See accompanying notes to the financial statements

| Component Units | | |
|-------------------------------|--|----------------------|
| Sheridan Area Water Supply | Sheridan Economic and Educational Development Authority | Total |
| \$ 10,226 | \$ 700,369 | \$ 710,595 |
| - | - | - |
| 63,281 | - | 63,281 |
| - | - | - |
| 3,169,461 | - | 3,169,461 |
| - | - | - |
| 376,212 | - | 376,212 |
| 5,184,772 | - | 5,184,772 |
| - | - | - |
| <u>8,803,952</u> | <u>700,369</u> | <u>9,504,321</u> |
| - | - | - |
| - | - | - |
| - | - | - |
| 27,575,685 | 13,234,491 | 40,810,176 |
| - | - | - |
| 1,266,948 | - | 1,266,948 |
| - | 171,000 | 171,000 |
| - | 598,174 | 598,174 |
| - | - | - |
| 5,950,161 | 1,635,474 | 7,585,635 |
| <u>\$ 34,792,794</u> | <u>\$ 15,639,139</u> | <u>\$ 50,431,933</u> |

CITY OF SHERIDAN, WYOMING

STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

| Function/Programs | Expenses | Program Revenues | | |
|---|----------------------|-------------------------|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government | | | | |
| Governmental activities | | | | |
| General administration | \$ 5,606,991 | \$ 1,161,217 | \$ 17,503 | \$ 619,324 |
| Health and welfare | 181,127 | - | - | - |
| Public safety | 6,133,420 | - | - | 204,074 |
| Public works | 4,463,668 | - | - | 2,398,813 |
| Parks and recreation | 731,131 | - | 10,516 | 1,571,766 |
| Interest on long-term debt | 69,770 | - | - | - |
| Unallocated depreciation | 5,786,630 | - | - | - |
| Total governmental activities | <u>22,972,737</u> | <u>1,161,217</u> | <u>28,019</u> | <u>4,793,977</u> |
| Business-type activities | | | | |
| Solid waste fund | 4,137,535 | 5,041,838 | - | - |
| Water fund | 5,775,926 | 3,851,858 | - | 1,571,112 |
| Sewer fund | 3,008,491 | 2,772,101 | - | 274,217 |
| Golf fund | 573,168 | 300,260 | - | - |
| Weed and pest fund | 127,665 | 19,630 | - | 6,000 |
| Total business-type activities | <u>13,622,785</u> | <u>11,985,687</u> | <u>-</u> | <u>1,851,329</u> |
| Total primary government | <u>\$ 36,595,522</u> | <u>\$ 13,146,904</u> | <u>\$ 28,019</u> | <u>\$ 6,645,306</u> |
| Component units | | | | |
| Sheridan Area Water Supply | \$ 1,983,805 | \$ 1,714,337 | \$ - | \$ 991,764 |
| Sheridan Economic and Educational Development Authority | <u>271,807</u> | <u>-</u> | <u>-</u> | <u>9,988,128</u> |
| Total component units | <u>\$ 2,255,612</u> | <u>\$ 1,714,337</u> | <u>\$ -</u> | <u>\$ 10,979,892</u> |
| General revenues | | | | |
| Taxes | | | | |
| Property taxes, levied for general purposes | | | | |
| Special assessments, levied for debt service | | | | |
| Sales, severance, royalties, cigarette, gasoline, use taxes | | | | |
| Franchise taxes | | | | |
| Miscellaneous revenues | | | | |
| Net investment income | | | | |
| Contributions to/from component units | | | | |
| Special item, loss on disposal of capital assets | | | | |
| 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 |
| \$ (3,808,947) | \$ - | \$ (3,808,947) | \$ - | \$ - | \$ - |
| (181,127) | - | (181,127) | - | - | - |
| (5,929,346) | - | (5,929,346) | - | - | - |
| (2,064,855) | - | (2,064,855) | - | - | - |
| 851,151 | - | 851,151 | - | - | - |
| (69,770) | - | (69,770) | - | - | - |
| (5,786,630) | - | (5,786,630) | - | - | - |
| (16,989,524) | - | (16,989,524) | - | - | - |
| - | 904,303 | 904,303 | - | - | - |
| - | (352,956) | (352,956) | - | - | - |
| - | 37,827 | 37,827 | - | - | - |
| - | (272,908) | (272,908) | - | - | - |
| - | (102,035) | (102,035) | - | - | - |
| - | 214,231 | 214,231 | - | - | - |
| (16,989,524) | 214,231 | (16,775,293) | - | - | - |
| - | - | - | 722,296 | - | 722,296 |
| - | - | - | - | 9,716,321 | 9,716,321 |
| - | - | - | 722,296 | 9,716,321 | 10,438,617 |
| 2,032,861 | - | 2,032,861 | - | - | - |
| 21,062 | - | 21,062 | - | - | - |
| 15,932,315 | - | 15,932,315 | - | - | - |
| 973,825 | - | 973,825 | - | - | - |
| 220,132 | 161,864 | 381,996 | - | 5,404 | 5,404 |
| 162,528 | 240,317 | 402,845 | 203,780 | 25,856 | 229,636 |
| - | 3,754,370 | 3,754,370 | (3,754,370) | - | (3,754,370) |
| - | - | - | - | (3,305,083) | (3,305,083) |
| 416,894 | (416,894) | - | - | - | - |
| 19,759,617 | 3,739,657 | 23,499,274 | (3,550,590) | (3,273,823) | (6,824,413) |
| 2,770,093 | 3,953,888 | 6,723,981 | (2,828,294) | 6,442,498 | 3,614,204 |
| 80,148,062 | 83,052,289 | 163,200,351 | 37,621,088 | 9,196,641 | 46,817,729 |
| 658,037 | - | 658,037 | - | - | - |
| 80,806,099 | 83,052,289 | 163,858,388 | 37,621,088 | 9,196,641 | 46,817,729 |
| \$ 83,576,192 | \$ 87,006,177 | \$ 170,582,369 | \$ 34,792,794 | \$ 15,639,139 | \$ 50,431,933 |

CITY OF SHERIDAN, WYOMING

**BALANCE SHEET -
GOVERNMENTAL FUNDS**

June 30, 2019

| | General Fund | One Cent Fund | Debt Service Fund |
|---|-------------------------|-------------------------|-------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 4,010,398 | \$ 1,459,606 | \$ 237,812 |
| Investments | 17,476 | - | - |
| Accounts receivable, net | 26,145 | - | - |
| Special assessments receivable, net | - | - | 665,146 |
| Due from other funds | 228,473 | - | - |
| Due from other governments | 2,652,982 | 631,779 | - |
| Total assets | <u>\$ 6,935,474</u> | <u>\$ 2,091,385</u> | <u>\$ 902,958</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | |
| Liabilities | | | |
| Accounts payable | \$ 319,341 | \$ 66,697 | \$ - |
| Accrued liabilities | 315,160 | 5,073 | 60,362 |
| Compensated absences payable | 54,495 | - | - |
| Due to other funds | - | - | - |
| Total liabilities | <u>688,996</u> | <u>71,770</u> | <u>60,362</u> |
| Deferred inflows of resources | | | |
| Unavailable property tax revenues | 1,627,024 | - | - |
| Unavailable special assessments | - | - | 664,869 |
| Total deferred inflows of resources | <u>1,627,024</u> | <u>-</u> | <u>664,869</u> |
| Fund balances | | | |
| Restricted for debt service | - | - | 177,727 |
| Committed | | | |
| Reserves and emergency needs | 2,550,724 | - | - |
| Community aquatic facilities | - | 1,000,000 | - |
| Assigned | | | |
| Purchases on order | 27,532 | - | - |
| ERP software system | 225,000 | - | - |
| Various projects | - | - | - |
| Unassigned | 1,816,198 | 1,019,615 | - |
| Total fund balances | <u>4,619,454</u> | <u>2,019,615</u> | <u>177,727</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 6,935,474</u> | <u>\$ 2,091,385</u> | <u>\$ 902,958</u> |

See accompanying notes to the financial statements

| Capital Tax Fund | Public Benefits Fund | Special Revenue Fund | Total Governmental Funds |
|------------------------|----------------------------|----------------------------|--------------------------------|
| \$ 449,567 | \$ - | \$ 3,553,715 | \$ 9,711,098 |
| - | - | - | 17,476 |
| - | 252,297 | 323,613 | 602,055 |
| - | - | - | 665,146 |
| - | - | - | 228,473 |
| 604,276 | - | 2,668,284 | 6,557,321 |
| <u>\$ 1,053,843</u> | <u>\$ 252,297</u> | <u>\$ 6,545,612</u> | <u>\$ 17,781,569</u> |

| | | | |
|----------|----------------|------------------|------------------|
| \$ - | \$ - | \$ 3,004,790 | \$ 3,390,828 |
| - | - | 9,193 | 389,788 |
| - | - | - | 54,495 |
| - | 228,473 | - | 228,473 |
| <u>-</u> | <u>228,473</u> | <u>3,013,983</u> | <u>4,063,584</u> |

| | | | |
|----------|----------|----------|------------------|
| - | - | - | 1,627,024 |
| - | - | - | 664,869 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>2,291,893</u> |

| | | | |
|------------------|---------------|------------------|-------------------|
| - | - | - | 177,727 |
| - | - | - | 2,550,724 |
| - | - | - | 1,000,000 |
| - | - | 18,482 | 46,014 |
| - | - | - | 225,000 |
| - | - | 3,513,147 | 3,513,147 |
| 1,053,843 | 23,824 | - | 3,913,480 |
| <u>1,053,843</u> | <u>23,824</u> | <u>3,531,629</u> | <u>11,426,092</u> |

| | | | |
|---------------------|-------------------|---------------------|----------------------|
| <u>\$ 1,053,843</u> | <u>\$ 252,297</u> | <u>\$ 6,545,612</u> | <u>\$ 17,781,569</u> |
|---------------------|-------------------|---------------------|----------------------|

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CITY OF SHERIDAN, WYOMING

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

June 30, 2019

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

| | | |
|--|--|---------------|
| Total fund balances - governmental funds | | \$ 11,426,092 |
|--|--|---------------|

| | | |
|---|--|------------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | 99,218,344 |
|---|--|------------|

Deferred outflows and inflows for pension items are not available to pay for current period expenditures and therefore the underlying resources are not reported in the governmental funds

| | | |
|---|--------------------|-----------|
| Pension plan items - deferred outflows of resources | \$ 6,746,998 | |
| Pension plan items - deferred inflows of resources | <u>(2,857,198)</u> | 3,889,800 |

| | | |
|--|--|---------|
| Other long-term assets related to special assessments are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds. | | 664,869 |
|--|--|---------|

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 | (485,000) | |
| Notes payable | (2,082,862) | |
| Capital leases | (539,872) | |
| Compensated absences | (1,130,310) | |
| Compensated absences due and payable in the funds | 54,495 | |
| Pension liability | <u>(27,439,364)</u> | <u>(31,622,913)</u> |

| | | |
|---|--|-----------------------------|
| Net position of governmental activities | | <u><u>\$ 83,576,192</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, 2019

| | General Fund | One Cent Fund | Debt Service Fund |
|--|---------------------|---------------------|-------------------------|
| Revenues | | | |
| Taxes | \$ 8,740,097 | \$ 3,585,432 | \$ - |
| Licenses and permits | 856,081 | - | - |
| Intergovernmental | 331,147 | - | 830,357 |
| Special assessments | - | - | 57,588 |
| Fines, forfeitures and penalties | 226,521 | - | - |
| Charges for services | 78,616 | - | - |
| Net investment income | 80,668 | 35,545 | - |
| Contributions | 305,679 | - | - |
| Miscellaneous revenues | 21,406 | - | - |
| Total revenues | <u>10,640,215</u> | <u>3,620,977</u> | <u>887,945</u> |
| Expenditures | | | |
| Current | | | |
| General administration | 1,984,056 | 1,847,903 | - |
| Health and welfare | 158,694 | - | - |
| Public safety | 4,948,975 | 204,723 | - |
| Public works | 3,738,373 | 43,585 | 1,700 |
| Parks and recreation | 581,232 | 46,988 | - |
| Capital outlay | 1,141,340 | 214,388 | - |
| Debt service - principal | - | - | 66,450 |
| interest | - | - | 69,770 |
| Total expenditures | <u>12,552,670</u> | <u>2,357,587</u> | <u>137,920</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(1,912,455)</u> | <u>1,263,390</u> | <u>750,025</u> |
| Other financing sources (uses) | | | |
| Transfers in | 2,013,850 | - | 31,948 |
| Transfers out | (136,748) | (1,228,889) | (830,356) |
| Other financing source | 262,640 | - | - |
| Total other financing sources (uses) | <u>2,139,742</u> | <u>(1,228,889)</u> | <u>(798,408)</u> |
| Net change in fund balances | 227,287 | 34,501 | (48,383) |
| Fund balances - beginning of year, as previously stated | 4,319,874 | 1,985,114 | 226,110 |
| Prior Period Adjustment | 72,293 | - | - |
| Fund balances - beginning of year, as restated | <u>4,392,167</u> | <u>1,985,114</u> | <u>226,110</u> |
| Fund balances - end of year | <u>\$ 4,619,454</u> | <u>\$ 2,019,615</u> | <u>\$ 177,727</u> |

See accompanying notes to the financial statements

| Capital Tax Fund | Public Benefits Fund | Special Revenue Fund | Total Governmental Funds |
|------------------------|----------------------------|----------------------------|--------------------------------|
| \$ 3,431,535 | \$ 973,823 | \$ 2,208,112 | \$ 18,938,999 |
| - | - | - | 856,081 |
| - | - | 3,442,213 | 4,603,717 |
| - | - | - | 57,588 |
| - | - | - | 226,521 |
| - | - | - | 78,616 |
| 14,456 | - | 31,858 | 162,527 |
| - | - | 491,172 | 796,851 |
| - | - | 182,783 | 204,189 |
| <u>3,445,991</u> | <u>973,823</u> | <u>6,356,138</u> | <u>25,925,089</u> |
| - | - | 1,129,184 | 4,961,143 |
| - | - | 6,739 | 165,433 |
| - | - | 357,568 | 5,511,266 |
| - | - | 397,190 | 4,180,848 |
| - | - | 69,171 | 697,391 |
| - | - | 7,203,517 | 8,559,245 |
| - | - | - | 66,450 |
| - | - | - | 69,770 |
| <u>-</u> | <u>-</u> | <u>9,163,369</u> | <u>24,211,546</u> |
| <u>3,445,991</u> | <u>973,823</u> | <u>(2,807,231)</u> | <u>1,713,543</u> |
| - | - | 8,231,523 | 10,277,321 |
| (3,260,007) | (1,048,058) | (3,310,033) | (9,814,091) |
| - | - | - | 262,640 |
| <u>(3,260,007)</u> | <u>(1,048,058)</u> | <u>4,921,490</u> | <u>725,870</u> |
| 185,984 | (74,235) | 2,114,259 | 2,439,413 |
| 282,115 | 98,059 | 1,417,370 | 8,328,642 |
| 585,744 | - | - | 658,037 |
| <u>867,859</u> | <u>98,059</u> | <u>1,417,370</u> | <u>8,986,679</u> |
| <u>\$ 1,053,843</u> | <u>\$ 23,824</u> | <u>\$ 3,531,629</u> | <u>\$ 11,426,092</u> |

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CITY OF SHERIDAN, WYOMING

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES Year Ended June 30, 2019

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

| | |
|---|--------------|
| Change in fund balances as reported in the governmental fund statement. | \$ 2,439,413 |
|---|--------------|

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 | \$ 8,099,409 | |
| Transferred to water fund | (46,336) | |
| Depreciation | <u>(5,786,630)</u> | 2,266,443 |

The issuance of long-term debt provides current financial resources to governmental funds, while these amounts are deferred and then amortized in the statement of activities.

| | |
|------------------------------|-----------|
| Issuance of Clean Water loan | (578,570) |
|------------------------------|-----------|

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

| | | |
|---|------------------|----------|
| Unavailable special assessments June 30, 2019 | 664,869 | |
| Unavailable special assessments June 30, 2018 | <u>(701,395)</u> | (36,526) |

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.

66,450

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, 2018 | 24,351,333 | |
| Pension liability as of June 30, 2019 | (27,439,364) | |
| Deferred outflows - pension items as of June 30, 2018 | (3,964,474) | |
| Deferred outflows - pension items as of June 30, 2019 | 6,746,998 | |
| Deferred inflows - pension items as of June 30, 2018 | 2,103,604 | |
| Deferred inflows - pension items as of June 30, 2019 | <u>(2,857,198)</u> | (1,059,101) |

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.

| | | |
|---|------------------|-----------|
| Proceeds from capital lease | (246,695) | |
| Compensated absences recognized in the funds - current year | 54,495 | |
| Compensated absences recognized in the funds - prior year | (71,322) | |
| Total compensated absences - current year | (1,130,310) | |
| Total compensated absences - prior year | <u>1,065,816</u> | (328,016) |

| | |
|---|----------------------------|
| Change in net position of governmental activities | <u><u>\$ 2,770,093</u></u> |
|---|----------------------------|

See accompanying notes to the financial statements

CITY OF SHERIDAN, WYOMING

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

June 30, 2019

| | Solid Waste Fund | Water Fund | Sewer Fund |
|---|------------------------|----------------------|---------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 3,205,087 | \$ 4,057,124 | \$ 1,908,785 |
| Service receivables, net | 699,245 | 711,292 | 416,407 |
| Investments | 22,699 | 68,106 | - |
| Due from other governments | 360,000 | - | - |
| Due from component unit | - | 3,169,461 | - |
| Inventory | - | 52,346 | 4,690 |
| Total current assets | <u>4,287,031</u> | <u>8,058,329</u> | <u>2,329,882</u> |
| Capital assets, net of accumulated depreciation | <u>7,084,359</u> | <u>77,225,506</u> | <u>14,161,884</u> |
| Total assets | <u>11,371,390</u> | <u>85,283,835</u> | <u>16,491,766</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension plan items | <u>781,871</u> | <u>731,230</u> | <u>349,437</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | 114,025 | 78,518 | 50,714 |
| Accrued liabilities | 58,949 | 45,022 | 31,384 |
| Accrued interest payable | 19,893 | 178,621 | 60,423 |
| Deposits due to others | - | 128,069 | - |
| Compensated absences payable, current portion | 130,927 | 151,986 | 110,644 |
| Current portion of capital leases payable | 69,741 | 13,916 | - |
| Current portion of notes payable | <u>201,363</u> | <u>547,694</u> | <u>255,180</u> |
| Total current liabilities | <u>594,898</u> | <u>1,143,826</u> | <u>508,345</u> |
| Long-term liabilities | | | |
| Net pension liability | 2,039,527 | 2,097,010 | 950,448 |
| Landfill closure and postclosure liability | 3,444,252 | - | - |
| Compensated absences payable | 12,197 | - | 6,188 |
| Capital leases payable | 421,771 | 135,264 | - |
| Notes payable | <u>202,402</u> | <u>10,851,866</u> | <u>5,731,768</u> |
| Total long-term liabilities | <u>6,120,149</u> | <u>13,084,140</u> | <u>6,688,404</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pension plan items | <u>237,984</u> | <u>227,791</u> | <u>142,240</u> |
| NET POSITION | | | |
| Net investment in capital assets | 6,189,082 | 65,676,766 | 8,174,936 |
| Restricted | | | |
| Landfill closure and post closure - W.S. 35-11-532 | 3,444,252 | - | - |
| Unrestricted (deficit) | <u>(4,433,104)</u> | <u>5,882,542</u> | <u>1,327,278</u> |
| Total net position | <u>\$ 5,200,230</u> | <u>\$ 71,559,308</u> | <u>\$ 9,502,214</u> |

See accompanying notes to the financial statements

| Golf Fund | Weed and Pest Fund | Totals |
|--------------|--------------------------|---------------|
| \$ 10,785 | \$ 153,695 | \$ 9,335,476 |
| 27,669 | 3,304 | 1,857,917 |
| - | - | 90,805 |
| - | 35,224 | 395,224 |
| - | - | 3,169,461 |
| - | - | 57,036 |
| 38,454 | 192,223 | 14,905,919 |
| 692,638 | 81,202 | 99,245,589 |
| 731,092 | 273,425 | 114,151,508 |
| - | 19,000 | 1,881,538 |
| 25,516 | 13,397 | 282,170 |
| - | 3,836 | 139,191 |
| 5,957 | - | 264,894 |
| - | - | 128,069 |
| - | 2,690 | 396,247 |
| 21,948 | - | 105,605 |
| - | - | 1,004,237 |
| 53,421 | 19,923 | 2,320,413 |
| - | 31,561 | 5,118,546 |
| - | - | 3,444,252 |
| - | - | 18,385 |
| 167,050 | - | 724,085 |
| - | - | 16,786,036 |
| 167,050 | 31,561 | 26,091,304 |
| - | 7,137 | 615,152 |
| 503,640 | 81,202 | 80,625,626 |
| - | - | 3,444,252 |
| 6,981 | 152,602 | 2,936,299 |
| \$ 510,621 | \$ 233,804 | \$ 87,006,177 |

CITY OF SHERIDAN, WYOMING

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

Year Ended June 30, 2019

| | Solid Waste Fund | Water Fund | Sewer Fund |
|--|------------------------|----------------------|---------------------|
| Operating revenues | | | |
| Service fees | \$ 5,039,343 | \$ 3,783,109 | \$ 2,758,372 |
| Other operating revenue | 2,495 | 68,749 | 13,729 |
| Total operating revenues | <u>5,041,838</u> | <u>3,851,858</u> | <u>2,772,101</u> |
| Operating expenses | | | |
| Salaries and benefits | 2,077,071 | 1,660,389 | 1,065,158 |
| Other operating expenses | 1,186,169 | 907,382 | 696,693 |
| Landfill closure and postclosure costs | 98,548 | - | - |
| Depreciation expense | 730,615 | 2,961,492 | 1,133,118 |
| Total operating expenses | <u>4,092,403</u> | <u>5,529,263</u> | <u>2,894,969</u> |
| Operating income (loss) | 949,435 | (1,677,405) | (122,868) |
| Nonoperating revenues (expenses) | | | |
| Net investment income | 59,825 | 142,821 | 37,671 |
| Interest expense | (45,132) | (246,663) | (113,522) |
| Total nonoperating revenues (expenses) | <u>14,693</u> | <u>(103,842)</u> | <u>(75,851)</u> |
| Income (loss) before contributions and transfers | 964,128 | (1,781,247) | (198,719) |
| Contributions to component unit | - | 3,754,370 | - |
| Grants and contributions | - | 1,617,448 | 274,217 |
| Transfers in | - | 2,756,736 | 305,996 |
| Transfers out | (727,000) | (1,360,058) | (1,607,854) |
| Net contributions and transfers | <u>(727,000)</u> | <u>6,768,496</u> | <u>(1,027,641)</u> |
| Change in net position | 237,128 | 4,987,249 | (1,226,360) |
| Net position - beginning of year | 4,963,102 | 66,572,059 | 10,728,574 |
| Net position - end of year | <u>\$ 5,200,230</u> | <u>\$ 71,559,308</u> | <u>\$ 9,502,214</u> |

See accompanying notes to the financial statements

| Golf Fund | Weed and Pest Fund | Totals |
|--------------|--------------------------|---------------|
| \$ 300,260 | \$ 19,630 | \$ 11,900,714 |
| - | 161,864 | 246,837 |
| 300,260 | 181,494 | 12,147,551 |
| - | 71,607 | 4,874,225 |
| 476,867 | 44,141 | 3,311,252 |
| - | - | 98,548 |
| 90,052 | 11,917 | 4,927,194 |
| 566,919 | 127,665 | 13,211,219 |
| (266,659) | 53,829 | (1,063,668) |
| - | - | 240,317 |
| (6,249) | - | (411,566) |
| (6,249) | - | (171,249) |
| (272,908) | 53,829 | (1,234,917) |
| - | - | 3,754,370 |
| - | 6,000 | 1,897,665 |
| 204,800 | - | 3,267,532 |
| - | (35,850) | (3,730,762) |
| 204,800 | (29,850) | 5,188,805 |
| (68,108) | 23,979 | 3,953,888 |
| 578,729 | 209,825 | 83,052,289 |
| \$ 510,621 | \$ 233,804 | \$ 87,006,177 |

CITY OF SHERIDAN, WYOMING

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
Year Ended June 30, 2019

| | Business-type Activities - Enterprise Funds | | |
|--|--|----------------------------|----------------------------|
| | Solid Waste Fund | Water Fund | Sewer Fund |
| Cash Flows from Operating Activities | | | |
| Cash receipts from services | \$ 5,030,373 | \$ 3,841,120 | \$ 2,756,002 |
| Cash paid to suppliers for goods and services | (1,153,100) | (995,982) | (727,326) |
| Cash paid to employees for services | (1,862,849) | (1,488,190) | (965,723) |
| Net cash provided by (used in) operating activities | <u>2,014,424</u> | <u>1,356,948</u> | <u>1,062,953</u> |
| Cash Flows from Noncapital Financing Activities | | | |
| Transfers in | - | 2,756,736 | 305,996 |
| Transfers out | (727,000) | (1,360,058) | (1,607,854) |
| Net cash provided by (used in) noncapital financing activities | <u>(727,000)</u> | <u>1,396,678</u> | <u>(1,301,858)</u> |
| Cash Flows from Capital and Related Financing Activities | | | |
| Capital grants from federal and state sources | - | 1,617,448 | 274,217 |
| Acquisition of notes payable and capital leases | - | 1,225,026 | 822,649 |
| Principal payments on notes payable to the State Loan and Investments Board | (554,018) | (413,964) | (249,243) |
| Principal payments on capital leases | (477,734) | (13,394) | - |
| Interest paid on capital debt | (51,472) | (672,163) | (144,456) |
| Proceeds from sale of property and equipment | 217,100 | - | - |
| Purchases of property and equipment | (267,197) | (4,682,143) | (334,493) |
| Net cash used in capital and related financing activities | <u>(1,133,321)</u> | <u>(2,939,190)</u> | <u>368,674</u> |
| Cash Flows from Investing Activities | | | |
| Purchase of investment securities | (350) | (2,447) | - |
| Interest received | 59,825 | 93,046 | 37,671 |
| Net cash provided by investing activities | <u>59,475</u> | <u>90,599</u> | <u>37,671</u> |
| Net increase (decrease) in cash and cash equivalents | 213,578 | (94,965) | 167,440 |
| Cash and cash equivalents - beginning of year | 2,991,509 | 4,152,089 | 1,741,345 |
| Cash and cash equivalents - end of year | <u><u>\$ 3,205,087</u></u> | <u><u>\$ 4,057,124</u></u> | <u><u>\$ 1,908,785</u></u> |

See accompanying notes to the financial statements

| <u>Golf Fund</u> | <u>Weed and Pest Fund</u> | <u>Totals</u> |
|----------------------|-----------------------------------|---------------------|
| \$ 280,209 | \$ 181,146 | \$ 12,088,850 |
| (466,554) | (38,223) | (3,381,185) |
| - | (65,755) | (4,382,517) |
| <u>(186,345)</u> | <u>77,168</u> | <u>4,325,148</u> |
| 204,800 | - | 3,267,532 |
| - | (35,850) | (3,730,762) |
| <u>204,800</u> | <u>(35,850)</u> | <u>(463,230)</u> |
| - | 6,000 | 1,897,665 |
| - | - | 2,047,675 |
| - | - | (1,217,225) |
| (27,576) | - | (518,704) |
| (584) | - | (868,675) |
| - | - | 217,100 |
| - | - | (5,283,833) |
| <u>(28,160)</u> | <u>6,000</u> | <u>(3,725,997)</u> |
| - | - | (2,797) |
| - | - | 190,542 |
| - | - | 187,745 |
| (9,705) | 47,318 | 323,666 |
| 20,490 | 106,377 | 9,011,810 |
| <u>\$ 10,785</u> | <u>\$ 153,695</u> | <u>\$ 9,335,476</u> |
| (Continued) | | |

CITY OF SHERIDAN, WYOMING

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)

Year Ended June 30, 2019

| | Business-type Activities - Enterprise Funds | | |
|---|---|---------------------|---------------------|
| | Solid Waste Fund | Water Fund | Sewer Fund |
| Reconciliation of operating income (loss) to net cash provided by operating activities | | | |
| Operating income (loss) | \$ 949,435 | \$ (1,677,405) | \$ (122,868) |
| Adjustments to reconcile operating income (loss) to cash provided by (used in) operating activities | | | |
| Depreciation expense | 730,615 | 2,961,492 | 1,133,118 |
| Loss on sale of assets | 17,989 | | |
| Amortization of pension items | (340,977) | (283,993) | (137,164) |
| Landfill closure and postclosure costs | 98,548 | - | - |
| Increase (decrease) in cash resulting from changes in operating assets, deferred outflows and liabilities | | | |
| Service receivables, net | (11,465) | 76,283 | (16,099) |
| Due from other governments | - | - | - |
| Due from component unit | - | (89,343) | - |
| Inventory | - | 11,004 | (773) |
| Deferred outflows - pension plan items | (6,594) | 3,279 | 13,350 |
| Accounts payable | 15,080 | (99,604) | (29,860) |
| Accrued liabilities | 3,537 | (5,744) | 2,034 |
| Deposits due to others | - | 2,322 | - |
| Compensated absences payable | (8,548) | (13,422) | (6,792) |
| Net pension liability | 566,804 | 472,079 | 228,007 |
| Net cash provided by (used in) operating activities | <u>\$ 2,014,424</u> | <u>\$ 1,356,948</u> | <u>\$ 1,062,953</u> |
| Noncash capital and related financing activities | | | |
| Due to SAWS on construction projects | \$ - | \$ 5,530,597 | \$ - |
| Due from SAWS for debt related to construction projects | \$ - | \$ 936,357 | \$ - |
| Due from SAWS for water share liability | \$ - | \$ 49,775 | \$ - |

See accompanying notes to the financial statements

| <u>Golf Fund</u> | <u>Weed and Pest Fund</u> | <u>Totals</u> |
|----------------------|-----------------------------------|---------------------|
| \$ (266,659) | \$ 53,829 | \$ (1,063,668) |
| 90,052 | 11,917 | 4,927,194 |
| - | (11,858) | 17,989 |
| - | - | (773,992) |
| | | 98,548 |
| (20,051) | (97) | 28,571 |
| - | (251) | (251) |
| - | - | (89,343) |
| - | - | 10,231 |
| - | (522) | 9,513 |
| 10,313 | 5,918 | (98,153) |
| - | (1,127) | (1,300) |
| - | - | 2,322 |
| - | (352) | (29,114) |
| - | 19,711 | 1,286,601 |
| <u>\$ (186,345)</u> | <u>\$ 77,168</u> | <u>\$ 4,325,148</u> |
| \$ - | \$ - | \$ 5,530,597 |
| \$ - | \$ - | \$ 936,357 |
| \$ - | \$ - | \$ 49,775 |

CITY OF SHERIDAN, WYOMING

STATEMENT OF FIDUCIARY NET POSITION -
FIDUCIARY FUNDS
June 30, 2019

| | Agency Funds | | |
|-------------------|--------------------------|--|----------|
| | | Wyoming Court Automation Fees Fund | |
| ASSETS | Crime Victims Fund | | Total |
| Cash | \$ 900 | \$ 4,900 | \$ 5,800 |
| Total assets | \$ 900 | \$ 4,900 | \$ 5,800 |
| LIABILITIES | | | |
| Accounts payable | \$ 900 | \$ 4,900 | \$ 5,800 |
| Total liabilities | \$ 900 | \$ 4,900 | \$ 5,800 |

See accompanying notes to the financial statements

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 1. The Reporting Entity and Significant Accounting Policies

Nature of Operations

The City of Sheridan (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. 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 the 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. 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 Sheridan Recreation 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, 2019

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, 2019, the City paid the Sheridan Recreation District \$171,500 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, 2019

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 *one cent fund* is a special revenue fund which accounts for the resources collected through the optional one cent sales and use tax and the expenditures of those funds.

The *debt service fund* accounts for resources to pay special assessment debt and two lease purchase agreements of the general government.

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 *public benefits fund* is a special revenue fund which accounts for the resources collected through the franchise 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 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.

The *sewer fund* accounts for revenue and expenses of the departments responsible for 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.

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

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

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

Additionally, the government reports the following fund types:

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

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

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

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

Cash and Cash Equivalents

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

WYO-STAR is an authorized government investment pool offered exclusively to Wyoming Governmental entities by the Wyoming State Treasurer's Office. The value of the City's investments in WYO-STAR equals the value of its WYO-STAR shares. Each participant's position in the WYO-STAR investment pool is calculated by the proportion of the cost of their contribution to the total funds invested in the pool multiplied by the pool's total fair value as of any specific date. WYO-STAR investments consist of short-term bonds and cash with a weighted average maturity which does not exceed 90 days, with a benchmark using Bank of America 3 month U.S. T-Bills index.

Restricted Cash and Cash Equivalents

SAWS has restricted cash and cash equivalents of \$3,839,236 by an agreement with the City for purchases of future water supply. This agreement states that SAWS is responsible for 33% of the cost of future water supply purchases and the City is responsible for 67%. SAWS recorded a liability of \$2,868,918 for the 67% of the restricted cash and cash equivalents held at year end as a due to the City.

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

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

Investments

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

Receivables and Payables

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

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

All trade, utility, and property tax receivables, are shown net of an allowance for uncollectible 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, 2018 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, 2019. 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. Property taxes which are not current receivables are offset by deferred revenues on the fund financials, but are reported on the government-wide financial statements as revenues and receivables, with no amount being deferred. Property taxes receivable are recognized as of the lien date; however, revenue is not recognized until the levy date.

Prepaid Items

Prepaid items represent payments made to vendors for services that will benefit periods beyond June 30, 2019 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. Any reported inventories of the general fund would be equally offset by a fund balance reserve, which indicates that it would not constitute available spendable resources.

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

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

Capital Assets

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

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

| | Years |
|------------------------------------|-------|
| Infrastructure | 20-40 |
| Buildings | 40 |
| Improvements, other than buildings | 5-20 |
| Machinery and equipment | 5-20 |

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. The City capitalizes net interest costs and interest earned as part of constructing various enterprise fund projects when material. No interest was capitalized during the year ended June 30, 2019.

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. Below is detail of land donated and sold over the years:

| | |
|---|---------------------|
| Land received in year ended June 30, 2011 | \$ 1,171,000 |
| Land sold in year ended June 30, 2011 | (152,079) |
| Land received in year ended June 30, 2014 | 1,628,641 |
| Land sold in year ended June 30, 2016 | (1,003,310) |
| Land sold in year ended June 30, 2017 | (316,244) |
| Prior period adjustment for June 30, 2017 | (121,380) |
| Land received in year ended June 30, 2018 | 587,444 |
| Real estate held for sale | <u>\$ 1,794,072</u> |

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

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

Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the financial statements 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 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, 2019.

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. Unused sick or vacation pay is not recognized as a liability because it does not meet the criteria for accrual. Proprietary funds accrue vacation and sick leave, and the related benefits, in the period they are earned.

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

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

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, 2019 were as follow:

| | | |
|----------------------|----|---------------|
| General Fund | \$ | 2,637 |
| One Cent Fund | | 90 |
| Special Revenue Fund | | 18,482 |
| Sewer Fund | | 4,872 |
| Water Fund | | 1,579 |
| Solid Waste Fund | | (129) |
| Golf Fund | | 1 |
| | \$ | <u>27,532</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 through approval of resolutions, the Council's highest level of decision-making authority. Assigned fund balance is a limitation imposed by the City Council 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.

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.

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

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

Fund Equity (Continued)

For the government-wide financial statements, net position is 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.

Accounting Standard Implemented

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

Note 2. Stewardship, Compliance, and Accountability

Budgetary Accounting and Control

Appropriated budgets are established for all funds of the City except agency funds, which do not measure the results of operations. The City's procedures for establishing the budget each year are as follows:

- Operational budgets are submitted to the department heads in March of each year.
- From April through May of each year, these budgets are reviewed and refined as necessary by the department heads and the Treasurer's Office.
- The department heads present their proposed budget to the City Council around the middle of May of each year. The overall budget includes proposed expenditures and the means of financing them.
- A public hearing is conducted at City Hall to obtain taxpayer comments during June of each year.
- Prior to June 30, the budget is legally enacted through passage of a resolution for the fiscal year beginning July 1 of each year.

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 2. Stewardship, Compliance, and Accountability (Continued)

Budgetary Basis

Budgets for governmental and propriety funds are adopted on a cash basis. Such budgets exclude depreciation, market adjustment, gains and losses on sales, inventory adjustments, contribution of capital assets, and bad debt, which are not recorded as revenues or expenditures.

Legal Level of Control

Budgeted amounts are as originally adopted, or as amended by the City Council. For all funds, expenditures cannot exceed budgeted amounts on a fund level basis based upon original and/or supplemental appropriations as approved by the City Council.

Note 3. Cash and Investments

Deposits

At June 30, 2019, the carrying amount of the City's bank deposits was \$8,591,655 and the bank balance was \$9,036,607. The difference between the carrying amount and the bank balance is a result of transactions in transit. In addition, the City had cash and cash equivalents of \$10,453,639 on deposit with the Treasurer of the State of Wyoming in WYO-STAR and \$1,280 in petty cash.

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, 2019, all of the City's bank deposits were covered by Federal depository insurance or collateral held by the pledging bank's trust department or by its agent under joint custody receipts. At June 30, 2019, the City's bank deposits were fully insured or collateralized as required by statutes. In addition, the City's deposits in WYO-STAR are held in trust by the Treasurer of the State of Wyoming and not comingled with other State funds; each entity has an individual interest in the pool. Management does not believe its cash balances are at significant risk as a result of not being fully insured or collateralized. The City has not incurred any losses related to uninsured deposits.

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 3. Cash and Investments (Continued)

Custodial Credit Risk – Deposits (Continued)

As of June 30, 2019, the City had the following investments:

| Investment Type | Total | Investment Maturities (In Years) | | | | Moody's Rating |
|---|-------------------|----------------------------------|-------------|-------------|------------------|----------------|
| | | 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% | \$ 39,854 | \$ - | \$ 3 | \$ - | \$ 39,851 | Aaa |
| Government sponsored enterprise obligations FNMA, interest rate of 5% | 2,957 | - | - | - | 2,957 | Aaa |
| Money market | 65,470 | 65,470 | - | - | - | n/a |
| | <u>\$ 108,281</u> | <u>\$ 65,470</u> | <u>\$ 3</u> | <u>\$ -</u> | <u>\$ 42,808</u> | |

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have a formal policy for interest rate risk. 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. The City invests in U.S. Government obligations, government sponsored entity obligations, and money market investments. Obligations of the government sponsored enterprises (GSEs) are not specifically guaranteed by the U.S. Government. Management believes its credit risk is nominal based on its investment focus.

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, 2019, the City had 37% of its investments in GNMA securities, 60% in money market and 3% of the City's investments were in FNMA securities.

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 3. Cash and Investments (Continued)

Custodial Credit Risk – Investments

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

Note 4. 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, 2019.

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

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, 2019 | | | |
|--|---|------------------|-------------|-------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Government sponsored enterprise obligations | \$ - | \$ 2,957 | \$ - | \$ 2,957 |
| U.S. agency mortgage backed securities | - | 39,854 | - | 39,854 |
| Total investments at fair value | <u>\$ -</u> | <u>\$ 42,811</u> | <u>\$ -</u> | 42,811 |
| Other investments not reported in classifications: | | | | |
| Money market | | | | 65,470 |
| Total primary government investments | | | | <u>\$ 108,281</u> |

As of June 30, 2019, 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.

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 5. 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 Fund | \$ 16,603 |
| Sewer Fund | 11,971 |
| Solid Waste Fund | 18,585 |
| Weed and Pest Fund | 98 |
| Total | <u>\$ 47,257</u> |

Note 6. Individual Fund Interfund Receivables, Payables, Advances, Transfers and Capital Transfers

Individual funds inter-fund receivable and payable balances at June 30, 2019 are as follows:

| | Due from | Due to |
|----------------------|-------------------|-------------------|
| General Fund | \$ 228,473 | \$ - |
| Public Benefits Fund | - | 228,473 |
| | <u>\$ 228,473</u> | <u>\$ 228,473</u> |

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.

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 6. Individual Fund Interfund Receivables, Payables, Advances, Transfers and Capital Transfers (Continued)

Interfund transfers during the year ended June 30, 2019 were as follows:

| | <u>Transfers in</u> | <u>Transfers out</u> |
|---|-------------------------|--------------------------|
| Primary Government | | |
| Governmental Funds | | |
| General Fund | \$ 2,013,850 | \$ 136,748 |
| One Cent Fund | - | 1,228,889 |
| Debt Service Fund | 31,948 | 830,356 |
| Capital Tax Fund | - | 3,260,007 |
| Public Benefits Fund | - | 1,048,058 |
| Special Revenue Fund | 8,231,523 | 3,310,033 |
| Total governmental funds | <u>10,277,321</u> | <u>9,814,091</u> |
| Other capital asset transfers | | |
| reported in governmental activities | - | 46,336 |
| Total governmental activities - governmental funds | <u>10,277,321</u> | <u>9,860,427</u> |
| Proprietary Funds - Business-type Activities | | |
| Sewer Fund | 305,996 | 1,607,854 |
| Water Fund | 2,756,736 | 1,360,058 |
| Solid Waste Fund | - | 727,000 |
| Golf Fund | 204,800 | - |
| Weed and Pest Fund | - | 35,850 |
| Other capital asset transfers reported in business-type activities | 46,336 | - |
| Total proprietary funds - business-type activities | <u>3,313,868</u> | <u>3,730,762</u> |
| | <u>\$ 13,591,189</u> | <u>\$ 13,591,189</u> |
| The City has various grants, construction contracts and loan agreements that call for specific allocation of assets and liabilities between the City and SAWS. Net Asset Contributions are used to meet those required allocations. | | |
| | <u>Contributions in</u> | <u>Contributions out</u> |
| Net Capital Assets Contributed to/from Component Units | | |
| Proprietary Funds - Business-type Activities | | |
| Water Fund | \$ 3,810,136 | \$ 55,766 |
| Component Units | | |
| Sheridan Area Water Supply Joint Powers Board | 55,766 | 3,810,136 |
| Total component units | <u>3,865,902</u> | <u>3,865,902</u> |
| Total contributions in/out | <u>\$ 17,457,091</u> | <u>\$ 17,457,091</u> |

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 7. Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

| | Balance June 30, 2018 | Increases Transfers In | Decreases Transfers Out | Balance June 30, 2019 |
|---|-----------------------------|---------------------------|----------------------------|-----------------------------|
| Governmental activities | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 5,319,172 | \$ 1,041,181 | \$ - | \$ 6,360,353 |
| Works of art | 1,148,770 | 147,810 | - | 1,296,580 |
| Construction in progress | 12,740,158 | 6,981,618 | (9,941,408) | 9,780,368 |
| Total capital assets, not being depreciated | 19,208,100 | 8,170,609 | (9,941,408) | 17,437,301 |
| Capital assets being depreciated | | | | |
| Infrastructure | 93,006,141 | 8,497,023 | - | 101,503,164 |
| Buildings | 26,699,056 | 63,999 | - | 26,763,055 |
| Improvements, other than buildings | 13,458,070 | 324,581 | - | 13,782,651 |
| Machinery and equipment | 14,966,693 | 938,269 | (269,250) | 15,635,712 |
| Total capital assets, being depreciated | 148,129,960 | 9,823,872 | (269,250) | 157,684,582 |
| Less accumulated depreciation for | | | | |
| Infrastructure | 44,974,657 | 3,510,358 | - | 48,485,015 |
| Buildings | 7,411,340 | 988,311 | - | 8,399,651 |
| Improvements, other than buildings | 6,395,981 | 575,274 | - | 6,971,255 |
| Machinery and equipment | 11,604,181 | 712,687 | (269,250) | 12,047,618 |
| Total accumulated depreciation | 70,386,159 | 5,786,630 | (269,250) | 75,903,539 |
| Total capital assets being depreciated, net | 77,743,801 | 4,037,242 | - | 81,781,043 |
| Governmental activities capital assets, net | \$ 96,951,901 | \$ 12,207,851 | \$ (9,941,408) | \$ 99,218,344 |

Assets acquired through capital leases of \$611,542 are included in machinery and equipment above. The related accumulated depreciation on those assets was \$163,924 as of June 30, 2019.

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, 2019

Note 7. Capital Assets (Continued)

| | Balance June 30, 2018 | Increases Transfers In | Decreases Transfers Out | Balance June 30, 2019 |
|--|-----------------------------|---------------------------|----------------------------|-----------------------------|
| Business-type activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 1,091,984 | \$ - | \$ - | \$ 1,091,984 |
| Water rights | 350,000 | - | - | 350,000 |
| Construction in progress | 20,691,618 | 4,839,023 | (16,912,180) | 8,618,461 |
| Total capital assets not being depreciated | 22,133,602 | 4,839,023 | (16,912,180) | 10,060,445 |
| Capital assets, being depreciated | | | | |
| Infrastructure | 1,417,064 | 4,451,659 | - | 5,868,723 |
| Buildings | 23,967,738 | 189,772 | - | 24,157,510 |
| Improvements, other than buildings | 96,049,940 | 3,900,099 | - | 99,950,039 |
| Machinery and equipment | 15,155,700 | 6,991,571 | (447,932) | 21,699,339 |
| Total capital assets being depreciated | 136,590,442 | 15,533,101 | (447,932) | 151,675,611 |
| Less accumulated depreciation for | | | | |
| Infrastructure | 40,186 | 101,100 | - | 141,286 |
| Buildings | 15,325,488 | 679,578 | - | 16,005,066 |
| Improvements, other than buildings | 31,730,276 | 2,884,163 | - | 34,614,439 |
| Machinery and equipment | 10,680,166 | 1,262,353 | (212,843) | 11,729,676 |
| Total accumulated depreciation | 57,776,116 | 4,927,194 | (212,843) | 62,490,467 |
| Total capital assets, being depreciated, net | 78,814,326 | 10,605,907 | (235,089) | 89,185,144 |
| Business-type activities capital assets, net | \$ 100,947,928 | \$ 15,444,930 | \$ (17,147,269) | \$ 99,245,589 |

Assets acquired through capital leases of \$2,468,453 are included in machinery and equipment above. The related accumulated depreciation on those assets was \$1,303,792 as of June 30, 2019.

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 7. Capital Assets (Continued)

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

| | |
|---|---------------------|
| Solid waste fund | \$ 730,615 |
| Water fund | 2,961,492 |
| Sewer fund | 1,133,118 |
| Golf fund | 90,052 |
| Weed and pest fund | 11,917 |
| Total depreciation expense - business-type activities | <u>\$ 4,927,194</u> |

All applicable amortization expense is reported with depreciation expense.

Components Units

Capital asset activity for each component unit for the year ended June 30, 2019, was as follows:

Capital asset activity for the Sheridan Area Water Supply Joint Powers Board for the year ended June 30, 2019, was as follows:

| | Balance June 30, 2018 As Restated | Increases Transfers In | Decreases Transfers Out | Balance June 30, 2019 |
|---|---|---------------------------|----------------------------|--------------------------|
| Capital assets, not being depreciated | | | | |
| Land | \$ 548,155 | \$ - | \$ - | \$ 548,155 |
| Reservoir water shares | 622,131 | - | - | 622,131 |
| Construction in progress | 1,679,225 | 900,366 | (2,548,463) | 31,128 |
| Total capital assets, not being depreciated | <u>2,849,511</u> | <u>900,366</u> | <u>(2,548,463)</u> | <u>1,201,414</u> |
| Capital assets, being depreciated | | | | |
| Infrastructure - Water system | 38,921,533 | 4,548,729 | (1,716) | 43,468,546 |
| Total capital assets, being depreciated | <u>38,921,533</u> | <u>4,548,729</u> | <u>(1,716)</u> | <u>43,468,546</u> |
| Total accumulated depreciation | 10,884,824 | 650,183 | (1,716) | 11,533,291 |
| Total capital assets being depreciated, net | <u>28,036,709</u> | <u>3,898,546</u> | <u>-</u> | <u>31,935,255</u> |
| Governmental activities capital assets, net | <u>\$ 30,886,220</u> | <u>\$ 4,798,912</u> | <u>\$ (2,548,463)</u> | <u>\$ 33,136,669</u> |

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 7. Capital Assets (Continued)

Component Units (Continued)

Capital asset activity for the Sheridan Economic and Educational Development Authority Joint Powers Board for the year ended June 30, 2019, was as follows:

| | Balance June 30, 2018 | Increases Transfers In | Decreases Transfers Out | Balance June 30, 2019 |
|---|-----------------------------|----------------------------|------------------------------|-----------------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 426,500 | \$ 540,000 | \$ (966,500) | \$ - |
| Construction in progress | 3,770,396 | 9,464,095 | - | 13,234,491 |
| Total capital assets not being depreciated | <u>4,196,896</u> | <u>10,004,095</u> | <u>(966,500)</u> | <u>13,234,491</u> |
| Capital assets being depreciated | | | | |
| Buildings | 3,075,397 | - | (3,075,397) | - |
| Improvements | 2,316 | - | (2,316) | - |
| Total capital assets being depreciated | <u>3,077,713</u> | <u>-</u> | <u>(3,077,713)</u> | <u>-</u> |
| Less accumulated depreciation for | | | | |
| Buildings | 663,132 | 73,681 | (736,813) | - |
| Improvements | 2,315 | - | (2,315) | - |
| Total accumulated depreciation | <u>665,447</u> | <u>73,681</u> | <u>(739,128)</u> | <u>-</u> |
| Total capital assets being depreciated, net | <u>2,412,266</u> | <u>(73,681)</u> | <u>(2,338,585)</u> | <u>-</u> |
| Governmental activities capital assets, net | <u><u>\$ 6,609,162</u></u> | <u><u>\$ 9,930,414</u></u> | <u><u>\$ (3,305,085)</u></u> | <u><u>\$ 13,234,491</u></u> |

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 8. 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, 2019:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|----------------------|---------------------|-----------------------|----------------------|------------------------|
| Governmental activities | | | | | |
| Special assessment bonds | \$ 530,000 | \$ - | \$ (45,000) | \$ 485,000 | \$ - |
| Notes payable | 1,504,292 | 578,570 | - | 2,082,862 | - |
| Capital leases | 314,627 | 246,695 | (21,450) | 539,872 | 35,977 |
| Compensated absences | 1,065,816 | 1,130,310 | (1,065,816) | 1,130,310 | 668,026 |
| Net pension liability | 24,351,333 | 3,088,031 | - | 27,439,364 | - |
| Governmental activity long-term liabilities | <u>\$ 27,766,068</u> | <u>\$ 5,043,606</u> | <u>\$ (1,132,266)</u> | <u>\$ 31,677,408</u> | <u>\$ 704,003</u> |
| Business-type activities | | | | | |
| Capital leases | \$ 1,348,394 | \$ - | \$ (518,704) | \$ 829,690 | \$ 105,605 |
| Landfill postclosure liability | 3,345,704 | 98,548 | - | 3,444,252 | - |
| Notes payable | 17,943,840 | 2,047,676 | (2,201,243) | 17,790,273 | 1,004,237 |
| Compensated absences | 443,748 | 414,632 | (443,748) | 414,632 | 396,247 |
| Net pension liability | 3,831,945 | 1,286,601 | - | 5,118,546 | - |
| Business-type activity long-term liabilities | <u>\$ 26,913,631</u> | <u>\$ 3,847,457</u> | <u>\$ (3,163,695)</u> | <u>\$ 27,597,393</u> | <u>\$ 1,506,089</u> |

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

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% (\$97,000 as of June 30, 2019) of the outstanding bond obligation of the Districts. Gas and cigarette taxes are pledged to fund the debt retirement revolving fund.

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 8. Long-Term Debt (Continued)

Special Assessment Bonds (Continued)

Special improvement district bonds outstanding as of June 30, 2019, were as follows:

| | <u>Balance</u> <u>June 30, 2018</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> <u>June 30, 2019</u> |
|--|--|------------------|--------------------|--|
| Special Improvement District 77, issued August 1, 2007, interest at 4.35% to 5.0%; matures June 1, 2022, redeemable to the extent of assessment collections in direct numerical order on any interest date | \$ 250,000 | \$ - | \$ (35,000) | \$ 215,000 |
| 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 | 280,000 | - | (10,000) | 270,000 |
| | <u>\$ 530,000</u> | <u>\$ -</u> | <u>\$ (45,000)</u> | <u>485,000</u> |
| Less current portion | | | | - |
| Total special assessment bonds | | | | <u>\$ 485,000</u> |

The debt service requirement for the special assessment bonds as of June 30, 2019 is as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|-------------------|------------------|-------------------|
| 2020 | \$ - | \$ 19,090 | \$ 19,090 |
| 2021 | 145,000 | 18,715 | 163,715 |
| 2022 | 150,000 | 12,112 | 162,112 |
| 2023 | 50,000 | 5,738 | 55,738 |
| 2024 | 30,000 | 4,562 | 34,562 |
| 2025-2029 | 110,000 | 8,214 | 118,214 |
| | <u>\$ 485,000</u> | <u>\$ 68,431</u> | <u>\$ 553,431</u> |

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 8. Long-Term Debt (Continued)

Notes Payable

The City has the following notes payable for a project currently in construction and split with the Sewer Fund:

| | Balance June 30, 2018 | Additions | Reductions | Balance June 30, 2019 |
|--|--------------------------|-------------------|-------------|----------------------------|
| State Loan and Investment Board loan, North Sheridan Interchange Project, Clean Water SRF #164, granted 10% forgiveness, 2.5% interest, term of 20 years, amortization will be finalized one year after completion of construction | \$ 1,504,292 | \$ 367,634 | \$ - | \$ 1,871,926 |
| State Loan and Investment Board loan, Emergency Hillslides Stabilization Project, Clean Water SRF #176, granted 50% principal forgiveness, including interest of 2.5% | - | 210,936 | - | 210,936 |
| | <u>\$ 1,504,292</u> | <u>\$ 578,570</u> | <u>\$ -</u> | <u>2,082,862</u> |
| Less current portion | | | | - |
| | | | | <u><u>\$ 2,082,862</u></u> |

The debt service requirements for the governmental note payable as of June 30, 2019 is as follows:

| | Principal | Interest | Total |
|-----------|---------------------|-------------------|---------------------|
| 2020 | \$ - | \$ - | \$ - |
| 2021 | 284,858 | 52,072 | 336,930 |
| 2022 | 75,744 | 44,950 | 120,694 |
| 2023 | 77,612 | 43,056 | 120,668 |
| 2024 | 79,526 | 41,116 | 120,642 |
| 2025-2029 | 428,027 | 174,760 | 602,787 |
| 2030-2034 | 483,465 | 118,552 | 602,017 |
| 2035-2039 | 546,083 | 55,065 | 601,148 |
| 2040-2044 | 107,547 | 2,689 | 110,236 |
| | <u>\$ 2,082,862</u> | <u>\$ 532,260</u> | <u>\$ 2,615,122</u> |

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 8. Long-Term Debt (Continued)

Lease Purchase Agreements

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

| | |
|---|-------------------|
| Obligation under capital lease of a Caterpillar Wheel Loader, interest rate of 3.5%, annual payments of \$16,150 including interest through October 2025 | \$ 132,203 |
| Obligation under capital lease of a Caterpillar Motor Grader, interest rate of 3.2%, annual payments of \$15,798 including interest through June 2025 | 160,974 |
| Obligation under capital lease of a Caterpillar Motor Grader, interest rate of 5.35%, annual payments of \$27,005 including interest through March 2028 | 246,695 |
| | <u>\$ 539,872</u> |

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

| | |
|---|-------------------|
| 2020 | \$ 58,953 |
| 2021 | 58,953 |
| 2022 | 58,953 |
| 2023 | 58,953 |
| 2024 | 58,953 |
| Thereafter | 382,679 |
| | <u>677,444</u> |
| Less amount representing interest | (137,572) |
| Net present value of minimum lease payments | <u>\$ 539,872</u> |

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

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 8. Long-Term Debt (Continued)

Business-type Activities

The City's business-type activities have active amortizing notes payable on equipment and finished construction, and non-amortizing notes on construction-in-progress. Some of the terms of the notes payable require the City to be responsible for construction then transfer the asset to another entity who will be responsible for the amortizing debt.

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

| | Balance June 30, 2018 | Additions | Reductions | Balance June 30, 2019 |
|--|--------------------------|-----------|-------------|--------------------------|
| Water Fund | | | | |
| State Loan and Investment Board loan, South Hill Waterline Replacement, Drinking Water SRF #37, due in annual installments of \$39,094, including interest of 2.5%, due August 2024 | \$ 246,903 | \$ - | \$ (32,786) | \$ 214,117 |
| State Loan 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 | 163,720 | - | (11,694) | 152,026 |
| State Loan 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 | 116,417 | - | (7,100) | 109,317 |
| State Loan 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 | 1,217,854 | - | (81,245) | 1,136,609 |
| State Loan 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 | 328,506 | - | (17,754) | 310,752 |

(Continued)

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 8. Long-Term Debt (Continued)

Business-type Activities (Continued)

| | Balance June 30, 2018 | Additions | Reductions | Balance June 30, 2019 |
|---|--------------------------|-----------|-------------|--------------------------|
| Water Fund (Continued) | | | | |
| State Loan 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 | \$ 258,289 | \$ - | \$ (11,612) | \$ 246,677 |
| State Loan and Investment Board loan, 5th Street Water Main Project, Drinking Water SRF #166, granted 50% principal forgiveness, due in annual installments of \$24,043, including interest of 2.5%, due September 2036 | 350,042 | - | (15,435) | 334,607 |
| State Loan and Investment Board loan, Water Meter Replacement Project, Clean Water SRF #154, granted 50% principal forgiveness, due in annual installments of \$34,978, with 0% interest, due September 2038 | 620,865 | 78,688 | - | 699,553 |
| State Loan and Investment Board loan, Water Meter Replacement Project, Drinking Water SRF #155, granted 50% principal forgiveness, due in annual installments of \$54,095, with 0% interest, due September 2038 | 960,022 | 121,880 | - | 1,081,902 |
| State Loan and Investment Board loan, Hydropower Project, Drinking Water SRF #156, granted 50% principal forgiveness, due in annual installments of \$31,120, with 0% interest, due May 2038 | 617,028 | 5,375 | (31,120) | 591,283 |
| | | | | (Continued) |

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 8. Long-Term Debt (Continued)

Business-type Activities (Continued)

| | Balance June 30, 2018 | Additions | Reductions | Balance June 30, 2019 |
|---|--------------------------|----------------|------------------|--------------------------|
| Water Fund (Continued) | | | | |
| State Loan and Investment Board loan, Rehab 4 MG Water Tank Project, Drinking Water SRF #165, granted 50% principal forgiveness, due in annual installments of \$29,832, including interest of 2.5%, due November 2038 | \$ 417,030 | \$ 48,412 | \$ (383) | \$ 465,059 |
| State Loan and Investment Board loan, Loucks Street Phase II Project, Drinking Water SRF #199, granted 24.5% principal forgiveness, due in annual installments of \$29,056, including interest of 2.5%, due September 2038 | 297,427 | 155,696 | (164) | 452,959 |
| State Loan and Investment Board loan, Upgrades at Water Treatment Plants, Drinking Water SRF #123, granted 50% principal forgiveness, due in annual installments of \$154,323, including interest of 2.5%, due June 2038 | 2,407,048 | - | (103,209) | 2,303,839 |
| State Loan and Investment Board loan, Construction of New Utilities Center, Loan #JPA-15584 Sh of \$900,000, due in annual installments of \$69,910, including interest of 4.62%, due December 2034 | 808,030 | - | (32,374) | 775,656 |
| Water fund amortizing debt | <u>8,809,181</u> | <u>410,051</u> | <u>(344,876)</u> | <u>8,874,356</u> |

(Continued)

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 8. Long-Term Debt (Continued)

Business-type Activities (Continued)

The following notes are for projects currently in construction. Amortization will be finalized one year after completion of construction. The entire amount is considered long-term debt. The terms of the notes will be for 20 years.

| | Balance June 30, 2018 | Additions | Reductions | Balance June 30, 2019 |
|--|--------------------------|----------------|------------|--------------------------|
| Water Fund (Continued) | | | | |
| State Loan and Investment Board loan, Leopard Street Waterline Project, Drinking Water SRF #157, granted 50% principal forgiveness, 2.5% interest | \$ 402,139 | \$ 60,363 | \$ - | \$ 462,502 |
| State Loan and Investment Board loan, North Sheridan Interchange Project, Drinking Water SRF #187, granted 50% forgiveness, 2.5% interest | 279,494 | 176,135 | - | 455,629 |
| State Loan and Investment Board loan, North End Utilities Project, Drinking Water SRF #208, 2.5% interest | 99,952 | 530,818 | - | 630,770 |
| Projects currently in construction | <u>781,585</u> | <u>767,316</u> | <u>-</u> | <u>1,548,901</u> |

The following are notes with the City's component unit, Sheridan Area Water Supply Joint Powers Board (SAWS):

| | | | | |
|---|------------------|----------|-----------------|----------------|
| 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 | 659,525 | - | (52,832) | 606,693 |
| 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 | 385,867 | - | (16,257) | 369,610 |
| Amortizing debt with SAWS | <u>1,045,392</u> | <u>-</u> | <u>(69,089)</u> | <u>976,303</u> |
| | | | | (Continued) |

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 8. Long-Term Debt (Continued)

Business-type Activities (Continued)

| | Balance June 30, 2018 | Additions | Reductions | Balance June 30, 2019 |
|---|--------------------------|-----------|--------------|--------------------------|
| Water Fund (Continued) | | | | |
| The following notes are for projects completed during the fiscal year and transferred to SAWS. | | | | |
| State Loan and Investment Board loan, Upgrades at Water Treatment Plants, Drinking Water SRF #125, granted 50% principal forgiveness, 2.5% interest | \$ 560,952 | \$ - | \$ (560,952) | \$ - |
| State Loan and Investment Board loan, Water Meter Replacement Project, Drinking Water SRF #158, granted 50% principal forgiveness, 0% interest | 375,406 | 47,660 | (423,066) | - |
| SAWS projects in construction | 936,358 | 47,660 | (984,018) | - |
| Sewer Fund | | | | |
| State Loan 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 | \$ 446,114 | \$ - | \$ (59,391) | \$ 386,723 |
| State Loan 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 | 867,452 | - | (61,961) | 805,491 |
| State Loan and Investment Board loan, WWTP Biosolids Project, Clean Water SRF #152, due in annual installments of \$202,008, including interest of 2.5%, due April 2038 | 3,150,000 | - | (127,809) | 3,022,191 |
| State Loan and Investment Board loan, Loucks Street Phase II Project, Clean Water SRF #166, granted 50% principal forgiveness, due in annual installments of \$9,617, including interest of 2.5%, due September 2038 | 150,000 | - | (82) | 149,918 |
| Sewer fund amortizing debt | 4,613,566 | - | (249,243) | 4,364,323 |

(Continued)

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 8. Long-Term Debt (Continued)

Business-type Activities (Continued)

| | Balance June 30, 2018 | Additions | Reductions | Balance June 30, 2019 |
|---|--------------------------|---------------------|-----------------------|--------------------------|
| Sewer Fund (Continued) | | | | |
| The following notes are for projects currently in construction. Amortization will be finalized one year after completion of construction. The entire amount is considered long-term debt. The terms of the notes will be for 20 years. | | | | |
| State Loan and Investment Board loan, North Sheridan Interchange Project, Clean Water SRF #164, granted 10% principal forgiveness, including interest of 2.5% | \$ 750,000 | - | - | \$ 750,000 |
| State Loan and Investment Board loan, North End Utilities Project, Clean Water SRF #168, granted 25% principal forgiveness, including interest of 2.5% | 49,976 | 822,649 | - | 872,625 |
| Projects currently in construction | <u>799,976</u> | <u>822,649</u> | <u>-</u> | <u>1,622,625</u> |
| Solid Waste Fund | | | | |
| State Loan 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 | \$ 293,032 | \$ - | \$ (293,032) | \$ - |
| State Loan 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 | 64,092 | - | (64,092) | - |
| State Loan 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 | 600,658 | - | (196,893) | 403,765 |
| Solid waste amortizing debt | <u>957,782</u> | <u>-</u> | <u>(554,017)</u> | <u>403,765</u> |
| Total for all business-type activities | <u>\$ 17,943,840</u> | <u>\$ 2,047,676</u> | <u>\$ (2,201,243)</u> | \$ 17,790,273 |
| Less current portion | | | | 1,004,237 |
| | | | | <u>\$ 16,786,036</u> |

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 8. Long-Term Debt (Continued)

Business-type Activities (Continued)

The debt service for projects in construction considers the eventual 20 year amortization of the debt. All debt related to projects in construction is included in these schedules regardless of contract provisions for some of the debt and some of the constructed assets to be transferred to SAWS at project completion.

The debt service requirements for business-type activities as of June 30, 2019 are as follows:

| | Principal | Interest | Total |
|-----------------------|----------------------|---------------------|----------------------|
| 2020 | \$ 1,004,237 | \$ 330,263 | \$ 1,334,500 |
| 2021 | 1,130,243 | 356,335 | 1,486,578 |
| 2022 | 954,712 | 332,196 | 1,286,908 |
| 2023 | 974,459 | 312,412 | 1,286,871 |
| 2024 | 994,734 | 292,098 | 1,286,832 |
| 2025-2029 | 4,838,522 | 1,153,246 | 5,991,768 |
| 2030-2034 | 4,370,706 | 655,060 | 5,025,766 |
| 2035-2039 | 3,354,887 | 196,627 | 3,551,514 |
| 2040-2044 | 167,773 | 4,194 | 171,967 |
| Total amortizing debt | <u>\$ 17,790,273</u> | <u>\$ 3,632,431</u> | <u>\$ 21,422,704</u> |

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 this lease. The details of and obligations under this agreements are as follows:

Obligation under capital lease of golf carts, subject to refunding clause,
annual payments of \$28,161 including interest of 3.325%, with a final purchase
price of \$97,830, expires October 2022, collateralized by golf carts

| |
|-------------------|
| \$ 188,998 |
| <u>\$ 188,998</u> |

Future minimum lease payments under this lease agreement for the year ending June 30, 2018 are as follows:

| | |
|---|-------------------|
| 2020 | \$ 28,161 |
| 2021 | 28,161 |
| 2022 | 28,161 |
| 2023 | 125,989 |
| 2024 | - |
| | <u>210,472</u> |
| Less amount representing interest | (21,474) |
| Net present value of minimum lease payments | <u>\$ 188,998</u> |

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 8. Long-Term Debt (Continued)

Business-type Activities (Continued)

The Solid Waste Fund also has the following capital leases outstanding as of June 30, 2019:

| | |
|---|-------------------|
| 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 | \$ 163,118 |
| Obligation under capital lease of dozer, subject to refunding clause, annual payments of \$55,232, interest at 3.2%, with a final balloon payment of \$90,000, expires December 2023, collateralized by equipment | 328,394 |
| | <u>\$ 491,512</u> |

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

| | |
|---|-------------------|
| 2020 | \$ 85,470 |
| 2021 | 85,470 |
| 2022 | 85,470 |
| 2023 | 85,470 |
| 2024 | 205,231 |
| Thereafter | - |
| | <u>547,111</u> |
| Less amount representing interest | (55,599) |
| Net present value of minimum lease payments | <u>\$ 491,512</u> |

The Water Fund also has the following capital leases outstanding as of June 30, 2019:

| | |
|--|-------------------|
| 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 | \$ 149,180 |
| | <u>\$ 149,180</u> |

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

| | |
|---|-------------------|
| 2020 | \$ 19,734 |
| 2021 | 19,734 |
| 2022 | 19,734 |
| 2023 | 19,734 |
| 2024 | 19,734 |
| Thereafter | 79,068 |
| | <u>177,738</u> |
| Less amount representing interest | (28,558) |
| Net present value of minimum lease payments | <u>\$ 149,180</u> |

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 8. Long-Term Debt (Continued)

Proprietary Fund Revenues Pledged

The City has pledged future water fund, 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, 2019 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 | Principal and Interest as Percentage of Net Revenues | Principal and Interest Remaining | Principal and Interest Paid in Current Year | Net Revenues in Current Year |
|-------------|---------------|-----------------|--|----------------------------------|---|------------------------------|
| Water | \$ 11,399,560 | 2038 | 55% | \$ 13,684,454 | \$ 2,063,804 | \$ 3,783,109 |
| Sewer | 5,986,948 | 2038 | 14% | 7,319,331 | 393,699 | 2,758,372 |
| Solid Waste | 403,765 | 2021 | 11% | 418,919 | 577,734 | 5,039,343 |

Note 9. 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 of fund equity within the one cent fund to be used towards community aquatic facilities.

The Solid Waste Fund had a deficit unrestricted fund balance at June 30, 2019 of \$4,433,104.

The City plans to eliminate the deficit balances through the receipt of grant and local matching revenues, future rate increases or transfers from the general fund.

Note 10. Pension Plans

All eligible City employees are covered under one of the four following retirement plans:

Public Employees' Pension Plan (PEPP)

The City participates in the Public Employees' Pension Plan ("PEPP"), a statewide cost-sharing multiple-employer public employee retirement system administered by the State of Wyoming Retirement System Board. Substantially all city full-time employees are eligible to participate.

PEPP members are required to contribute 8.50% of their annual covered salary and the City is required to contribute 8.62% of the annual covered payroll. Legislation enacted in 1979 allows the employer to pay any or all of the employees' contribution in addition to the matching contribution. The City currently pays 10.12% of the covered payroll, while the employees pay the remaining 7.00%. Contribution rates are established by Title 9, Chapter 3 of the Wyoming Statutes.

The City's contributions to the PEPP for the years ended June 30, 2019, 2018, and 2017, were \$606,815, \$46,758, and \$541,967, respectively, while the employees' portion was \$423,984, 397,849, and \$394,363, respectively, equal to the required contributions for each year. As of July 1, 2019, the required employer contribution rate will increase by 0.50% from 10.12% to 10.62% and the required employee contribution rate will remain the same at 7.00%.

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 10. Pension Plans (Continued)

Public Employees' Pension Plan (PEPP) (Continued)

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 September 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 or more years of service but will result in a reduction of benefits based on the length of time remaining to age 60. For Tier 2, 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 upon normal retirement on the bases that the sum of the member's age and service is at least 85.

Benefits are established by Title 9, Chapter 3 of the Wyoming Statutes. The PEPP provides retirement, disability and death benefits according to predetermined formulas and allows retirees to select one of seven optional 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 cost 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).

Wyoming Law Enforcement Retirement Plan

The City participates in the Law Enforcement Retirement Plan ("LEPP"), a state-wide, cost-sharing, multiple-employer, defined benefit, contributory plan administered by the State of Wyoming Retirement System Board. The LEPP covers any county sheriff, deputy county sheriff, municipal police officer, Wyoming correctional officer, Wyoming law enforcement academy instructor, University of Wyoming campus police officer, detention officer or dispatcher for law enforcement agencies and certain investigators of the Wyoming Livestock Board.

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. 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 or participant contributions plus accumulated interest.

The LEPP is funded by amounts withheld from participating employees' salaries and by contributions from the City. These contributions are determined by state statutes and, as of June 30, 2019, the percentages to be contributed on compensation were 8.60% for the employees and the same for the City. The City currently pays 11.62% of the covered payroll and the police officers pay the remaining 5.58%.

For the years ended June 30, 2019, 2018, and 2017 the City's contributions to the Wyoming Law Enforcement Retirement Plan were \$234,308, 230,499, and \$229,963, respectively, while the employees' portion was \$112,515, 110,687, and \$110,429, respectively, equal to the required contributions for each year.

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 10. Pension Plans (Continued)

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 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. This plan is being reviewed to determine the appropriate measures to take to ensure this plan is adequately funded, as it is a closed plan.

Plan A statutorily provides retirement, disability and death benefits according to a percentage of a fireman first class salary. Plan A also statutorily provides for an annual percentage increase in the benefit amounts beginning in the year following twelve (12) months of payments, by at least 3%. In the event the current actuarial valuation indicates the fair value of assets is greater than one hundred fifteen percent (115%) of the actuarial value of liabilities, the Board may increase the benefit by an amount determined affordable by the actuary but not greater than five percent (5%) of the benefit. Participants may withdraw from Plan A at any time and received refunds of participant contributions without interest.

Plan B provides retirement, disability and death benefits according to predetermined formulas. 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 received refunds of participant contributions without interest.

Under Plan B, participants contribute 9.245% of their gross monthly salary and the City contributes 12% of the participant's gross monthly salary. Legislation in 1979 allows the employer to pay any or all of the employees' contribution in addition to the matching contribution. The City's contributions to Plan B for the years ended June 30, 2019, 2018, and 2017 were \$125,523, 122,560, and \$124,294, respectively, while the employees' portion was \$96,705, 94,423, and \$95,758, respectively, equal to the required contributions each year. As of July 1, 2019, the employee contribution rate will increase by 0.50% from 9.245% to 9.745% and the employer contribution rate will increase by 1% from 12% to 13%.

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, 2019

Note 10. Pension Plans (Continued)

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

At June 30, 2019, the City reported a total liability of \$32,557,910 for its proportionate share of the net pension liability. The net pension liability was determined by an actuarial valuation as of January 1, 2018, applied to all prior periods included in the measurement. Actuarial valuation involves estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. An experience study was conducted covering the five year period ending December 31, 2016. The net pension liability as of December 31, 2018 is based on the results of an actuarial valuation as of January 1, 2018, rolled forward to a measurement date of December 31, 2018, and taking into consideration information from the recent experience study.

The schedule below shows the City's proportionate share of the net pension liability as June 30, 2019, the proportionate portion at the measurement date of December 31, 2018, and the change in the proportion from the previous measurement date.

| | Pension liability at June 30, 2019 | Proportion at December 31, 2018 | Increase (decrease) from December 31, 2017 |
|---|---------------------------------------|------------------------------------|---|
| Public Employees' Pension Plan | \$ 10,222,260 | 0.335674335% | 0.013225339% |
| Wyoming Law Enforcement Retirement Plan | 3,032,165 | 1.252586654% | (0.017578103%) |
| Firemen's Pension Plan A | 18,525,850 | 8.161158962% | 0.043775903% |
| Firemen's Pension Plan B | 777,635 | 3.705987039% | (0.125074930%) |
| | <u>\$ 32,557,910</u> | | |

For the year ended June 30, 2019, the City recognized pension expense of \$3,181,074.

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 10. Pension Plans (Continued)

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

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | | | | Total |
|--|--------------------------------|---------------------|-------------------|---------------------|---------------------|
| | PEPP | LEPP | Fire A | Fire B | Outflows |
| Net difference between projected and actual earnings on pension plan investments | \$ 2,419,809 | \$ 799,587 | \$ 939,796 | \$ 545,954 | \$ 4,705,146 |
| Difference between actual and expected experience | - | 4,420 | - | 2,395 | 6,815 |
| Changes in assumptions | 490,605 | 1,299,253 | - | 879,685 | 2,669,543 |
| Change in employer's proportion | 420,449 | 2,415 | - | 9,655 | 432,519 |
| Amortizing deferred outflows | 3,330,863 | 2,105,675 | 939,796 | 1,437,689 | 7,814,023 |
| Contributions subsequent to measurement date | 526,770 | 177,909 | - | 109,834 | 814,513 |
| Total | <u>\$ 3,857,633</u> | <u>\$ 2,283,584</u> | <u>\$ 939,796</u> | <u>\$ 1,547,523</u> | <u>\$ 8,628,536</u> |

| | Deferred Inflows of Resources | | | | Total |
|--|-------------------------------|---------------------|---------------------|----------------------|-----------------------|
| | PEPP | LEPP | Fire A | Fire B | Inflows |
| Net difference between projected and actual earnings on pension plan investments | \$ (899,474) | \$ (297,534) | \$ (375,742) | \$ (204,347) | \$ (1,777,097) |
| Difference between actual and expected experience rate | (250,250) | (138,648) | - | (271,873) | (660,771) |
| Changes in assumptions | - | - | - | (989,986) | (989,986) |
| Change in employer's proportion | - | (22,378) | - | (22,118) | (44,496) |
| Amortizing deferred inflows | <u>\$(1,149,724)</u> | <u>\$ (458,560)</u> | <u>\$ (375,742)</u> | <u>\$(1,488,324)</u> | <u>\$ (3,472,350)</u> |

The City reported \$814,513 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, 2019. 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) |
|---------------------|---------------------|-----------------------|
| 2020 | \$ 2,742,317 | \$ (965,280) |
| 2021 | 1,951,196 | (933,831) |
| 2022 | 1,637,247 | (884,542) |
| 2023 | 1,295,444 | (217,949) |
| 2024 | 118,792 | (203,307) |
| Thereafter | 69,027 | (267,441) |
| | <u>\$ 7,814,023</u> | <u>\$ (3,472,350)</u> |

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 10. Pension Plans (Continued)

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

Actuarial Assumptions

The total pension liability in the December 31, 2018 measurement date was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| Actuarial Assumptions and Methods | |
|-----------------------------------|--|
| Valuation date | January 1, 2018 |
| Actuarial cost method | Entry Age Normal |
| Inflation | 2.25% |
| Salary increases | 4.50% to 8.75%, including inflation |
| Payroll growth rate | 2.50% |
| Cost of living increase | 3.00% |
| Investment rate of return | 7.00%, net of pension plan investment expense |
| Post-Retirement Mortality | RP-2014 Healthy Annuitant Mortality Table, fully generational, projected with Scale MP-2017 |
| PEPP, LEPP, Fire A, Fire B | Males: No set back with a multiplier of 100% Females: No set back with a multiplier of 88% |
| Pre-Retirement Mortality | RP-2014 Employee Mortality Table, fully generational, projected with Scale MP-2017 |
| PEPP, LEPP, Fire A, Fire B | Males: No set back with a multiplier of 100% Females: No set back with a multiplier of 100% |

The assumed rate of investment return was adopted by the plan's trustees after considering input from the plan's investment consultant(s) and actuary(s). Additional information about the assumed rate of investment return is included in the WRS actuarial valuation report as of January 1, 2018. In addition, a five year experience study was conducted covering the five-year period ending December 31, 2016 and information from this study was considered in measuring the pension liability at December 31, 2018. The assumed rate of investment return of 7.00% (real return net of inflation of 3.52%) falls within a reasonable range of the long-term expected rate of return.

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, 2019

Note 10. Pension Plans (Continued)

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

Actuarial Assumptions (Continued)

For each major asset class that is included in the pension plans' target allocation as of January 1, 2019, these best estimates are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Geometric Real Rate of Return | Long-Term Expected Arithmetic Real Rate of Return |
|-------------------------|-------------------|--|---|
| Cash | 0.00% | 0.30% | 0.30% |
| Fixed income | 20.00% | 1.50% | 2.00% |
| Equity | 49.00% | 6.00% | 7.40% |
| Marketable alternatives | 19.00% | 3.10% | 3.50% |
| Private markets | 12.00% | 5.20% | 7.00% |
| Total | 100.00% | 4.40% | 5.50% |

Discount Rate

The discount rate used to measure the Public Employees Plan and the Law Enforcement Plan total pension liability was 7.00% and 5.92%, respectively. The discount rate for the Paid Firemen's Retirement Fund Plan B changed from 5.65% in the prior valuation to 7.00% for the current valuation. The discount rate for the Paid Fireman's Retirement Fund Plan A changed from 3.75% in the prior valuation to 4.01% for the current valuation.

Projected benefit payments are required to be discounted to their actuarial present values using a single discount rate that reflects 1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits using a 100 year analysis) and 2) tax-exempt municipal bond rate based on an index of 20 year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met.)

For purposes of this valuation, the expected rate of return on pension plan investments is 7.00%, the municipal bond rate is 3.71% (based on the weekly rate closest to but not later than the measurement date of the "state and local bonds" rate from the Federal Reserve statistical release (H.15); and the resulting single discount rates listed above.

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 10. Pension Plans (Continued)

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

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 as previously discussed, 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 or 1-percentage-point higher than the rate used.

| | 1% Decrease | Current Discount Rate | 1% Increase |
|----------------------------------|---------------|--------------------------|--------------|
| Primary government pension plans | (6.00%) | (7.00%) | (8.00%) |
| Public Employees' Pension Plan | \$ 14,176,897 | \$ 10,222,260 | \$ 6,922,153 |
| | (4.92%) | (5.92%) | (6.92%) |
| Law Enforcement Pension Plan | 4,565,200 | 3,032,165 | 1,789,327 |
| | (3.01%) | (4.01%) | (4.75%) |
| Paid Firemen's Retirement Plan A | 22,401,400 | 18,525,850 | 15,401,788 |
| | (6.00%) | (7.00%) | (8.00%) |
| Paid Firemen's Retirement Plan B | 1,620,004 | 777,635 | 78,900 |

Payables to the pension plan – At June 30, 2019, the City reported no payables to the pension plans.

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 \$3,444,252 reported as landfill closure and postclosure care liability at June 30, 2019, represents the cumulative amount estimated to date based on the use of 93% of the estimated capacity of the site. The City will recognize the remaining estimated cost of closure and postclosure care of \$256,840 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 2019.

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 3 years.

The current year expenditure for landfill closure and postclosure are reflected in the Solid Waste Fund was \$98,548.

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

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 \$606,693 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 \$369,610 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 administered the construction. The projects were completed during the current year. The City owns 28.7% and 80.8%, respectively, of the assets and SAWS owns 71.3% and 19.2%, respectively.

| | | |
|---|--------------|-------------|
| Total Conventional WTP Upgrades recorded on the City's books | \$ 1,439,406 | |
| Assets that belong to SAWS at completion | 71.3% | 1,026,296 |
| Total Meter Replacement #4507 recorded on the City's books | 4,154,121 | |
| Assets that belong to SAWS at completion | 19.2% | 797,592 |
| Transfer of assets at completion of project in the current year | | (1,823,888) |
| Total due to component unit | | <u>\$ -</u> |

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 | \$ 2,572,288 | |
| Water shares purchased | 296,630 | \$ 2,868,918 |

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 | 984,017 |
| Transfer loan at completion of project in the current year | (984,017) |

Payments due to the City for reimbursement of shared SAWS overhead costs 300,543

Total due from component unit \$ 3,169,461

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

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 has 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 2019 were approximately \$254,888.

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 2019 and 2018 were as follows for the City's participation in the Unemployment Compensation Act Program:

| | Fiscal Year Ended 2019 | Fiscal Year Ended 2018 |
|----------------------------------|---------------------------|---------------------------|
| Unpaid claims, beginning of year | \$ - | \$ - |
| Incurred claims | 11,169 | 19,934 |
| Claim payments | (11,169) | (19,934) |
| Unpaid claims, end of year | \$ - | \$ - |

Note 14. Wyoming Educator Benefit Trust

The City participates in health care coverage through the Wyoming Educator Benefit Trust (WEBT). WEBT sets health care premium rates each year based on projected medical costs. In the year ended June 30, 2019, the City paid \$1,882,005 in premiums to WEBT. Were the City to withdraw from coverage through WEBT, the City would not be responsible for any specific liabilities nor is it entitled to any of the reserves. As a participating employer, if the trust is dissolved the City may be entitled to a residual portion of the plan reserves.

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 15. Commitments and Contingencies

The City is required by the Department of Environmental Quality to monitor a landfill site for possible contamination (Note 11). 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, 2019, the City has committed to fund various projects in the approximate amounts of \$14.4 million from future appropriations.

| Project Name | Original Contract Amount | Expended To Date | Remaining Commitment |
|--|--------------------------------|----------------------|-------------------------|
| Primary government | | | |
| Governmental activities | | | |
| General Fund | | | |
| Hillside Stabilization | \$ 7,185,000 | \$ 1,697,950 | \$ 5,487,050 |
| East Downtown Improvements | 50,000 | 10,015 | 39,985 |
| Blacktooth Park | 1,500,000 | 2,000 | 1,498,000 |
| Malcolm Wallop Park Habitat Enhancements | 500,000 | 13,712 | 486,288 |
| Sheridan Multi-Use Pathway Connection | 905,000 | 19,334 | 885,666 |
| Linden Hill Land | 23,000 | 21,834 | 1,166 |
| Tyler Municipal Court Software | 50,000 | 25,977 | 24,023 |
| North Sheridan Interchange | 11,000,000 | 7,961,108 | 3,038,892 |
| East 5th Street Corridor | 2,000,000 | 28,438 | 1,971,562 |
| Total governmental activities | <u>23,213,000</u> | <u>9,780,368</u> | <u>13,432,632</u> |
| Business-type activities | | | |
| Sewer Fund | | | |
| North Sheridan Interchange | \$ 750,000 | \$ 750,000 | \$ - |
| N. End Infrastructure Extension | 1,306,000 | - | 1,306,000 |
| Sanitary Sewer Creek Crossing Replacements | 275,000 | 40,361 | 234,639 |
| Total sewer fund | <u>2,331,000</u> | <u>790,361</u> | <u>1,540,639</u> |
| Water Fund | | | |
| North Sheridan Interchange | 1,258,000 | 1,258,000 | - |
| Leopard St Waterline Replacement | 3,200,000 | 3,096,145 | 103,855 |
| N. End Infrastructure Extension | 2,590,000 | 3,411,955 | (821,955) |
| Total water fund | <u>7,048,000</u> | <u>7,766,100</u> | <u>(718,100)</u> |
| Solid waste fund | | | |
| Curbside Recycle | 175,000 | 62,000 | 113,000 |
| Total solid waste fund | <u>175,000</u> | <u>62,000</u> | <u>113,000</u> |
| Total business-type activities | <u>9,554,000</u> | <u>8,618,461</u> | <u>935,539</u> |
| Total primary government | <u>\$ 32,767,000</u> | <u>\$ 18,398,829</u> | <u>\$ 14,368,171</u> |

The City has agreed to fund \$4,000,000 for the YMCA Community Aquatics facility over four years. As of June 30, 2019, the City has expended \$3,000,000 of the funds committed.

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 15. Commitments and Contingencies (Continued)

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.

Note 16. Special Item

During the year ended June 30, 2019, SEEDA received 5 acres of land from Seven Pillar's Foundation. SEEDA donated this land to Northern Wyoming Community College District. Along with this land, SEEDA donated the childcare center building and the land the building was on to Northern Wyoming Community College District. This item is reflected in the government-wide statements as a special item because it is unusual in nature but under the control of management. This childcare center building had a book value of \$2,338,585. The parcels of land had a total book value of \$966,500.

Note 17. Prior Period Adjustments

City of Sheridan

During the current fiscal year, it was discovered that transactions for the Gasoline Tax and the Capital Facilities tax in the prior year had not been recorded. The revenue and accounts receivable were not booked in the prior year. The correction has the following effect on net position:

| | As originally stated June 30, 2018 | Increase (Decrease) | Restated June 30, 2018 |
|--------------------------------|---------------------------------------|------------------------|---------------------------|
| <i>Governmental activities</i> | | | |
| Net Position | 80,148,062 | 658,037 | 80,806,099 |
| <i>Governmental funds</i> | | | |
| General Fund | | | |
| Fund balance | 4,319,874 | 72,293 | 4,392,167 |
| Capital Tax Fund | | | |
| Fund balance | 282,115 | 585,744 | 867,859 |

CITY OF SHERIDAN, WYOMING

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 18. Accounting Standards Issued, But Not Implemented

GASB Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments and clarifies whether and how business-type activities should report their fiduciary activities. The requirements of the Statement are effective for reporting periods beginning after December 15, 2018. Management has not completed its assessment of the effects of implementing this standard.

GASB Statement No. 87, *Leases*, is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. Under this standard, government lessors must recognize (a) a lease receivable and (b) a deferred inflow of resources and continue to report the leased asset in its financial statements; and report in its financial statements (a) lease revenue recognized over the term of the lease, corresponding with the reduction of the deferred inflow, (b) interest income on the receivable; and (c) note disclosures about the lease. This standard is effective for reporting periods beginning after December 15, 2019. Management has not concluded its assessment of the effect of implementing this guidance.

Note 19. New Standard Implemented in Current Year

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, establishes accounting and financial reporting requirements related to debt, including direct borrowings and direct placements, and clarifies which liabilities governments should include when disclosing information related to debt.

Note 20. Subsequent Events

In July 2019, the City approved the release and removal of a debt owed from the WYO Theatre for \$83,112 for the renovation of the Wyoming Performing Arts and Education Center.

In July 2019, the City entered into a capital lease agreement for the purchase of a landfill compactor. The amount of the lease is \$825,465 and will be paid in annual installments of \$115,376.

In November 2019, the City obtained financing from a bank for a phone system. The amount of the loan is \$366,082 and will be paid in annual installments of \$57,118.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF SHERIDAN, WYOMING

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - GENERAL FUND**

Year Ended June 30, 2019

(Unaudited)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|--------------------|--------------------|--------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 8,544,000 | \$ 8,584,000 | \$ 8,740,097 | \$ 156,097 |
| Licenses and permits | 799,000 | 799,000 | 856,081 | 57,081 |
| Intergovernmental | 253,000 | 267,400 | 331,147 | 63,747 |
| Fines, forfeitures, and penalties | 221,000 | 221,000 | 226,521 | 5,521 |
| Charges for services | 82,000 | 82,000 | 78,616 | (3,384) |
| Net investment income | 32,000 | 60,920 | 80,668 | 19,748 |
| Contributions | 279,000 | 297,000 | 305,679 | 8,679 |
| Miscellaneous revenues | 15,000 | 15,000 | 21,406 | 6,406 |
| Total revenues | <u>10,225,000</u> | <u>10,326,320</u> | <u>10,640,215</u> | <u>313,895</u> |
| Expenditures | | | | |
| Current | | | | |
| General administration | 2,136,042 | 2,220,982 | 1,984,056 | 236,926 |
| Health and welfare | 142,720 | 145,720 | 158,694 | (12,974) |
| Public safety | 5,160,872 | 5,186,872 | 4,948,975 | 237,897 |
| Public works | 4,001,331 | 3,998,331 | 3,738,373 | 259,958 |
| Parks and recreation | 578,020 | 593,050 | 581,232 | 11,818 |
| Capital outlay | 23,000 | 893,500 | 1,141,340 | (247,840) |
| Total expenditures | <u>12,041,985</u> | <u>13,038,455</u> | <u>12,552,670</u> | <u>485,785</u> |
| Deficiency of revenues over expenditures | <u>(1,816,985)</u> | <u>(2,712,135)</u> | <u>(1,912,455)</u> | <u>799,680</u> |

(Continued)

See accompanying notes to required supplementary information

CITY OF SHERIDAN, WYOMING

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

Year Ended June 30, 2019

(Unaudited)

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|----------------------------|----------------------------|----------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Other financing sources (uses) | | | | |
| Transfers in | \$ 2,013,850 | \$ 2,013,850 | \$ 2,013,850 | \$ - |
| Transfers out | <u>(111,948)</u> | <u>(111,948)</u> | <u>(136,748)</u> | <u>(24,800)</u> |
| Total other financing sources (uses) | <u>1,901,902</u> | <u>1,901,902</u> | <u>1,877,102</u> | <u>(24,800)</u> |
| Net change in fund balances | 84,917 | (810,233) | (35,353) | <u><u>\$ 774,880</u></u> |
| Fund balance - beginning of year as previously stated | 4,319,874 | 4,319,874 | 4,319,874 | |
| Prior period adjustment | <u>-</u> | <u>-</u> | <u>72,293</u> | |
| Fund balance - beginning of year as restated | <u>4,319,874</u> | <u>4,319,874</u> | <u>4,392,167</u> | |
| Fund balance - end of year | <u><u>\$ 4,404,791</u></u> | <u><u>\$ 3,509,641</u></u> | <u><u>\$ 4,356,814</u></u> | |

See accompanying notes to required supplementary information

CITY OF SHERIDAN, WYOMING

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - ONE CENT FUND**

Year Ended June 30, 2019

(Unaudited)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|--------------------|--------------------|---------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 3,400,000 | \$ 3,500,000 | \$ 3,585,432 | \$ 85,432 |
| Net investment income | - | - | 35,545 | 35,545 |
| Total revenues | <u>3,400,000</u> | <u>3,500,000</u> | <u>3,620,977</u> | <u>120,977</u> |
| Expenditures | | | | |
| Current | | | | |
| General administration | 2,881,333 | 3,055,299 | 1,847,903 | 1,207,396 |
| Public safety | 175,778 | 225,913 | 204,723 | 21,190 |
| Public works | - | 53,339 | 43,585 | 9,754 |
| Parks and recreation | 43,000 | 55,052 | 46,988 | 8,064 |
| Capital outlay | <u>248,000</u> | <u>223,000</u> | <u>214,388</u> | <u>8,612</u> |
| Total expenditures | <u>3,348,111</u> | <u>3,612,603</u> | <u>2,357,587</u> | <u>1,255,016</u> |
| Excess of revenues over expenditures | <u>51,889</u> | <u>(112,603)</u> | <u>1,263,390</u> | <u>1,375,993</u> |
| Other financing uses | | | | |
| Transfers out | <u>(1,051,889)</u> | <u>(1,228,889)</u> | <u>(1,228,889)</u> | <u>-</u> |
| Total other financing uses | <u>(1,051,889)</u> | <u>(1,228,889)</u> | <u>(1,228,889)</u> | <u>-</u> |
| Net change in fund balance | (1,000,000) | (1,341,492) | 34,501 | <u>\$ 1,375,993</u> |
| Fund balance - beginning of year | <u>1,985,114</u> | <u>1,985,114</u> | <u>1,985,114</u> | |
| Fund balance - end of year | <u>\$ 985,114</u> | <u>\$ 643,622</u> | <u>\$ 2,019,615</u> | |

See accompanying notes to required supplementary information

CITY OF SHERIDAN, WYOMING

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - DEBT SERVICE FUND**

Year Ended June 30, 2019

(Unaudited)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Intergovernmental | \$ - | \$ - | \$ 830,357 | \$ 830,357 |
| Special assessments | 74,400 | 74,400 | 57,588 | (16,812) |
| Total revenues | <u>74,400</u> | <u>74,400</u> | <u>887,945</u> | <u>813,545</u> |
| Expenditures | | | | |
| Current | | | | |
| Public works | 1,700 | 1,700 | 1,700 | - |
| Debt service - principal | 73,050 | 73,050 | 66,450 | 6,600 |
| interest | 31,598 | 31,598 | 69,770 | (38,172) |
| Total expenditures | <u>106,348</u> | <u>106,348</u> | <u>137,920</u> | <u>(31,572)</u> |
| Deficiency of revenues over expenditures | <u>(31,948)</u> | <u>(31,948)</u> | <u>750,025</u> | <u>781,973</u> |
| Other financing sources | | | | |
| Transfers in | 31,948 | 31,948 | 31,948 | - |
| Transfers out | <u>-</u> | <u>-</u> | <u>(830,356)</u> | <u>(830,356)</u> |
| Total other financing sources | <u>31,948</u> | <u>31,948</u> | <u>(798,408)</u> | <u>(830,356)</u> |
| Net change in fund balance | - | - | (48,383) | <u>\$ (48,383)</u> |
| Fund balance - beginning of year | <u>226,110</u> | <u>226,110</u> | <u>226,110</u> | |
| Fund balance - end of year | <u>\$ 226,110</u> | <u>\$ 226,110</u> | <u>\$ 177,727</u> | |

See accompanying notes to required supplementary information

CITY OF SHERIDAN, WYOMING

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - CAPITAL TAX FUND**

Year Ended June 30, 2019

(Unaudited)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|--------------------------|--------------------------|----------------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 3,100,000 | \$ 3,200,000 | \$ 3,431,535 | \$ 231,535 |
| Net investment income | - | - | 14,456 | 14,456 |
| Total revenues | <u>3,100,000</u> | <u>3,200,000</u> | <u>3,445,991</u> | <u>245,991</u> |
| Expenditures | | | | |
| Current | | | | |
| Capital outlay | - | - | - | - |
| Total expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess of revenues over expenditures | <u>3,100,000</u> | <u>3,200,000</u> | <u>3,445,991</u> | <u>(245,991)</u> |
| Other financing (uses) | | | | |
| Transfers out | <u>(3,100,000)</u> | <u>(3,260,007)</u> | <u>(3,260,007)</u> | <u>-</u> |
| Total other financing (uses) | <u>(3,100,000)</u> | <u>(3,260,007)</u> | <u>(3,260,007)</u> | <u>-</u> |
| Net change in fund balance | - | (60,007) | 185,984 | <u><u>\$ 245,991</u></u> |
| Fund balance - beginning of year as previously stated | 282,115 | 282,115 | 282,115 | |
| Prior period adjustment | - | - | 585,744 | |
| Fund balance - beginning of year as restated | <u>282,115</u> | <u>282,115</u> | <u>867,859</u> | |
| Fund balance - end of year | <u><u>\$ 282,115</u></u> | <u><u>\$ 222,108</u></u> | <u><u>\$ 1,053,843</u></u> | |

See accompanying notes to required supplementary information

CITY OF SHERIDAN, WYOMING

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - PUBLIC BENEFITS FUND**

Year Ended June 30, 2019

(Unaudited)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|------------------|--------------------|--------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 900,000 | \$ 950,000 | \$ 973,823 | \$ 23,823 |
| Total revenues | <u>900,000</u> | <u>950,000</u> | <u>973,823</u> | <u>23,823</u> |
| Expenditures | | | | |
| Current | | | | |
| Parks and recreation | - | - | - | - |
| Total expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess of revenues over expenditures | <u>900,000</u> | <u>950,000</u> | <u>973,823</u> | <u>23,823</u> |
| Other financing (uses) | | | | |
| Transfers out | <u>(900,000)</u> | <u>(1,048,058)</u> | <u>(1,048,058)</u> | <u>-</u> |
| Total other financing (uses) | <u>(900,000)</u> | <u>(1,048,058)</u> | <u>(1,048,058)</u> | <u>-</u> |
| Net change in fund balance | - | (98,058) | (74,235) | <u>\$ 23,823</u> |
| Fund balance - beginning of year | <u>98,059</u> | <u>98,059</u> | <u>98,059</u> | |
| Fund balance - end of year | <u>\$ 98,059</u> | <u>\$ 1</u> | <u>\$ 23,824</u> | |

See accompanying notes to required supplementary information

CITY OF SHERIDAN, WYOMING

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND**

Year Ended June 30, 2019

(Unaudited)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|---------------------|--------------------|---------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 2,338,913 | \$ 2,356,809 | \$ 2,208,112 | \$ (148,697) |
| Intergovernmental | 2,626,900 | 15,574,819 | 3,442,213 | (12,132,606) |
| Net investment income | - | - | 31,858 | 31,858 |
| Contributions | 123,750 | 271,049 | 491,172 | 220,123 |
| Miscellaneous revenues | 12,000 | 12,000 | 182,783 | 170,783 |
| Total revenues | <u>5,101,563</u> | <u>18,214,677</u> | <u>6,356,138</u> | <u>(11,858,539)</u> |
| Expenditures | | | | |
| Current | | | | |
| General administration | 1,267,282 | 1,642,005 | 1,129,184 | 512,821 |
| Health and welfare | 15,000 | 15,000 | 6,739 | 8,261 |
| Public safety | 411,200 | 480,255 | 357,568 | 122,687 |
| Public works | 365,500 | 494,571 | 397,190 | 97,381 |
| Parks and recreation | 70,000 | 70,000 | 69,171 | 829 |
| Capital outlay | 8,192,000 | 22,659,935 | 7,203,517 | 15,456,418 |
| Debt service - principal | - | - | - | - |
| Total expenditures | <u>10,320,982</u> | <u>25,361,766</u> | <u>9,163,369</u> | <u>16,198,397</u> |
| Deficiency of revenues over expenditures | <u>(5,219,419)</u> | <u>(7,147,089)</u> | <u>(2,807,231)</u> | <u>4,339,858</u> |
| Other financing sources (uses) | | | | |
| Transfers in | 5,353,889 | 6,313,210 | 8,231,523 | 1,918,313 |
| Transfers out | <u>(162,000)</u> | <u>(340,155)</u> | <u>(3,310,033)</u> | <u>(2,969,878)</u> |
| Total other financing sources (uses) | <u>5,191,889</u> | <u>5,973,055</u> | <u>4,921,490</u> | <u>(1,051,565)</u> |
| Net change in fund balance | (27,530) | (1,174,034) | 2,114,259 | <u>\$ 3,288,293</u> |
| Fund balance - beginning of year | <u>1,417,370</u> | <u>1,417,370</u> | <u>1,417,370</u> | |
| Fund balance - end of year | <u>\$ 1,389,840</u> | <u>\$ 243,336</u> | <u>\$ 3,531,629</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)

| | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|---------------|---------------|---------------|
| Primary Government | | | |
| Public Employees Pension Plan | | | |
| Proportion of the net pension liability (asset) | 0.335674335% | 0.322448996% | 0.309558400% |
| Proportionate share of the net pension liability (asset) | \$ 10,222,260 | \$ 7,349,711 | \$ 7,483,575 |
| Covered payroll | \$ 5,845,281 | \$ 5,727,912 | \$ 5,519,133 |
| Proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 174.88% | 128.31% | 135.59% |
| Plan fiduciary net position as a percentage of the total pension liability | 69.17% | 76.35% | 73.42% |
| Wyoming Law Enforcement Retirement Plan | | | |
| Proportion of the net pension liability (asset) | 1.252586654% | 1.270164757% | 1.329358600% |
| Proportionate share of the net pension liability (asset) | \$ 3,032,165 | \$ 1,092,906 | \$ 1,003,558 |
| Covered payroll | \$ 1,902,663 | \$ 1,950,301 | \$ 2,057,571 |
| Proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 159.36% | 56.04% | 48.77% |
| Plan fiduciary net position as a percentage of the total pension liability | 71.22% | 87.99% | 88.11% |
| Paid Firemen's Pension Plan A | | | |
| Proportion of the net pension liability (asset) | 8.161158962% | 8.117383059% | 8.056056600% |
| Proportionate share of the net pension liability (asset) | \$ 18,525,850 | \$ 18,160,929 | \$ 14,780,670 |
| Covered payroll | \$ 10,949 | \$ 15,847 | \$ 15,727 |
| Proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 169,207.64% | 102,602.87% | 93,982.30% |
| Plan fiduciary net position as a percentage of the total pension liability | 29.99% | 34.28% | 38.91% |
| Paid Firemen's Pension Plan B | | | |
| Proportion of the net pension liability (asset) | 3.705987039% | 3.831061969% | 3.699170000% |
| Proportionate share of the net pension liability (asset) | \$ 777,635 | \$ 1,579,732 | \$ 1,167,507 |
| Covered payroll | \$ 993,615 | \$ 1,080,731 | \$ 976,229 |
| Proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 78.26% | 146.17% | 119.59% |
| Plan fiduciary net position as a percentage of the total pension liability | 87.07% | 77.98% | 80.16% |

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

| 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---------------|---------------|------|------|------|------|------|
| 0.294162808% | 0.293415604% | * | * | * | * | * |
| \$ 6,852,075 | \$ 5,177,882 | * | * | * | * | * |
| \$ 5,130,417 | \$ 5,015,683 | * | * | * | * | * |
| 133.56% | 103.23% | * | * | * | * | * |
| 73.40% | 79.08% | * | * | * | * | * |
| 1.327450060% | 1.263715835% | * | * | * | * | * |
| \$ 997,180 | \$ 372,337 | * | * | * | * | * |
| \$ 1,996,481 | \$ 1,867,656 | * | * | * | * | * |
| 49.95% | 19.94% | * | * | * | * | * |
| 87.49% | 94.76% | * | * | * | * | * |
| 7.953947175% | 7.594531813% | * | * | * | * | * |
| \$ 14,750,947 | \$ 12,499,661 | * | * | * | * | * |
| \$ 14,276 | \$ 15,068 | * | * | * | * | * |
| 103,325.47% | 82,955.81% | * | * | * | * | * |
| 40.05% | 45.95% | * | * | * | * | * |
| 3.816322995% | 3.831260855% | * | * | * | * | * |
| \$ 1,166,827 | \$ (43,087) | * | * | * | * | * |
| \$ 991,727 | \$ 940,673 | * | * | * | * | * |
| 117.66% | -4.58% | * | * | * | * | * |
| 79.33% | 100.98% | * | * | * | * | * |

CITY OF SHERIDAN, WYOMING

SCHEDULE OF PENSION CONTRIBUTIONS

Last 10 fiscal years
(Unaudited)

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|--|--------------------|------------------|------------------|------------------|
| Primary Government | | | | |
| Public Employees Pension Plan | | | | |
| Contractually required contribution | \$ 1,030,799 | \$ 944,607 | \$ 936,330 | \$ 901,498 |
| Contributions in relation to the contractually required contribution | <u>(1,030,799)</u> | <u>(944,607)</u> | <u>(936,330)</u> | <u>(901,498)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | \$ 6,021,022 | \$ 5,683,556 | \$ 5,633,755 | \$ 5,424,176 |
| Contributions as a percentage of covered-employee payroll | 17.12% | 16.62% | 16.62% | 16.62% |
| Wyoming Law Enforcement Retirement Plan | | | | |
| Contractually required contribution | \$ 346,823 | \$ 341,186 | \$ 340,392 | \$ 367,984 |
| Contributions in relation to the contractually required contribution | <u>(346,823)</u> | <u>(341,186)</u> | <u>(340,392)</u> | <u>(367,984)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | \$ 2,016,413 | \$ 1,983,640 | \$ 1,979,023 | \$ 2,139,442 |
| Contributions as a percentage of covered-employee payroll | 17.20% | 17.20% | 17.20% | 17.20% |
| Paid Firemen's Pension Plan A | | | | |
| Contractually required contribution | \$ - | \$ - | \$ - | \$ - |
| Contributions in relation to the contractually required contribution | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | \$ - | \$ - | \$ - | \$ - |
| Contributions as a percentage of covered-employee payroll | 0.00% | 0.00% | 0.00% | 0.00% |
| Paid Firemen's Pension Plan B | | | | |
| Contractually required contribution | \$ 222,228 | \$ 216,983 | \$ 220,052 | \$ 222,677 |
| Contributions in relation to the contractually required contribution | <u>(222,228)</u> | <u>(216,983)</u> | <u>(220,052)</u> | <u>(222,677)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | \$ 1,046,025 | \$ 1,021,337 | \$ 1,035,783 | \$ 1,048,138 |
| Contributions as a percentage of covered-employee payroll | 21.245% | 21.245% | 21.245% | 21.245% |

* 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

| <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|--------------|-------------|-------------|-------------|-------------|-------------|
| \$ 818,983 | * | * | * | * | * |
| (818,983) | * | * | * | * | * |
| <u>\$ -</u> | <u>*</u> | <u>*</u> | <u>*</u> | <u>*</u> | <u>*</u> |
| \$ 5,160,573 | * | * | * | * | * |
| 15.87% | * | * | * | * | * |
| \$ 348,310 | * | * | * | * | * |
| (348,310) | * | * | * | * | * |
| <u>\$ -</u> | <u>*</u> | <u>*</u> | <u>*</u> | <u>*</u> | <u>*</u> |
| \$ 2,025,058 | * | * | * | * | * |
| 17.20% | * | * | * | * | * |
| \$ - | * | * | * | * | * |
| - | * | * | * | * | * |
| <u>\$ -</u> | <u>*</u> | <u>*</u> | <u>*</u> | <u>*</u> | <u>*</u> |
| \$ - | * | * | * | * | * |
| 0.00% | * | * | * | * | * |
| \$ 225,632 | * | * | * | * | * |
| (225,632) | * | * | * | * | * |
| <u>\$ -</u> | <u>*</u> | <u>*</u> | <u>*</u> | <u>*</u> | <u>*</u> |
| \$ 1,062,048 | * | * | * | * | * |
| 21.245% | * | * | * | * | * |

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CITY OF SHERIDAN, WYOMING

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2019

Note 1. Basis of Budgeting

Budgets

Annual budgets are adopted on the cash 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 at the fund level after it is appropriated using the same procedures necessary to approve the original budget at the fund level. 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.

Budget Amendments

During the 2019 fiscal year, it was necessary to amend the originally adopted budget. The expenditure budgets for the following funds were amended through transfers between funds, unspent funds from prior years, and unanticipated revenues and grants.

| | Expenditures |
|-----------------------|--------------|
| General Fund | \$ 996,470 |
| One Cent Fund | 441,492 |
| Special Revenue Funds | 15,218,939 |
| Capital Tax Fund | 160,007 |
| Public Benefits Fund | 148,058 |
| Sewer Fund | 177,936 |
| Water Fund | 244,507 |
| Solid Waste Fund | 321,297 |
| Weed and Pest Fund | 6,000 |

Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2019, the following funds of the City had expenditures in excess of budget appropriations.

| | Budget | Expenditure | Over Expenditure |
|-------------------|------------|-------------|------------------|
| Debt Service Fund | \$ 106,348 | \$ 137,920 | \$ (31,572) |

Note 2. Explanation of Changes to Pension Plans

Changes in assumptions – There have been no changes of assumptions in the Public Employees' Pension Plan, Law Enforcement Pension Plan, Paid Firemen's Pension Plan A, and Paid Firemen's Pension Plan B from January 1, 2017 to January 1, 2018.

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

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SINGLE AUDIT SECTION

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CITY OF SHERIDAN, WYOMING

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2019

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Provided to Subrecipients | Total Federal Expenditures |
|--|---------------------------|--|------------------------------|----------------------------------|
| <u>U.S. Department of Agriculture</u> | | | | |
| Passed through the Wyoming State Forestry Division | | | | |
| Cooperative Forestry Assistance | 10.664 | 14-DG-11020000-039 | \$ - | \$ 5,000 |
| Direct | | | | |
| Emergency Watershed Protection Program | 10.923 | NR188E49XXXXC004 | - | 1,130,238 |
| Total U.S. Department of Agriculture | | | - | 1,135,238 |
| <u>U.S. Department of Justice</u> | | | | |
| Direct | | | | |
| Bulletproof Vest Partnership Program | 16.607 | - | - | 2,407 |
| Direct | | | | |
| Public Safety Partnership and Community Policing Grants | 16.710 | 2017UMWX0112 | - | 45,194 |
| Total U.S. Department of Justice | | | - | 47,601 |
| <u>U. S. Department of Transportation</u> | | | | |
| Passed through the Wyoming Association of Sheriffs and Chiefs of Police | | | | |
| Alcohol Open Container Requirements | 20.607 | HS02018-DUI-154AL | - | 5,002 |
| | | | - | 5,002 |
| Passed through the Wyoming Association of Sheriffs and Chiefs of Police | | | | |
| <i>Highway Safety Cluster</i> | | | | |
| National Priority Safety Programs | 20.616 | HS02019-DUI-405D | - | 4,539 |
| National Priority Safety Programs | 20.616 | HS02019-OP HVE-405B | - | 7,345 |
| Total Highway Safety Cluster | | | - | 11,884 |
| Total U.S. Department of Transportation | | | - | 16,886 |
| <u>U. S. Environmental Protection Agency</u> | | | | |
| Passed through the Office of State Land and Investment Board | | | | |
| <i>Clean Water State Revolving Fund Cluster</i> | | | | |
| Capitalization Grants for Clean Water State Revolving Funds | 66.458 | CWSRF #164 | - | 240,108 |
| Capitalization Grants for Clean Water State Revolving Funds | 66.458 | CWSRF #168 | - | 914,056 |
| Capitalization Grants for Clean Water State Revolving Funds | 66.458 | CWSRF #176 | - | 351,561 |
| Total Clean Water State Revolving Fund Cluster | | | - | 1,505,725 |
| Passed through the Wyoming Department of Environmental Quality | | | | |
| Nonpoint Source Implementation Grants | 66.460 | NPS2017E | - | 2,985 |

(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, 2019

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Provided to Subrecipients | Total Federal Expenditures |
|--|---------------------------|--|------------------------------|----------------------------------|
| <u>U. S. Environmental Protection Agency (Continued)</u> | | | | |
| Passed through the Office of State Land and Investment Board | | | | |
| <i>Drinking Water State Revolving Fund Cluster</i> | | | | |
| Capitalization Grants for Drinking Water State Revolving Funds | 66.468 | DWSRF #156 | \$ - | \$ 8,864 |
| Capitalization Grants for Drinking Water State Revolving Funds | 66.468 | DWSRF #155 | - | 201,005 |
| Capitalization Grants for Drinking Water State Revolving Funds | 66.468 | DWSRF #165 | - | 79,841 |
| Capitalization Grants for Drinking Water State Revolving Funds | 66.468 | DWSRF #187 | - | 290,481 |
| Capitalization Grants for Drinking Water State Revolving Funds | 66.468 | DWSRF #199 | - | 169,915 |
| Total Drinking Water State Revolving Fund Cluster | | | <u>-</u> | <u>750,106</u> |
| Direct | | | | |
| Brownfields Assessment and Cleanup Cooperative Agreements | 66.818 | BF-96828601 | <u>-</u> | <u>7,296</u> |
| Total U. S. Environmental Protection Agency | | | <u>-</u> | <u>2,266,112</u> |
| <u>U. S. Department of Health and Human Services</u> | | | | |
| Passed through the Wyoming Department of Transportation | | | | |
| Substance Abuse and Mental Health Services - Projects of Regional and National Significance | 93.243 | EUDL 2018 | - | 21,089 |
| Substance Abuse and Mental Health Services - Projects of Regional and National Significance | 93.243 | EUDL 2019 | <u>-</u> | <u>10,724</u> |
| Total U.S. Department of Health and Human Services | | | <u>-</u> | <u>31,813</u> |
| <u>U. S. Department of Homeland Security</u> | | | | |
| Passed through the Wyoming Office of Homeland Security | | | | |
| Homeland Security Grant Program | 97.067 | 17-GPD-SHE-LP-HLE16 | - | 1,161 |
| Passed through the Wyoming Office of Homeland Security | | | | |
| Homeland Security Grant Program | 97.067 | 17-GPD-SHE-LP-HLE17 | <u>-</u> | <u>26,613</u> |
| Total U.S. Department of Homeland Security | | | <u>-</u> | <u>27,774</u> |
| Total Expenditures of Federal Awards | | | <u>\$ -</u> | <u>\$ 3,525,424</u> |

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, 2019

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, 2019 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.

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, 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.

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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, 2019, 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 10, 2020. The Sheridan Area Water Supply Joint Powers Board and the Sheridan Economic and Educational Development Authority issue separate audited financial statements with separate reports on internal control over financial reporting and on compliance and other matters based on financial statements performed in accordance with Government Auditing Standards. We audit those financial statements and issue those separate reports. This report does not include those separate results of the testing of internal controls over financial reporting or compliance and other matters that are reported on separately.

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.



MAIL: PO Box 2750
Casper, WY 82602-2750



PHONE: (307) 265-4311
FAX: (307) 265-5180



LOCATION: 600 East 1st Street
Casper, WY 82601

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. 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.

We noted certain matters that we have reported to management of the City of Sheridan, Wyoming in a separate letter dated February 10, 2020.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Sheridan, Wyoming's financial statements are free from 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 10, 2020

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, 2019. 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 SAWS and SEEDA, discretely presented component units. Our audit described below, did not include the operations of SAWS and SEEDA because each component unit engaged auditors to perform its separate audit. The reports of those auditors did not include a schedule of expenditures of federal awards.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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.



MAIL: PO Box 2750
Casper, WY 82602-2750



PHONE: (307) 265-4311
FAX: (307) 265-5180

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PMCH.COM   



LOCATION: 600 East 1st Street
Casper, WY 82601

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, 2019.

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 the City of Sheridan, Wyoming's internal control over compliance with the types of compliance 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 the 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 10, 2020

CITY OF SHERIDAN, WYOMING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor 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 federal 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 |
|--------------|--|
| 10.923 | Emergency Watershed Protection Program |

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

CITY OF SHERIDAN, WYOMING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2019

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None



City of Sheridan
Summary Schedule of Prior Audit Findings
June 30, 2019

None.

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