

***CITY OF SHERIDAN, OREGON
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2023***

CITY OF SHERIDAN, OREGON
CITY OFFICIALS
JUNE 30, 2023

<u><i>Name</i></u>	<i>MAYOR</i>	<u><i>Term</i></u>
Marianne Thomson		December 31, 2026

CITY COUNCIL MEMBERS

<u><i>Name</i></u>	<u><i>Position</i></u>	<u><i>Term</i></u>
Roxie Acuff	Council President	December 31, 2024
Dennis McElroy	Council Member	December 31, 2024
James Buckles	Council Member	December 31, 2024
Lucy Hebert	Council Member	December 31, 2026
Cale George	Council Member	December 31, 2026
Liz Hodgins	Council Member	December 31, 2026

CITY STAFF

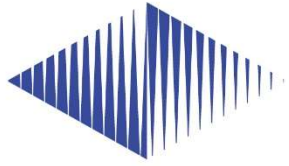
<i>City Manager</i>	<i>Finance / HR Specialist</i>	<i>City Recorder</i>
Heidi Bell	Marissa Matias	Yvonne Hamilton

Officials and City Staff can be contacted at:

120 SW Mill Street
Sheridan, Oregon 97378

CITY OF SHERIDAN, OREGON
TABLE OF CONTENTS
JUNE 30, 2023

	<u>Page</u>
FINANCIAL SECTION	
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-8
Basic Financial Statements	
Statement of Net Position (Modified Cash Basis)	9
Statement of Activities (Modified Cash Basis)	10-11
Balance Sheet (Modified Cash Basis) - Governmental Funds	12
Statement of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis) - Governmental Funds	13
Statement of Fund Net Position (Modified Cash Basis) - Enterprise Funds	14
Statement of Revenues, Expenses and Changes in Fund Net Position (Modified Cash Basis) - Enterprise Funds	15
Statement of Cash Flows (Modified Cash Basis) – Enterprise Funds	16
Notes to Basic Financial Statements	17-27
Supplemental Information	
Schedule of Revenues, Expenditures and Changes in Fund Balances (Budgetary Basis) - Budget and Actual	
General Fund	28
Street Fund	29
Sewer Fund	30
Water Fund	31
Schedule of Debt Transactions	32-33
Schedule of Future Debt Requirements	34
COMPLIANCE SECTION	
Independent Auditor's Report Required by Oregon State Regulations	35-36



GROVE, MUELLER & SWANK, P.C.

Certified Public Accountants and Consultants

475 Cottage Street NE, Suite 200, Salem, OR 97301
(503) 581-7788 • FAX (503) 581-0152 • www.gms.cpa

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor,
Members of the City Council and City Manager
City of Sheridan
Sheridan, Oregon

Report on the Audit of the Financial Statements

Opinions

We have audited the modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the City of Sheridan, Oregon (the City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, and each major fund of the City of Sheridan, Oregon, as of June 30, 2023, and the respective changes in financial position-modified cash basis and, where applicable, cash flows, thereof for the year then ended in accordance with the modified cash basis of accounting described in the notes.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter — Basis of Accounting

We draw attention to the notes of the financial statements that describes the basis of accounting. The financial statements are prepared on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting, described in the notes to the financial statements, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The management's discussion and analysis, budgetary comparison information, and other schedules, are presented for purposes of additional analysis and are not required parts of the basic financial statements.


The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Legal and Regulatory Requirements

Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 4, 2023, on our consideration of the City's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

*GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS*

By  _____
Ryan T. Pasquarella, A Shareholder
December 4, 2023

CITY OF SHERIDAN, OREGON

Management's Discussion and Analysis June 30, 2023

As management of the City of Sheridan, we offer readers of the financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2023.

Financial Highlights

	June 30,		Change
	2023	2022	
Net position	\$ 12,686,522	\$ 10,565,689	\$ 2,120,833
Change in net position	2,120,833	3,291,802	(1,170,969)
Governmental net position	5,597,791	2,729,493	2,868,298
Proprietary net position	7,088,731	7,836,196	(747,465)
Change in governmental net position	2,868,298	532,120	2,336,178
Change in proprietary net position	(747,465)	2,759,682	(3,507,147)

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Sheridan's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. These statements include:

The Statement of Net Position (modified cash basis). This presents information on the recorded assets and liabilities of the City. Net position is what remains after the liabilities have been paid off or otherwise satisfied. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities (modified cash basis). This statement presents information showing how the net position of the City changed over the most recent fiscal year by tracking revenues, expenses and other transactions that increase or reduce net position.

In the government-wide financial statements, all of the City's basic government functions are shown together. These are general government, city hall, municipal court, library, parks, police, and streets. These activities are primarily financed through property taxes and other intergovernmental activities. Where the City charges customers for the services it provides, these activities are reported as business-type activities.

Fund financial statements. The *fund financial statements* provide more detailed information about the City’s funds, focusing on its most significant or “major” funds – not the City of Sheridan as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Sheridan, like state and other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and enterprise funds.

The fund statements are used to account for essentially the same functions reported in the government-wide financial statements. However, unlike the government-wide financial statements, fund financial statements focus on individual activities. Such information may be useful in evaluating a government’s specific financing requirements.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *supplemental information* including the budgetary comparison schedules and other schedules.

Government-wide Financial Analysis

Statement of Net Position (modified cash basis). This statement is provided on a comparative basis. As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City, assets exceeded liabilities by \$12.7 million as of June 30, 2023.

Net position – restricted represent sources that are subject to external restrictions on their use.

Net position – unrestricted are available for general operations of the City.

	2023			2022		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Cash and cash equivalents	\$ 5,597,791	\$ 7,171,506	\$ 12,769,297	\$ 2,729,493	\$ 7,924,221	\$ 10,653,714
Current liabilities	-	82,775	82,775	-	88,025	88,025
Net position:						
Restricted	4,701,686	1,986,338	6,688,024	1,837,738	2,876,731	4,714,469
Unrestricted	896,105	5,102,393	5,998,498	891,755	4,959,465	5,851,220
Net position	\$ 5,597,791	\$ 7,088,731	\$ 12,686,522	\$ 2,729,493	\$ 7,836,196	\$ 10,565,689

Statement of Activities. The City’s net position increased by \$2.1 million during the current fiscal year. The key elements of the change in the City’s net position for the year ended June 30, 2023 are as follows:

1. Governmental activities revenues increased by \$1.8 million due primarily to receiving American Rescue Plan funding in the current year. Expenses increased \$124 thousand during the year due to public works and library projects performed during the current year with no similar projects in the prior year.
2. Business activities revenues decreased \$1.8 million receiving American Rescue Plan funds in the prior year. Expenses increased by \$1.0 million during the year due to increases in water system engineering services and supplies purchased during the current year.

	2023			2022		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues						
Program Revenues						
Charges for service	\$ 29,793	\$ 3,602,128	\$ 3,631,921	\$ 41,715	\$ 3,662,489	\$ 3,704,204
Operating grants and contributions	1,202,753	-	1,202,753	517,172	-	517,172
Capital grants and contributions	1,174,918	48,039	1,222,957	18,434	210,658	229,092
General Revenues						
Property taxes	543,365	-	543,365	517,752	-	517,752
Franchise taxes	277,501	-	277,501	250,885	-	250,885
Intergovernmental	269,229	-	269,229	365,385	1,874,834	2,240,219
Miscellaneous	6,636	340,088	346,724	21,127	50,107	71,234
TOTAL REVENUES	3,504,195	3,990,255	7,494,450	1,732,470	5,798,088	7,530,558
Expenses						
Governmental Activities						
General government	201,404	-	201,404	201,066	-	201,066
City Hall	-	-	-	44,167	-	44,167
Municipal court	8,494	-	8,494	9,488	-	9,488
Library	323,169	-	323,169	231,841	-	231,841
Parks	36,418	-	36,418	15,878	-	15,878
Police	574,608	-	574,608	562,278	-	562,278
Streets	181,638	-	181,638	135,232	-	135,232
Interest on long-term debt	-	-	-	1,400	-	1,400
Business-type Activities						
Water	-	2,510,521	2,510,521	-	1,545,944	1,545,944
Sewer	-	1,537,365	1,537,365	-	1,492,462	1,492,462
TOTAL EXPENSES	1,325,731	4,047,886	5,373,617	1,201,350	3,038,406	4,239,756
Transfers	689,834	(689,834)	-	-	-	-
Change in net position	2,868,298	(747,465)	2,120,833	532,120	2,759,682	3,291,802
Net position – July 1	2,729,493	7,836,196	10,565,689	2,197,373	5,076,514	7,273,887
Net position – June 30	\$ 5,597,791	\$ 7,088,731	\$ 12,686,522	\$ 2,729,493	\$ 7,836,196	\$ 10,565,689

Financial Analysis of the City of Sheridan’s Governmental Funds

As noted earlier the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Overall, the City has been the recipient of Covid-type relief funds, which has aided in the largest Net Position that the City has seen since at least 2016. In the next few years, the City will engage in many capital projects to expend these funds, and the Net Position may decrease. Typically, the City averages about a \$4 million Net Position.

Governmental funds. The focus of the City’s governmental funds is to provide information on relatively short-term cash flow and funding for future basic services. Such information is useful in assessing the City’s financing requirements. In particular, *fund balance* may serve as a useful measure of a government’s net resources available for spending at the end of a fiscal year.

The City’s governmental funds reported combined ending fund balances of \$5.6 million at year end, an increase of \$2.8 million from the prior year.

General Fund. The General Fund is the primary operating fund of the City. Fund balance was \$2.5 million as of June 30, 2023. The fund balance increased by \$1.4 million during the current fiscal year due to an increase in property taxes and receiving coronavirus relief funds. This increase was budgeted. As a measure of the fund’s liquidity, it may be useful to compare total fund balance to total fund expenditures. Part of the success of the Governmental Funds was the increase in *Charges for Service*, which was the increase in collecting municipal court fees.

Street Fund. The majority of Street Fund activity was street improvements and electricity for streetlights; both funded by State gas tax revenue. The fund balance increased by \$1.5 million during the fiscal year due grant funding from the Oregon Department of Transportation that will be used for street related improvements in future years.

Enterprise (Business-type) funds. The City’s enterprise funds provide water and sanitary sewer services to customers. As with the governmental funds, net position may serve as a useful measure of net resources available for spending at the end of a fiscal year. The *Intergovernmental* line decreased due to American Rescue funds that were received during the prior year and the related projects starting in the current year.

Sewer Fund. Net position increased \$194 thousand during the year due primarily to increase charges for services and decreased capital acquisitions. There were no significant projects completed during this fiscal year.

Water Fund. The net position decreased \$942 thousand during the year due primarily to capital projects and the transfer of ARPA funding to the general fund.

General Fund Budgetary Highlights

The City approved one modification budget that impacted the General Fund during the current year. The City increased parks expenditures by \$558 thousand due to a grant from the Oregon Parks and Recreation Department’s Local Government Grant Program for the addition of picnic facilities, accessible restrooms, and other capital projects at the South Side Park.

There was also one appropriation transfer of \$39,000 from contingency to increase library expenditures for unanticipated library expenditures for maintenance and repairs.

As always, labor and benefits is a large expense for the General Fund as well as police services at \$575 thousand. Actual revenues were \$1.2 million less than budgeted and actual expenses were \$2.4 million less than budgeted amount.

Long-term debt. The City had total bonded debt outstanding of \$1.2 million at the end of the current fiscal year which is a decrease of \$180 thousand from the prior fiscal year.

State statutes limit the amount of general obligation debt a governmental entity may issue to 3 percent of its total assessed valuation. The City did not have any general obligation debt during the year.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenue bonds	\$ -	\$ -	\$ 1,235,000	\$ 1,415,000	\$ 1,235,000	\$ 1,415,000

Additional information on the City of Sheridan’s long-term debt can be found in the notes to the basic financial statements of this report.

Economic Factors and the Next Year’s Budget

The City of Sheridan’s Budget Committee considered all the following factors while preparing the City budget for the 2023-24 fiscal year:

- a. Prior history of revenues and expenditures
- b. Capital projects in the water and sewer funds
- c. Expected property tax revenues, and
- d. Expected grant funding

Requests for Information

This financial report is designed to present the user (citizens, taxpayers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Ms. Heidi Bell
City Manager
City of Sheridan
120 SW Mill Street
Sheridan, Oregon 97378

BASIC FINANCIAL STATEMENTS

CITY OF SHERIDAN, OREGON
STATEMENT OF NET POSITION (MODIFIED CASH BASIS)
JUNE 30, 2023

	<u><i>Governmental Activities</i></u>	<u><i>Business-type Activities</i></u>	<u><i>Totals</i></u>
ASSETS			
Cash and cash equivalents	\$ 5,597,791	\$ 7,171,506	\$ 12,769,297
LIABILITIES			
Deposits	-	82,775	82,775
NET POSITION			
Restricted:			
Streets	3,001,943	-	3,001,943
System development	319,687	1,002,052	1,321,739
American Rescue Plan	1,380,056	984,286	2,364,342
Unrestricted	896,105	5,102,393	5,998,498
 <i>Total Net Position</i>	 <u>\$ 5,597,791</u>	 <u>\$ 7,088,731</u>	 <u>\$ 12,686,522</u>

The accompanying notes are an integral part of the financial statements.

CITY OF SHERIDAN, OREGON
STATEMENT OF ACTIVITIES (MODIFIED CASH BASIS)
YEAR ENDED JUNE 30, 2023

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 201,404	\$ 12,724	\$ 690,222	\$ -
Legal	8,494	16,700	-	-
Library	323,169	369	21,139	-
Parks	36,418	-	-	24,017
Police	574,608	-	-	-
Streets	181,638	-	491,392	1,150,901
<i>Total Governmental activities</i>	1,325,731	29,793	1,202,753	1,174,918
Business-type activities				
Water	2,510,521	1,904,190	-	26,828
Sewer	1,537,365	1,697,938	-	21,211
<i>Total Business-type activities</i>	4,047,886	3,602,128	-	48,039
<i>Total Activities</i>	\$ 5,373,617	\$ 3,631,921	\$ 1,202,753	\$ 1,222,957
General Revenues				
Property taxes				
Franchise taxes				
Intergovernmental				
Miscellaneous				
<i>Total General Revenues</i>				
Transfers				
Change in net position				
Net Position - beginning of year				
Net Position - end of year				

The accompanying notes are an integral part of the financial statements.

***Net (Expenses) Revenues
and Changes in Net Position***

<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>
\$ 501,542	\$ -	\$ 501,542
8,206	-	8,206
(301,661)	-	(301,661)
(12,401)	-	(12,401)
(574,608)	-	(574,608)
1,460,655	-	1,460,655
1,081,733	-	1,081,733
-	(579,503)	(579,503)
-	181,784	181,784
-	(397,719)	(397,719)
1,081,733	(397,719)	684,014
543,365	-	543,365
277,501	-	277,501
269,229	-	269,229
6,636	340,088	346,724
1,096,731	340,088	1,436,819
689,834	(689,834)	-
2,868,298	(747,465)	2,120,833
2,729,493	7,836,196	10,565,689
<u>\$ 5,597,791</u>	<u>\$ 7,088,731</u>	<u>\$ 12,686,522</u>

The accompanying notes are an integral part of the financial statements.

CITY OF SHERIDAN, OREGON
BALANCE SHEET (MODIFIED CASH BASIS) GOVERNMENTAL FUNDS
JUNE 30, 2023

	<u>General</u>	<u>Special Revenue Street</u>	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 2,486,872	\$ 3,110,919	\$ 5,597,791
LIABILITIES AND FUND BALANCES			
Liabilities	\$ -	\$ -	\$ -
Fund Balances			
Restricted:			
Streets	-	3,001,943	3,001,943
System development	210,711	108,976	319,687
American Rescue Plan	1,380,056	-	1,380,056
Unassigned	896,105	-	896,105
Total Fund Balances	<u>2,486,872</u>	<u>3,110,919</u>	<u>5,597,791</u>
Total Liabilities and Fund Balances	<u>\$ 2,486,872</u>	<u>\$ 3,110,919</u>	<u>\$ 5,597,791</u>

The accompanying notes are an integral part of the financial statements.

CITY OF SHERIDAN, OREGON

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
(MODIFIED CASH BASIS) – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023**

	<u>General</u>	<u>Special Revenue Street</u>	<u>Totals</u>
Revenues			
Taxes and assessments	\$ 543,365	\$ -	\$ 543,365
Fines and forfeitures	17,068	-	17,068
Licenses and permits	313,462	9,646	323,108
Intergovernmental	980,590	1,632,646	2,613,236
Miscellaneous	7,418	-	7,418
<i>Total Revenues</i>	<u>1,861,903</u>	<u>1,642,292</u>	<u>3,504,195</u>
Expenditures			
Current			
Administration	201,405	-	201,405
Legal	8,494	-	8,494
Library	273,296	-	273,296
Parks	36,418	-	36,418
Police	574,608	-	574,608
Streets	-	108,164	108,164
Capital outlay	49,873	73,473	123,346
<i>Total Expenditures</i>	<u>1,144,094</u>	<u>181,637</u>	<u>1,325,731</u>
REVENUES OVER (UNDER) EXPENDITURES	717,809	1,460,655	2,178,464
OTHER FINANCING SOURCES (USES)			
Transfers in	689,834	-	689,834
NET CHANGE IN FUND BALANCES	1,407,643	1,460,655	2,868,298
FUND BALANCE, beginning of year	<u>1,079,229</u>	<u>1,650,264</u>	<u>2,729,493</u>
FUND BALANCE, end of year	<u><u>\$ 2,486,872</u></u>	<u><u>\$ 3,110,919</u></u>	<u><u>\$ 5,597,791</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF SHERIDAN, OREGON

STATEMENT OF FUND NET POSITION (MODIFIED CASH BASIS) – ENTERPRISE FUNDS

JUNE 30, 2023

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 2,314,072	\$ 4,857,434	\$ 7,171,506
LIABILITIES			
Deposits	-	82,775	82,775
FUND NET POSITION			
Restricted:			
System development	502,082	499,970	1,002,052
American Rescue Plan	-	984,286	984,286
Unrestricted	1,811,990	3,290,403	5,102,393
<i>Total Fund Net Position</i>	<u>\$ 2,314,072</u>	<u>\$ 4,774,659</u>	<u>\$ 7,088,731</u>

The accompanying notes are an integral part of the financial statements.

CITY OF SHERIDAN, OREGON**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION****(MODIFIED CASH BASIS) – ENTERPRISE FUNDS****YEAR ENDED JUNE 30, 2023**

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 1,697,000	\$ 1,904,190	\$ 3,601,190
Licenses and permits	938	-	938
Miscellaneous	1,332	3,969	5,301
<i>Total Operating Revenues</i>	1,699,270	1,908,159	3,607,429
OPERATING EXPENSES			
Personnel services	848,185	792,868	1,641,053
Materials and services	656,502	740,671	1,397,173
<i>Total Operating Expenses</i>	1,504,687	1,533,539	3,038,226
OPERATING INCOME	194,583	374,620	569,203
NONOPERATING ITEMS			
Interest revenue	-	334,787	334,787
Capital outlay	(32,678)	(743,308)	(775,986)
Debt payments			
Principal	-	(180,000)	(180,000)
Interest	-	(53,674)	(53,674)
<i>Total Nonoperating Items</i>	(32,678)	(642,195)	(674,873)
NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	161,905	(267,575)	(105,670)
CONTRIBUTIONS AND TRANSFERS			
Capital contributions	21,211	26,828	48,039
Transfers out	-	(689,834)	(689,834)
CHANGE IN FUND NET POSITION	183,116	(930,581)	(747,465)
FUND NET POSITION, beginning of year	2,130,956	5,705,240	7,836,196
FUND NET POSITION, end of year	\$ 2,314,072	\$ 4,774,659	\$ 7,088,731

The accompanying notes are an integral part of the financial statements.

CITY OF SHERIDAN, OREGON**STATEMENT OF CASH FLOWS (MODIFIED CASH BASIS) – ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2023**

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,697,938	\$ 1,898,940	\$ 3,596,878
Cash received from other sources	1,332	3,969	5,301
Cash paid to employees and others for salaries and benefits	(848,185)	(792,868)	(1,641,053)
Cash paid to suppliers and others	(656,502)	(740,671)	(1,397,173)
<i>Net Cash Provided by Operating Activities</i>	194,583	369,370	563,953
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers out	-	(689,834)	(689,834)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(32,678)	(743,308)	(775,986)
Principal paid on debt	-	(180,000)	(180,000)
Interest paid on debt	-	(53,674)	(53,674)
Capital contributions	21,211	26,828	48,039
<i>Net Cash Used in Capital and Related Financing Activities</i>	(11,467)	(950,154)	(961,621)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	-	334,787	334,787
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	183,116	(935,831)	(752,715)
CASH AND CASH EQUIVALENTS, Beginning of year	2,130,956	5,793,265	7,924,221
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 2,314,072</u>	<u>\$ 4,857,434</u>	<u>\$ 7,171,506</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Operating income (loss)	\$ 194,583	\$ 374,620	\$ 569,203
Increase (decrease) in deposits	-	(5,250)	(5,250)
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 194,583</u>	<u>\$ 369,370</u>	<u>\$ 563,953</u>

The accompanying notes are an integral part of the financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Sheridan, Oregon is governed by an elected mayor and six council members who comprise the City Council. The City Council exercises supervisory responsibilities over the City operations, but day-to-day management control is the responsibility of the city manager. All significant activities and organizations for which the City is financially accountable are included in the financial statements.

There are certain governmental agencies and various service districts which provide services within the City. These agencies have independently elected governing boards and the City is not financially accountable for these organizations. Therefore, financial information for these agencies is not included in the accompanying financial statements.

As discussed further under *Measurement Focus and Basis of Accounting*, these financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

Basic Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally 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.

Government-wide financial statements display information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Position (Modified Cash Basis) and the Statement of Activities (Modified Cash Basis).

The Statement of Activities (Modified Cash Basis) demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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*.

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, or fiduciary. Currently, the City has governmental fund types (general and special revenue) and proprietary type funds (enterprise). Major individual funds are reported as separate columns in the fund financial statements.

Basis of Presentation

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues, and expenditures / expenses. The various funds are reported by generic classification within the financial statements.

CITY OF SHERIDAN, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Accounting principles generally accepted in the United States of America set forth minimum criteria (percentage of the assets liabilities, revenues or expenditures / expenses of either fund category or the government and enterprise combined) for the determination of major funds.

The City reports the following major governmental funds:

General Fund - this is the City's primary operating fund. It accounts for all the financial operations of the City except those required to be accounted for in another fund. Principal sources of revenues are property taxes, licenses and permits and state shared revenues. Primary expenditures are for general government, police protection and culture and recreation.

Street Fund - expenditures of this fund are restricted under Article IX of the Constitution of the State of Oregon for construction, reconstruction, improvement, repair, maintenance, operation and use of public highways, roads, and streets within the City. Principal revenues include state gas tax apportionments, federal and state grants, and other charges for services.

The City reports each of its proprietary (enterprise) funds as major funds. These funds are used to account for the acquisition, operation, and maintenance of the sewer and water systems. These funds are entirely or predominantly self-supported through user charges to customers. The City reports the following major proprietary funds:

Sewer Fund - accounts for the operations, maintenance, and capital construction projects for wastewater system, which is funded through utility fees, construction fees, and debt proceeds.

Water Fund - accounts for the operations, maintenance, debt service, and capital construction projects for water system, which is funded through utility fees, construction fees, and debt proceeds.

The Federal Bureau of Prisons is a major customer of the enterprise funds, providing approximately \$1,244,742 of the funds' operating revenues during the current year.

Fund Balance

In the fund financial statements, the fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Governmental Fund type fund balances are now reported in the following classifications.

Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories, prepaids and deposits, and assets held for resale.

Fund balance is reported as restricted when the constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

CITY OF SHERIDAN, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

Fund balance is reported as committed when the City Council takes formal action that places specific constraints on how the resources may be used.

The City Council can modify or rescind the commitment at any time through taking a similar formal action.

Resources that are constrained by the City's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent is expressed when the City Council approves which resources should be "reserved" during the adoption of the annual budget. The City's Finance Director uses that information to determine whether those resources should be classified as assigned or unassigned for presentation in the City's Annual Financial Report.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned within the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds.

When expenditures are paid for purposes in which both net position – restricted and net position – unrestricted are available, the City deems net position – restricted to be spent first.

Definitions of Governmental Fund Types

The General Fund is used to account for all financial resources not accounted for in another fund.

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term "proceeds of specific revenues sources" means that the revenue sources for the fund must be from restricted or committed sources, specifically that a substantial portion of the revenue must be from these sources and be expended in accordance with those requirements.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe what transactions or events are recorded within the various financial statements. Basis of accounting refers to when and how transactions or events are recorded, regardless of the measurement focus applied.

In the government-wide Statement of Net Position (Modified Cash Basis) and Statement of Activities (Modified Cash Basis), both governmental and business-type activities are presented using the economic resource measurement focus, within the limitations of the modified cash basis of accounting, as defined below.

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus is applied to the modified cash basis of accounting, is used as appropriate:

- a. All governmental funds utilize a current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

CITY OF SHERIDAN, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

- b. The enterprise funds utilize an economic resource measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, change in net position (or cost recovery), net financial position, and cash flows. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position or balance sheets cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include:

1. Interfund receivables and payables that are temporary borrowing and result from transactions involving cash or cash equivalents are recognized.
2. Assets that normally convert to cash or cash equivalents (e.g., certificates of deposit, external cash pools, and marketable investments) that arise from transactions and events involving cash or cash equivalents are recognized.
3. Liabilities for cash (or cash equivalents) held on behalf of others or held in escrow are recognized.

The modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses or expenditures (such as accounts payable and expenses for goods and services received but not yet paid and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value. Additionally, if presented, capital assets such as property and equipment, and long-term liabilities such as debt are only reported in the notes to the financial statements.

If the City utilized the basis of accounting recognized as generally accepted in the United States of America, the fund financial statements for the governmental funds would use the modified accrual basis of accounting, and the fund financial statements for the enterprise funds would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

The City's policy, although not in accordance with accounting principles generally accepted in the United States of America, is acceptable under Oregon Law (ORS 294.333), which leaves the selection of the method of accounting to the discretion of the municipal corporation.

Enterprise funds distinguish between operating revenues and expenses and nonoperating items. Operating revenues and expenses result from providing services to customers in connection with ongoing utility operations. The principal operating revenues are charges to customers for service. Operating expenses include payroll and related costs, and materials and supplies. All revenues not considered operating are reported as nonoperating items.

CITY OF SHERIDAN, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The City maintains cash and cash equivalents in a common pool that is available for use by all funds. The City considers cash on hand, demand deposits and savings accounts, and short-term investments with an original maturity of three months or less from the date of acquisition to be cash and cash equivalents.

Oregon Revised Statutes authorize the City to invest in certificates of deposit, savings accounts, bank repurchase agreements, bankers' acceptances, general obligations of U.S. Government and its agencies, certain bonded obligations of Oregon municipalities and the State Treasurer's Local Government Investment Pool, among others.

Investments are stated at cost, which approximates fair value.

Property Taxes

Property taxes are levied by the County Assessor and collected by the County Tax Collector. The taxes are levied and become a lien as of July 1. They may be paid in three installments payable in equal payments due November 15, February 15, and May 15. The City's property tax collection records show that most of the property taxes due are collected during the year of levy and delinquent taxes are collected in the next few years.

Capital Assets

The City does not maintain historical cost or depreciation records for capital assets. Therefore, capital assets are not reported on the government-wide Statement of Net Position, the Enterprise Fund Statements of Net Position, or in the notes to the financial statements.

Long-Term Debt

Long-term debt is presented in the notes to the financial statements. Payments of principal and interest are recorded as expenditures / expenses when paid.

Accrued Compensated Absences

Accumulated unpaid vacation pay is accrued, but not recorded. Earned but unpaid sick pay is recorded as an expenditure when paid.

Budgets and Budgetary Accounting

The City makes appropriations on department basis for the General Fund and on an object basis for all other funds using a cash basis accounting. Therefore, cash expenditures of a fund may not legally exceed that fund's appropriations for cash expenditures. The City Council may amend the budget to expend unforeseen revenues by supplemental appropriations. All supplemental appropriations are included in the budget comparison statements. Appropriations lapse at year-end and may not be carried over. The City does not use encumbrance accounting.

CITY OF SHERIDAN, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2023

CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2023 are as follows:

Deposits	
Petty cash	\$ 100
Deposits with financial institutions	734,303
Certificates of Deposit	235,600
Local Government Investment Pool	11,799,294
	\$ 12,769,297
	\$ 12,769,297

Deposits

The book balance of the City’s bank deposits (checking accounts and savings accounts) was \$734,303 and the bank balance was \$781,840 at year end. Bank deposits are secured to legal limits by federal deposit insurance. The remaining amount is secured in accordance with ORS 295 under a collateral program administered by the Oregon State Treasurer.

Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the City’s deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the City’s deposits with financial institutions for up to \$250,000 each for the aggregate of all demand deposits and the aggregate of all time deposit and savings accounts at each institution. Deposits in excess of FDIC coverage are with institutions participating in the Oregon Public Funds Collateralization Program (PFCP). The PFCP is a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. Barring any exceptions, a bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities. As of June 30, 2023, \$281,840 of the City’s bank balances were covered by the PFCP.

Local Government Investment Pool

The State Treasurer of the State of Oregon maintains the Oregon Short Term Fund, of which the Local Government Investment Pool is part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, the investment funds are invested as a prudent investor would do, exercising reasonable care, skill, and caution. The Oregon Short Term Fund is the LGIP for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). At June 30, 2023, the fair value of the position in the Oregon State Treasurer’s Short Term Investment Pool was approximately equal to the value of the pool shares. The investment in the Oregon Short Term Fund is not subject to risk evaluation. LGIP is not rated for credit quality. Separate financial statements for the Oregon Short Term Fund are available from the Oregon State Treasurer.

CITY OF SHERIDAN, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2023

CASH AND CASH EQUIVALENTS (Continued)

Interest Rate Risk

In accordance with its investment policy, the City manages its exposure to declines in fair value of its investments by investing in the LGIP and in certificates of deposits.

Custodial Risk – Local Government Investment Pool

For an investment, this is the risk that, in the event of a failure of the counterparty, the City will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party.

The LGIP is administered by the Oregon State Treasury with the advice of other state agencies and is not registered with the U.S. Securities and Exchange Commission. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of or has control of any fund. The LGIP is commingled with the State’s short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short Term Fund Board, which has established diversification percentages and specifies the types and maturities of the investments. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP. These investments within the LGIP must be invested and managed as a prudent investor would, exercising reasonable care, skill, and caution. Professional standards indicate that the investments in external investment pools are not subject to custodial risk because they are not evidenced by securities that exist in physical or book entry form. Nevertheless, management does not believe that there is any substantial custodial risk related to investments in the LGIP.

LONG-TERM DEBT

As a result of the use of the modified cash basis of accounting in this report, obligations related to long-term debt and other obligations are not reported as liabilities in the financial statements.

Long-term debt transactions for the year were as follows:

	<u>Outstanding</u> <u>July 1,</u> <u>2022</u>	<u>Issued</u>	<u>Matured/</u> <u>Redeemed</u> <u>During Year</u>	<u>Outstanding</u> <u>June 30,</u> <u>2023</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
<i>Business-type Activities</i>					
2016 Water Revenue Refunding Bonds	\$ 1,415,000	\$ -	\$ (180,000)	\$ 1,235,000	\$ 190,000

Bonds Payable – Business Type Activities

2016 Water Revenue Refunding Bonds: In January 2016, the City issued bonds in the amount of \$2,350,000 with annual installments of \$125,000 - \$225,000 plus interest at 2.0% - 4.0% through 2029 for water system improvements within the City. The note is secured by the full faith and credit of the City. In addition, net revenues of the system have been pledged as payment for the obligation. In the event of default, the note becomes immediately due and payable.

CITY OF SHERIDAN, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2023

LONG-TERM DEBT (Continued)

Bonds Payable – Business Type Activities (Continued)

As part of the Water bonds covenants, the City is required to maintain net revenue equal to 1.10 times the annual debt service of the bonds. The City was in compliance with these covenants for the year ended June 30, 2023.

Future debt service requirements for bonds payable are as follows:

<i>Fiscal Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2024	\$ 190,000	\$ 45,600	\$ 235,600
2025	195,000	37,900	232,900
2026	200,000	30,000	230,000
2027	210,000	21,800	231,800
2028	215,000	13,300	228,300
2029	225,000	4,500	229,500
	<u>\$ 1,235,000</u>	<u>\$ 153,100</u>	<u>\$ 1,388,100</u>

PENSION PLAN

Plan Description – City employees are provided pension benefits through the Oregon Public Employees Retirement System (PERS). PERS is a cost-sharing multiple-employer defined benefit pension plan for units of state and local government in Oregon, containing multiple actuarial pools. Benefits are established and amended by the Oregon State Legislature pursuant to ORS Chapters 238 and 238A. The legislature has delegated the authority to administer and manage PERS to the Public Employees Retirement Board. PERS issues a publicly available financial report that can be found at: <https://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>

Benefits Provided – PERS provides retirement, disability, and death benefits which vary based on a qualified employee’s hiring date and employment class (general service or police/fire). All City employees are eligible to participate after six months of covered employment.

The Tier One/Tier Two Retirement Plan applies to qualifying employees hired before August 29, 2003 and is closed to new members.

Monthly retirement benefits are based on final 3-year average salary multiplied by years of service and a factor of 1.67%. Benefits may also be based on a money match computation, or formula plus annuity (for members contributing before August 21, 1981), if a greater benefit results. Employees are fully vested after making contributions in each of five calendar years and are eligible to retire at age 55. Tier One benefits are reduced if retirement occurs prior to age 58 with less than 30 years of service; Tier Two benefits are reduced for retirement prior to age 60.

Employees are eligible for service-related disability benefits regardless of length of service; 10 years of service is required for nonservice-related benefits. Disability benefits are determined in the same manner as retirement benefits with service time computed to age 58.

CITY OF SHERIDAN, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2023

PENSION PLAN (Continued)

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance. The beneficiary may also receive a matching lump-sum payment from employer funds if the member was in covered employment at the time of death, or if the member died less than 120 days after termination, while on official leave of absence, or as a result of a job-related injury.

Monthly benefits are subject to annual cost-of-living adjustments (COLA). For benefits earned after the relevant effective dates, the COLA is subject to a cap of 1.25% on the first \$60,000 of annual benefits and 0.15% thereafter (ORS 238.360).

The Oregon Public Service Retirement Plan (OPSRP) applies to qualifying employees hired on or after August 29, 2003.

Monthly retirement benefits are based on final 3-year average salary multiplied by years of service and a factor of 1.50%. Employees are fully vested after completing 600 hours of service in each of five calendar years and are eligible to retire at age 58 with 30 years of service, or at age 65 otherwise.

Employees are eligible for service-related disability benefits regardless of length of service; 10 years of service is required for nonservice-related benefits. The benefit is 45% of the employee's salary during the last full month of employment before the disability occurred.

Upon the death of a non-retired member, the beneficiary receives a monthly benefit equal to 50% of the retirement benefit that would have been paid to the member.

Monthly benefits are subject to annual cost-of-living adjustments (COLA). For benefits earned after the relevant effective dates, the COLA is subject to a cap of 1.25% on the first \$60,000 of annual benefits and 0.15% thereafter (ORS 238A.210).

Contribution Requirements – As a participating employer, the City is required to make monthly contributions to PERS based on actuarially determined percentages of covered payroll. Rates in effect for fiscal year 2023 were 18.91% for Tier One/Tier Two employees and 15.84% for OPSRP general service employees. The City's total contributions to PERS were \$199,308 for fiscal year ended June 30, 2023.

Contribution requirements are established by Oregon statute and may be amended by an act of the Oregon State Legislature. Employer contribution rates for fiscal year 2023 were based on the December 31, 2019 actuarial valuation using the entry age normal actuarial cost method. It is important to note that the actuarial valuations used for rate setting are based on different methods and assumptions than those used for financial reporting which are described later in this note.

Employee contributions are set by statute at 6% of salary and are remitted by participating employers, who may agree to make employee contributions on the employee's behalf. Prior to January 1, 2004, employee contributions were credited to the defined benefit pension plan. Beginning January 1, 2004, all employee contributions were placed in the OPSRP Individual Account Program (IAP), a defined contribution pension plan described further at the end of this note.

CITY OF SHERIDAN, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2023

PENSION PLAN (Continued)

Pension Assets/Liabilities, Pension Expense, and Pension-Related Deferrals – On June 30, 2023, the City reported a net pension liability of \$1,228,311 as its proportionate share of the collective net pension liability for PERS, measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was based on a December 31, 2020 actuarial valuation, rolled forward to the measurement date. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to PERS relative to the projected contributions of all participating employers, as actuarially determined. The City’s proportion was 0.00802% as of the June 30, 2022 measurement date, compared to 0.00783% as of June 30, 2021.

Actuarial Methods and Assumptions – The total pension liability in the December 31, 2020 actuarial valuation was determined using the entry age normal method and the following actuarial assumptions, applied to all periods included in the measurement: inflation rate of 2.40%, projected salary increases of 3.40%, investment rate of return of 6.90%, and mortality rates based on the Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs. These assumptions were based on the results of the December 31, 2020 actuarial experience study.

The long-term expected rate of return on pension plan investments was developed by combining estimated rates of return for each major asset class weighted by target asset allocation percentages and adjusting for inflation.

Target allocations and estimated geometric rates of return for each major asset class are available in the PERS publicly available financial report previously mentioned.

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following chart shows the sensitivity of the net pension liability (asset) to changes in the discount rate, based on calculations using discount rates of 5.90%, 6.90%, and 7.90%.

	<u>1% Decrease</u> <u>(5.90%)</u>	<u>Discount Rate</u> <u>(6.90%)</u>	<u>1% Increase</u> <u>(7.90%)</u>
Proportionate share of the net pension liability	\$ 2,178,303	\$ 1,228,311	\$ 433,211

Pension Plan Fiduciary Net Position – Detailed information about PERS’ net position is available in its separately issued financial report.

Defined Contribution Plan – PERS-eligible employees are statutorily required to contribute 6% of their annual covered salary to the OPSRP Individual Account Program (IAP), a defined contribution pension plan. Benefits terms, including contribution requirements, are established by the Oregon Legislature. As permitted, the City has opted to pick-up the contributions on behalf of employees. Employees are fully vested after completing 600 hours of service in each of five calendar years. PERS contracts with VOYA Financial to administer the IAP. Total paid on behalf of employees for the fiscal year was \$66,905.

CITY OF SHERIDAN, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2023

CONTINGENCIES

The City purchases commercial insurance to cover all commonly insurable risks, which includes property damage, liability, and employee bonds. Most policies carry a small deductible amount. There were no open claims at the time of this report. There were no settlements exceeding insurance coverage in the prior three years.

From time to time, the City is a defendant in various litigation proceedings. Management believes any losses arising from these actions will not materially affect the City's financial position.

SUPPLEMENTAL INFORMATION

CITY OF SHERIDAN, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****(BUDGETARY BASIS) – BUDGET AND ACTUAL – GENERAL FUND****YEAR ENDED JUNE 30, 2023**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 508,000	\$ 508,000	\$ 543,365	\$ 35,365
Fines and forfeitures	14,500	14,500	17,068	2,568
Licenses and permits	252,474	252,474	313,462	60,988
Intergovernmental	1,698,255	2,256,302	980,590	(1,275,712)
Miscellaneous	6,014	6,014	7,418	1,404
<i>Total Revenues</i>	<u>2,479,243</u>	<u>3,037,290</u>	<u>1,861,903</u>	<u>(1,175,387)</u>
EXPENDITURES				
Administration	1,603,640	1,603,640	199,497	1,404,143
Legal	12,388	12,388	8,494	3,894
Library	328,614	367,614	323,169	44,445
Parks	351,735	909,782	36,418	873,364
Police	582,650	582,650	574,608	8,042
Debt service	5,156	5,156	1,908	3,248
Contingency	110,060	71,060	-	71,060
<i>Total Expenditures</i>	<u>2,994,243</u>	<u>3,552,290</u>	<u>1,144,094</u>	<u>2,408,196</u>
REVENUES OVER (UNDER) EXPENDITURES	(515,000)	(515,000)	717,809	1,232,809
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	689,834	689,834
NET CHANGE IN FUND BALANCE	(515,000)	(515,000)	1,407,643	1,922,643
FUND BALANCE, beginning of year	<u>515,000</u>	<u>515,000</u>	<u>1,079,229</u>	<u>564,229</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,486,872</u>	<u>\$ 2,486,872</u>

CITY OF SHERIDAN, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(BUDGETARY BASIS) – BUDGET AND ACTUAL – STREET FUND

YEAR ENDED JUNE 30, 2023

	Budget Amounts		Actual	Variance
	Original	Final		
REVENUES				
Licenses and permits	\$ 2,554	\$ 2,554	\$ 9,646	\$ 7,092
Intergovernmental	1,693,000	1,693,000	1,632,646	(60,354)
<i>Total Revenues</i>	1,695,554	1,695,554	1,642,292	(53,262)
EXPENDITURES				
Materials and services	440,500	440,500	108,164	332,336
Capital outlay	2,366,883	2,366,883	73,473	2,293,410
Contingency	188,171	188,171	-	188,171
<i>Total Expenditures</i>	2,995,554	2,995,554	181,637	2,813,917
NET CHANGE IN FUND BALANCE	(1,300,000)	(1,300,000)	1,460,655	2,760,655
FUND BALANCE, beginning of year	1,300,000	1,300,000	1,650,264	350,264
FUND BALANCE, end of year	\$ -	\$ -	\$ 3,110,919	\$ 3,110,919

CITY OF SHERIDAN, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****(BUDGETARY BASIS) – BUDGET AND ACTUAL – SEWER FUND****YEAR ENDED JUNE 30, 2023**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 1,493,300	\$ 1,493,300	\$ 1,697,000	\$ 203,700
Licenses and permits	25,700	25,700	22,149	(3,551)
Intergovernmental	-	1,043,940	-	(1,043,940)
Miscellaneous	1,650	1,650	1,332	(318)
<i>Total Revenues</i>	<u>1,520,650</u>	<u>2,564,590</u>	<u>1,720,481</u>	<u>(844,109)</u>
EXPENDITURES				
Personnel services	998,868	998,868	848,185	150,683
Materials and services	1,456,800	2,500,740	656,502	1,844,238
Debt service				
Principal	100,000	100,000	-	100,000
Capital outlay	777,534	777,534	32,678	744,856
Contingency	457,448	457,448	-	457,448
<i>Total Expenditures</i>	<u>3,790,650</u>	<u>4,834,590</u>	<u>1,537,365</u>	<u>3,297,225</u>
REVENUES OVER (UNDER) EXPENDITURES	(2,270,000)	(2,270,000)	183,116	2,453,116
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of debt	420,000	420,000	-	(420,000)
CHANGE IN FUND BALANCE	(1,850,000)	(1,850,000)	183,116	2,033,116
FUND BALANCE, beginning of year	<u>1,850,000</u>	<u>1,850,000</u>	<u>2,130,956</u>	<u>280,956</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,314,072</u>	<u>\$ 2,314,072</u>

CITY OF SHERIDAN, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****(BUDGETARY BASIS) – BUDGET AND ACTUAL – WATER FUND****YEAR ENDED JUNE 30, 2023**

	Budget Amounts		Actual	Variance
	Original	Final		
REVENUES				
Charges for services	\$ 1,916,000	\$ 1,916,000	\$ 1,904,190	\$ (11,810)
Licenses and permits	47,360	47,360	26,828	(20,532)
Intergovernmental	1,185,000	1,185,000	-	(1,185,000)
Miscellaneous	41,500	41,500	338,756	297,256
<i>Total Revenues</i>	<u>3,189,860</u>	<u>3,189,860</u>	<u>2,269,774</u>	<u>(920,086)</u>
EXPENDITURES				
Personnel services	998,608	998,608	792,868	205,740
Materials and services	1,373,600	1,373,600	740,671	632,929
Debt service				
Principal	180,000	180,000	180,000	-
Interest	54,000	54,000	53,674	326
Capital outlay	2,577,370	2,577,370	743,308	1,834,062
Contingency	670,682	670,682	-	670,682
<i>Total Expenditures</i>	<u>5,854,260</u>	<u>5,854,260</u>	<u>2,510,521</u>	<u>3,343,739</u>
REVENUES OVER (UNDER)				
EXPENDITURES	(2,664,400)	(2,664,400)	(240,747)	2,423,653
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(689,834)	689,834
CHANGE IN FUND BALANCE	<u>(2,664,400)</u>	<u>(2,664,400)</u>	<u>(930,581)</u>	<u>3,113,487</u>
FUND BALANCE, beginning of year	<u>2,900,000</u>	<u>2,900,000</u>	<u>5,705,240</u>	<u>2,805,240</u>
FUND BALANCE, end of year	<u>\$ 235,600</u>	<u>\$ 235,600</u>	<u>\$ 4,774,659</u>	<u>\$ 5,918,727</u>

CITY OF SHERIDAN, OREGON
SCHEDULE OF DEBT TRANSACTIONS
YEAR ENDED JUNE 30, 2023

	<u><i>Interest Rates</i></u>	<u><i>Date of Issue</i></u>	<u><i>Fiscal Year of Maturity</i></u>
PRINCIPAL TRANSACTIONS			
<i>Business-Type Debt</i>			
2016 Water Revenue Refunding Bonds	2.0% - 4.0%	2016	2028-29

	<u><i>Interest Rates</i></u>	<u><i>Date of Issue</i></u>
INTEREST TRANSACTIONS		
<i>Business-Type Debt</i>		
2016 Water Revenue Refunding Bonds	2.0% - 4.0%	2016

<i>Outstanding July 1, 2022</i>	<i>Issued</i>	<i>Paid</i>	<i>Outstanding June 30, 2023</i>
\$ 1,415,000	\$ -	\$ (180,000)	\$ 1,235,000

<i>Unmatured Interest July 1, 2022</i>	<i>New Issues</i>	<i>Interest Paid/Refunded</i>	<i>Unmatured Interest June 30, 2023</i>
\$ 205,501	\$ -	\$ (52,401)	\$ 153,100

CITY OF SHERIDAN, OREGON
SCHEDULE OF FUTURE DEBT REQUIREMENTS
YEAR ENDED JUNE 30, 2023

<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>	<i>2016 Water Revenue</i> <i>Refunding Bonds</i>		<i>Totals</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2024	\$ 190,000	\$ 45,600	\$ 190,000	\$ 45,600
2025	195,000	37,900	195,000	37,900
2026	200,000	30,000	200,000	30,000
2027	210,000	21,800	210,000	21,800
2028	215,000	13,300	215,000	13,300
2029	225,000	4,500	225,000	4,500
	<u>\$ 1,235,000</u>	<u>\$ 153,100</u>	<u>\$ 1,235,000</u>	<u>\$ 153,100</u>

COMPLIANCE SECTION



GROVE, MUELLER & SWANK, P.C.

Certified Public Accountants and Consultants

475 Cottage Street NE, Suite 200, Salem, OR 97301
(503) 581-7788 • FAX (503) 581-0152 • www.gms.cpa

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

To the Honorable Mayor,
Members of the City Council and City Manager
City of Sheridan
Sheridan, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Sheridan, Oregon as of and for the year ended June 30, 2023, and have issued our report thereon dated December 4, 2023.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Sheridan, Oregon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements 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.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Highway revenues used for public highways, roads, and streets.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**
- **Accountability for collecting or receiving money by elected officials - no money was collected or received by elected officials.**

In connection with our testing nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.


Internal Control Over Financial Reporting

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

Restriction on Use

This report is intended solely for the information and use of the council members and management of the City of Sheridan, Oregon and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By: 
Ryan T. Pasquarella, A Shareholder
December 4, 2023