

# 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](http://www.gms.cpa)

December 8, 2022

The Honorable Aaron Baer, Mayor  
and Members of the City Council  
City of Sheridan, Oregon  
120 SW Mill Street  
Sheridan, Oregon 97378

We have audited the financial statements of the City of Sheridan, Oregon (the City) as of and for the year ended June 30, 2022 and have issued our report thereon dated December 8, 2022. Professional standards require that we advise you of the following matters relating to our audit.

## **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated July 9, 2022, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

## **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

## **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

## **Significant Risks Identified**

We have identified the following significant risks:

The possibility that management could override the system of controls. This risk is always identified and addressed by our planned audit procedures. This is not indicative of any unusual circumstances observed within your organization.

## **Qualitative Aspects of the City's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in the notes to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the current year. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the City's financial statements relate to long-term debt and PERS net pension liability.

## **Significant Unusual Transactions**

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. There were no significant unusual transactions identified as a result of our audit procedures to be brought to the attention of management.

## **Identified or Suspected Fraud**

We have not identified or obtained any information that indicates that fraud might have occurred.

## **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

## **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. There were no uncorrected misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole or applicable opinion units.

## **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

## **Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached letter dated December 8, 2022.

## **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

## **Conflict of Interest Policy**

We noted that the City does not have a formal policy regarding employee conflicts of interest. In recent years, issues of conflicts have become much more visible and many organizations have elected to develop or formalize such a policy.

We recommend, however, that the City adopt a formal policy including obtaining a written conflict-of-interest statements from all councilors, management, and key employees on an annual basis. This written statement should identify all business relationships and other dealings between the City and such parties. We strongly recommend that this policy be implemented and followed through to ensure that the City is practicing acceptable methods of protecting itself from potential self-dealing issues

## **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditors.

We were engaged to report on supplemental information, which accompanies the financial statements. With respect to this supplemental information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplemental information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

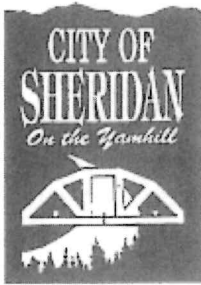
We were not engaged to report on the management's discussion and analysis, which accompanies the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

Very truly yours,

*Grove, Mueller & Swank, P.C.*

*CERTIFIED PUBLIC ACCOUNTANTS*



# City of Sheridan

120 S.W. Mill Street • Sheridan, Oregon 97378

City Hall • Municipal Court (503) 843-2347

Police Department (503) 843-2431

Fax (503) 843-3661

December 8, 2022

Grove, Mueller & Swank, P.C.  
475 Cottage Street NE, Suite 200  
Salem, OR 97301

This representation letter is provided in connection with your audit of the financial statements of the City of Sheridan (the City) as of June 30, 2022, and for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, of the various opinion units of the City in accordance with the modified cash basis of accounting.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of December 8, 2022:

## Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 9, 2022, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with the modified cash basis of accounting and for preparation of the supplementary information in accordance with the applicable criteria.
2. We acknowledge our responsibility 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.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

4. We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
5. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
6. We have a process to track the status of audit findings and recommendations.
7. We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
8. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
9. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the modified cash basis of accounting.
10. All events subsequent to the date of the financial statements and which require adjustment or disclosure have been adjusted or disclosed.
11. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to our accounts
12. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
13. All funds and activities are properly classified.
14. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* as amended, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
15. All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
16. Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
17. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
18. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
19. All interfund and intra-entity transactions and balances have been properly classified and reported.
20. Deposit and investment risks have been properly and fully disclosed.
21. With respect to the supplemental information accompanying the financial statements:
  - We acknowledge our responsibility for the presentation of the supplemental information in accordance with the modified cash basis of accounting.
  - We believe the supplemental information, including its form and content, is fairly presented in accordance with the modified cash basis of accounting.
  - The methods of measurement or presentation have not changed from those used in the prior period.

- We believe the significant assumptions or interpretations underlying the measurement or presentation of the supplemental information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.
22. With respect to preparation of the financial statements, we have performed the following:
- Made all management decisions and performed all management functions;
  - Assigned a competent individual to oversee the services;
  - Evaluated the adequacy of the services performed;
  - Evaluated and accepted responsibility for the result of the service performed; and
  - Established and maintained internal controls, including monitoring ongoing activities.

### Information Provided

1. We have provided you with:
  - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - Management;
  - Employees who have significant roles in internal control; or
  - Others where the fraud could have a material effect on the financial statements.
5. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
6. We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation, claims, or assessments.
7. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
8. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
9. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
10. There are no:

- Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
  - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
  - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62
  - Continuing disclosure consent decree agreements or filings with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240, 15c2-12).
11. The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
12. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.



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Heidi Bell, City Manager



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Marissa Matias, Finance/HR Specialist

***CITY OF SHERIDAN, OREGON  
ANNUAL FINANCIAL REPORT  
Year Ended June 30, 2022***

**CITY OF SHERIDAN, OREGON**  
**CITY OFFICIALS**  
**JUNE 30, 2022**

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<u>Name</u>	<b>MAYOR</b>	<u>Term</u>
Richard Cox, Sr.		December 31, 2022

**CITY COUNCIL MEMBERS**

<u>Name</u>	<u>Position</u>	<u>Term</u>
Roxie Acuff	Council President	December 31, 2024
Dennis McElroy	Council Member	December 31, 2024
James R. Buckles	Council Member	December 31, 2024
Lucy Hebert	Council Member	December 31, 2022
Rose Hauck	Council Member	December 31, 2022
Sandy Walker	Council Member	December 31, 2022

**CITY STAFF**

<b>City Manager</b>	<b>Finance / HR Specialist</b>	<b>City Recorder</b>
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**  
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**JUNE 30, 2022**

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## *INDEPENDENT AUDITOR'S REPORT*

The Honorable Aaron Baer, Mayor  
and Members of the City Council  
City of Sheridan  
120 SW Mill Street  
Sheridan, Oregon 97378

### **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, 2022, 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, 2022, 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***

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 8, 2022, 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 8, 2022

# CITY OF SHERIDAN, OREGON

## Management's Discussion and Analysis June 30, 2022

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, 2022.

### **Financial Highlights**

	June 30,		Change
	2022	2021	
Net position	\$ 10,565,689	\$ 7,273,887	\$ 3,291,802
Change in net position	3,291,802	1,107,917	2,183,885
Governmental net position	2,729,493	2,197,373	532,120
Proprietary net position	7,836,196	5,076,514	2,759,682
Change in governmental net position	532,120	327,900	204,220
Change in proprietary net position	2,759,682	780,017	1,979,665

### **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 \$10.6 million as of June 30, 2022.

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.

	2022			2021		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Cash and cash equivalents	\$ 2,729,493	\$ 7,924,221	\$ 10,653,714	\$ 2,197,373	\$ 5,161,164	\$ 7,358,537
Current liabilities	-	88,025	88,025	-	84,650	84,650
Net position:						
Restricted	1,837,738	2,876,731	4,714,469	1,455,611	791,239	2,246,850
Unrestricted	891,755	4,959,465	5,851,220	741,762	4,285,275	5,027,037
Net position	\$ 2,729,493	\$ 7,836,196	\$ 10,565,689	\$ 2,197,373	\$ 5,076,514	\$ 7,273,887

**Statement of Activities.** The City’s net position increased by \$3.3 million during the current fiscal year. The key elements of the change in the City’s net position for the year ended June 30, 2022 are as follows:

1. Governmental activities revenues decreased by \$160 thousand due primarily to an decrease from the prior year coronavirus relief funds. Expenses decreased \$364 thousand during the year due to significant public works projects on streets performed during the prior year with no similar projects in the current year.
2. Business activities revenues increased \$2.1 million due to an increase in charges for services. Expenses increased by \$177 thousand during the year due to increases in water system engineering services and supplies purchased during the current year.

	2022			2021		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
<b>Revenues</b>						
Program Revenues						
Charges for service	\$ 41,715	\$ 3,662,489	\$ 3,704,204	\$ 23,732	\$ 3,465,486	\$ 3,489,218
Operating grants and contributions	517,172	-	517,172	461,394	-	461,394
Capital grants and contributions	18,434	210,658	229,092	35,255	77,339	112,594
General Revenues						
Property taxes	517,752	-	517,752	511,457	-	511,457
Franchise taxes	250,885	-	250,885	236,027	-	236,027
Intergovernmental	365,385	1,874,834	2,240,219	459,604	29,761	489,365
Miscellaneous	21,127	50,107	71,234	165,239	68,939	234,178
<b>TOTAL REVENUES</b>	<b>1,732,470</b>	<b>5,798,088</b>	<b>7,530,558</b>	<b>1,892,708</b>	<b>3,641,525</b>	<b>5,534,233</b>
<b>Expenses</b>						
Governmental Activities						
General government	201,066	-	201,066	221,083	-	221,083
City Hall	44,167	-	44,167	64,287	-	64,287
Municipal court	9,488	-	9,488	7,766	-	7,766
Library	231,841	-	231,841	231,311	-	231,311
Parks	15,878	-	15,878	16,807	-	16,807
Police	562,278	-	562,278	527,653	-	527,653
Streets	135,232	-	135,232	493,457	-	493,457
Interest on long-term debt	400	-	400	2,444	-	2,444
Business-type Activities						
Water	-	1,545,944	1,545,944	-	1,371,141	1,371,141
Sewer	-	1,492,462	1,492,462	-	1,490,367	1,490,367
<b>TOTAL EXPENSES</b>	<b>1,200,350</b>	<b>3,038,406</b>	<b>4,238,756</b>	<b>1,564,808</b>	<b>2,861,508</b>	<b>4,426,316</b>
Change in net position	532,120	2,759,682	3,291,802	327,900	780,017	1,107,917
Net position – July 1	2,197,373	5,076,514	7,273,887	1,869,473	4,296,497	6,165,970
Net position – June 30	\$ 2,729,493	\$ 7,836,196	\$ 10,565,689	\$ 2,197,373	\$ 5,076,514	\$ 7,273,887

## 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 \$2.7 million at year end, an increase of \$532 thousand from the prior year.

*General Fund.* The General Fund is the primary operating fund of the City. Fund balance was \$1.1 million as of June 30, 2022. The fund balance increased by \$163 thousand during the current fiscal year due to an increase in property taxes and expenditures were much lower than revenues in total. 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. With the direction of the City Council the City paid off the loan for the mortgages

for the City-owned houses at 127 SW Mill Street and 135 SW Mill Street, and 235 Morgan Street, which was roughly \$25,000, which is accounted for under the expenses “General Government”. Fund balance represents 101% of total General Fund expenditures.

*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 \$369 thousand during the fiscal year due an increase in street projects.

**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 increased dramatically because of the ARPA funds that were received during the period. The revenue that came in during this time period was not spent which has aided into a larger than normal net position.

*Sewer Fund.* Net position increased \$218 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 increased \$2.5 Million during the year due primarily to no significant capital projects occurring in the current year and savings for large capital projects in the following fiscal year The Water Fund had roughly \$695,000 from the City’s ARPA funds deposited into it, which also inflated the net position.

**General Fund Budgetary Highlights**

The City approved no supplemental budgets that impacted the General Fund during the current year. The City received several unanticipated revenues including funds from ODOT for approximately \$93,000 that was put into the General Fund and not used during the fiscal year. As always, labor and benefits is a large expense for the General Fund as well as police services at \$562,278. Actual revenues were \$265 thousand more than budgeted and actual expenses were \$298 thousand less than budgeted netting a general fund balance of \$516 thousand.

**Long-term debt.** The City had total bonded debt outstanding of \$1.4 million at the end of the current fiscal year which is a decrease of \$205 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.

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Loans	\$ -	\$ 29,553	\$ -	\$ -	\$ -	\$ 29,553
Revenue bonds	-	-	1,415,000	1,590,000	1,415,000	1,590,000
<b>Total</b>	<b>\$ -</b>	<b>\$ 29,553</b>	<b>\$ 1,415,000</b>	<b>\$ 1,590,000</b>	<b>\$ 1,415,000</b>	<b>\$ 1,619,553</b>

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 2022-23 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, 2022**

	<u><b>Governmental Activities</b></u>	<u><b>Business-type Activities</b></u>	<u><b>Totals</b></u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,729,493	\$ 7,924,221	\$ 10,653,714
<b>LIABILITIES</b>			
Deposits	-	88,025	88,025
<b>NET POSITION</b>			
Restricted:			
Streets	1,550,934	-	1,550,934
System development	286,804	1,001,897	1,288,701
American Rescue Plan	-	1,874,834	1,874,834
Unrestricted	891,755	4,959,465	5,851,220
 <i>Total Net Position</i>	 <u><u>\$ 2,729,493</u></u>	 <u><u>\$ 7,836,196</u></u>	 <u><u>\$ 10,565,689</u></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, 2022**

<i><b>FUNCTIONS/PROGRAMS</b></i>	<i><b>Expenses</b></i>	<i><b>Program Revenues</b></i>		
		<i><b>Fees, Fines and Charges for Services</b></i>	<i><b>Operating Grants and Contributions</b></i>	<i><b>Capital Grants and Contributions</b></i>
<i><b>Governmental activities</b></i>				
General government	\$ 201,066	\$ 17,810	\$ -	\$ -
City Hall	44,167	-	-	-
Legal	9,488	22,625	-	-
Library	231,841	1,280	18,918	-
Parks	15,878	-	-	12,985
Police	562,278	-	-	-
Streets	135,232	-	498,254	5,449
Interest on long-term debt	400	-	-	-
<i>Total Governmental activities</i>	<u>1,200,350</u>	<u>41,715</u>	<u>517,172</u>	<u>18,434</u>
<i><b>Business-type activities</b></i>				
Water	1,545,944	2,040,749	-	123,973
Sewer	1,492,462	1,621,740	-	86,685
<i>Total Business-type activities</i>	<u>3,038,406</u>	<u>3,662,489</u>	<u>-</u>	<u>210,658</u>
<i>Total Activities</i>	<u>\$ 4,238,756</u>	<u>\$ 3,704,204</u>	<u>\$ 517,172</u>	<u>\$ 229,092</u>
<i><b>General Revenues</b></i>				
Property taxes				
Franchise taxes				
Intergovernmental				
Miscellaneous				
<i>Total General Revenues</i>				
<i>Change in net position</i>				
<i>Net Position - beginning of year</i>				
<i>Net Position - end of year</i>				

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

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

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<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>
\$ (183,256)	\$ -	\$ (183,256)
(44,167)	-	(44,167)
13,137	-	13,137
(211,643)	-	(211,643)
(2,893)	-	(2,893)
(562,278)	-	(562,278)
368,471	-	368,471
(400)	-	(400)
<hr/>		
(623,029)	-	(623,029)
-	618,778	618,778
-	215,963	215,963
<hr/>		
-	834,741	834,741
<hr/>		
(623,029)	834,741	211,712
517,752	-	517,752
250,885	-	250,885
365,385	1,874,834	2,240,219
21,127	50,107	71,234
<hr/>		
1,155,149	1,924,941	3,080,090
<hr/>		
532,120	2,759,682	3,291,802
2,197,373	5,076,514	7,273,887
<hr/>		
<u>\$ 2,729,493</u>	<u>\$ 7,836,196</u>	<u>\$ 10,565,689</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, 2022**

	<u>General</u>	<u>Special Revenue Street</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,079,229	\$ 1,650,264	\$ 2,729,493
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>	\$ -	\$ -	\$ -
<b>Fund Balances</b>			
Restricted:			
Streets	-	1,550,934	1,550,934
System development	187,474	99,330	286,804
Unassigned	891,755	-	891,755
<b>Total Fund Balances</b>	<u>1,079,229</u>	<u>1,650,264</u>	<u>2,729,493</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 1,079,229</u>	<u>\$ 1,650,264</u>	<u>\$ 2,729,493</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, 2022**

	<u>General</u>	<u>Special Revenue Street</u>	<u>Totals</u>
<b>Revenues</b>			
Taxes and assessments	\$ 517,752	\$ -	\$ 517,752
Fines and forfeitures	23,905	-	23,905
Licenses and permits	281,680	5,449	287,129
Intergovernmental	384,303	498,254	882,557
Miscellaneous	20,455	672	21,127
<i>Total Revenues</i>	<u>1,228,095</u>	<u>504,375</u>	<u>1,732,470</u>
<b>Expenditures</b>			
Current			
Administration	171,421	-	171,421
City Hall	44,167	-	44,167
Legal	9,488	-	9,488
Library	230,746	-	230,746
Parks	15,878	-	15,878
Police	562,278	-	562,278
Streets	-	82,440	82,440
Capital acquisitions	1,186	52,793	53,979
Debt payments			
Principal	29,553	-	29,553
Interest	400	-	400
<i>Total Expenditures</i>	<u>1,065,117</u>	<u>135,233</u>	<u>1,200,350</u>
<b>NET CHANGE IN FUND BALANCES</b>	162,978	369,142	532,120
<b>FUND BALANCE, beginning of year</b>	<u>916,251</u>	<u>1,281,122</u>	<u>2,197,373</u>
<b>FUND BALANCE, end of year</b>	<u><u>\$ 1,079,229</u></u>	<u><u>\$ 1,650,264</u></u>	<u><u>\$ 2,729,493</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, 2022**

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,130,956	\$ 5,793,265	\$ 7,924,221
<b>LIABILITIES</b>			
Deposits	-	88,025	88,025
<b>FUND NET POSITION</b>			
Restricted:			
System development	499,387	502,510	1,001,897
American Rescue Plan	-	1,874,834	1,874,834
Unrestricted	1,631,569	3,327,896	4,959,465
 <i>Total Fund Net Position</i>	 <u>\$ 2,130,956</u>	 <u>\$ 5,705,240</u>	 <u>\$ 7,836,196</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, 2022**

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 1,615,960	\$ 2,040,749	\$ 3,656,709
Licenses and permits	5,780	-	5,780
Miscellaneous	1,763	1,969	3,732
<i>Total Operating Revenues</i>	1,623,503	2,042,718	3,666,221
<b>OPERATING EXPENSES</b>			
Personnel services	788,106	802,172	1,590,278
Materials and services	602,203	430,734	1,032,937
<i>Total Operating Expenses</i>	1,390,309	1,232,906	2,623,215
<b>OPERATING INCOME</b>	233,194	809,812	1,043,006
<b>NONOPERATING ITEMS</b>			
Intergovernmental	-	1,874,834	1,874,834
Interest revenue	-	46,375	46,375
Capital acquisitions	(102,152)	(78,215)	(180,367)
Debt payments			
Principal	-	(175,000)	(175,000)
Interest	-	(59,824)	(59,824)
<i>Total Nonoperating Items</i>	(102,152)	1,608,170	1,506,018
<b>NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b>	131,042	2,417,982	2,549,024
<b>CONTRIBUTIONS AND TRANSFERS</b>			
Capital contributions	86,685	123,973	210,658
<b>CHANGE IN FUND NET POSITION</b>	217,727	2,541,955	2,759,682
<b>FUND NET POSITION, beginning of year</b>	1,913,229	3,163,285	5,076,514
<b>FUND NET POSITION, end of year</b>	<u>\$ 2,130,956</u>	<u>\$ 5,705,240</u>	<u>\$ 7,836,196</u>

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, 2022

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 1,621,740	\$ 2,044,124	\$ 3,665,864
Cash received from other sources	1,763	1,969	3,732
Cash paid to employees and others for salaries and benefits	(788,106)	(802,172)	(1,590,278)
Cash paid to suppliers and others	(602,203)	(430,734)	(1,032,937)
<i>Net Cash Provided by Operating Activities</i>	233,194	813,187	1,046,381
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of capital assets	(102,152)	(78,215)	(180,367)
Principal paid on debt	-	(175,000)	(175,000)
Interest paid on debt	-	(59,824)	(59,824)
Capital contributions	86,685	123,973	210,658
<i>Net Cash Used in Capital and Related Financing Activities</i>	(15,467)	(189,066)	(204,533)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	-	46,375	46,375
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	217,727	2,545,330	2,763,057
<b>CASH AND CASH EQUIVALENTS, Beginning of year</b>	1,913,229	3,247,935	5,161,164
<b>CASH AND CASH EQUIVALENTS, End of year</b>	\$ 2,130,956	\$ 5,793,265	\$ 7,924,221
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 233,194	\$ 809,812	\$ 1,043,006
Increase (decrease) in deposits	-	3,375	3,375
<i>Net Cash Provided by Operating Activities</i>	\$ 233,194	\$ 813,187	\$ 1,046,381

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, 2022

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**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 \$1,338,509 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, 2022

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**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, 2022

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**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, 2022

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**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, 2022

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Use of Estimates*

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect reporting amounts of certain assets, liabilities, revenues and expenses as of and for the year ended June 30, 2022. Actual results may differ from such estimates.

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents at June 30, 2022 are as follows:

***Deposits***

Petty cash	\$	50
Deposits with financial institutions		707,016
Certificates of Deposit		235,600
Local Government Investment Pool		9,711,048
		<hr/>
	\$	10,653,714
		<hr/> <hr/>

*Deposits*

The book balance of the City's bank deposits (checking accounts and savings accounts) was \$707,016 and the bank balance was \$797,015 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, 2022, \$297,015 of the City's bank balances were covered by the PFCP.

**CITY OF SHERIDAN, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2022

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**CASH AND CASH EQUIVALENTS (Continued)**

*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, 2022, 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.

*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.

**CITY OF SHERIDAN, OREGON**  
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
 YEAR ENDED JUNE 30, 2022

**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:

	<i>Outstanding July 1, 2021</i>	<i>Issued</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June 30, 2022</i>	<i>Due Within One Year</i>
<i>Governmental Activities</i>					
Loans from direct borrowings	\$ 29,553	\$ -	\$ (29,553)	\$ -	\$ -
<i>Business-type Activities</i>					
2016 Water Revenue Refunding Bonds	\$ 1,590,000	\$ -	\$ (175,000)	\$ 1,415,000	\$ 180,000

Notes from Direct Borrowings – Governmental Activities

First Federal Mortgage Loan Payable: In 2003, the City entered into an agreement with First Federal Mortgage to purchase real property for \$179,000. The City repays this amount in monthly payments over 15 years with 6.5% interest. The loan is secured by real property. In the event of default, the loan becomes immediately due and payable. This loan was fully paid off in the current year.

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.

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, 2022.

**CITY OF SHERIDAN, OREGON**  
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
 YEAR ENDED JUNE 30, 2022

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**LONG-TERM DEBT (Continued)**

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>
2023	\$ 180,000	\$ 53,000	\$ 233,000
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
2028-2029	440,000	17,800	457,800
	<b>\$ 1,415,000</b>	<b>\$ 206,100</b>	<b>\$ 1,621,100</b>

**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, 2022

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**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 2022 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 \$182,047 for fiscal year ended June 30, 2022.

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 2022 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, 2022

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**PENSION PLAN (Continued)**

Pension Assets/Liabilities, Pension Expense, and Pension-Related Deferrals – On June 30, 2022, the City reported a net pension liability of \$937,300 as its proportionate share of the collective net pension liability for PERS, measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was based on a December 31, 2019 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 0.00783% as of the June 30, 2021 measurement date, compared to 0.00812% as of June 30, 2020.

Actuarial Methods and Assumptions – The total pension liability in the December 31, 2019 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, 2019 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	\$ 1,840,632	\$ 937,300	\$ 181,538

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

**CITY OF SHERIDAN, OREGON**

*NOTES TO BASIC FINANCIAL STATEMENTS (Continued)*

*YEAR ENDED JUNE 30, 2022*

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***PENSION PLAN (Continued)***

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 \$63,816.

***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, 2022**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Taxes and assessments	\$ 477,000	\$ 477,000	\$ 517,752	\$ 40,752
Fines and forfeitures	13,500	13,500	23,905	10,405
Licenses and permits	233,760	233,760	281,680	47,920
Intergovernmental	215,500	215,500	384,303	168,803
Miscellaneous	23,000	23,000	20,455	(2,545)
<i>Total Revenues</i>	<u>962,760</u>	<u>962,760</u>	<u>1,228,095</u>	<u>265,335</u>
<b>EXPENDITURES</b>				
Administration	167,517	220,137	201,465	18,672
City Hall	51,505	51,505	44,167	7,338
Legal	10,720	10,720	9,488	1,232
Library	267,464	267,464	231,841	35,623
Parks	197,161	198,161	15,878	182,283
Police	582,009	582,009	562,278	19,731
Contingency	86,384	32,764	-	32,764
<i>Total Expenditures</i>	<u>1,362,760</u>	<u>1,362,760</u>	<u>1,065,117</u>	<u>297,643</u>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(400,000)</b>	<b>(400,000)</b>	<b>162,978</b>	<b>562,978</b>
<b>FUND BALANCE, beginning of year</b>	<b>400,000</b>	<b>400,000</b>	<b>916,251</b>	<b>516,251</b>
<b>FUND BALANCE, end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,079,229</u></u>	<u><u>\$ 1,079,229</u></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, 2022**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Licenses and permits	\$ 2,554	\$ 2,554	\$ 5,449	\$ 2,895
Intergovernmental	400,000	400,000	498,254	98,254
Miscellaneous	-	-	672	672
<i>Total Revenues</i>	402,554	402,554	504,375	101,821
<b>EXPENDITURES</b>				
Materials and services	250,400	250,400	82,440	167,960
Capital outlay	742,330	742,330	52,793	689,537
Contingency	410,824	410,824	-	410,824
<i>Total Expenditures</i>	1,403,554	1,403,554	135,233	1,268,321
<b>NET CHANGE IN FUND BALANCE</b>	(1,001,000)	(1,001,000)	369,142	1,370,142
<b>FUND BALANCE, beginning of year</b>	1,001,000	1,001,000	1,281,122	280,122
<b>FUND BALANCE, end of year</b>	\$ -	\$ -	\$ 1,650,264	\$ 1,650,264

**CITY OF SHERIDAN, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

**(BUDGETARY BASIS) – BUDGET AND ACTUAL – SEWER FUND**

**YEAR ENDED JUNE 30, 2022**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Charges for services	\$ 1,489,250	\$ 1,489,250	\$ 1,615,960	\$ 126,710
Licenses and permits	21,148	21,148	92,465	71,317
Intergovernmental	420,000	420,000	-	(420,000)
Miscellaneous	1,650	1,650	1,763	113
<i>Total Revenues</i>	<u>1,932,048</u>	<u>1,932,048</u>	<u>1,710,188</u>	<u>(221,860)</u>
<b>EXPENDITURES</b>				
Personnel services	939,754	939,754	788,106	151,648
Materials and services	1,015,300	1,015,300	602,203	413,097
Debt service				
Principal	100,000	100,000	-	100,000
Capital outlay	1,323,599	1,323,599	102,152	1,221,447
Contingency	363,395	363,395	-	363,395
<i>Total Expenditures</i>	<u>3,742,048</u>	<u>3,742,048</u>	<u>1,492,461</u>	<u>2,249,587</u>
<b>CHANGE IN FUND BALANCE</b>	(1,810,000)	(1,810,000)	217,727	2,027,727
<b>FUND BALANCE, beginning of year</b>	<u>1,810,000</u>	<u>1,810,000</u>	<u>1,913,229</u>	<u>103,229</u>
<b>FUND BALANCE, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,130,956</u>	<u>\$ 2,130,956</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, 2022**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Charges for services	\$ 1,911,000	\$ 1,911,000	\$ 2,040,749	\$ 129,749
Licenses and permits	29,652	29,652	123,973	94,321
Intergovernmental	-	-	1,874,834	1,874,834
Miscellaneous	91,500	91,500	48,344	(43,156)
<i>Total Revenues</i>	<u>2,032,152</u>	<u>2,032,152</u>	<u>4,087,900</u>	<u>2,055,748</u>
<b>EXPENDITURES</b>				
Personnel services	931,762	931,762	802,172	129,590
Materials and services	1,600,280	1,600,280	430,734	1,169,546
Debt service				
Principal	175,000	175,000	175,000	-
Interest	60,225	60,225	59,824	401
Capital outlay	523,208	523,208	78,215	444,993
Contingency	1,128,077	1,128,077	-	1,128,077
<i>Total Expenditures</i>	<u>4,418,552</u>	<u>4,418,552</u>	<u>1,545,945</u>	<u>2,872,607</u>
<b>CHANGE IN FUND BALANCE</b>	(2,386,400)	(2,386,400)	2,541,955	4,928,355
<b>FUND BALANCE, beginning of year</b>	<u>2,800,000</u>	<u>2,800,000</u>	<u>3,163,285</u>	<u>363,285</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 413,600</u>	<u>\$ 413,600</u>	<u>\$ 5,705,240</u>	<u>\$ 5,291,640</u>

**CITY OF SHERIDAN, OREGON**  
**SCHEDULE OF DEBT TRANSACTIONS**  
**YEAR ENDED JUNE 30, 2022**

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	<u><i>Interest Rates</i></u>	<u><i>Date of Issue</i></u>	<u><i>Fiscal Year of Maturity</i></u>
<b><i>PRINCIPAL TRANSACTIONS</i></b>			
<i>Governmental Debt</i>			
First Federal Mortgage	6.5%	2008	2023-24
<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>
<b><i>INTEREST TRANSACTIONS</i></b>		
<i>Governmental Debt</i>		
First Federal Mortgage	6.5%	2008
<i>Business-Type Debt</i>		
2016 Water Revenue Refunding Bonds	2.0% - 4.0%	2016

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<i>Outstanding July 1, 2021</i>	<i>Issued</i>	<i>Paid</i>	<i>Outstanding June 30, 2022</i>
\$ 29,553	\$ -	\$ (29,553)	\$ -
1,590,000	-	(175,000)	1,415,000
<u>\$ 1,619,553</u>	<u>\$ -</u>	<u>\$ (204,553)</u>	<u>\$ 1,415,000</u>

<i>Unmatured Interest July 1, 2021</i>	<i>New Issues</i>	<i>Interest Paid/Refunded</i>	<i>Unmatured Interest June 30, 2022</i>
\$ 1,877	\$ -	\$ (1,877)	\$ -
265,325	-	(59,824)	205,501
<u>\$ 267,202</u>	<u>\$ -</u>	<u>\$ (61,701)</u>	<u>\$ 205,501</u>

**CITY OF SHERIDAN, OREGON**  
**SCHEDULE OF FUTURE DEBT REQUIREMENTS**  
**YEAR ENDED JUNE 30, 2022**

<i>Fiscal Year Ending June 30,</i>	<i>2016 Water Revenue Refunding Bonds</i>		<i>Totals</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2023	\$ 180,000	\$ 53,000	\$ 180,000	\$ 53,000
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>\$ 1,415,000</u>	<u>\$ 206,100</u>	<u>\$ 1,415,000</u>	<u>\$ 206,100</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***

The Honorable Aaron Baer, Mayor  
and Members of the City Council  
City of Sheridan  
120 SW Mill Street  
Sheridan, Oregon 97378

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, 2022, and have issued our report thereon dated December 8, 2022.

### ***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 8, 2022