



STATE FINANCIAL SERVICES DIVISION
LOCAL GOVERNMENT SERVICES BUREAU
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[Local Government Services Bureau Portal](#)

ENTITY # 022802

MONTANA
TOWN OF SHERIDAN
103 East Hamilton Street
Sheridan, MT 59749

ANNUAL FINANCIAL REPORT

CONSISTING OF AUDITED FINANCIAL STATEMENTS AND
OTHER SUPPLEMENTARY INFORMATION



FISCAL YEAR ENDING JUNE 30, 2023

PART 1 OF 2

AUDITED FINANCIAL STATEMENTS

TOWN OF SHERIDAN

FISCAL YEAR ENDING JUNE 30, 2023

TOWN OF SHERIDAN

MADISON COUNTY, MONTANA

Fiscal Years Ended June 30, 2022 and June 30, 2023

AUDIT REPORT

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

TOWN OF SHERIDAN
MADISON COUNTY, MONTANA
Fiscal Years Ended June 30, 2022 and June 30, 2023

TABLE OF CONTENTS

Organization	1
Independent Auditor’s Report	2-5
Financial Statements	
<u>Government-wide Financial Statements</u>	
Statement of Net Position	6-7
Statement of Activities	8-9
<u>Fund Financial Statements</u>	
Balance Sheet – Governmental Funds	10-11
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	12-13
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	14-15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16-17
Statement of Net Position – Proprietary Fund Types	18-19
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund Types	20-21
Statement of Cash Flows – Proprietary Fund Types	22-23
Statement of Changes in Net Position – Fiduciary Fund Types	24
Notes to Financial Statements	25-67
Required Supplementary Information	
Budgetary Comparison Schedule	68-71
Schedule of Changes in the Total OPEB Liability and Related Ratios	72
Schedule of Proportionate Share of the Net Pension Liability	73
Schedule of Contributions	74
Notes to Required Pension Supplementary Information	75-77
Independent Auditor’s Report on Compliance and on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	78-85
Report on Prior Audit Recommendations	86
Auditee’s Corrective Action Plan	87-88

TOWN OF SHERIDAN
MADISON COUNTY, MONTANA

ORGANIZATION

Fiscal Years Ended June 30, 2022

TOWN COUNCIL

Robert C. Stump
Mike W. Walter
Rahn Abbot
Emilie Sayler
Dan Durham

Mayor
Council Member
Council Member
Council Member
Council Member

TOWN OFFICIALS

Ginger Galiger
Stephanie Gehres Kruer

Clerk
Town Attorney

Fiscal Years Ended June 30, 2023

TOWN COUNCIL

Judy Edwards
Rhan Abbott
Tom Roberts
Tamara Todd
Tonya Romkema
Michael W. Walter
Z. Wade Hampton

Mayor
Council Member
Council Member
Council Member
Council Member
Council Member
Council Member

TOWN OFFICIALS

Jennifer Meacham
Stephanie Gehres Kruer

Clerk
Town Attorney

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957

INDEPENDENT AUDITOR'S REPORT

Town Mayor and Council
Town of Sheridan
Madison County
Sheridan, Montana

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sheridan, Madison County, Montana as of and for the years ended June 30, 2022 and June 30, 2023, and the related notes to the financial statements. We were not engaged to audit the financial statements of the aggregate discretely presented component unit. These financial statements collectively comprise the Town of Sheridan, Madison County, Montana basic financial statements as listed in the table of contents.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
Aggregate Discretely Presented Component Unit	Disclaimer
General Fund	Unmodified
Library Fund	Unmodified
Water Fund	Unmodified
Sewer Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Disclaimer of Opinion on the Aggregate Discretely Presented Component Unit

Because of the significance of the matter described in the Basis for Disclaimer of Opinion and Unmodified Opinions section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the aggregate discretely presented component unit of the Town of Sheridan, Madison County, Montana. Accordingly, we do not express an opinion on these financial statements.

Unmodified Opinions on Governmental Activities, Business-type Activities, Each Major Fund, and Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sheridan, Madison, Montana, as of June 30, 2022 and June 30, 2023, and the respective changes in financial position and where, applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Town of Sheridan, Madison County, Montana, 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 unmodified audit opinions.

Matter Giving Rise to Disclaimer Opinion on Aggregate Discretely Presented Component Unit

The financial statements of Friends of the Sheridan Public Library have not been audited, and we were not engaged to audit the Friends of the Sheridan Public Library financial statements as a part of our audit of the Town's basic financial statements. The Friends of the Sheridan Public Library financial statements are not included in the Town's basic financial statements as a discretely presented component unit as required by generally accepted accounting principles (GAAP). There were no financial statements or supporting financial documentation provided to the Town by the Friends of the Sheridan Public Library to be included in the Town's basic financial statements.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2022, the Town of Sheridan adopted new accounting guidance, GASB No. 87 Leases is effective for years beginning after December 15, 2019 (revised to year beginning after June 15, 2021, per GASB Statement No. 95). Our opinion is not modified with respect to this matter.

As described in Note 1 to the financial statements, in 2023, the Town of Sheridan adopted new accounting guidance, GASB No. 96 Subscription-Based Information Technology Arrangements (SBITA) is effective for years beginning after June 15, 2022, and all reporting periods thereafter. Our opinion is 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 accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Sheridan, Madison County, Montana's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently know information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* 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, misrepresentation, 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, 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 Town of Sheridan, Madison County, Montana'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Sheridan, Madison County, Montana'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Budgetary Comparison Information, Schedule of Changes in the Total OPEB Liability and Related Ratios, Schedules of Proportionate Share of the Net Pension Liability and the Schedule of Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical content. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Town of Sheridan, Madison County, Montana has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report July 26, 2024, on our consideration of the Town of Sheridan, Madison County, Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws regulations contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Sheridan, Madison County, Montana's internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Sheridan, Madison County, Montana's internal control over financial reporting and compliance.

Denring, Downey and Associates, CPAs, P.C.

July 26, 2024

Town of Sheridan, Madison County, Montana
Statement of Net Position
June 30, 2022

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 789,094	\$ 1,330,628	\$ 2,119,722
Taxes and assessments receivable, net	6,042	-	6,042
Accounts receivable - net	-	63,828	63,828
Due from other governments	8,606	-	8,606
Total current assets	\$ 803,742	\$ 1,394,456	\$ 2,198,198
Noncurrent assets			
Restricted cash and investments	\$ 10,807	\$ 325,407	\$ 336,214
Capital assets - land	46,681	81,375	128,056
Capital assets - depreciable, net	332,987	11,056,221	11,389,208
Total noncurrent assets	\$ 390,475	\$ 11,463,003	\$ 11,853,478
Total assets	\$ 1,194,217	\$ 12,857,459	\$ 14,051,676
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - OPEB	\$ 356	\$ 280	\$ 636
Deferred outflows of resources - pensions	18,900	14,418	33,318
Total deferred outflows of resources	\$ 19,256	\$ 14,698	\$ 33,954
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 1,213,473	\$ 12,872,157	\$ 14,085,630
LIABILITIES			
Current liabilities			
Accounts payable	\$ 310	\$ -	\$ 310
Revenues collected in advance	122,525	-	122,525
Matured bonds and interest payable	-	108,950	108,950
Current portion of compensated absences payable	8,791	2,926	11,717
Total current liabilities	\$ 131,626	\$ 111,876	\$ 243,502
Noncurrent liabilities			
Noncurrent portion of OPEB	\$ 2,026	\$ 9,151	\$ 11,177
Noncurrent portion of compensated absences	8,790	2,924	11,714
Net pension liability	76,257	58,177	134,434
Bonds payable	-	3,646,856	3,646,856
Total noncurrent liabilities	\$ 87,073	\$ 3,717,108	\$ 3,804,181
Total liabilities	\$ 218,699	\$ 3,828,984	\$ 4,047,683
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions	\$ 55,530	\$ 42,363	\$ 97,893
Deferred inflows of resources - OPEB	232	182	414
Total deferred inflows of resources	\$ 55,762	\$ 42,545	\$ 98,307
NET POSITION			
Net investment in capital assets	\$ 379,668	\$ 7,381,790	\$ 7,761,458
Restricted for bond indenture requirements	-	325,407	325,407
Restricted for public safety	25,990	-	25,990
Restricted for public works	58,376	-	58,376
Restricted for culture and recreation	185,438	-	185,438
Unrestricted	289,540	1,293,431	1,582,971
Total net position	\$ 939,012	\$ 9,000,628	\$ 9,939,640
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 1,213,473	\$ 12,872,157	\$ 14,085,630

See accompanying Notes to the Financial Statements

Town of Sheridan, Madison County, Montana
Statement of Net Position
June 30, 2023

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 886,500	\$ 1,472,931	\$ 2,359,431
Taxes and assessments receivable, net	8,059	-	8,059
Accounts receivable - net	-	59,756	59,756
Total current assets	<u>\$ 894,559</u>	<u>\$ 1,532,687</u>	<u>\$ 2,427,246</u>
Noncurrent assets			
Restricted cash and investments	\$ -	\$ 381,941	\$ 381,941
Capital assets - land	46,681	81,376	128,057
Capital assets - construction in progress	-	32,717	32,717
Capital assets - depreciable, net	333,255	10,697,476	11,030,731
Total noncurrent assets	<u>\$ 379,936</u>	<u>\$ 11,193,510</u>	<u>\$ 11,573,446</u>
Total assets	<u>\$ 1,274,495</u>	<u>\$ 12,726,197</u>	<u>\$ 14,000,692</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pensions	\$ 18,235	\$ 12,312	\$ 30,547
Total deferred outflows of resources	<u>\$ 18,235</u>	<u>\$ 12,312</u>	<u>\$ 30,547</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,292,730</u>	<u>\$ 12,738,509</u>	<u>\$ 14,031,239</u>
LIABILITIES			
Current liabilities			
Warrants payable	\$ 26,070	\$ -	\$ 26,070
Accounts payable	4,751	-	4,751
Accrued payroll	-	129	129
Other payroll liabilities	17,941	-	17,941
Revenues collected in advance	68,033	3,879	71,912
Current portion of long-term capital liabilities	-	110,365	110,365
Current portion of compensated absences payable	14,806	534	15,340
Total current liabilities	<u>\$ 131,601</u>	<u>\$ 114,907</u>	<u>\$ 246,508</u>
Noncurrent liabilities			
Noncurrent portion of OPEB	\$ 854	\$ 7,688	\$ 8,542
Noncurrent portion of long-term capital liabilities	-	3,551,493	3,551,493
Noncurrent portion of compensated absences	8,096	106	8,202
Net pension liability	109,009	73,601	182,610
Total noncurrent liabilities	<u>\$ 117,959</u>	<u>\$ 3,632,888</u>	<u>\$ 3,750,847</u>
Total liabilities	<u>\$ 249,560</u>	<u>\$ 3,747,795</u>	<u>\$ 3,997,355</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions	\$ 18,813	\$ 12,702	\$ 31,515
Total deferred inflows of resources	<u>\$ 18,813</u>	<u>\$ 12,702</u>	<u>\$ 31,515</u>
NET POSITION			
Net investment in capital assets	\$ 379,936	\$ 7,149,711	\$ 7,529,647
Restricted for debt service	-	381,941	381,941
Restricted for special projects	250,584	-	250,584
Unrestricted	393,837	1,446,360	1,840,197
Total net position	<u>\$ 1,024,357</u>	<u>\$ 8,978,012</u>	<u>\$ 10,002,369</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 1,292,730</u>	<u>\$ 12,738,509</u>	<u>\$ 14,031,239</u>

See accompanying Notes to the Financial Statements

Town of Sheridan, Madison County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2022

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business- type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 64,347	\$ -	\$ 2,269	\$ (62,078)	\$ -	\$ (62,078)
Public safety	23,184	-	1,570	(21,614)	-	(21,614)
Public works	60,865	-	35,204	(25,661)	-	(25,661)
Culture and recreation	154,980	18	16,854	(138,108)	-	(138,108)
Total governmental activities	\$ 303,376	\$ 18	\$ 55,897	\$ (247,461)	\$ -	\$ (247,461)
Business-type activities:						
Water	\$ 432,643	\$ 336,117	\$ 442,239	\$ -	\$ 345,713	\$ 345,713
Sewer	344,180	304,537	15,758	-	(23,885)	(23,885)
Total business-type activities	\$ 776,823	\$ 640,654	\$ 457,997	\$ -	\$ 321,828	\$ 321,828
Total primary government	\$ 1,080,199	\$ 640,672	\$ 513,894	\$ (247,461)	\$ 321,828	\$ 74,367
General Revenues:						
Property taxes for general purposes				\$ 208,810	\$ -	\$ 208,810
Miscellaneous				42,616	-	42,616
Interest/investment earnings				463	257	720
Local option taxes				48,087	-	48,087
Unrestricted federal/state shared revenues				70,361	3,677	74,038
Total general revenues, special items and transfers				\$ 370,337	\$ 3,934	\$ 374,271
Change in net position				\$ 122,876	\$ 325,762	\$ 448,638
Net position - beginning				\$ 786,136	\$ 8,674,866	\$ 9,461,002
Restatements				30,000	-	30,000
Net position - beginning - restated				\$ 816,136	\$ 8,674,866	\$ 9,491,002
Net position - end				\$ 939,012	\$ 9,000,628	\$ 9,939,640

See accompanying Notes to the Financial Statements

Town of Sheridan, Madison County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 114,246	\$ -	\$ -	\$ -	(114,246)	\$ -	(114,246)
Public safety	18,977	-	-	-	(18,977)	-	(18,977)
Public works	55,982	-	36,607	-	(19,375)	-	(19,375)
Public health	16,921	-	-	-	(16,921)	-	(16,921)
Culture and recreation	118,432	-	4,299	-	(114,133)	-	(114,133)
Total governmental activities	\$ 324,558	\$ -	\$ 40,906	\$ -	\$ (283,652)	\$ -	\$ (283,652)
Business-type activities:							
Water	\$ 397,694	\$ 332,741	\$ -	\$ 54,492	\$ -	\$ (10,461)	\$ (10,461)
Sewer	311,380	295,285	-	-	-	(16,095)	(16,095)
Total business-type activities	\$ 709,074	\$ 628,026	\$ -	\$ 54,492	\$ -	\$ (26,556)	\$ (26,556)
Total primary government	\$ 1,033,632	\$ 628,026	\$ 40,906	\$ 54,492	\$ (283,652)	\$ (26,556)	\$ (310,208)
General Revenues:							
Property taxes for general purposes					\$ 219,799	\$ -	\$ 219,799
Video poker apportionment					700	-	700
Miscellaneous					14,046	-	14,046
Interest/investment earnings					520	1,670	2,190
Local option taxes					49,384	-	49,384
State entitlement					72,584	-	72,584
State contribution to retirement					9,735	2,270	12,005
Contributions & donations					2,228	-	2,228
Total general revenues, special items and transfers					\$ 368,996	\$ 3,940	\$ 372,936
Change in net position					\$ 85,344	\$ (22,616)	\$ 62,728
Net position - beginning					\$ 939,012	\$ 9,000,628	\$ 9,939,640
Net position - end					\$ 1,024,356	\$ 8,978,012	\$ 10,002,368

See accompanying Notes to the Financial Statements

Town of Sheridan, Madison County, Montana
Balance Sheet
Governmental Funds
June 30, 2022

	General	Library	Other Governmental Funds	Total Governmental Funds
ASSETS				
Current assets:				
Cash and investments	\$ 305,837	\$ 174,630	\$ 308,626	\$ 789,093
Taxes and assessments receivable, net	6,042	-	-	6,042
Due from other governments	8,606	-	-	8,606
Total current assets	\$ 320,485	\$ 174,630	\$ 308,626	\$ 803,741
Noncurrent assets:				
Restricted cash and investments	\$ -	\$ -	\$ 10,808	\$ 10,808
TOTAL ASSETS	\$ 320,485	\$ 174,630	\$ 319,434	\$ 814,549
LIABILITIES				
Current liabilities:				
Accounts payable	\$ -	\$ -	\$ 311	\$ 311
Revenues collected in advance	-	-	122,525	122,525
Total liabilities	\$ -	\$ -	\$ 122,836	\$ 122,836
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - taxes and assessments	\$ 6,042	\$ -	\$ -	\$ 6,042
Total deferred inflows of resources	\$ 6,042	\$ -	\$ -	\$ 6,042
FUND BALANCES				
Nonspendable	\$ -	\$ -	\$ 10,000	\$ 10,000
Committed	-	-	101,425	101,425
Restricted for public safety	-	-	25,990	25,990
Restricted for public works	-	-	58,376	58,376
Restricted for culture and recreation	-	174,630	807	175,437
Unassigned fund balance	314,443	-	-	314,443
Total fund balance	\$ 314,443	\$ 174,630	\$ 196,598	\$ 685,671
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 320,485	\$ 174,630	\$ 319,434	\$ 814,549

See accompanying Notes to the Financial Statements

Town of Sheridan, Madison County, Montana
Balance Sheet
Governmental Funds
June 30, 2023

	<u>General</u>	<u>Library</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Current assets:				
Cash and investments	\$ 364,512	\$ 115,773	\$ 406,215	\$ 886,500
Taxes and assessments receivable, net	8,059	-	-	8,059
TOTAL ASSETS	<u>\$ 372,571</u>	<u>\$ 115,773</u>	<u>\$ 406,215</u>	<u>\$ 894,559</u>
LIABILITIES				
Current liabilities:				
Warrants payable	\$ 26,070	\$ -	\$ -	\$ 26,070
Accounts payable	4,441	-	310	4,751
Other payroll liabilities	17,941	-	-	17,941
Revenues collected in advance	-	-	68,033	68,033
Total liabilities	<u>\$ 48,452</u>	<u>\$ -</u>	<u>\$ 68,343</u>	<u>\$ 116,795</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - taxes and assessments	\$ 8,059	\$ -	\$ -	\$ 8,059
Total deferred inflows of resources	<u>\$ 8,059</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,059</u>
FUND BALANCES				
Nonspendable	\$ -	\$ -	\$ 10,000	\$ 10,000
Restricted	-	115,773	124,811	240,584
Committed	-	-	203,061	203,061
Unassigned fund balance	316,060	-	-	316,060
Total fund balance	<u>\$ 316,060</u>	<u>\$ 115,773</u>	<u>\$ 337,872</u>	<u>\$ 769,705</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 372,571</u>	<u>\$ 115,773</u>	<u>\$ 406,215</u>	<u>\$ 894,559</u>

See accompanying Notes to the Financial Statements

Town of Sheridan, Madison County, Montana
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2022

Total fund balances - governmental funds	\$ 685,671
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	379,669
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(114,403)
Other long-term assets are not available to pay current-period	(11,925)
Total net position - governmental activities	<u>\$ 939,012</u>

See accompanying Notes to the Financial Statements

Town of Sheridan, Madison County, Montana
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2023

Total fund balances - governmental funds	\$ 769,705
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	379,936
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	8,059
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(23,756)
Net pension liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(109,009)
The changes between actuarial assumptions, differences in expected vs actual pension experiences, changes in proportionate share allocation, and current year retirement contributions as they relate to the net pension liability are a deferred outflow of resources and are not payable in current period, therefore are not reported in the funds.	18,235
The changes between actuarial assumptions, differences in projected vs actual investment earnings, and changes in proportionate share allocation as they relate to the net pension liability are a deferred inflows of resources and are not available to pay for current expenditures, there for are not reported in the funds.	(18,813)
Total net position - governmental activities	\$ <u>1,024,357</u>

See accompanying Notes to the Financial Statements

Town of Sheridan, Madison County, Montana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2022

	<u>General</u>	<u>Library</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes and assessments	\$ 162,149	\$ -	\$ -	\$ 162,149
Intergovernmental	72,629	99,381	36,774	208,784
Miscellaneous	27,193	30,172	-	57,365
Investment earnings	429	-	36	465
Total revenues	<u>\$ 262,400</u>	<u>\$ 129,553</u>	<u>\$ 36,810</u>	<u>\$ 428,763</u>
EXPENDITURES				
General government	\$ 64,615	\$ -	\$ -	\$ 64,615
Public safety	-	-	20,815	20,815
Public works	39,576	-	16,702	56,278
Culture and recreation	47,830	96,999	-	144,829
Total expenditures	<u>\$ 152,021</u>	<u>\$ 96,999</u>	<u>\$ 37,517</u>	<u>\$ 286,537</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 110,379</u>	<u>\$ 32,554</u>	<u>\$ (707)</u>	<u>\$ 142,226</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 18,000	\$ 27,375	\$ 45,375
Transfers out	(45,375)	-	-	(45,375)
Total other financing sources (uses)	<u>\$ (45,375)</u>	<u>\$ 18,000</u>	<u>\$ 27,375</u>	<u>\$ -</u>
Net Change in Fund Balance	<u>\$ 65,004</u>	<u>\$ 50,554</u>	<u>\$ 26,668</u>	<u>\$ 142,226</u>
Fund balances - beginning	\$ 219,439	\$ 124,076	\$ 169,930	\$ 513,445
Restatements	30,000	-	-	30,000
Fund balances - beginning, restated	<u>\$ 249,439</u>	<u>\$ 124,076</u>	<u>\$ 169,930</u>	<u>\$ 543,445</u>
Fund balance - ending	<u>\$ 314,443</u>	<u>\$ 174,630</u>	<u>\$ 196,598</u>	<u>\$ 685,671</u>

See accompanying Notes to the Financial Statements

Town of Sheridan, Madison County, Montana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2023

	General	Library	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes and assessments	\$ 162,946	\$ -	\$ -	\$ 162,946
Intergovernmental	74,901	109,424	36,607	220,932
Miscellaneous	14,046	2,228	-	16,274
Investment earnings	494	-	26	520
Total revenues	\$ 252,387	\$ 111,652	\$ 36,633	\$ 400,672
EXPENDITURES				
General government	\$ 106,058	\$ -	\$ -	\$ 106,058
Public safety	449	-	15,611	16,060
Public works	50,292	-	-	50,292
Culture and recreation	34,496	83,936	-	118,432
Capital outlay	13,975	6,341	5,480	25,796
Total expenditures	\$ 205,270	\$ 90,277	\$ 21,091	\$ 316,638
Excess (deficiency) of revenues over expenditures	\$ 47,117	\$ 21,375	\$ 15,542	\$ 84,034
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 18,000	\$ 125,732	\$ 143,732
Transfers out	(45,500)	(98,232)	-	(143,732)
Total other financing sources (uses)	\$ (45,500)	\$ (80,232)	\$ 125,732	\$ -
Net Change in Fund Balance	\$ 1,617	\$ (58,857)	\$ 141,274	\$ 84,034
Fund balances - beginning	\$ 314,443	\$ 174,630	\$ 196,598	\$ 685,671
Fund balance - ending	\$ 316,060	\$ 115,773	\$ 337,872	\$ 769,705

See accompanying Notes to the Financial Statements

Town of Sheridan, Madison County, Montana
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2022

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

Net change in fund balances - total governmental funds	\$	142,226
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
- Capital assets purchased		(24,216)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
- Long-term receivables (deferred inflows)		(2,516)
Accrued compensated absences		(1,477)
Pension & OPEB expense		8,859
Change in net position - Statement of Activities	\$	<u>122,876</u>

See accompanying Notes to the Financial Statements

Town of Sheridan, Madison County, Montana
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2023

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

Net change in fund balances - total governmental funds	\$	84,034
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
- Capital assets purchased		25,796
- Depreciation expense		(25,528)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
- Long-term receivables (deferred inflows)		2,015
The change in compensated absences is shown as an expense in the Statement of Activities		(5,321)
Termination benefits are shown as an expense in the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance:		
- Post-employment benefits other than retirement liability		1,047
Pension expense related to the net pension liability is shown as an expense on the Statement of Activities and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance		(3,914)
State aid revenue related to net pension liability is shown as a revenue on the Statement of Activities and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance		7,215
Change in net position - Statement of Activities	\$	<u>85,344</u>

See accompanying Notes to the Financial Statements

Town of Sheridan, Madison County, Montana
Statement of Net Position
Proprietary Funds
June 30, 2022

	Business-Type Activities - Enterprise Funds		
	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash and investments	\$ 641,331	\$ 689,297	\$ 1,330,628
Accounts receivable - net	32,814	31,014	63,828
Total current assets	<u>\$ 674,145</u>	<u>\$ 720,311</u>	<u>\$ 1,394,456</u>
Noncurrent assets:			
Restricted cash and investments	\$ 165,421	\$ 159,986	\$ 325,407
Capital assets- infrastructure/utility systems	7,005,218	6,874,522	13,879,740
Capital assets- machinery and equipment	44,000	35,740	79,740
Capital assets - land	5,340	76,036	81,376
Capital assets- buildings	170,000	46,807	216,807
Less: accumulated depreciation	<u>(1,677,947)</u>	<u>(1,442,120)</u>	<u>(3,120,067)</u>
Total noncurrent assets	<u>\$ 5,712,032</u>	<u>\$ 5,750,971</u>	<u>\$ 11,463,003</u>
Total assets	<u>\$ 6,386,177</u>	<u>\$ 6,471,282</u>	<u>\$ 12,857,459</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - OPEB	\$ 134	\$ 146	\$ 280
Deferred outflows of resources - pensions	6,952	7,466	14,418
Total deferred outflows of resources	<u>\$ 7,086</u>	<u>\$ 7,612</u>	<u>\$ 14,698</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 6,393,263</u>	<u>\$ 6,478,894</u>	<u>\$ 12,872,157</u>
LIABILITIES			
Current liabilities:			
Matured bonds and interest payable	\$ 41,028	\$ 67,921	\$ 108,949
Current portion of compensated absences payable	1,463	1,463	2,926
Total current liabilities	<u>\$ 42,491</u>	<u>\$ 69,384</u>	<u>\$ 111,875</u>
Noncurrent liabilities:			
Bonds payable	\$ 932,630	\$ 2,714,227	\$ 3,646,857
Noncurrent portion of OPEB	9,668	(516)	9,152
Noncurrent portion of compensated absences	1,462	1,462	2,924
Net pension liability	28,051	30,125	58,176
Total noncurrent liabilities	<u>\$ 971,811</u>	<u>\$ 2,745,298</u>	<u>\$ 3,717,109</u>
Total liabilities	<u>\$ 1,014,302</u>	<u>\$ 2,814,682</u>	<u>\$ 3,828,984</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions	\$ 20,426	\$ 21,937	\$ 42,363
Deferred inflows of resources - OPEB	87	95	182
Total deferred inflows of resources	<u>\$ 20,513</u>	<u>\$ 22,032</u>	<u>\$ 42,545</u>
NET POSITION			
Net investment in capital assets	\$ 4,572,953	\$ 2,808,837	\$ 7,381,790
Restricted for debt service	165,421	159,986	325,407
Unrestricted	620,074	673,357	1,293,431
Total net position	<u>\$ 5,358,448</u>	<u>\$ 3,642,180</u>	<u>\$ 9,000,628</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSTION	<u>\$ 6,393,263</u>	<u>\$ 6,478,894</u>	<u>\$ 12,872,157</u>

See accompanying Notes to the Financial Statements

Town of Sheridan, Madison County, Montana
Statement of Net Position
Proprietary Funds
June 30, 2023

	Business-Type Activities - Enterprise Funds		
	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash and investments	\$ 738,209	\$ 734,722	\$ 1,472,931
Accounts receivable - net	33,860	25,896	59,756
Total current assets	<u>\$ 772,069</u>	<u>\$ 760,618</u>	<u>\$ 1,532,687</u>
Noncurrent assets:			
Restricted cash and investments	\$ 206,507	\$ 175,434	\$ 381,941
Capital assets - land	5,341	76,035	81,376
Capital assets - construction in progress	32,717	-	32,717
Capital assets - depreciable, net	5,327,233	5,370,243	10,697,476
Total noncurrent assets	<u>\$ 5,571,798</u>	<u>\$ 5,621,712</u>	<u>\$ 11,193,510</u>
Total assets	<u>\$ 6,343,867</u>	<u>\$ 6,382,330</u>	<u>\$ 12,726,197</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pensions	\$ 6,483	\$ 5,829	\$ 12,312
Total deferred outflows of resources	<u>\$ 6,483</u>	<u>\$ 5,829</u>	<u>\$ 12,312</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 6,350,350</u>	<u>\$ 6,388,159</u>	<u>\$ 12,738,509</u>
LIABILITIES			
Current liabilities:			
Accrued payroll	\$ 64	\$ 65	\$ 129
Revenues collected in advance	2,198	1,681	3,879
Current portion of long-term capital liabilities	41,262	69,103	110,365
Current portion of compensated absences payable	267	267	534
Total current liabilities	<u>\$ 43,791</u>	<u>\$ 71,116</u>	<u>\$ 114,907</u>
Noncurrent liabilities:			
Noncurrent portion of OPEB	\$ 3,844	\$ 3,844	\$ 7,688
Noncurrent portion of long-term capital liabilities	906,368	2,645,125	3,551,493
Noncurrent portion of compensated absences	53	53	106
Net pension liability	38,754	34,847	73,601
Total noncurrent liabilities	<u>\$ 949,019</u>	<u>\$ 2,683,869</u>	<u>\$ 3,632,888</u>
Total liabilities	<u>\$ 992,810</u>	<u>\$ 2,754,985</u>	<u>\$ 3,747,795</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions	6,688	6,014	12,702
Total deferred inflows of resources	<u>\$ 6,688</u>	<u>\$ 6,014</u>	<u>\$ 12,702</u>
NET POSITION			
Net investment in capital assets	\$ 4,417,661	\$ 2,732,050	\$ 7,149,711
Restricted for debt service	206,507	175,434	381,941
Unrestricted	726,684	719,676	1,446,360
Total net position	<u>\$ 5,350,852</u>	<u>\$ 3,627,160</u>	<u>\$ 8,978,012</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 6,350,350</u>	<u>\$ 6,388,159</u>	<u>\$ 12,738,509</u>

See accompanying Notes to the Financial Statements

Town of Sheridan, Madison County, Montana
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2022

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
OPERATING REVENUES			
Charges for services	\$ 336,117	\$ 302,016	\$ 638,133
Miscellaneous revenues	-	2,521	2,521
Total operating revenues	<u>\$ 336,117</u>	<u>\$ 304,537</u>	<u>\$ 640,654</u>
OPERATING EXPENSES			
Personal services	\$ 35,219	\$ 51,875	\$ 87,094
Supplies	22,498	10,417	32,915
Purchased services	120,622	77,627	198,249
Depreciation	233,462	149,815	383,277
Total operating expenses	<u>\$ 411,801</u>	<u>\$ 289,734</u>	<u>\$ 701,535</u>
Operating income (loss)	<u>\$ (75,684)</u>	<u>\$ 14,803</u>	<u>\$ (60,881)</u>
NON-OPERATING REVENUES (EXPENSES)			
Intergovernmental revenue	\$ 444,012	\$ 17,661	\$ 461,673
Interest revenue	258	-	258
Debt service interest expense	(20,842)	(54,446)	(75,288)
Total non-operating revenues (expenses)	<u>\$ 423,428</u>	<u>\$ (36,785)</u>	<u>\$ 386,643</u>
Change in net position	<u>\$ 347,744</u>	<u>\$ (21,982)</u>	<u>\$ 325,762</u>
Net Position - Beginning of the year	\$ 5,010,704	\$ 3,664,162	\$ 8,674,866
Net Position - End of the year	<u>\$ 5,358,448</u>	<u>\$ 3,642,180</u>	<u>\$ 9,000,628</u>

See accompanying Notes to the Financial Statements

Town of Sheridan, Madison County, Montana
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2023

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
OPERATING REVENUES			
Charges for services	\$ 332,741	\$ 295,285	\$ 628,026
Total operating revenues	<u>\$ 332,741</u>	<u>\$ 295,285</u>	<u>\$ 628,026</u>
OPERATING EXPENSES			
Personal services	\$ 45,968	\$ 44,599	\$ 90,567
Supplies	2,412	7,633	10,045
Purchased services	90,774	45,465	136,239
Fixed charges	285	140	425
Depreciation	239,637	160,399	400,036
Total operating expenses	<u>\$ 379,076</u>	<u>\$ 258,236</u>	<u>\$ 637,312</u>
Operating income (loss)	<u>\$ (46,335)</u>	<u>\$ 37,049</u>	<u>\$ (9,286)</u>
NON-OPERATING REVENUES (EXPENSES)			
Intergovernmental revenue	\$ 55,687	\$ 1,075	\$ 56,762
Interest revenue	1,670	-	1,670
Debt service interest expense	<u>(18,618)</u>	<u>(53,144)</u>	<u>(71,762)</u>
Total non-operating revenues (expenses)	<u>\$ 38,739</u>	<u>\$ (52,069)</u>	<u>\$ (13,330)</u>
Change in net position	<u>\$ (7,596)</u>	<u>\$ (15,020)</u>	<u>\$ (22,616)</u>
Net Position - Beginning of the year	\$ 5,358,448	\$ 3,642,180	\$ 9,000,628
Net Position - End of the year	<u>\$ 5,350,852</u>	<u>\$ 3,627,160</u>	<u>\$ 8,978,012</u>

See accompanying Notes to the Financial Statements

Town of Sherdian, Madison County
Combined Statement of Cash Flows
All Proprietary Fund Types
Fiscal Year Ended June 30, 2022

	Business - Type Activities		
	Water	Sewer	Totals
Cash flows from operating activities:			
Cash received from providing services	\$ 335,062	\$ 297,198	\$ 632,260
Cash payments to suppliers	(22,498)	(10,417)	(32,915)
Cash payments for professional services	(120,622)	(77,627)	(198,249)
Cash payments to employees	(47,452)	(50,297)	(97,749)
Net cash provided (used) by operating activities	\$ 144,490	\$ 161,378	\$ 305,868
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	\$ (3,392)	\$ (43,995)	\$ (47,387)
Principal paid on debt	(437,595)	(66,623)	(504,218)
Interest paid on debt	(20,842)	(54,446)	(75,288)
Net cash provided (used) by capital and related financing activities	\$ (64,479)	\$ (165,064)	\$ (229,543)
Cash flows from non-capital financing activities:			
Cash received from other governments	\$ 51,823	\$ 15,757	\$ 67,580
Net cash provided (used) from non-capital financing activities	\$ 51,823	\$ 15,757	\$ 67,580
Cash flows from investing activities:			
Interest on investments	\$ 258	\$ -	\$ 258
Net cash provided (used) by investing activities	\$ 258	\$ -	\$ 258
Net increase (decrease) in cash and cash equivalents	\$ 132,092	\$ 12,071	\$ 144,163
Cash and cash equivalents at beginning	674,660	837,212	1,511,872
Cash and cash equivalents at end	\$ 806,752	\$ 849,283	\$ 1,656,035
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (75,684)	\$ 14,803	\$ (60,881)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	233,462	149,815	383,277
Other post-employment benefits	2,378	(2,604)	(226)
Net pension liability and related deferreds	(15,045)	3,748	(11,297)
Changes in assets and liabilities:			
Accounts receivable	(1,055)	(4,818)	(5,873)
Compensated absences	434	434	868
Net cash provided (used) by operating activities	\$ 144,490	\$ 161,378	\$ 305,868
Noncash activities:			
On behalf public employees retirement system payments	\$ 1,773	\$ 1,904	3,677

See accompanying notes to the financial statements

Town of Sherdian, Madison County
Combined Statement of Cash Flows
All Proprietary Fund Types
Fiscal Year Ended June 30, 2023

	Business - Type Activities		
	Water	Sewer	Totals
Cash flows from operating activities:			
Cash received from providing services	\$ 333,893	\$ 302,084	\$ 635,977
Cash payments to suppliers	(2,697)	(7,774)	(10,471)
Cash payments for professional services	(90,774)	(45,465)	(136,239)
Cash payments to employees	(55,657)	(53,368)	(109,025)
Net cash provided (used) by operating activities	\$ 184,765	\$ 195,477	\$ 380,242
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	\$ (58,317)	\$ (15,690)	\$ (74,007)
Principal paid on debt	(26,028)	(67,922)	(93,950)
Interest paid on debt	(18,618)	(53,144)	(71,762)
Net cash provided (used) by capital and related financing activities	\$ (102,963)	\$ (136,756)	\$ (239,719)
Cash flows from non-capital financing activities:			
Cash received from other governments	\$ 54,492	\$ 2,152	\$ 56,644
Net cash provided (used) from non-capital financing activities	\$ 54,492	\$ 2,152	\$ 56,644
Cash flows from investing activities:			
Interest on investments	\$ 1,670	\$ -	\$ 1,670
Net cash provided (used) by investing activities	\$ 1,670	\$ -	\$ 1,670
Net increase (decrease) in cash and cash equivalents	\$ 137,964	\$ 60,873	\$ 198,837
Cash and cash equivalents at beginning	806,752	849,283	1,656,035
Cash and cash equivalents at end	\$ 944,716	\$ 910,156	\$ 1,854,872
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (46,335)	\$ 37,049	\$ (9,286)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	239,637	160,399	400,036
Other post-employment benefits	(5,777)	4,411	(1,366)
Net pension liability and related deferreds	(1,371)	(10,641)	(12,012)
Changes in assets and liabilities:			
Accounts receivable	1,152	6,799	7,951
Compensated absences	(2,605)	(2,605)	(5,210)
Payroll payable	64	65	129
Net cash provided (used) by operating activities	\$ 184,765	\$ 195,477	\$ 380,242
Noncash activities:			
On behalf public employees retirement system payments	\$ 1,195	\$ 1,075	2,270

See accompanying notes to the financial statements

Town of Sheridan, Madison County, Montana
Statement of Changes in Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2022

	<u>Custodial Funds</u>
	<u>Custodial Funds</u>
ADDITIONS	
Contributions:	
Contributions	\$ 1,570
Total additions	<u>\$ 1,570</u>
DEDUCTIONS	
Other expenditures	\$ 1,570
Total deductions	<u>\$ 1,570</u>
Change in net position	<u>\$ -</u>
Net Position - Beginning of the year	\$ -

See accompanying Notes to the Financial Statements

TOWN OF SHERIDAN
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

New Accounting Pronouncements

GASB No. 96 Subscription-Based Information Technology Arrangements (SBITA) is effective for years beginning after June 15, 2022, and all reporting periods thereafter. This statement establishes standards of accounting and financial reporting for SBITAs through specifically defined criteria to identify when a government has a SBITA contract that requires a subscription liability and intangible right-to-use asset be reported and disclosed. The statement defines how governments are to measure the subscription liability and intangible right -to-use asset and required footnote disclosures for those liabilities and assets reported. Lastly, the statement addresses the reporting for implementation phase costs, impairments on SBITA's, incentives provided by SBITA vendor, contracts with multiple components and combinations, and modifications and terminations to SBITA contracts. The Town has implemented this pronouncement in the current fiscal year.

GASB No. 87 Leases is effective for years beginning after December 15, 2019 (revised to year beginning after June 15, 2021 per GASB Statement No. 95). This Statement removed capital and operating lease classifications and now establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Town has implemented this pronouncement in the current fiscal year.

Financial Reporting Entity

In determining the financial reporting entity, the Town complies with the provisions of GASB statement No. 14, *The Financial Reporting Entity*, as amended by GASB statement No. 61, *The Financial Reporting Entity: Omnibus*, and includes all component units of which the Town appointed a voting majority of the component unit's board; the Town is either able to impose its will on the unit or a financial benefit or burden relationship exists. In addition, the Town complies with GASB statement No. 39 *Determining Whether Certain Organizations Are Component Units* which relates to organizations that raise and hold economic resources for the direct benefit of the Town.

TOWN OF SHERIDAN
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

Primary Government

The Town is a political subdivision of the State of Montana governed by an elected Mayor and Council duly elected by the registered voters of the Town. The Town utilizes the manager form of government. The Town is considered a primary government because it is a general-purpose local government. Further, it meets the following criteria; (a) it has a separately elected governing body (b) it is legally separate and (c) it is fiscally independent from the State and other local governments.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. The component units listed below have a fiscal year ending June 30, 2022 and June 30, 2023. The Town has the following discretely presented component unit:

Friends of the Sheridan Public Library

The criteria for including organizations as component units within the Town's reporting entity is set forth in Section 2100 of the GASB "Codification of Governmental Accounting and Financial Reporting Standards." The basic criteria include appointing a voting majority of an organization's governing body, as well as the Town's ability to impose its will on that organization, or the potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the Town. Based on those criteria the Town has determined that the Friends of the Sheridan Public Library is a component unit of the Town. Therefore, the financial statements of the reporting entity the Town of Sheridan (primary government) should include those of Friends of the Sheridan Public Library (component unit) herein referred to as Friends of the Sheridan Public Library.

Basis of Presentation, Measurement Focus and Basis of Accounting

Government-wide Financial Statements:

Basis of Presentation

The Government-wide Financial Statements (the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole and its component units. They include all funds of the Town except fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Eliminations have been made in the consolidation of business-type activities.

TOWN OF SHERIDAN
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

The Statement of Net Position presents the financial condition of the governmental and business-type activities for the Town at year end. The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function. The Town does not charge indirect expenses to programs or functions. The types of transactions reported as 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 activity, 2) operating grants and contributions, and 3) capital grants and contributions. Revenues that are not classified as program revenues, including all property taxes, are presented as general revenues.

Certain eliminations have been made as prescribed by GASB 34 in regards to inter-fund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated.

Measurement Focus and Basis of Accounting

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred regardless of the timing of the cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The Town generally applies restricted resources to expenses incurred before using unrestricted resources when both restricted and unrestricted net position are available.

Fund Financial Statements

Basis of Presentation

Fund financial statements of the reporting Town are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Funds are organized into three categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is displayed in a separate column in the governmental funds statements. All of the remaining funds are aggregated and reported in a single column as non-major funds. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

TOWN OF SHERIDAN
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

- b. Total assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise funds are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Measurement Focus and Basis of Accounting

Governmental Funds

Modified Accrual

All governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town defined the length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements as collection within 60 days of the end of the current fiscal period, except for property taxes and other state grants that are recognized upon receipt.

Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. General capital asset acquisitions are reported as expenditures in governmental funds and proceeds of general long-term debt and inception of leases and SBITA's are reported as other financing sources.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Major Funds:

The Town reports the following major governmental funds:

General Fund – This is the Town's primary operating fund and it accounts for all financial resources of the Town except those required to be accounted for in other funds.

TOWN OF SHERIDAN
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

Library Fund – A special revenue fund that was established to account for the financial resources and uses of the Town library.

Proprietary Funds:

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when earned and expenses are recognized when incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connections with a proprietary fund's principal ongoing operations. The principal operating revenues for enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

Major Funds:

The Town reports the following major proprietary funds:

Water Fund – An enterprise fund that accounts for the activities of the Town's water distribution operations.

Sewer Fund – An enterprise fund that accounts for the activities of the Town's sewer collection and treatment operations and includes the storm sewer system.

Fiduciary Funds

Fiduciary funds presented using the economic resources measurement focus and the accrual basis of accounting (except for the recognition of certain liabilities of defined benefit pension plans and certain postemployment healthcare plans). The required financial statements are a statement of fiduciary net position and a statement of changes in fiduciary net position. The fiduciary funds for fiscal year June 30, 2022 were as follows:

Custodial Funds – To report fiduciary activities that are not required to be reported in any of the other fiduciary categories in which the resources held by the Town in a custodial capacity of the Town. This fund primarily consist reporting of resources held by the Town as an agent for individuals, private organizations, other local governmental entities.

TOWN OF SHERIDAN
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

Composition of cash, deposits and investments at fair value on June 30, 2022, are as follows:

	<u>Primary Government</u>
<u>Cash on hand and deposits:</u>	
Cash in banks:	
Demand deposits	\$ 2,338,079
Savings deposits	28,155
Time deposits	10,807
<u>Investments:</u>	
State Short-Term Investment Pool (STIP)	78,895
Total	<u>\$ 2,455,936</u>

Composition of cash, deposits and investments at fair value on June 30, 2023, are as follows:

	<u>Primary Government</u>
<u>Cash on hand and deposits:</u>	
Cash on hand	
Petty Cash	\$ 270
Cash in banks:	
Demand deposits	2,620,239
Savings deposits	28,167
Time deposits	10,829
<u>Investments:</u>	
State Short-Term Investment Pool (STIP)	81,867
Total	<u>\$ 2,741,372</u>

Cash equivalents

Cash equivalents are short-term, highly liquid deposits and investments that both readily convertible to known amounts of cash, and have maturities at purchase date of three months or less. The Town's cash and cash equivalents (including restricted assets) are considered to be petty cash, demand, savings and time deposits, STIP, and all other short-term investments with original maturity dates of three months or less from the date of acquisition.

For purposes of the statement of cash flows, the enterprise funds consider all funds (including restricted assets) held in the Town's cash management pool to be cash equivalents.

TOWN OF SHERIDAN
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

Fair Value Measurements

Investments are reported at fair value, with the following limited exceptions: 1) investments in non-negotiable certificates of deposit are reported at cost and 2) money market investments, including U.S Treasury and Agency obligations, which mature within one year of acquisition, are reported at amortized cost. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between markets participates at the measurement date.

Credit Risk

As a means of limiting exposure to credit risk, the Town is required to follow specific state statutes adding security to the deposits and investments. Below are the legal provisions provided in the state Montana Code Annotated (MCA).

Section 7-6-202, MCA, limits investments of public money of a local government in the following eligible securities:

(a) United States government treasury bills, notes and bonds and in the United States treasury obligations, such as state and local government series (SLGLS), separate trading of registered interest and principal of securities (STRIPS), or similar United States treasury obligations;

(b) United States treasury receipts in a form evidencing the holder's ownership of future interest or principal payments on specific United States treasury obligations that, in the absence of payment default by the United States, are held in a special custody account by an independent trust company in a certificate or book entry form with the federal reserve bank of New York; or

(c) Obligations of the following agencies of the United States, subject to the limitations in subsection 2 (not included):

- (i) federal home loan bank;
- (ii) federal national mortgage association;
- (iii) federal home mortgage corporation; and
- (iv) federal farm credit bank.

With the exception of the assets of a local government group self-insurance program, investments may not have a maturity date exceeding 5 years except when the investment is used in an escrow account to refund an outstanding bond issue in advance.

Section 7-6-205 and Section 7-6-206, MCA, state that demand deposits may be placed only in banks and public money not necessary for immediate use by a county, Town, or town that is not invested as authorized in Section 7-6-202, MCA, may be placed in time or savings deposits with a bank, savings and loan association, or credit union in the state or placed in repurchase agreements as authorized in Section 7-6-213, MCA.

The government has no investment policy that would further limit its investment choices.

The government has no investments that require credit risk disclosure.

TOWN OF SHERIDAN
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

Short Term Investment Pool (STIP) Credit Quality ratings by the S&P's rating services as of June 30, 2022, (in thousands):

<u>Security Investment Type</u>	Total Fixed Income Investments at Fair Value	Credit Quality Rating	WAM (Days)
Treasuries	\$ 520,928	A-1	17
Asset Backed Commercial Paper	69,929	A-1	2
Agency of Government Related	1,242,500	A-1	40
Corporate:			
Commercial Paper	838,725	A-1	27
Notes	253,992	A-1	8
Certificates of Deposit	<u>752,070</u>	A-1	24
Total Investments	<u>\$ 3,678,144</u>		

Short Term Investment Pool (STIP) Credit Quality ratings by the S&P's rating services as of June 30, 2023, (in thousands):

<u>Security Investment Type</u>	Total Fixed Income Investments at Fair Value	Credit Quality Rating	WAM (Days)
Treasuries	\$ 543,893	A-1+	8
Agency of Government Related	847,891	A-1+	12
Corporate:			
Commercial Paper	924,505	A-1+	19
Notes	408,375	A-1+	3
Certificates of Deposit	<u>1,254,156</u>	A-1+	40
Total Investments	<u>\$ 3,978,820</u>		

Audited financial statements for the State of Montana's Board of Investments are available at 2401 Colonial Drive 3rd Floor in Helena, Montana.

TOWN OF SHERIDAN
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk other than that required by state statutes. All deposits are carried at cost plus accrued interest. As of June 30, 2022, the government's bank balance was exposed to custodial credit risk as follows:

	June 30, 2022 <u>Balance</u>
<u>Depository Account</u>	
Insured	\$ 288,962
- Collateral held by the pledging bank's trust department but not in the County's name	1,298,430
- Uninsured and Uncollateralized deposits	838,822
Total deposits and investments	<u>\$ 2,426,214</u>

As of June 30, 2023, the government's bank balance was exposed to custodial credit risk as follows:

	June 30, 2023 <u>Balance</u>
<u>Depository Account</u>	
Insured	\$ 288,996
- Collateral held by the pledging bank's trust department but not in the County's name	1,233,150
- Uninsured and Uncollateralized deposits	1,137,221
Total deposits and investments	<u>\$ 2,659,367</u>

Deposit Security

Section 7-6-207, MCA, states (1) The local governing body may require security only for that portion of the deposits which is not guaranteed or insured according to law and, as to such unguaranteed or uninsured portion, to the extent of:

(a) 50% of such deposits if the institution in which the deposit is made has a net worth of total assets ratio of 6% or more; or

(b) 100% if the institution in which the deposit is made has a net worth of total assets ratio of less than 6%.

The amount of collateral held for the Town's deposits at June 30, 2022 and June 30, 2023, equaled or exceeded the amount required by State statutes.

TOWN OF SHERIDAN
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

NOTE 3. RESTRICTED CASH/INVESTMENTS

The following restricted cash/investments were held by the Town as of June 30, 2022. These amounts are reported within the cash/investment account on the Statement of Net Position.

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Schultz Library	Endowment	\$ 10,807
Water	Revenue bond reserve	34,332
Water	Short-lived assets	131,089
Sewer	Revenue bond reserve	110,924
Sewer	Short-lived assets	49,062
		<u>\$ 336,214</u>

The following restricted cash/investments were held by the Town as of June 30, 2023. These amounts are reported within the cash/investment account on the Statement of Net Position.

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Water	Current bond payment reserve	\$ 19,747
Water	Revenue bond reserve	35,882
Water	Short-lived assets	150,878
Sewer	Revenue bond reserve	121,068
Sewer	Short-lived assets	4,366
		<u>\$ 381,941</u>

NOTE 4. INVENTORIES

The cost of inventories are recorded as an expenditure when purchased.

NOTE 5. CAPITAL ASSETS

The Town's assets are capitalized at historical cost or estimated historical cost. Town policy has set the capitalization threshold for reporting capital assets at \$5,000. Gifts or contributions of capital assets are recorded at fair market value when received. The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings	40 – 75 years
Improvements other than Buildings	5 – 20 years
Machinery and Equipment	5 – 30 years
Infrastructure	20 – 50 years

TOWN OF SHERIDAN
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

A summary of changes in governmental capital assets at June 30, 2022 was as follows:

Governmental activities:

	Balance <u>July 1, 2021</u>	<u>Additions</u>	Balance <u>June 30, 2022</u>
Capital assets not being depreciated:			
Land	\$ 46,681	\$ -	\$ 46,681
Total capital assets not being depreciated	<u>\$ 46,681</u>	<u>\$ -</u>	<u>\$ 46,681</u>
Other capital assets:			
Buildings/improvements	\$ 466,159	\$ -	\$ 466,159
Improvements other than buildings	207,229	-	207,229
Machinery and equipment	224,821	-	224,821
Infrastructure	28,409	-	28,409
Total other capital assets at historical cost	<u>\$ 926,618</u>	<u>\$ -</u>	<u>\$ 926,618</u>
Less: accumulated depreciation	<u>(569,415)</u>	<u>(24,216)</u>	<u>(593,631)</u>
Total	<u>\$ 403,884</u>	<u>\$ (24,216)</u>	<u>\$ 379,668</u>

Governmental activities depreciation expense was charged to functions at June 30, 2022 was as follows:

Governmental Activities:

General government	\$ 41
Public safety	2,368
Public works	6,398
Culture and recreation	<u>15,409</u>
Total governmental activities depreciation expense	<u>\$ 24,216</u>

A summary of changes in business-type capital assets at June 30, 2022 was as follows:

Business-type activities:

	Balance <u>July 1, 2021</u>	<u>Additions</u>	Balance <u>June 30, 2022</u>
Capital assets not being depreciated:			
Land	\$ 81,376	\$ -	\$ 81,376
Total capital assets not being depreciated	<u>\$ 81,376</u>	<u>\$ -</u>	<u>\$ 81,376</u>
Other capital assets:			
Buildings and systems	\$ 216,807	\$ -	\$ 216,807
Machinery and equipment	79,740	-	79,740
Capital Assets - Infrastructure Utility	<u>13,832,353</u>	<u>47,387</u>	<u>13,879,740</u>
Total other capital assets at historical cost	<u>\$ 14,128,900</u>	<u>\$ 47,387</u>	<u>\$ 14,176,287</u>
Less: accumulated depreciation	<u>(2,736,790)</u>	<u>(383,277)</u>	<u>(3,120,067)</u>
Total	<u>\$ 11,473,486</u>	<u>\$ (335,890)</u>	<u>\$ 11,137,596</u>

TOWN OF SHERIDAN
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

A summary of changes in governmental capital assets at June 30, 2023 was as follows:

Governmental activities:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2023</u>
Capital assets not being depreciated:			
Land	\$ 46,681	\$ -	\$ 46,681
Total capital assets not being depreciated	<u>\$ 46,681</u>	<u>\$ -</u>	<u>\$ 46,681</u>
Other capital assets:			
Buildings	\$ 466,159	\$ 6,341	\$ 472,500
Improvements other than buildings	207,229	-	207,229
Machinery and equipment	224,821	19,455	244,276
Infrastructure	28,409	-	28,409
Total other capital assets at historical cost	<u>\$ 926,618</u>	<u>\$ 25,796</u>	<u>\$ 952,414</u>
Less: accumulated depreciation	<u>(593,631)</u>	<u>(25,528)</u>	<u>(619,159)</u>
Total	<u>\$ 379,668</u>	<u>\$ 268</u>	<u>\$ 379,936</u>

Governmental activities depreciation expense was charged to functions at June 30, 2023 was as follows:

Governmental Activities:

Public safety	\$ 2,917
Public works	5,690
Culture and recreation	<u>16,921</u>
Total governmental activities depreciation expense	<u>\$ 25,528</u>

A summary of changes in business-type capital assets at June 30, 2023 was as follows:

Business-type activities:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2023</u>
Capital assets not being depreciated:			
Land	\$ 81,376	\$ -	\$ 81,376
Construction in progress	-	32,717	32,717
Total capital assets not being depreciated	<u>\$ 81,376</u>	<u>\$ 32,717</u>	<u>\$ 114,093</u>
Other capital assets:			
Buildings	\$ 216,807	\$ -	\$ 216,807
Machinery and equipment	79,740	41,292	121,032
Infrastructure Utility	13,879,740	-	13,879,740
Total other capital assets at historical cost	<u>\$ 14,176,287</u>	<u>\$ 41,292</u>	<u>\$ 14,217,579</u>
Less: accumulated depreciation	<u>(3,120,067)</u>	<u>(400,036)</u>	<u>(3,520,103)</u>
Total	<u>\$ 11,137,596</u>	<u>\$ (326,027)</u>	<u>\$ 10,811,569</u>

TOWN OF SHERIDAN
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

NOTE 6. LONG TERM DEBT OBLIGATIONS

In the governmental-wide, and proprietary financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, are expensed at the date of sale.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2022, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance <u>July 1, 2021</u>	<u>Additions</u>	Balance <u>June 30, 2022</u>	Due Within <u>One Year</u>
Compensated absences	\$ 16,103	\$ 1,478	\$ 17,581	\$ 8,791
Total	<u>\$ 16,103</u>	<u>\$ 1,478</u>	<u>\$ 17,581</u>	<u>\$ 8,791</u>

In prior years the General Fund was used to liquidate Compensated Absences and claims and judgments.

Business-type Activities:

	Balance <u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2022</u>	Due Within <u>One Year</u>
Revenue bonds	\$ 4,253,090	\$ 6,934	\$ (504,218)	\$ 3,755,806	\$ 108,950
Compensated absences	4,982	868	-	5,850	2,926
Total	<u>\$ 4,258,072</u>	<u>\$ 7,802</u>	<u>\$ (504,218)</u>	<u>\$ 3,761,656</u>	<u>\$ 111,876</u>

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2023, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance <u>July 1, 2022</u>	<u>Additions</u>	Balance <u>June 30, 2023</u>	Due Within <u>One Year</u>
Compensated absences	\$ 17,581	\$ 5,321	\$ 22,902	\$ 14,806
Total	<u>\$ 17,581</u>	<u>\$ 5,321</u>	<u>\$ 22,902</u>	<u>\$ 14,806</u>

In prior years the General Fund was used to liquidate Compensated Absences and claims and judgments.

TOWN OF SHERIDAN
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

Business-type Activities:

	Balance <u>July 1, 2022</u>	<u>Deletions</u>	Balance <u>June 30, 2023</u>	Due Within <u>One Year</u>
Revenue bonds	\$ 3,755,806	\$ (93,948)	\$ 3,661,858	\$ 110,365
Compensated absences	5,850	(5,210)	640	534
Total	<u>\$ 3,761,656</u>	<u>\$ (99,158)</u>	<u>\$ 3,662,498</u>	<u>\$ 110,899</u>

Revenue Bonds – The Town also issues bonds where the Town pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at year-end were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Bond Term</u>	<u>Maturity Date</u>	<u>Bonds Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2022</u>	<u>Balance June 30, 2023</u>
2007 Drinking Water	9/28/07	2.25%	20yrs	7/1/27	\$ 423,000	\$ 16,000	\$ 80,000	\$ 72,000
2011 Water System	7/20/12	2.50%	40yrs	7/20/51	229,000	9,216	189,392	184,859
Water WRF Loan B	10/23/19	2.50%	20yrs	7/1/39	601,000	Varies	322,000	315,000
2019 Water RD	10/23/19	2.38%	40yrs	10/23/59	400,000	Varies	382,266	375,771
2011 Sewer System	12/12/11	2.25%	40yrs	12/28/51	516,000	19,632	420,988	410,726
2013 Sewer System	3/27/13	1.88%	40yrs	4/27/53	<u>2,846,000</u>	<u>101,436</u>	<u>2,361,160</u>	<u>2,303,502</u>
					<u>\$5,065,000</u>		<u>\$ 3,755,806</u>	<u>\$ 3,661,858</u>

Revenue bond resolutions include various restrictive covenants. The more significant covenants 1) require that cash be restricted and reserved for operations, construction, debt service, and replacement and depreciation; 2) specify minimum required operating revenue; and 3) specific and timely reporting of financial information to bond holders and the registrar. The most significant covenants are summarized in detail below:

- 1) The Town is to maintain reserves for the next principal and interest payment owed on the outstanding water state revolving fund revenue bonds. This requirement did not exist at the end of June 30, 2022 because the Town made the semi-annual payment owed in July at end of June. The reserve requirement equaled \$19,747 as of June 30, 2023. The Town maintained the reserves required for fiscal year ending June 30, 2023 equal to \$19,747 and was in compliance.

TOWN OF SHERIDAN
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

- 2) The Town is to maintain a reserve account for the outstanding water state revolving fund revenue bonds. The reserve requirement is to equal one half of the aggregate maximum principal and interest payments on state revolving fund bonds. This requirement equaled \$20,981. The Town maintained the reserves required for both fiscal years ending June 30, 2022 and June 30, 2023 equal to \$20,981 and was in compliance.
- 3) The Town is to maintain a reserve account for the outstanding 2011 and 2019 USDA Water revenue bonds. The Town is required to accumulate ten percent of the monthly payment over the life of the bond until the reserve equals an annual installment amount. As of June 30, 2022 and June 30, 2023 the Town had properly accumulated the required reserves for these years and were in compliance with requirement. The total reserves held for fiscal year 2022 and fiscal year 2023 were equal to \$13,350 and \$14,901.
- 4) The Town is to maintain short lived asset replacement reserve for the 2011 and 2019 USDA Water revenue bonds. The Town is to deposit \$583 per month on the 2011 USDA bond until the balance equals \$113,900, and are required to deposit \$12,793 annually on 2019 USDA Bond over the life of the bond. The Town held reserves required amount for both fiscal year ending June 30, 2022 and June 30, 2023 equal to \$131,089 and \$150,878 and was in compliance.
- 5) The Town is to maintain a reserve account for the outstanding 2011 and 2013 USDA Sewer revenue bonds. The Town is required to accumulate ten percent of the monthly payment over the life of the bond until the reserve equals an annual installment amount. As of June 30, 2022 and June 30, 2023 the Town had properly accumulated the required reserves for these years and were in compliance with requirement. The total reserves held for fiscal year 2022 and fiscal year 2023 were equal to \$110,924 and \$121,068.
- 6) The Town is to maintain short lived asset replacement reserve for the 2013 USDA Sewer revenue bonds. The Town is to deposit \$442 per month until the reserves equal \$54,850. The Town held reserves required amount for both fiscal year ending June 30, 2022 and June 30, 2023 equal to \$49,062 and \$54,366 and was in compliance.
- 7) The District is to maintain net revenues at least equal to 110% of the maximum annual principal and interest payments due in any fiscal year in the Water Fund, and at least equal to 110% of the maximum annual principal and interest payments due in any fiscal year in the Sewer Fund. The calculated required net revenues in the Water Fund was \$73,365 in fiscal year 2022 and 2023. The calculated required net revenues in the Sewer Fund was \$133,175 in fiscal year 2022 and 2023. The District exceeded these required net revenue amounts in both funds, and were in compliance with the requirement at June 30, 2022 and June 30, 2023.

TOWN OF SHERIDAN
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

Annual requirement to amortize debt:

For Fiscal <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 110,365	\$ 74,561
2025	113,167	72,049
2026	115,827	69,641
2027	118,521	67,187
2028	113,133	64,999
2029	107,033	62,514
2030	108,833	60,264
2031	111,670	57,977
2032	114,426	55,733
2033	116,457	53,203
2034	118,409	50,750
2035	121,401	48,258
2036	124,334	45,788
2037	126,508	43,065
2038	128,625	40,397
2039	130,786	37,686
2040	121,913	35,010
2041	113,241	32,544
2042	115,536	30,248
2043	117,881	27,903
2044	120,215	25,569
2045	122,712	23,073
2046	125,203	20,581
2047	127,745	18,039
2048	130,308	15,476
2049	132,987	12,797
2050	135,688	10,096
2051	137,357	7,339
2052	118,338	4,753
2053	75,613	2,642
2054	13,591	1,909
2055	13,917	1,583
2056	14,251	1,249
2057	14,593	907
2058	14,944	556
2059	16,330	198
Total	\$ <u>3,661,858</u>	\$ <u>1,176,544</u>

TOWN OF SHERIDAN
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

Compensated Absences

Compensated absences are absences for which employees will be paid for time off earned for time during employment, such as earned vacation and sick leave. It is the Town’s policy and state law to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from Town service. Employees are allowed to accumulate and carry over a maximum of two times their annual accumulation of vacation, but the excess cannot be carried forward more than 90 days into the new calendar year. There is no restriction on the amount of sick leave that may be accumulated. Upon separation, employees are paid 100 percent of accumulated vacation and 25 percent of accumulated sick leave. The liability associated with governmental fund-type employees is reported in the governmental activities, while the liability associated with proprietary fund-type employees is recorded in the business-type activities/respective proprietary fund.

NOTE 7. POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description. The healthcare plan provides for, as required by section 2-18-704, MCA, employees with at least 5 years of service and who are at least age 50, along with surviving spouses and dependents, to stay on the government's health care plan as long as they pay the same premium. This creates a defined benefit Other Post-Employment Benefits Plan (OPEB); since retirees are usually older than the average age of the plan participants, they receive a benefit of lower insurance rates. The OPEB plan is a single-employer defined benefit plan administered by the Town. The government has not created a trust to accumulate assets to assist in covering the defined benefit plan costs, and covers these when they come due. The government has less than 100 plan members and thus qualifies to use the “Alternative Measurement Method” for calculating the liability. The above described OPEB plan does not provide a stand-alone financial report.

Benefits Provided. The government provides healthcare insurance benefits for retirees and their dependents upon reaching the age and service years defined in section 2-18-704, MCA. The benefit terms require that eligible retirees cover 100 percent of the health insurance premiums, but may pay the same premiums as the other members in the group health plan.

Employees covered by benefit terms. At June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefit payments	-
Active employees	2
Total employees	<hr style="border: 0.5px solid black;"/> <hr style="border: 0.5px solid black;"/> 2

TOWN OF SHERIDAN
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

Total OPEB Liability

The Town's total OPEB liability of \$11,177 at June 30, 2022, was determined by using the alternative measurement method. The measurement date of the determined liability was June 30, 2022.

Actuarial assumptions and other input. The total OPEB liability in the June 30, 2022, alternative measurement method was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Average age of retirement (based on historical data)	60
Discount rate (average anticipated rate)	4.02%
Average salary increase (Consumer Price Index)	4.00%
Participation rate	10.00%
<u>Health care cost rate trend (Federal Office of the Actuary)</u>	

<u>Year</u>	<u>% Increase</u>
2023	0.00%
2024	6.50%
2025	6.00%
2026	5.90%
2027	5.70%
2028	5.60%
2029	5.50%
2030	5.30%
2031 and after	5.20%

The discount rate was based on the 20-year General obligation (GO) bond index.

Life expectancy of employees was based on the United States Life Tables, 2020 for Males: Table 2 and Females: Table 3 as published in the National Vital Statistics Reports, Vol. 71, No. 2, August 23, 2022.

The turnover rates were determined from the periodic experience studies of the Montana public retirement systems for the covered groups as documented in the GASB 68 actuarial valuations.

Changes in the Total OPEB Liability

Balance at 6/30/2021	\$ <u>9,664</u>
Changes for the year:	
Service Cost	\$ 1,772
Change in assumptions	<u>(259)</u>
Net changes	\$ <u>1,513</u>
Balance at 6/30/2022	\$ <u><u>11,177</u></u>

TOWN OF SHERIDAN
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

Sensitivity of the total OPEB liability to changes in the discount rate. The following summarizes the total OPEB liability reported, and how that liability would change if the discount rate used to calculate the OPEB liability were to decrease or increase 1%:

	1% Decrease (3.02%)	Discount Rate (4.02%)	1% Increase (5.02%)
Total OPEB Liability \$	11,477 \$	11,177 \$	10,869

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following summarizes the total OPEB liability reported, and how that liability would change if the healthcare trend rates used in projecting the benefit payments were to decrease or increase 1%:

	1% Decrease	Healthcare Cost Trends*	1% Increase
Total OPEB Liability \$	10,641 \$	11,177 \$	11,749

**Reference the assumptions footnotes to determine the healthcare cost trends used to calculate the OPEB liability.*

Employees covered by benefit terms. At June 30, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefit payments	-
Active employees	3
Total employees	<u>3</u>

The Town's total OPEB liability of \$8,542 at June 30, 2023, was determined by using the alternative measurement method. The measurement date of the determined liability was June 30, 2022. The current year was rolled forward of this prior year evaluation.

Actuarial assumptions and other input. The total OPEB liability in the June 30, 2023, alternative measurement method was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Average age of retirement (based on historical data)	62
Discount rate (average anticipated rate)	3.37%
Average salary increase (Consumer Price Index)	5.00%
Participation rate	10.00%

TOWN OF SHERIDAN
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

Health care cost rate trend (Federal Office of the Actuary)

<u>Year</u>	<u>% Increase</u>
2022	4.60%
2023	5.00%
2024	5.10%
2025	5.40%
2026	5.30%
2027	5.30%
2028	5.30%
2029	5.50%
2030	5.40%
2031	4.70%
2032 and after	4.70%

The discount rate was based on the 20-year General obligation (GO) bond index.

Life expectancy of employees was based on the United States Life Tables, 2020 for Males: Table 2 and Females: Table 3 as published in the National Vital Statistics Reports, Vol. 71, No. 2, August 23, 2022.

The turnover rates were determined from the periodic experience studies of the Montana public retirement systems for the covered groups as documented in the GASB 68 actuarial valuations.

Changes in the Total OPEB Liability

Balance at 6/30/2022	\$ <u>11,177</u>
Changes for the year:	
Service Cost	\$ 662
Change in assumptions	<u>(3,297)</u>
Net changes	\$ <u>(2,635)</u>
Balance at 6/30/2023	\$ <u>8,542</u>

Sensitivity of the total OPEB liability to changes in the discount rate. The following summarizes the total OPEB liability reported, and how that liability would change if the discount rate used to calculate the OPEB liability were to decrease or increase 1%:

	1% Decrease (2.37%)	Discount Rate (3.37%)	1% Increase (4.37%)
Total OPEB Liability \$	8,510	\$ 7,879	\$ 7,298

TOWN OF SHERIDAN
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following summarizes the total OPEB liability reported, and how that liability would change if the healthcare trend rates used in projecting the benefit payments were to decrease or increase 1%:

	<u>1% Decrease</u>		<u>Healthcare Cost Trends*</u>		<u>1% Increase</u>
Total OPEB Liability \$	7,089	\$	7,879	\$	8,754

**Reference the assumptions footnotes to determine the healthcare cost trends used to calculate the OPEB liability.*

In fiscal year ending June 30, 2023, the above sensitivity analysis does not reflect the change to the total OPEB liability. The total OPEB liability in the analysis is based on the June 30, 2022, calculated liability per valuation completed on June 30, 2022.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2022 and June 30, 2023, the Town recognized an OPEB expense of \$1,513 and (\$2,635). The deferred inflows and outflows related to OPEB in fiscal year June 30, 2022 are insignificant to add further disclosure. The Town does not report any deferred outflows of resources and deferred inflows of resources related to OPEB as there were no differences between expected and actual experience or changes in assumptions performed in the alternative measurement method in fiscal year ending June 30, 2023. In addition, since Town records costs as they come due, there are no deferred outflows of resources for contributions to the OPEB plan trust.

NOTE 8. NET PENSION LIABILITY

As of June 30, 2022, the Town/Town reported the following balances as its proportionate share of PERS pension amounts:

		<u>PERS</u>
Town's Proportionate Share Associated With:		
Net Pension Liability	\$	134,434
Deferred outflows of resources*	\$	33,318
Deferred inflows of resources	\$	97,893
Pension expense	\$	7,856

TOWN OF SHERIDAN
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

*Deferred outflows for PERS are reported as of the reporting date which includes employer contributions made subsequent to the measurement date of \$11,971 respectively. These amounts will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Total deferred inflows and outflows in the remainder of the note are as of the measurement date of June 30, 2022.

The following are the detailed disclosures for each retirement plan as required by GASB 68.

Public Employee's Retirement System – Defined Benefit Retirement Plan

Summary of Significant Accounting Policies

The Town's employees participate in the Public Employees Retirement System (PERS) administered by the Montana Public Employee Retirement Administration (MPERA), MPERA prepared financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the NPL; Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions; Pension Expense; the Fiduciary Net Position; and Additions to, or Deductions from, Fiduciary Net Position. Member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period in which they are due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adhered to all accounting principles generally accepted by the United States of America. MPERA applied all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

Plan Descriptions

The PERS-Defined Benefit Retirement Plan (PERS) administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, chapters 2 & 3, Montana Code Annotated (MCA). This plan provides retirement benefits to covered employees of the State, local governments, certain employees of the Montana University System, and school districts.

All new members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the defined contribution retirement plan (PERS-DCRP) by filing an irrevocable election. Members may not be participants of both the *defined contribution* and *defined benefit* retirement plans. For members that choose to join the PERS-DCRP, a percentage of the employer contributions will be used to pay down the liability of the PERS-DBRP. All new members from the universities also have third option to join the university system's Montana University System Retirement Program (MUS-RP).

TOWN OF SHERIDAN
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are established by state law and can only be amended by the Legislature.

Summary of Benefits

Service retirement:

- Hired prior to July 1, 2011:
 - Age 60, 5 years of membership service;
 - Age 65, regardless of membership service; or
 - Any age, 30 years of membership service.
- Hired on or after July 1, 2011:
 - Age 65, 5 years of membership service;
 - Age 70, regardless of membership service.

Early Retirement (actuarially reduced):

- Hired prior to July 1, 2011:
 - Age 50, 5 years of membership service; or
 - Any age, 25 years of membership service.
- Hired on or after July 1, 2011:
 - Age 55, 5 years of membership service.

Second Retirement (requires returning to PERS-covered employer or PERS service):

1) Retire before January 1, 2016 and accumulate less than 2 years additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years additional service credit:

- a. A refund of member's contributions plus return interest (currently 2.02% effective July 1, 2018).
- b. No service credit for second employment;
- c. Start the same benefit amount the month following termination; and
- d. Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.

2) Retire before January 1, 2016 and accumulate at least 2 years of additional service credit:

- a. A recalculated retirement benefit based on provisions in effect after the initial retirement; and
- b. GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.

3) Retire on or after January 1, 2016 and accumulate 5 or more years of service credit:

- a. The same retirement as prior to the return to service;
- b. A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
- c. GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

TOWN OF SHERIDAN
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

Member's highest average compensation (HAC)

- Hired prior to July 1, 2011- highest average compensation during any consecutive 36 months;
- Hired on or after July 1, 2011-highest average compensation during any consecutive 60 months;

Compensation Cap

- Hired on or after July 1, 2013-110% annual cap on compensation considered as a part of a member's highest average compensation.

Monthly benefit formula

Members hired prior to July 1, 2011:

- Less than 25 years of membership service: 1.785% of HAC per year of service credit;
- 25 years of membership service or more: 2% of HAC per year of service credit.

Members hired on or after July 1, 2011:

- Less than 10 years of membership service: 1.5% of HAC per year of service credit;
- 10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;
- 30 years or more of membership service: 2% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of other adjustments to the member's benefit.

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013:
 - 1.5% for each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - 0% whenever the amortization period for PERS is 40 years or more.

Contributions

The state Legislature has the authority to establish and amend contributions rates. Member and employer contribution rates are specified by Montana Statute and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.

TOWN OF SHERIDAN
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

Special Funding: The state of Montana, as the non-employer contributing entity, paid to the Plan, additional contributions that qualify as special funding. Those employers who received special funding are all participating employers.

Not Special Funding: Per Montana law, state agencies and universities paid their own additional contributions. The employer paid contributions are not accounted for as special funding state agencies and universities but are reported as employer contributions.

Member and employer contribution rates are shown in the table below.

Fiscal Year	Member		Local Government	
	Hired<07/01/11	Hired>07/01/11	Employer	State
2022	7.900%	7.900%	8.870%	0.100%
2021	7.900%	7.900%	8.770%	0.100%
2020	7.900%	7.900%	8.670%	0.100%
2019	7.900%	7.900%	8.570%	0.100%
2018	7.900%	7.900%	8.470%	0.100%
2017	7.900%	7.900%	8.370%	0.100%
2016	7.900%	7.900%	8.270%	0.100%
2015	7.900%	7.900%	8.170%	0.100%
2014	7.900%	7.900%	8.070%	0.100%
2012 – 2013	6.900%	7.900%	7.070%	0.100%
2010 – 2011	6.900%		7.070%	0.100%
2008 – 2009	6.900%		6.935%	0.100%
2000 - 2007	6.900%		6.800%	0.100%

1. Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rate.
2. Employer contributions to the system:
 - a. Effective July 1, 2014, following the 2013 Legislative session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contributions rates.
 - b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
 - c. The portion of the employer contributions allocated to the Plan Choice Rate (PCR) are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.

TOWN OF SHERIDAN
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

3. Non-Employer Contributions
- a. Special Funding
- i. The State contributes 0.1% of members' compensation on behalf of local government entities.
 - ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
 - iii. The State contributed a statutory appropriation from its General Fund of \$33,951,150.

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

GASB Statement 68 allows a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2021, was determined by taking the results of the June 30, 2020, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards and Practice issued by the Actuarial Standards Board.

The Total Pension Liability (TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2022, and 2021 (reporting periods), are displayed below. The Town proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The Town recorded a liability of \$134,434 and the Town's proportionate share was 0.007414 percent.

	Net Pension Liability as of 6/30/2022	Net Pension Liability as of 6/30/2021	Percent of Collective NPL as of 6/30/2022	Percent of Collective NPL as of 6/30/2021	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 134,434	\$ 273,233	0.007414%	0.010357%	-0.002943%
State of Montana Proportionate Share associated with Employer	39,446	85,720	0.002175%	0.003249%	-0.001074%
Total	<u>\$ 173,880</u>	<u>\$ 358,953</u>	<u>0.009589%</u>	<u>0.013606%</u>	<u>-0.004017%</u>

Changes in actuarial assumptions and methods:

The following changes in assumptions or other inputs were made that affected the measurement of the TPL.

1. The discount rate was lowered from 7.34% to 7.06%
2. The investment rate of return was lowered from 7.34% to 7.06%

TOWN OF SHERIDAN
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

Changes in benefit terms:

There were no changes in benefit terms since the previous measurement date.

Changes in proportionate share:

There were no changes between the measurement date of the collective NPL and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL. However, each employer may have unique circumstances that will impact the employer's proportionate share of the collective net pension. If there were changes that are expected to have an impact on the net pension liability, the employer should disclose the amount of the expected resultant change in the employer's proportionate share of the collective net pension liability, if known.

Pension Expense:

At June 30, 2022, the Town recognized a Pension Expense of \$(641) for its proportionate share of the pension expense. The Town also recognized grant revenue of \$8,497 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the Town.

	<u>Pension Expense as of 6/30/22</u>	<u>Pension Expense as of 6/30/21</u>
Employer Proportionate Share	\$ (641)	\$ 62,962
State of Montana Proportionate Share associated with the Employer	8,497	14,019
Total	<u>\$ 7,856</u>	<u>\$ 76,981</u>

Recognition of Beginning Deferred Outflow

At June 30, 2022, the Town recognized a beginning deferred outflow of resources for the Town's fiscal year 2021 contributions of \$11,485.

TOWN OF SHERIDAN
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

Recognition of Deferred Inflows and Outflows:

At June 30, 2022, the Town reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 1,435	\$ 973
Actual vs. Expected Investment Earnings	-	54,461
Changes in Assumptions	19,912	-
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	-	42,459
Employer contributions subsequent to the measurement date - FY22*	11,971	-
Total	<u>\$ 33,318</u>	<u>\$ 97,893</u>

*Amounts reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date have been recognized as a reduction of the net pension liability in the year ended June 30, 2022.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense	
<u>For the Measurement Year ended June 30:</u>		
2022	\$	(19,660)
2023	\$	(26,347)
2024	\$	(13,154)
2025	\$	(17,385)
<u>Thereafter</u>	<u>\$</u>	<u>-</u>

TOWN OF SHERIDAN
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

Actuarial Assumptions

The total pension liability used to calculate the NPL was determined by taking the results of the June 30, 2020, actuarial valuation, and was determined using the following actuarial assumptions.

- Investment Return (net of admin expense) 7.06%
- Admin Expense as % of Payroll 0.28%
- General Wage Growth* 3.50%
- *includes Inflation at 2.40%
- Merit Increases 0% to 4.8%
- Postretirement Benefit Increase Below:

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, Inclusive of other adjustments to the member's benefit.

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Member hired on or after July 1, 2013:
 - 1.5% for each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - 0% whenever the amortization period for PERS is 40 years or more.
- Mortality assumptions among contributing members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, males set back 1 year.
- Mortality assumptions among Disabled members are based on RP 2000 Combined Mortality Tables with no projections.

Target Allocations

The long-term rate of return as of June 30, 2021, was calculated using the average long-term capital market assumptions published by the Survey of Capital Market Assumptions, 2021 Edition by Horizon Actuarial Services, LLC, yielding a median real rate of return of 4.66%. The assumed inflation is based on the intermediate inflation of 2.4% in the 2021 OASDI Trustees Report by the Chief Actuary for Social Security to produce 75-year cost projections. Combining these two results yields a nominal return of 7.06%. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2021, are summarized in the following table.

TOWN OF SHERIDAN
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return Arithmetic Basis</u>
Cash	3.00%	(0.33%)
Domestic Equity	30.00%	5.90%
International Equity	17.00%	7.14%
Private Investments	15.00%	9.13%
Real Assets	5.00%	4.03%
Real Estate	9.00%	5.41%
Core Fixed Income	15.00%	1.14%
Non-Core Fixed Income	<u>6.00%</u>	3.02%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the TPL was 7.06%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. The state contributed 0.10% of the salaries paid by local governments and 0.37% paid by school districts. In addition, the state contributed coal severance tax and interest money from the general fund. The interest was contributed monthly and the severance tax was contributed quarterly. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2126. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

1.0% Decrease (6.06%)	Current Discount Rate	1.0% Increase (8.06%)
\$ 213,393	\$ 134,434	\$ 68,206

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the above table presents the net pension liability calculated using the discount rate of 7.06%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.06%) or 1.00% higher (8.06%) than the current rate.

Pension plan fiduciary net position: The stand-alone financial statements (76d) of the Montana Public Employees Retirement Board (PERB) Comprehensive Annual Financial Report (CAFR) and the GASB 68 Report disclose the Plan's fiduciary net position. The reports are available from the PERB at PO Box 200131, Helena MT 59620-0131, (406) 444-3154 or both are available on the MPERA website at <http://mpera.mt.gov/index.shtml>.

TOWN OF SHERIDAN
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

As of June 30, 2023, the Town reported the following balances as its proportionate share of PERS pension amounts:

Town's Proportionate Share Associated With:	<u>PERS</u>
Net Pension Liability	\$ 182,610
Deferred outflows of resources*	\$ 30,547
Deferred inflows of resources	\$ 31,515
Pension expense	\$ 6,278

*Deferred outflows for PERS are reported as of the reporting date which includes employer contributions made subsequent to the measurement date of \$16,048, respectively. These amounts will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Total deferred inflows and outflows in the remainder of the note are as of the measurement date of June 30, 2023.

The following are the detailed disclosures for each retirement plan as required by GASB 68.

Public Employee's Retirement System – Defined Benefit Retirement Plan

Summary of Significant Accounting Policies

The Town's employees participate in the Public Employees Retirement System (PERS) administered by the Montana Public Employee Retirement Administration (MPERA), MPERA prepared financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the NPL; Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions; Pension Expense; the Fiduciary Net Position; and Additions to, or Deductions from, Fiduciary Net Position. Member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period in which they are due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adhered to all accounting principles generally accepted by the United States of America. MPERA applied all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

TOWN OF SHERIDAN
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

Plan Descriptions

The PERS-Defined Benefit Retirement Plan (PERS) administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, chapters 2 & 3, Montana Code Annotated (MCA). This plan provides retirement benefits to covered employees of the State, local governments, certain employees of the Montana University System, and school districts.

All new members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the defined contribution retirement plan (PERS-DCRP) by filing an irrevocable election. Members may not be participants of both the *defined contribution* and *defined benefit* retirement plans. For members that choose to join the PERS-DCRP, a percentage of the employer contributions will be used to pay down the liability of the PERS-DBRP. All new members from the universities also have third option to join the university system's Montana University System Retirement Program (MUS-RP).

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are established by state law and can only be amended by the Legislature.

Summary of Benefits

Service retirement:

- Hired prior to July 1, 2011:
 - Age 60, 5 years of membership service;
 - Age 65, regardless of membership service; or
 - Any age, 30 years of membership service.
- Hired on or after July 1, 2011:
 - Age 65, 5 years of membership service;
 - Age 70, regardless of membership service.

Early Retirement (actuarially reduced):

- Hired prior to July 1, 2011:
 - Age 50, 5 years of membership service; or
 - Any age, 25 years of membership service.
- Hired on or after July 1, 2011:
 - Age 55, 5 years of membership service.

Second Retirement (requires returning to PERS-covered employer or PERS service):

1) Retire before January 1, 2016 and accumulate less than 2 years additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years additional service credit:

- a. A refund of member's contributions plus return interest (currently 2.02% effective July 1, 2018).

TOWN OF SHERIDAN
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

- b. No service credit for second employment;
 - c. Start the same benefit amount the month following termination; and
 - d. Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.
- 2) Retire before January 1, 2016 and accumulate at least 2 years of additional service credit:
- a. A recalculated retirement benefit based on provisions in effect after the initial retirement; and
 - b. GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.
- 3) Retire on or after January 1, 2016 and accumulate 5 or more years of service credit:
- a. The same retirement as prior to the return to service;
 - b. A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
 - c. GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

Member's highest average compensation (HAC)

- Hired prior to July 1, 2011- highest average compensation during any consecutive 36 months;
- Hired on or after July 1, 2011-highest average compensation during any consecutive 60 months;

Compensation Cap

- Hired on or after July 1, 2013-110% annual cap on compensation considered as a part of a member's highest average compensation.

Monthly benefit formula

Members hired prior to July 1, 2011:

- Less than 25 years of membership service: 1.785% of HAC per year of service credit;
- 25 years of membership service or more: 2% of HAC per year of service credit.

Members hired on or after July 1, 2011:

- Less than 10 years of membership service: 1.5% of HAC per year of service credit;
- 10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;
- 30 years or more of membership service: 2% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of other adjustments to the member's benefit.

TOWN OF SHERIDAN
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013:
 - 1.5% for each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - 0% whenever the amortization period for PERS is 40 years or more.

Contributions

The state Legislature has the authority to establish and amend contributions rates. Member and employer contribution rates are specified by Montana Statute and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.

Special Funding: The state of Montana, as the non-employer contributing entity, paid to the Plan, additional contributions that qualify as special funding. Those employers who received special funding are all participating employers.

Not Special Funding: Per Montana law, state agencies and universities paid their own additional contributions. The employer paid contributions are not accounted for as special funding state agencies and universities but are reported as employer contributions.

Member and employer contribution rates are shown in the table below.

Fiscal Year	Member		Local Government	
	Hired<07/01/11	Hired>07/01/11	Employer	State
2023	7.900%	7.900%	8.970%	0.100%
2022	7.900%	7.900%	8.870%	0.100%
2021	7.900%	7.900%	8.770%	0.100%
2020	7.900%	7.900%	8.670%	0.100%
2019	7.900%	7.900%	8.570%	0.100%
2018	7.900%	7.900%	8.470%	0.100%
2017	7.900%	7.900%	8.370%	0.100%
2016	7.900%	7.900%	8.270%	0.100%
2015	7.900%	7.900%	8.170%	0.100%
2014	7.900%	7.900%	8.070%	0.100%
2012 – 2013	6.900%	7.900%	7.070%	0.100%
2010 – 2011	6.900%		7.070%	0.100%
2008 – 2009	6.900%		6.935%	0.100%
2000 - 2007	6.900%		6.800%	0.100%

1. Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.

TOWN OF SHERIDAN
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

2. Employer contributions to the system:
 - a. Effective July 1, 2014, following the 2013 Legislative session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contributions rates.
 - b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
 - c. The portion of the employer contributions allocated to the Plan Choice Rate (PCR) are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.
3. Non-Employer Contributions
 - a. Special Funding
 - i. The State contributes 0.1% of members' compensation on behalf of local government entities.
 - ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
 - iii. The State contributed a statutory appropriation from its General Fund of \$34,633,570.

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

GASB Statement 68 allows a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2022, was determined by taking the results of the June 30, 2022 actuarial valuation.

The Total Pension Liability (TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2023, and 2022 (reporting periods), are displayed below. The Town proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The Town recorded a liability of \$182,610 and the Town's proportionate share was 0.007680 percent.

	Net Pension Liability as of 6/30/2023	Net Pension Liability as of 6/30/2022	Percent of Collective NPL as of 6/30/2023	Percent of Collective NPL as of 6/30/2022	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 182,610	\$ 134,434	0.007680%	0.007414%	0.000266%
State of Montana Proportionate Share associated with Employer	54,325	39,446	0.002285%	0.002175%	0.000110%
Total	<u>\$ 236,935</u>	<u>\$ 173,880</u>	<u>0.009965%</u>	<u>0.009589%</u>	<u>0.000376%</u>

TOWN OF SHERIDAN
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

Changes in actuarial assumptions and methods:

The following changes in assumptions or other inputs were made that affected the measurement of the TPL.

1. The discount rate was increased from 7.06% to 7.30%.
2. The investment rate of return was increased from 7.06% to 7.30%.
3. Updated all mortality tables to the PUB2010 tables for general employees.
4. Updated rates of withdrawal, retirement, and disability.
5. Lowered the payroll growth assumption from 3.50% to 3.25%.
6. The inflation rate was increased from 2.40% to 2.75%.

Changes in benefit terms:

There were no changes in benefit terms since the previous measurement date.

Changes in proportionate share:

There were no changes between the measurement date of the collective NPL and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL. However, each employer may have unique circumstances that will impact the employer's proportionate share of the collective net pension. If there were changes that are expected to have an impact on the net pension liability, the employer should disclose the amount of the expected resultant change in the employer's proportionate share of the collective net pension liability, if known.

Pension Expense:

At June 30, 2023, the Town recognized a Pension Expense of \$647 for its proportionate share of the pension expense. The Town also recognized grant revenue of \$5,631 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the Town.

	Pension Expense as of 6/30/23		Pension Expense as of 6/30/22
Employer Proportionate Share	\$ 647	\$	(641)
State of Montana Proportionate Share associated with the Employer	5,631		8,497
Total	\$ 6,278	\$	7,856

Recognition of Beginning Deferred Outflow

At June 30, 2023, the Town recognized a beginning deferred outflow of resources for the Town's fiscal year 2022 contributions of \$11,971.

TOWN OF SHERIDAN
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

Recognition of Deferred Inflows and Outflows:

At June 30, 2023, the Town reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 2,328	\$ -
Actual vs. Expected Investment Earnings	5,367	-
Changes in Assumptions	6,804	13,370
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	-	18,145
Employer contributions subsequent to the measurement date - FY23*	16,048	-
Total	\$ 30,547	\$ 31,515

*Amounts reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date have been recognized as a reduction of the net pension liability in the year ended June 30, 2023.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Measurement Year ended June 30:	Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense
2023	\$ (18,158)
2024	\$ (5,286)
2025	\$ (5,788)
2026	\$ 12,219
Thereafter	\$ -

TOWN OF SHERIDAN
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

Actuarial Assumptions

The total pension liability used to calculate the NPL was determined by taking the results of the June 30, 2022, actuarial valuation, and was determined using the following actuarial assumptions.

- Investment Return (net of admin expense) 7.30%
- General Wage Growth* 3.50%
*includes Inflation at 2.75%
- Merit Increases 0% to 4.80%
- Postretirement Benefit Increase Below:

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, Inclusive of other adjustments to the member's benefit.

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Member hired on or after July 1, 2013:
 - 1.5% for each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - 0% whenever the amortization period for PERS is 40 years or more.
- Mortality assumptions among contributing members, service retired members and beneficiaries based on PUB-2010 General Amount Weighted Employer Mortality projected to 2021 for males and females projected generationally using MP-2021.
- Mortality assumptions among Disabled members are based on PUB-2010 General Amount Weighted Disabled Retiree Mortality table, projected to 2021, set forward one year for both males and females.
- Mortality assumptions among contingent survivors are based on PUB-2010 General Amount Weighted Contingent Survivor Mortality projected to 2021 with ages set forward one year for males and projected generationally using MP-2021.
- Mortality assumptions among Healthy members are based on PUB-2010 General Amount Weighted Healthy Retiree Mortality table projected to 2021, with ages set forward one year and adjusted 104% for males and 103% for females. Projected generationally using MP-2021.

TOWN OF SHERIDAN
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

Target Allocations

The long-term expected rate of return on pension plan investments is reviewed as part of regular experience studies prepared for the Plan about every five years. The long-term rate of return as of June 30, 2022, is based on analysis in the experience study report dated May 2, 2022, without consideration for the administrative expense analysis shown. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class. These ranges were combined to develop the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation or a fundamental change in the market that alters expected returns in future years. The best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2023, are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return Arithmetic Basis</u>
Cash	3.00%	(0.33%)
Domestic Equity	30.00%	5.90%
International Equity	17.00%	7.14%
Private Investments	15.00%	9.13%
Real Assets	5.00%	4.03%
Real Estate	9.00%	5.41%
Core Fixed Income	15.00%	1.14%
Non-Core Fixed Income	<u>6.00%</u>	3.02%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the TPL was 7.30%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. The state contributed 0.10% of the salaries paid by local governments and 0.37% paid by school districts. In addition, the state contributed coal severance tax and interest money from the general fund. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2126. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

1.0% Decrease (6.30%)	Current Discount Rate	1.0% Increase (8.30%)
\$ 263,241	\$ 182,610	\$ 114,962

TOWN OF SHERIDAN
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the above table presents the net pension liability calculated using the discount rate of 7.30%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.30%) or 1.00% higher (8.30%) than the current rate.

Pension plan fiduciary net position: The stand-alone financial statements (76d) of the Montana Public Employees Retirement Board (PERB) Comprehensive Annual Financial Report (CAFR) and the GASB 68 Report disclose the Plan's fiduciary net position. The reports are available from the PERB at PO Box 200131, Helena MT 59620-0131, (406) 444-3154 or both are available on the MPERA website at <http://mpera.mt.gov/index.shtml>.

NOTE 9. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund Transfers

The following is an analysis of operating transfers in and out during fiscal year 2022:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Future capital purchases	General Capital Improvement – Nonmajor Governmental	General – Major Governmental	\$ 3,400
Operating transfer	Library – Major Governmental	General – Major Governmental	18,000
Towns match to the BARSAA gas tax	HB 473 Special – Nonmajor Governmental	General – Major Governmental	975
Operating transfer	Fire Department – Nonmajor Governmental	General – Major Governmental	<u>23,000</u>
			<u>\$ 45,375</u>

The following is an analysis of operating transfers in and out during fiscal year 2023:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Future capital purchases	General Capital Improvement – Nonmajor Governmental	General – Major Governmental	\$ 3,400
Operating transfer	Library – Major Governmental	General – Major Governmental	18,000
Towns match to the BARSAA gas tax	HB 473 Special – Nonmajor Governmental	General – Major Governmental	1,100
Operating transfer	Fire Department – Nonmajor Governmental	General – Major Governmental	23,000

TOWN OF SHERIDAN
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

Future capital purchases	Library Depreciation Reserve – Nonmajor Governmental	Library – Major Governmental	<u>98,232</u>
			<u>\$143,732</u>

NOTE 10. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

Governmental Fund equity is classified as fund balance. The Town categorizes fund balance of the governmental funds into the following categories:

Non-spendable – Includes resources not in spendable form, such as inventory, or those legally required to be maintained intact, such as principle portion of permanent funds.

Restricted – includes constraint for specific purposes which are externally imposed by a third party, State Constitution, or enabling legislation.

Committed – includes constraint for specific purposes which are internally imposed by the formal action of the council. This is the government’s highest level of decision-making authority, Council, and a formal action is required to establish, modify, or rescind the fund balance commitment.

Unassigned – includes negative fund balances in all funds, or fund balance with no constraints in the General Fund.

The Town considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

The Town considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Nonspendable Fund Balance at June 30, 2022

<u>Major Fund</u>	<u>Amount</u>	<u>Reason Nonspendable</u>
All Other Aggregate	\$ <u>10,000</u>	Permanent Endowment

Nonspendable Fund Balance at June 30, 2023

<u>Major Fund</u>	<u>Amount</u>	<u>Reason Nonspendable</u>
All Other Aggregate	\$ <u>10,000</u>	Permanent Endowment

Restricted Fund Balance at June 30, 2022

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Library	\$ 174,630	Public library operations
All Other Aggregate	25,990	Emergency services
	58,376	Road Repair, maintenance and supplies
	<u>807</u>	Public library operations
Total	\$ <u>259,803</u>	

TOWN OF SHERIDAN
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

Restricted Fund Balance at June 30, 2023

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Library	\$ 115,773	Public library operations
All Other Aggregate	27,899	Emergency services
	96,083	Road Repair, maintenance and supplies
	<u>829</u>	Public library operations
Total	<u>\$ 240,584</u>	

Committed Fund Balance at June 30, 2022

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Commitment</u>
All Other Aggregate	<u>\$ 101,425</u>	Constructions and/or capital asset purchases

Committed Fund Balance at June 30, 2023

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Commitment</u>
All Other Aggregate	<u>\$ 203,061</u>	Constructions and/or capital asset purchases

NOTE 11. RESTATEMENTS

During the current fiscal year, the following adjustments relating to prior years' transactions were made to fund balance and net position.

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
General Fund	<u>\$ 30,000</u>	Restatement beginning due from other government receivables

NOTE 12. JOINT VENTURES

Joint ventures are independently constituted entities generally created by two or more governments for a specific purpose which are subject to joint control, in which the participating governments retain 1) an ongoing financial interest or 2) an ongoing financial responsibility.

Library Services

The operations of the Library are included in the financial statements of the Town. The Library is operated under an interlocal agreement between Madison County and the Town of Sheridan. The Library operates under the supervision and control of the Library Board. The Board consists of five members who are appointed by the Town Council. The County provides 0.5 mills or \$13,355 per year whichever is more to the Library. For June 30, 2022, the County contributed \$97,264. For June 30, 2023, the County contributed \$104,222.

TOWN OF SHERIDAN
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

NOTE 13. SERVICES PROVIDED FROM OTHER GOVERNMENTS

County Provided Services

The Town is provided various financial services by Madison County. The County also serves as cashier and treasurer for the Town for tax and assessment collections and other revenues received by the County which are subject to distribution to the various taxing jurisdictions located in the County. The collections received by the County on behalf of the Town are accounted for in an agency fund in the Town's name and are periodically remitted to the Town by the County Treasurer. No service charges have been recorded by the Town or the County.

NOTE 14. RISK MANAGEMENT

The County faces a considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability, i.e., errors and omissions, (d) environmental damage, (e) workers' compensation, i.e., employee injuries, and (f) medical insurance costs of employees. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Insurance Pools:

The Town participates in the state-wide public safety risk pool, Montana Municipal Insurance Authority for workers' compensation.

In 1986, the Town joined together with other Montana cities to form the Montana Municipal Insurance Authority which established a workers' compensation plan and a tort liability plan. Both public entity risk pools currently operate as common risk management and insurance programs for the member governments. The liability limits for damages in tort action are \$750,000 per claim and \$1.5 million per occurrence with a \$3,750 deductible per occurrence. State tort law limits the Town's liability to \$1.5 million. The Town pays an annual premium for its employee injury insurance coverage, which is allocated to the employer funds based on total salaries and wages. The agreements for formation of the pools provide that they will be self-sustaining through member premiums.

Separate audited financial statements are available from the Montana Municipal Insurance Authority.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Town of Sheridan, Madison County, Montana
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2022

General				
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 165,421	\$ 165,421	\$ 162,149	\$ (3,272)
Intergovernmental	100,405	100,405	72,629	(27,776)
Miscellaneous	13,200	13,200	27,193	13,993
Investment earnings	500	500	429	(71)
Amounts available for appropriation	\$ 279,526	\$ 279,526	\$ 262,400	\$ (17,126)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ 71,896	\$ 71,896	\$ 64,615	\$ 7,281
Public safety	2,380	2,380	-	2,380
Public works	49,506	49,506	39,576	9,930
Culture and recreation	72,949	72,949	47,830	25,119
Capital outlay	7,500	7,500	-	7,500
Total charges to appropriations	\$ 204,231	\$ 204,231	\$ 152,021	\$ 52,210
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (45,375)	\$ (45,375)	\$ (45,375)	\$ -
Total other financing sources (uses)	\$ (45,375)	\$ (45,375)	\$ (45,375)	\$ -
Net change in fund balance			\$ 65,004	
Fund balance - beginning of the year			\$ 219,439	
Restatements			30,000	
Fund balance - beginning of the year - restated			\$ 249,439	
Fund balance - end of the year			\$ 314,443	

Town of Sheridan, Madison County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2023

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 164,364	\$ 164,364	\$ 162,946	\$ (1,418)
Intergovernmental	73,226	73,226	74,901	1,675
Miscellaneous	13,455	13,455	14,046	591
Investment earnings	500	500	494	(6)
Amounts available for appropriation	\$ 251,545	\$ 251,545	\$ 252,387	\$ 842
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ 76,784	\$ 76,784	\$ 106,058	\$ (29,274)
Public safety	2,380	2,380	449	1,931
Public works	63,347	63,347	50,292	13,055
Culture and recreation	100,534	100,534	34,496	66,038
Capital outlay	30,000	30,000	13,975	16,025
Total charges to appropriations	\$ 273,045	\$ 273,045	\$ 205,270	\$ 67,775
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (105,688)	\$ (105,688)	\$ (45,500)	\$ 60,188
Total other financing sources (uses)	\$ (105,688)	\$ (105,688)	\$ (45,500)	\$ 60,188
Net change in fund balance			\$ 1,617	
Fund balance - beginning of the year			\$ 314,443	
Fund balance - end of the year			\$ 316,060	

Town of Sheridan, Madison County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2022

Library				
	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	
RESOURCES (INFLOWS):				
Intergovernmental	\$ 95,058	\$ 95,058	\$ 99,381	\$ 4,323
Miscellaneous	2,000	2,000	30,172	28,172
Amounts available for appropriation	\$ 97,058	\$ 97,058	\$ 129,553	\$ 32,495
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Culture and recreation	\$ 66,704	\$ 66,704	\$ 96,999	\$ (30,295)
Capital outlay	30,378	30,378	-	30,378
Total charges to appropriations	\$ 97,082	\$ 97,082	\$ 96,999	\$ 83
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 18,000	\$ 18,000	\$ 18,000	-
Total other financing sources (uses)	\$ 18,000	\$ 18,000	\$ 18,000	-
Net change in fund balance			\$ 50,554	
Fund balance - beginning of the year			\$ 124,076	
Fund balance - end of the year			\$ 174,630	

Town of Sheridan, Madison County, Montana
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2023

	Library			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE
	ORIGINAL	FINAL	(BUDGETARY BASIS) See Note A	WITH FINAL BUDGET
RESOURCES (INFLOWS):				
Intergovernmental	\$ (102,544)	\$ (102,544)	\$ 109,424	\$ 211,968
Miscellaneous	(1,040)	(1,040)	2,228	3,268
Amounts available for appropriation	\$ (103,584)	\$ (103,584)	\$ 111,652	\$ 215,236
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Culture and recreation	\$ 90,568	\$ 90,568	\$ 83,936	\$ 6,632
Capital outlay	-	-	6,341	(6,341)
Total charges to appropriations	\$ 90,568	\$ 90,568	\$ 90,277	\$ 291
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ (18,000)	\$ (18,000)	\$ 18,000	\$ 36,000
Transfers out	-	-	(98,232)	(98,232)
Total other financing sources (uses)	\$ (18,000)	\$ (18,000)	\$ (80,232)	\$ (62,232)
Net change in fund balance			\$ (58,857)	
Fund balance - beginning of the year			\$ 174,630	
Fund balance - end of the year			\$ 115,773	

Town of Sheridan, Madison County, Montana
Schedules of Required Supplementary Information

**SCHEDULE OF CHANGES IN THE
TOTAL OPEB LIABILITY AND RELATED RATIOS
For Fiscal Years Ended June 30, 2022 and June 30, 2023**

	2023	2022	2021	2020	2019	2018
Total OPEB liability						
Service Cost	\$ 662	\$ 1,772	\$ 4,448	\$ 5,152	\$ 4,286	\$ 4,200
Interest	-	-	516	708	921	735
Differences between expected and actual experience	-	-	(12,655)	(7,219)	-	787
Change in assumptions and inputs	(3,297)	(259)	38	(1,912)	(70)	(145)
Benefit payments	-	-	(981)	(1,273)	(1,816)	(843)
Net change in total OPEB liability	(2,635)	1,513	(8,634)	(4,544)	3,321	4,734
Total OPEB Liability - beginning	11,177	9,664	18,298	22,842	19,521	14,787
Total OPEB Liability - ending	<u>\$ 8,542</u>	<u>\$ 11,177</u>	<u>\$ 9,664</u>	<u>\$ 18,298</u>	<u>\$ 22,842</u>	<u>\$ 19,521</u>
Covered-employee payroll	<u>\$ 129,827</u>	<u>\$ 129,827</u>	<u>\$ 79,917</u>	<u>\$ 123,333</u>	<u>\$ 126,054</u>	<u>\$ 121,206</u>
Total OPEB liability as a percentage of covered -employee payroll	7%	9%	12.09%	14.84%	18.12%	16.11%

**The above schedule is presented by combining the required schedules from GASB 75 paragraphs 170a and 170b. The GASB requires that 10 years of information related to the OPEB liability be presented, additional data will be provided as it becomes available.*

Town of Sheridan, Madison County, Montana
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
For the Years Ended June 30, 2022 and June 30, 2023

	PERS 2023	PERS 2022	PERS 2021	PERS 2020	PERS 2019	PERS 2018	PERS 2017	PERS 2016	PERS 2015
Employer's proportion of the net pension liability	0.007680%	0.007414%	0.010357%	0.010072%	0.009836%	0.008460%	0.006037%	0.005004%	0.006356%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 182,610	\$ 134,434	\$ 273,233	\$ 210,535	\$ 205,301	\$ 164,760	\$ 102,834	\$ 69,949	\$ 79,196
State of Montana's proportionate share of the net pension liability associated with the Employer	\$ 54,325	\$ 39,446	\$ 85,720	\$ 68,252	\$ 68,452	\$ 2,057	\$ 1,257	\$ 859	\$ 967
Total	\$ 236,935	\$ 173,880	\$ 358,953	\$ 278,787	\$ 273,753	\$ 166,817	\$ 104,091	\$ 70,808	\$ 80,163
Employer's covered payroll	\$ 134,959	\$ 130,961	\$ 173,769	\$ 166,185	\$ 161,766	\$ 104,943	\$ 72,315	\$ 58,397	\$ 74,815
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	135.31%	102.65%	157.24%	126.69%	126.91%	157.00%	142.20%	119.78%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	73.66%	79.91%	68.90%	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

Town of Sheridan, Madison County, Montana
Required Supplementary Information

Schedule of Contributions

For the Year Ended June 30, 2022 and June 30, 2023

	PERS 2023	PERS 2022	PERS 2021	PERS 2020	PERS 2019	PERS 2018	PERS 2017	PERS 2016	PERS 2015
Contractually required contributions	\$ 16,048	\$ 12,003	\$ 11,606	\$ 15,224	\$ 14,293	\$ 13,702	\$ 8,784	\$ 6,044	\$ 4,812
Contributions in relation to the contractually required contributions	\$ 16,048	\$ 12,003	\$ 11,606	\$ 15,224	\$ 14,293	\$ 13,702	\$ 8,784	\$ 7,662	\$ 7,370
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 180,924	\$ 134,959	\$ 130,961	\$ 173,769	\$ 166,185	\$ 161,766	\$ 104,943	\$ 72,315	\$ 58,397
Contributions as a percentage of covered payroll	8.87%	8.89%	8.86%	8.76%	8.60%	8.47%	8.37%	9.48%	10.43%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

Town of Sheridan, Madison County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year ended June 30, 2022 and June 30, 2023

Public Employees' Retirement System of Montana (PERS)

Changes of Benefit Terms

The following changes to the plan provision were made as identified:

2013 Legislative Changes

Working Retirees - House Bill 95 - PERS, SRS, and FURS, effective July 1, 2013

- The law requires employer contributions on working retiree compensation.
- Member contributions are not required.
- Working retiree limitations are not impacted. PERS working retirees may still work up to 960 hours a year, without impacting benefits.

Highest Average Compensation (HAC) Cap - House Bill 97, effective July 1, 2013

- All PERS members hired on or after July 1, 2013 are subject to a 110% annual cap on compensation considered as part of a member's highest or final average compensation.
- All bonuses paid to PERS members on or after July 1, 2013 will not be treated as compensation for retirement purposes.

Permanent Injunction Limits Application of the GABA Reduction – Passed under House Bill 454

Guaranteed Annual Benefit Adjustment (GABA) - for PERS

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit.

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007 and before July 1, 2013
- Members hired on or after July 1, 2013:
 - 1.5% each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - 0% whenever the amortization period for PERS is 40 years or more.

2015 Legislative Changes

General Revisions - House Bill 101, effective January 1, 2016

Second Retirement Benefit - for PERS

- Applies to PERS members who return to active service on or after January 1, 2016. Members who retire before January 1, 2016, return to PERS-covered employment, and accumulate less than 2 years of service credit before retiring again:
 - Refund of member's contributions from second employment, plus regular interest (currently 2.5%);
 - No service credit for second employment;
 - Start same benefit amount the month following termination; and
 - GABA starts again in the January immediately following second retirement.

Town of Sheridan, Madison County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year ended June 30, 2022 and June 30, 2023

- For members who retire before January 1, 2016, return to PERS-covered employment and accumulate two or more years of service credit before retiring again:
 - Member receives a recalculated retirement benefit based on laws in effect at second retirement; and,
 - GABA starts in the January after receiving recalculated benefit for 12 months.
- For members who retire on or after January 1, 2016, return to PERS-covered employment and accumulate less than 5 years of service credit before retiring again:
 - Refund of member's contributions from second employment, plus regular interest (currently 2.5%);
 - No service credit for second employment
 - Start same benefit amount the month following termination; and,
 - GABA starts again in the January immediately following second retirement.
- For members who retire on or after January 1, 2016, return to PERS-covered employment, and accumulate five or more years of service credit before retiring again:
 - Member receives same retirement benefit as prior to return to service;
 - Member receives second retirement benefit for second period of service based on laws in effect at second retirement; and
 - GABA starts on both benefits in January after member receives original and new benefit for 12 months.

Revise DC Funding Laws - House Bill 107, effective July 1, 2015

Employer Contributions and the Defined Contribution Plan – for PERS and MUS-RP

The PCR was paid off effective March 2016, and the contributions of 2.37%, 0.47%, and the 1.0% increase previously directed to the PCR are now directed to the Defined Contribution or MUS-RP member's account.

2017 Legislative Changes

Working Retiree Limitations – for PERS

Effective July 1, 2017, if a PERS retiree returns as an independent contractor to what would otherwise be PERS-covered employment, general contractor overhead costs are excluded from PERS working retiree limitations.

Refunds

- Terminating members eligible to retire may, in lieu of receiving a monthly retirement benefit, refund their accumulated contributions in a lump sum.
- Terminating members with accumulated contributions between \$200 and \$1,000 who wish to rollover their refund must do so within 90 days of termination of service.
- Trusts, estates, and charitable organizations listed as beneficiaries are entitled to receive only a lump-sum payment.

Interest credited to member accounts – Effective July 1, 2017, the interest rate credited to member accounts increased from 0.25% to 0.77%.

Town of Sheridan, Madison County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year ended June 30, 2022 and June 30, 2023

Lump-sum payouts

Effective July 1, 2017, lump-sum payouts in all systems are limited to the member's accumulated contributions rate than the present value of the member's benefit.

Disabled PERS Defined Contribution (DC) Members

PERS members hired after July 1, 2011, have a normal retirement age of 65. PERS DC members hired after July 1, 2011 who became disabled were previously only eligible for a disability benefit until age 65. Effective July 1, 2017, these individuals will be eligible for a disability benefit until they reach 70, thus ensuring the same 5-year time period available to PERS DC disabled members hired prior to July 1, 2011, who have a normal retirement age of 60 and are eligible for a disability benefit until age 65.

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following Actuarial Assumptions were adopted from the June 30, 2020 actuarial valuation:

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
*Includes inflation at	2.75%
Merit salary increase	0% to 8.47%
Asset valuation method	Four-year smoothed market
Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
	For Males and Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year
Mortality (Healthy members)	
	For Males and Females: RP 2000 Combined Mortality Table, with no projections
Mortality (Disabled members)	
Admin Expense as % of Payroll	0.28%

Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for the System. This amount varies from year to year based on the prior year's actuarial administrative expenses.

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Town Mayor and Council
Town of Sheridan
Madison County
Sheridan, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Town of Sheridan, Madison County, Montana, as of and for the years ended June 30, 2022 and June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Sheridan's basic financial statements and have issued our report thereon dated July 26, 2024, which includes a disclaimer of opinion on the aggregate discretely presented component unit due to not being able to obtain sufficient appropriate evidence for financial statement amounts.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Sheridan, Madison County, Montana's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Sheridan, Madison County, Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Sheridan's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described below to be material weaknesses as identified as item(s) 2022/2023-001.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described below to be significant deficiencies as identified as item(s) 2022/2023-002 through 2022/2023-007.

2022/2023-001 **Friends of Library Financial Reporting**

Condition:

The Friends of the Sheridan Public Library is a discretely presented component unit of the Town of Sheridan and is required to be reported with the Town. The Friends of the Sheridan Public Library failed to provide any financial information for reporting and audit purposes during fiscal year 2022 and 2023.

Context:

We inquired with the Town librarian and others who indicated that we would not receive any financial information for the audit as there wasn't anything provided to the Town at the end of fiscal year June 30, 2022 and 2023 from the Friends of the Sheridan Public Library.

Criteria:

Financial information as well as access to the supporting documentation is required to perform the audit and meet financial reporting requirements for discretely presented component units.

Effect:

The financial statements are disclaimed by the auditor.

Cause:

The Town did not obtain the financial information and supporting documentation from the Friends of the Sheridan Public Library for reporting at the end of June 30, 2022 and 2023.

Recommendation:

We recommend that the Town obtain the financial information required from the Friends of the Sheridan Public Library to report the discretely presented component unit and for audit in future years.

2022/2023-002 **Required Supplementary Information**

Condition:

Management has omitted the management discussion and analysis that the generally accepted account principles require to be presented as a supplement to the basic financial statements.

Context:

We did not receive the management discussion and analysis to include with the audit report.

Criteria:

Generally accepted accounting principles require that management prepare a management discussion and analysis to introduce the basic financial statements and provide an analytical overview of the governments' financial activities.

Effect:

The Town is not following the generally accepted accounting principles set by the GASB.

Cause:

The Town did not prepare the management discussion and analysis letter.

Recommendation:

Annually should prepare and develop a management discussion and analysis as required by the generally accepted accounting principles.

2022/2023-003 Pledged Securities

Condition:

The Town had cash balances at Opportunity Bank that were neither insured or backed by pledged securities.

Context:

We compared the total bank balances to the amount of insurance and pledged securities at June 30, 2022 and June 30, 2023.

Criteria:

The Town should have policies and procedures in place to periodically review the amount of insurance and pledged securities to ensure they are sufficient to cover all bank balances.

Effect:

The Town had cash balances at Opportunity Bank of \$838,822, thirty-five percent of total deposits, in fiscal year 2022 and \$1,137,221, forty-three percent of total deposits in fiscal year 2023 that were not insured or backed by pledged securities in fiscal year 2022 and 2023.

Cause:

The Town only obtains the amount of pledged securities required by law, which is fifty percent of uninsured deposits.

Recommendation:

We recommend the Town have policies and procedures in place to review pledged securities periodically to ensure they are sufficient to cover all bank balances.

2023-004 Cash Reconciliation Controls

Condition:

The Town does not a process to ensure that the cash reconciliation is prepared accurately and all deposits in transit be verified that they should be transactions in transit.

Context:

We reformed the cash bank reconciliation as of June 30, 2023, and found that the Town had a duplicate deposit in the system. The utility collections for the period were posted to the system, but all were in transit because they could not be balanced to the deposits in the bank. In addition, the Town recorded manual cash adjustments to record the unreconciled deposits into the accounting system.

Criteria:

An adequate internal control system should require that the Town analyze the deposits in transit and other reconciliation items to determine if they accurate. Any differences should be researched and balanced on a timely basis.

Effect:

The Water Fund cash at the end of June 30, 2023 is overstated \$31,485 and revenues are overstated \$31,485. The financial statements were corrected for this misstatement identified.

Cause:

The Town experienced turnover in the clerk position in June 2023 causing the deposits not to be balanced to the utility collection system before being brought to the bank.

Recommendation:

We recommend that the Town implemented internal controls procedures requiring that the deposits in transit be reviewed and analyzed on a monthly basis to determine if they should remain as outstanding, or if corrective action is needed.

2022-005 Accounting System

Condition:

The Annual Financial Report (AFR) for fiscal year ending June 30, 2022 did not agree to the underlying accounting records.

Context:

We completed any analysis of the AFR to the underlying accounting system and identified that they did not agree. Upon further analysis, we identified that the recommended adjustments from consultant that assisted with the AFR and close of fiscal year 2022 were not posted to the accounting system. These variances were identified in the fiscal year 2023 close out and adjustments made to record this activity into the accounting system to agree to the 2022 AFR.

Criteria:

The Annual Financial Report should be supported by the underlying records.

Effect:

The AFR for fiscal year 2022 is not supported by the accounting system.

Cause:

The Town does not have a system in place to ensure that all recommended adjustments and work from outside parties to recorded into the accounting system.

Recommendation:

The Town should implement the proper procedures to track the recommended adjustments from consultants are posted into the accounting system. In addition, once adjustments are posted the accounting system should be balanced to the AFR to ensure it is complete and accurate.

2022/2023-006

Journal Voucher Controls

Condition:

The Town did not have control procedures requiring all manual journal vouchers be reviewed by superintendent and board of trustees.

Context:

We inquired on the procedures for the journal vouchers during fiscal year 2023, and noted that there was not a review process being followed. This was confirmed per observation of the adjustments only being documented in accounting system.

Criteria:

A proper internal control system should require segregation of duties on journal voucher procedures requiring all journals be reviewed and approved by some one other than the preparer.

Effect:

The Town's internal controls over journal vouchers is weakened increasing the risk of misstatement due to misappropriation of assets or error.

Cause:

The Town did not have a system in place requiring journal vouchers to be reviewed and approval by someone other than the preparer.

Recommendation:

The Town should implement policies and procedures requiring all journal vouchers be reviewed and approved by the superintendent prior to the journals being posted to the accounting system. In addition, a journal voucher report should be provided to the Trustees for review and approval on a monthly basis.

2022/2023-007

Segregation of Duties

Condition:

During our review of Town Hall internal controls we noted in the small office collection location; there is an absence of segregation of duties due to the size and resources available to allow segregation of duties.

Context:

We performed an internal control review of the Town Clerk offices using inquiry, observation, and documentation.

Criteria:

An adequate internal control system requires the duties of receipting, depositing, and recording to be segregated.

Effect:

The town's internal controls are weakened due to the segregation of duties issue inherent in having only one office employee for each receipting location.

Cause:

The Town does not have adequate resources to properly segregate duties for the cash receipting and accounting functions of the Town office.

Recommendation:

We recommend that the Town continue to take a proactive approach in monitoring the controls related to the Town Clerk.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Sheridan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and which are described below as item(s) 2022/2023-008, 2022-009, and 2022-010.

2022/2023-008 Annual Financial Report Deadline

Condition:

The Town did not file the Annual Financial Report (AFR) for the fiscal year ending June 30, 2022 and June 30, 2023 with the state timely.

Context:

We reviewed the reporting controls for annual report and identified Town's AFR for June 30, 2022 was not filed until June 2023 and the AFR for June 30, 2023 was not prepared.

Criteria:

MCA 7-6-611(1)(i) states "The completed report must be submitted to the department for review within 6 months of the end of the reporting period."

Effect:

The Town is not in compliance with MCA 7-6-611.

Cause:

The Town had a substantial amount of turnover in the clerk position over past couple of years.

Recommendation:

We recommend that the Town review its policy and procedures related to the annual financial report, and implement the appropriate processes ensure the AFR is submitted timely. The status of the AFR preparation should be monitored by the Mayor and Council until it is submitted to the state.

2023-009 Budget Compliance

Condition:

The Town exceeded its budget authority the Library Fund during fiscal year ending June 30, 2023.

Context:

The auditor schedule the original budgets of the Town funds and compared it to the final budgets, and agreed any changes to supporting budget amendments. The auditor then compared the final budget to the actual expenditures and identified several funds that exceed their budget.

Criteria:

MCA 7-6-4005 states "Local government officials may not make a disbursement or an expenditure or incur an obligation in excess of the total appropriations for a fund." MCA 7-6-4006 (4) states "The governing body may amend the budget during the fiscal year by conducting public hearings at regularly scheduled meetings. Budget amendments providing for additional appropriations must identify the fund reserves, unanticipated revenue, or previously unbudgeted revenue that will fund the appropriations."

Effect:

The Town exceeded the budget authority of the Library Fund by \$97,941.

Cause:

The Town does not have adequate control procedures to ensure it monitors its budgets through out the year, and any amendments needed are completed per the requirements of MCA 7-6-4006(4).

Recommendation:

we recommend that the Town implement policies and procedures to review the budget vs actual through out the year to identify when a budget amendment may be needed to ensure the budget authority is not exceed.

2022-010 Exceeding Cash Reserve Limitations

Condition:

The Town exceeded the allowable budgeted cash reserve limitation in the General Fund during fiscal year 2022.

Context:

During recalculation of the fiscal year 2022 tax levy requirements schedule, it was determined that the General Fund that levied non-voted mills exceeded the cash reserve limitation of 1/2 of the appropriation.

Criteria:

MCA 7-6-4034 (2) states “After deducting from the amount of the appropriations and authorized expenditures the total amount appropriated and authorized to be spent for election expenses and payment of emergency warrants, the amount that may be added as a reserve, as provided in subsection (1) (b), to:

- (a) A county’s fund may not exceed one-third of the total amount appropriated and authorized to be spent from the fund during the current fiscal year; and
- (b) A Town’s or town’s fund may not exceed one-half of the total amount appropriated and authorized to be spent from the fund during the current fiscal year.

Effect:

The General Fund is not in compliance with MCA 7-6-4034 and exceeded the budget cash reserve by \$125,069 in fiscal year 2022

Cause:

The Town doesn’t have procedures in place to properly evaluate the tax levy requirement to determine if the budgeted cash reserves are in compliance.

Recommendation:

We recommend that the Town add column to calculate the estimated cash reserves, and implement procedures to evaluate the reserves to make adjustments to the allocation of mills or budget.

Town of Sheridan’s Response to Findings

Town of Sheridan’s response to the findings identified in our audit is described in the Auditee’s Corrective Action Plan. Town of Sheridan’s response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Derrig, Downey and Associates, CPA's, P.C.

July 26, 2024

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957

REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS

Town Mayor and Council
Town of Sheridan
Madison County
Sheridan, Montana

The prior audit report contained three recommendations. The action taken on each recommendation is as follows:

<u>Recommendation</u>	<u>Action Taken</u>
2021-I1 Segregation of Duties	Repeated
2021-I2 Capital assets	Implemented
2021-C1 Cash Reserve Compliance	Not Repeated

Denning, Downey and Associates, CPA's, P.C.

July 26, 2024



Contact Person:

Jennifer Meacham – Town Clerk
406-842-5431

Expected Completion Date of Corrective Action Plan:

December 31, 2024

CORRECTIVE ACTION PLAN

FINDING 2022/2023-001: Friends of Library Financial Reporting

Response: Financial advisor for the Friends of Library was on vacation at the time of the audit. Will continue to work on this information. In the future will have a diary of then they are due.

FINDING 2022/2023-002: Required Supplementary Information

Response: With changeover of clerks there hasn't been an MD&A report.

FINDING 2022/2023-003: Pledged Securities

Response: Will contact Opportunity Bank and increase the pledge securities. Will also check cash with pledged securities quarterly.

FINDING 2023-004: Cash Reconciliation Controls

Response: Clerk will provide monthly cash reconciliation reports to mayor and council once clerk is caught up.

FINDING 2023-005: Accounting System

Response: Due to changeover with clerks the AFR was not performed, clerk thought it was taken care of. Clerk will send JV numbers to sign and send back to consultant.

FINDING 2022/2023-008: Journal Voucher Controls

Response: Clerk will have mayor review and sign off on.



FINDING 2022/2023-007: Segregation of Duties

Response: Have mayor sign off on deposits, JV and UB adjustments. Clerk will not sign checks and put together accounting procedures.

FINDING 2022/2023-008: Annual Financial Report Deadline

Response: Town in between clerks was under the impression that previous consultant was doing the AFR. A new consultant was hired.

FINDING 2023-009: Budget Compliance

Response: Clerk will check budget quarterly and will do resolutions quarterly if necessary.

FINDING 2023-010: Exceeding Cash Reserve Limitations

Response: Will work with the pre-budget document and will have it on hand while working on claims.

STATUS OF PRIOR YEAR FINDINGS

FINDING 2021-I1: Segregation of Duties

Response: Have mayor sign off on deposits, JV and UB adjustments. The clerk will not sign checks and put together accounting procedures.

FINDING 2021-I2: Capital Outlay Accounting

Response: Implemented

FINDING 2021-C1: Capital Outlay Accounting

Response: Implemented

PART 2 OF 2

OTHER SUPPLEMENTARY INFORMATION

TOWN OF SHERIDAN

FISCAL YEAR ENDING JUNE 30, 2023

**TOWN OF SHERIDAN
ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS
FISCAL YEAR ENDING JUNE 30, 2023**

	Page No.
<u>Cover Page</u>	
<u>Table of Contents</u>	
<u>OTHER SUPPLEMENTARY INFORMATION</u>	
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet - Nonmajor Special Revenue Funds	1-2
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Nonmajor Special Revenue Funds	3-16
Combining Balance Sheet - Nonmajor Debt Service Funds	N/A
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Nonmajor Debt Service Funds	N/A
Combining Balance Sheet - Nonmajor Capital Projects Funds	17
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Nonmajor Capital Projects Funds	18-21
Combining Balance Sheet - Permanent Funds	22
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Permanent Funds	23
Combining Statement of Net Position - Nonmajor Enterprise Funds	N/A
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position - Nonmajor Enterprise Funds	N/A
Combining Statement of Cash Flows - Nonmajor Enterprise Funds	N/A
Combining Statement of Net Position - Internal Service Funds	N/A
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position - Internal Service Funds	N/A
Combining Statement of Cash Flows - Internal Service Funds	N/A
Schedule of Federal/State Grants, Entitlements and Shared Revenues	24-25
Schedule of Cash Receipts and Disbursements - All Funds	26-27
Cash Reconciliation Schedule	28
General Information Schedule	29
<u>Other Required Documents/Forms:</u>	
Filing Fee Form	32-33
Database Ledger Load File (in excel or .csv format)	34

47. COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
For the year ending June 30, 2023

	2221 Library Depreciati	2341 FIRE DEPARTMENT	2810 POLICE RESERVE TRA	2820 GAS TAX
ASSETS				
Cash and cash equivalents	99,636.61	28,209.11	0.00	15,710.78
Taxes receivable:				
TOTAL ASSETS	99,636.61	28,209.11	0.00	15,710.78
Deferred Outflows of Resources				
LIABILITIES				
Accounts payable	0.00	310.33	0.00	0.00
Other accrued payables	0.00	0.00	0.00	0.00
TOTAL LIABILITIES	0.00	310.33	0.00	0.00
Deferred Inflows of Resources				
FUND BALANCES				
Unassigned (negative balance only)	99,636.61	27,898.78	0.00	15,710.78
Total Fund Balances	99,636.61	27,898.78	0.00	15,710.78
Total Liabilities, Deferred inflows of resources and Fund Balances	99,636.61	28,209.11	0.00	15,710.78

TOWN OF SHERIDAN
 47. COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
 For the year ending June 30, 2023

	2821 HB 473 Special Roa	2991 ARPA DISTRIBUTION	Total Nonmajor Spec. Rev. Funds
<hr style="border-top: 1px dashed black;"/>			
ASSETS			
Cash and cash equivalents	80,372.54	68,033.43	291,962.47
Taxes receivable:			
<hr style="border-top: 1px dashed black;"/>			
TOTAL ASSETS	80,372.54	68,033.43	291,962.47
<hr style="border-top: 1px dashed black;"/>			
Deferred Outflows of Resources			
<hr style="border-top: 1px dashed black;"/>			
LIABILITIES			
Accounts payable	0.00	0.00	310.33
Other accrued payables	0.00	68,033.43	68,033.43
<hr style="border-top: 1px dashed black;"/>			
TOTAL LIABILITIES	0.00	68,033.43	68,343.76
<hr style="border-top: 1px dashed black;"/>			
Deferred Inflows of Resources			
<hr style="border-top: 1px dashed black;"/>			
FUND BALANCES			
Unassigned (negative balance only)	80,372.54	0.00	223,618.71
<hr style="border-top: 1px dashed black;"/>			
Total Fund Balances	80,372.54	0.00	223,618.71
Total Liabilities, Deferred	80,372.54	68,033.43	291,962.47
inflows of resources and Fund Balances			
<hr style="border-top: 3px double black;"/>			

49. COMBINING STMT OF REV, EXPEND, & CHANGES IN FUND BALANCES - BUDGET & ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
For the year ending June 30, 2023

2221 Library Depreciation Reserve	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Neg)
REVENUES				
Taxes				
Licenses and permits				
Intergovernmental revenue (See supplemental section for detail)				
Federal grants	0.00	0.00	0.00	0.00
State shared revenues	0.00	0.00	0.00	0.00
Charges for services				
Fines and forfeitures				
Total revenues	0.00	0.00	0.00	0.00
EXPENDITURES				
Current:				
General Government				
Public Safety				
Personal services	0.00	0.00	0.00	0.00
Supplies/services/materials, etc	0.00	0.00	0.00	0.00
Public Works				
Supplies/services/materials, etc	0.00	0.00	0.00	0.00
Public Health				
Social and Economic Services				
Culture and Recreation				
Housing and Community Development				
Conservation of Natural Resources				
Capital expenditures	0.00	0.00	0.00	0.00
Debt Service				
Total expenditures	0.00	0.00	0.00	0.00
Excess of revenues over (under) expenditures	0.00	0.00	0.00	0.00
OTHER FINANCING SOURCES (USES)				
Transfers in	60,188.00	60,188.00	98,231.80	38,043.80
Total other financing sources (uses)	60,188.00	60,188.00	98,231.80	38,043.80
Net change in fund balance	60,188.00	60,188.00	98,231.80	38,043.80
Fund balance - July 1, 2022 -				
-As previously reported	1,404.81	1,404.81	1,404.81	0.00
Prior period adjustments	0.00	0.00	0.00	0.00

49. COMBINING STMT OF REV, EXPEND, & CHANGES IN FUND BALANCES - BUDGET & ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
For the year ending June 30, 2023

2221 Library Depreciation Reserve

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Neg)
Fund balance - July 1, 2022 - As restated	1,404.81	1,404.81	1,404.81	0.00
Fund balance - June 30, 2023	61,592.81	61,592.81	99,636.61	38,043.80

49. COMBINING STMT OF REV, EXPEND, & CHANGES IN FUND BALANCES - BUDGET & ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
For the year ending June 30, 2023

2341 FIRE DEPARTMENT

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Neg)
REVENUES				
Taxes				
Licenses and permits				
Intergovernmental revenue (See supplemental section for detail)				
Federal grants	0.00	0.00	0.00	0.00
State shared revenues	0.00	0.00	0.00	0.00
Charges for services				
Fines and forfeitures				
Total revenues	0.00	0.00	0.00	0.00
EXPENDITURES				
Current:				
General Government				
Public Safety				
Personal services	500.00	500.00	237.88	262.12
Supplies/services/materials, etc	22,500.00	22,500.00	15,373.14	7,126.86
Public Works				
Supplies/services/materials, etc	0.00	0.00	0.00	0.00
Public Health				
Social and Economic Services				
Culture and Recreation				
Housing and Community Development				
Conservation of Natural Resources				
Capital expenditures	0.00	0.00	5,480.00	(5,480.00)
Debt Service				
Total expenditures	23,000.00	23,000.00	21,091.02	1,908.98
Excess of revenues over (under) expenditures	(23,000.00)	(23,000.00)	(21,091.02)	1,908.98
OTHER FINANCING SOURCES (USES)				
Transfers in	23,000.00	23,000.00	23,000.00	0.00
Total other financing sources (uses)	23,000.00	23,000.00	23,000.00	0.00
Net change in fund balance	0.00	0.00	1,908.98	1,908.98
Fund balance - July 1, 2022 -				
-As previously reported	25,989.80	25,989.80	25,989.80	0.00
Prior period adjustments	0.00	0.00	0.00	0.00

49. COMBINING STMT OF REV, EXPEND, & CHANGES IN FUND BALANCES - BUDGET & ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
For the year ending June 30, 2023

2341 FIRE DEPARTMENT

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Neg)
Fund balance - July 1, 2022 - As restated	25,989.80	25,989.80	25,989.80	0.00
Fund balance - June 30, 2023	25,989.80	25,989.80	27,898.78	1,908.98

49. COMBINING STMT OF REV, EXPEND, & CHANGES IN FUND BALANCES - BUDGET & ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
For the year ending June 30, 2023

2810 POLICE RESERVE TRAINING

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Neg)
REVENUES				
Taxes				
Licenses and permits				
Intergovernmental revenue (See supplemental section for detail)				
Federal grants	0.00	0.00	0.00	0.00
State shared revenues	1,620.00	1,620.00	0.00	(1,620.00)
Charges for services				
Fines and forfeitures				
Total revenues	1,620.00	1,620.00	0.00	(1,620.00)
EXPENDITURES				
Current:				
General Government				
Public Safety				
Personal services	0.00	0.00	0.00	0.00
Supplies/services/materials, etc	1,620.00	1,620.00	0.00	1,620.00
Public Works				
Supplies/services/materials, etc	0.00	0.00	0.00	0.00
Public Health				
Social and Economic Services				
Culture and Recreation				
Housing and Community Development				
Conservation of Natural Resources				
Capital expenditures	0.00	0.00	0.00	0.00
Debt Service				
Total expenditures	1,620.00	1,620.00	0.00	1,620.00
Excess of revenues over (under) expenditures	0.00	0.00	0.00	0.00
OTHER FINANCING SOURCES (USES)				
Transfers in	0.00	0.00	0.00	0.00
Total other financing sources (uses)	0.00	0.00	0.00	0.00
Net change in fund balance	0.00	0.00	0.00	0.00
Fund balance - July 1, 2022 -				
-As previously reported	0.00	0.00	0.00	0.00
Prior period adjustments	0.00	0.00	0.00	0.00

49. COMBINING STMT OF REV, EXPEND, & CHANGES IN FUND BALANCES - BUDGET & ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
For the year ending June 30, 2023

2810 POLICE RESERVE TRAINING

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Neg)
Fund balance - July 1, 2022 - As restated	0.00	0.00	0.00	0.00
Fund balance - June 30, 2023	0.00	0.00	0.00	0.00

49. COMBINING STMT OF REV, EXPEND, & CHANGES IN FUND BALANCES - BUDGET & ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
For the year ending June 30, 2023

2820 GAS TAX

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Neg)
REVENUES				
Taxes				
Licenses and permits				
Intergovernmental revenue (See supplemental section for detail)				
Federal grants	0.00	0.00	0.00	0.00
State shared revenues	15,710.00	15,710.00	15,709.75	(0.25)
Charges for services				
Fines and forfeitures				
Total revenues	15,710.00	15,710.00	15,709.75	(0.25)
EXPENDITURES				
Current:				
General Government				
Public Safety				
Personal services	0.00	0.00	0.00	0.00
Supplies/services/materials, etc	0.00	0.00	0.00	0.00
Public Works				
Supplies/services/materials, etc	15,711.00	15,711.00	0.00	15,711.00
Public Health				
Social and Economic Services				
Culture and Recreation				
Housing and Community Development				
Conservation of Natural Resources				
Capital expenditures	0.00	0.00	0.00	0.00
Debt Service				
Total expenditures	15,711.00	15,711.00	0.00	15,711.00
Excess of revenues over (under) expenditures	(1.00)	(1.00)	15,709.75	15,710.75
OTHER FINANCING SOURCES (USES)				
Transfers in	0.00	0.00	0.00	0.00
Total other financing sources (uses)	0.00	0.00	0.00	0.00
Net change in fund balance	(1.00)	(1.00)	15,709.75	15,710.75
Fund balance - July 1, 2022 -				
-As previously reported	1.03	1.03	1.03	0.00
Prior period adjustments	0.00	0.00	0.00	0.00

49. COMBINING STMT OF REV, EXPEND, & CHANGES IN FUND BALANCES - BUDGET & ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
For the year ending June 30, 2023

2820 GAS TAX

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Neg)
Fund balance - July 1, 2022 - As restated	1.03	1.03	1.03	0.00
Fund balance - June 30, 2023	0.03	0.03	15,710.78	15,710.75

49. COMBINING STMT OF REV, EXPEND, & CHANGES IN FUND BALANCES - BUDGET & ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
For the year ending June 30, 2023

2821 HB 473 Special Road/Street Allocations	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Neg)
REVENUES				
Taxes				
Licenses and permits				
Intergovernmental revenue (See supplemental section for detail)				
Federal grants	0.00	0.00	0.00	0.00
State shared revenues	20,899.00	20,899.00	20,897.44	(1.56)
Charges for services				
Fines and forfeitures				
Total revenues	20,899.00	20,899.00	20,897.44	(1.56)
EXPENDITURES				
Current:				
General Government				
Public Safety				
Personal services	0.00	0.00	0.00	0.00
Supplies/services/materials, etc	0.00	0.00	0.00	0.00
Public Works				
Supplies/services/materials, etc	80,374.00	80,374.00	0.00	80,374.00
Public Health				
Social and Economic Services				
Culture and Recreation				
Housing and Community Development				
Conservation of Natural Resources				
Capital expenditures	0.00	0.00	0.00	0.00
Debt Service				
Total expenditures	80,374.00	80,374.00	0.00	80,374.00
Excess of revenues over (under) expenditures	(59,475.00)	(59,475.00)	20,897.44	80,372.44
OTHER FINANCING SOURCES (USES)				
Transfers in	1,100.00	1,100.00	1,100.00	0.00
Total other financing sources (uses)	1,100.00	1,100.00	1,100.00	0.00
Net change in fund balance	(58,375.00)	(58,375.00)	21,997.44	80,372.44
Fund balance - July 1, 2022 -				
-As previously reported	58,375.10	58,375.10	58,375.10	0.00
Prior period adjustments	0.00	0.00	0.00	0.00

49. COMBINING STMT OF REV, EXPEND, & CHANGES IN FUND BALANCES - BUDGET & ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
For the year ending June 30, 2023

2821 HB 473 Special Road/Street Allocations

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Neg)
Fund balance - July 1, 2022 - As restated	58,375.10	58,375.10	58,375.10	0.00
Fund balance - June 30, 2023	0.10	0.10	80,372.54	80,372.44

49. COMBINING STMT OF REV, EXPEND, & CHANGES IN FUND BALANCES - BUDGET & ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
For the year ending June 30, 2023

2991 ARPA DISTRIBUTION

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Neg)
REVENUES				
Taxes				
Licenses and permits				
Intergovernmental revenue (See supplemental section for detail)				
Federal grants	339,294.00	339,294.00	0.00	(339,294.00)
State shared revenues	0.00	0.00	0.00	0.00
Charges for services				
Fines and forfeitures				
Total revenues	339,294.00	339,294.00	0.00	(339,294.00)
EXPENDITURES				
Current:				
General Government				
Public Safety				
Personal services	0.00	0.00	0.00	0.00
Supplies/services/materials, etc	0.00	0.00	0.00	0.00
Public Works				
Supplies/services/materials, etc	0.00	0.00	0.00	0.00
Public Health				
Social and Economic Services				
Culture and Recreation				
Housing and Community Development				
Conservation of Natural Resources				
Capital expenditures	0.00	0.00	0.00	0.00
Debt Service				
Total expenditures	0.00	0.00	0.00	0.00
Excess of revenues over (under) expenditures	339,294.00	339,294.00	0.00	(339,294.00)
OTHER FINANCING SOURCES (USES)				
Transfers in	0.00	0.00	0.00	0.00
Total other financing sources (uses)	0.00	0.00	0.00	0.00
Net change in fund balance	339,294.00	339,294.00	0.00	(339,294.00)
Fund balance - July 1, 2022 -				
-As previously reported	285.03	285.03	285.03	0.00
Prior period adjustments	(285.03)	(285.03)	(285.03)	0.00

49. COMBINING STMT OF REV, EXPEND, & CHANGES IN FUND BALANCES - BUDGET & ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
For the year ending June 30, 2023

2991 ARPA DISTRIBUTION

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Neg)
Fund balance - July 1, 2022 - As restated	0.00	0.00	0.00	0.00
Fund balance - June 30, 2023	339,294.00	339,294.00	0.00	(339,294.00)

49. COMBINING STMT OF REV, EXPEND, & CHANGES IN FUND BALANCES - BUDGET & ACTUAL - TOTAL NONMAJOR SPECIAL REVENUE FUNDS
For the year ending June 30, 2023

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Neg)
REVENUES				
Taxes				
Licenses and permits				
Intergovernmental revenue (See supplemental section for detail)				
Federal grants	339,294.00	339,294.00	0.00	(339,294.00)
State shared revenues	38,229.00	38,229.00	36,607.19	(1,621.81)
Charges for services				
Fines and forfeitures				
Total revenues	377,523.00	377,523.00	36,607.19	(340,915.81)
EXPENDITURES				
Current:				
General Government				
Public Safety				
Personal services	500.00	500.00	237.88	262.12
Supplies/services/materials, etc	24,120.00	24,120.00	15,373.14	8,746.86
Public Works				
Supplies/services/materials, etc	96,085.00	96,085.00	0.00	96,085.00
Public Health				
Social and Economic Services				
Culture and Recreation				
Housing and Community Development				
Conservation of Natural Resources				
Capital expenditures	0.00	0.00	5,480.00	(5,480.00)
Debt Service				
Total expenditures	120,705.00	120,705.00	21,091.02	99,613.98
Excess of revenues over (under) expenditures	256,818.00	256,818.00	15,516.17	(241,301.83)
OTHER FINANCING SOURCES (USES)				
Transfers in	84,288.00	84,288.00	122,331.80	38,043.80
Total other financing sources (uses)	84,288.00	84,288.00	122,331.80	38,043.80
Net change in fund balance	341,106.00	341,106.00	137,847.97	(203,258.03)
Fund balance - July 1, 2022 -				
-As previously reported	86,055.77	86,055.77	86,055.77	0.00
Prior period adjustments	(285.03)	(285.03)	(285.03)	0.00

49. COMBINING STMT OF REV, EXPEND, & CHANGES IN FUND BALANCES - BUDGET & ACTUAL - TOTAL NONMAJOR SPECIAL REVENUE FUNDS
For the year ending June 30, 2023

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Neg)
Fund balance - July 1, 2022 - As restated	85,770.74	85,770.74	85,770.74	0.00
Fund balance - June 30, 2023	426,876.74	426,876.74	223,618.71	(203,258.03)

55. COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
For the year ending June 30, 2023

	4000 Capital Improvemen	4001 Parks Capital Impr	4010 FIRE DEPARTMENT CA	Total Nonmajor Cap. Proj. Funds
ASSETS				
Cash and cash equivalents	71,160.00	13,332.00	0.00	84,492.00
Investments	0.00	0.00	18,931.57	18,931.57
Taxes receivable:				
TOTAL ASSETS	71,160.00	13,332.00	18,931.57	103,423.57
Deferred Outflows of Resources				
LIABILITIES				
Deferred Inflows of Resources				
FUND BALANCES				
Unassigned (negative balance only)	71,160.00	13,332.00	18,931.57	103,423.57
Total Fund Balances	71,160.00	13,332.00	18,931.57	103,423.57
Total Liabilities, Deferred inflows of resources and Fund Balances	71,160.00	13,332.00	18,931.57	103,423.57

57. COMBINING STMT OF REV, EXPEND, & CHANGES IN FUND BALANCES - BUDGET & ACTUAL - NONMAJOR CAPITAL PROJECTS FUNDS
For the year ending June 30, 2023

4000 Capital Improvement

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Neg)
REVENUES				
Taxes				
Licenses and permits				
Intergovernmental revenue (See supplemental section for detail)				
Charges for services				
Fines and forfeitures				
Miscellaneous				
Investment and royalty earnings	0.00	0.00	0.00	0.00
Total revenues	0.00	0.00	0.00	0.00
EXPENDITURES				
Current:				
General Government				
Public Safety				
Public Works				
Public Health				
Social and Economic Services				
Culture and Recreation				
Housing and Community Development				
Conservation of Natural Resources				
Debt Service				
Excess of revenues over (under) expenditures	0.00	0.00	0.00	0.00
OTHER FINANCING SOURCES (USES)				
Transfers in	0.00	0.00	0.00	0.00
Total other financing sources (uses)	0.00	0.00	0.00	0.00
Net change in fund balance	0.00	0.00	0.00	0.00
Fund balance - July 1, 2022 - -As previously reported	71,160.00	71,160.00	71,160.00	0.00
Fund balance - July 1, 2022 - As restated	71,160.00	71,160.00	71,160.00	0.00
Fund balance - June 30, 2023	71,160.00	71,160.00	71,160.00	0.00

57. COMBINING STMT OF REV, EXPEND, & CHANGES IN FUND BALANCES - BUDGET & ACTUAL - NONMAJOR CAPITAL PROJECTS FUNDS
For the year ending June 30, 2023

4001 Parks Capital Improvement

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Neg)
REVENUES				
Taxes				
Licenses and permits				
Intergovernmental revenue (See supplemental section for detail)				
Charges for services				
Fines and forfeitures				
Miscellaneous				
Investment and royalty earnings	0.00	0.00	0.00	0.00
Total revenues	0.00	0.00	0.00	0.00
EXPENDITURES				
Current:				
General Government				
Public Safety				
Public Works				
Public Health				
Social and Economic Services				
Culture and Recreation				
Housing and Community Development				
Conservation of Natural Resources				
Debt Service				
Excess of revenues over (under) expenditures	0.00	0.00	0.00	0.00
OTHER FINANCING SOURCES (USES)				
Transfers in	3,400.00	3,400.00	3,400.00	0.00
Total other financing sources (uses)	3,400.00	3,400.00	3,400.00	0.00
Net change in fund balance	3,400.00	3,400.00	3,400.00	0.00
Fund balance - July 1, 2022 - -As previously reported	9,932.00	9,932.00	9,932.00	0.00
Fund balance - July 1, 2022 - As restated	9,932.00	9,932.00	9,932.00	0.00
Fund balance - June 30, 2023	13,332.00	13,332.00	13,332.00	0.00

57. COMBINING STMT OF REV, EXPEND, & CHANGES IN FUND BALANCES - BUDGET & ACTUAL - NONMAJOR CAPITAL PROJECTS FUNDS
For the year ending June 30, 2023

4010 FIRE DEPARTMENT CAPITAL

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Neg)
REVENUES				
Taxes				
Licenses and permits				
Intergovernmental revenue (See supplemental section for detail)				
Charges for services				
Fines and forfeitures				
Miscellaneous				
Investment and royalty earnings	10.00	10.00	3.80	(6.20)
Total revenues	10.00	10.00	3.80	(6.20)
EXPENDITURES				
Current:				
General Government				
Public Safety				
Public Works				
Public Health				
Social and Economic Services				
Culture and Recreation				
Housing and Community Development				
Conservation of Natural Resources				
Debt Service				
Excess of revenues over (under) expenditures	10.00	10.00	3.80	(6.20)
OTHER FINANCING SOURCES (USES)				
Transfers in	0.00	0.00	0.00	0.00
Total other financing sources (uses)	0.00	0.00	0.00	0.00
Net change in fund balance	10.00	10.00	3.80	(6.20)
Fund balance - July 1, 2022 - -As previously reported	18,927.77	18,927.77	18,927.77	0.00
Fund balance - July 1, 2022 - As restated	18,927.77	18,927.77	18,927.77	0.00
Fund balance - June 30, 2023	18,937.77	18,937.77	18,931.57	(6.20)

57. COMBINING STMT OF REV, EXPEND, & CHANGES IN FUND BALANCES - BUDGET & ACTUAL - TOTAL NONMAJOR CAPITAL PROJECTS FUNDS
For the year ending June 30, 2023

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Neg)
REVENUES				
Taxes				
Licenses and permits				
Intergovernmental revenue (See supplemental section for detail)				
Charges for services				
Fines and forfeitures				
Miscellaneous				
Investment and royalty earnings	10.00	10.00	3.80	(6.20)
Total revenues	10.00	10.00	3.80	(6.20)
EXPENDITURES				
Current:				
General Government				
Public Safety				
Public Works				
Public Health				
Social and Economic Services				
Culture and Recreation				
Housing and Community Development				
Conservation of Natural Resources				
Debt Service				
Excess of revenues over (under) expenditures	10.00	10.00	3.80	(6.20)
OTHER FINANCING SOURCES (USES)				
Transfers in	3,400.00	3,400.00	3,400.00	0.00
Total other financing sources (uses)	3,400.00	3,400.00	3,400.00	0.00
Net change in fund balance	3,410.00	3,410.00	3,403.80	(6.20)
Fund balance - July 1, 2022 - -As previously reported	100,019.77	100,019.77	100,019.77	0.00
Fund balance - July 1, 2022 - As restated	100,019.77	100,019.77	100,019.77	0.00
Fund balance - June 30, 2023	103,429.77	103,429.77	103,423.57	(6.20)

61. COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - PERMANENT FUNDS
For the year ending June 30, 2023

	8000	Total
	SCHULTZ LIBRARY FU	Permanent Funds
<hr/>		
REVENUES		
Taxes		
Licenses and permits		
Intergovernmental revenue (See supplemental section for detail)		
Charges for services		
Fines and forfeitures		
Miscellaneous		
Investment and royalty earnings	21.61	21.61
	<hr/>	
Total revenues	21.61	21.61
<hr/>		
EXPENDITURES		
Current:		
General Government		
Public Safety		
Public Works		
Public Health		
Social and Economic Services		
Culture and Recreation		
Housing and Community Development		
Conservation of Natural Resources		
Debt Service		
<hr/>		
Excess of revenues over (under) expenditures	21.61	21.61
<hr/>		
OTHER FINANCING SOURCES (USES)		
<hr/>		
Net change in fund balance	21.61	21.61
Fund balance - July 1, 2022 -		
-As previously reported	10,807.40	10,807.40
<hr/>		
Fund balance - July 1, 2022 - As restated	10,807.40	10,807.40
<hr/>		
Fund balance - June 30, 2023	10,829.01	10,829.01
<hr/> <hr/>		

TOWN OF SHERIDAN
Schedule of Cash Receipts & Disbursements
For the Year 2022-2023

Fund/Account	Beginning Balance	Received	Transfers In	Disbursed	Transfers Out	Ending Balance
1000 GENERAL						
101000 Cash-General Bank	305,567.21	259,505.89	3,042.30	49,611.77	198,143.37	320,360.26
101001 Cash- Well Project	100.00	0.00	0.00	0.00	0.00	100.00
103000 Petty Cash	170.00	0.00	0.00	0.00	0.00	170.00
Total Fund	305,837.21	259,505.89	3,042.30	49,611.77	198,143.37	320,630.26
Total 1000 GENERAL	305,837.21	259,505.89	3,042.30	49,611.77	198,143.37	320,630.26
2220 LIBRARY						
101000 Cash-General Bank	174,630.49	128,749.16	0.00	98,231.80	89,374.67	115,773.18
2221 Library Depreciation Reserve						
101000 Cash-General Bank	1,404.81	98,231.80	0.00	0.00	0.00	99,636.61
2341 FIRE DEPARTMENT						
101000 Cash-General Bank	26,300.13	23,000.00	0.00	0.00	21,091.02	28,209.11
2820 GAS TAX						
101000 Cash-General Bank	1.03	15,709.75	0.00	0.00	0.00	15,710.78
2821 HB 473 Special Road/Street Allocations						
101000 Cash-General Bank	58,375.10	21,997.44	0.00	0.00	0.00	80,372.54
2991 ARPA DISTRIBUTION						
101000 Cash-General Bank	190,106.04	54,492.00	0.00	176,564.61	0.00	68,033.43
Total 2000	450,817.60	342,180.15	0.00	274,796.41	110,465.69	407,735.65
4000 Capital Improvement						
101000 Cash-General Bank	71,160.00	0.00	0.00	0.00	0.00	71,160.00
4001 Parks Capital Improvement						
101000 Cash-General Bank	9,932.00	3,400.00	0.00	0.00	0.00	13,332.00
4010 FIRE DEPARTMENT CAPITAL						
101500 Cash-Savings Fire	18,927.77	3.80	0.00	0.00	0.00	18,931.57
Total 4000 Capital Improvement	100,019.77	3,403.80	0.00	0.00	0.00	103,423.57
5210 WATER						
101000 Cash-General Bank	444,500.93	722,147.71	0.00	193,366.22	239,689.12	733,593.30
102100 Reserve-water meter bond	9,227.07	2,947.43	0.00	0.00	0.00	12,174.50
102221 Restricted Future Yr Pmt	15,555.00	49,405.00	0.00	0.00	0.00	64,960.00
102241 Restricted Replacement &	85,365.04	0.00	0.00	0.00	0.00	85,365.04
102250 Restricted Cash: Montana	78,895.22	50,291.98	0.00	80,563.27	0.00	48,623.93
Total Fund	633,543.26	824,792.12	0.00	273,929.49	239,689.12	944,716.77
5220 WATER CAPITAL IMPROVEMENT						
101000 Cash-General Bank	121,386.11	0.00	0.00	121,386.11	0.00	0.00
5310 SEWER						
101000 Cash-General Bank	702,791.28	348,118.56	6,213.30	182,165.58	149,619.25	725,338.31
102221 Restricted Future Yr Pmt	67,023.60	54,084.40	0.00	0.00	0.00	121,108.00
102241 Restricted Replacement &	63,710.00	0.00	0.00	0.00	0.00	63,710.00
Total Fund	833,524.88	402,202.96	6,213.30	182,165.58	149,619.25	910,156.31
Total 5000	1,588,454.25	1,226,995.08	6,213.30	577,481.18	389,308.37	1,854,873.08
7910 PAYROLL CLEARING FUND						
101000 Cash-General Bank	8,112.32	869.00	246,614.39	225,292.70	4,418.23	25,884.78
7930 CLAIMS CLEARING FUND						
101000 Cash-General Bank	23,259.70	0.00	446,465.67	451,728.23	0.00	17,997.14
Total 7000	31,372.02	869.00	693,080.06	677,020.93	4,418.23	43,881.92

TOWN OF SHERIDAN
Schedule of Cash Receipts & Disbursements
For the Year 2022-2023

Fund/Account	Beginning Balance	Received	Transfers In	Disbursed	Transfers Out	Ending Balance
8000 SCHULTZ LIBRARY FUND						
101000 Cash-General Bank	0.00	10,829.01	0.00	0.00	0.00	10,829.01
102241 Restricted Replacement &	10,000.00	0.00	0.00	10,000.00	0.00	0.00

Total Fund	10,807.40	10,850.62		10,829.01		10,829.01
Total 8000 SCHULTZ LIBRARY FUND	10,807.40	10,850.62	0.00	10,829.01	0.00	10,829.01
Totals	2,487,308.25	1,843,804.54	702,335.66	1,589,739.30	702,335.66	2,741,373.49

Town of Sheridan, Madison County, Montana
Cash Reconciliation
June 30, 2023

	Range of Interest Rates	Maturity Date	Balance Per Bank Statement 6/30/2023	Other/ ansfers	Adjustments	Book Balance 6/30/2023
<u>Cash on Hand:</u>						
Petty cash						\$ -
<i>Total</i>			\$ 270			\$ 270
			\$ 270		\$ -	\$ 270
<u>Demand Deposits:</u>						
Opprotunity Bank						
<i>Total</i>			\$ 2,620,371	\$ (104)	\$ (28)	\$ 2,620,239
			\$ 2,620,371	\$ (104)	\$ (28)	\$ 2,620,239
<u>Savings, NOW, Money Market Deposits:</u>						
Opprotunity Bank - 9609	0.050%		\$ 18,936			\$ 18,936
Opprotunity Bank - 4803	0.050%		\$ 9,231			\$ 9,231
<i>Total</i>			\$ 28,167	\$ -	\$ -	\$ 28,167
<u>Time Deposits:</u>						
Opprotunity Bank - Library Fund CD #36232	0.500%	10/19/2023	\$ 10,829			\$ 10,829
<i>Total</i>			\$ 10,829	\$ -	\$ -	\$ 10,829
Total Cash and Deposits			\$ 2,659,367	\$ (104)	\$ (28)	\$ 2,659,505
	Range of Interest Rates	Range of Maturity Dates				
<u>INVESTMENTS:</u>						
STIP			\$ 81,867			\$ 81,867
<i>Total Investments</i>			\$ 81,867	\$ -	\$ -	\$ 81,867
Total Cash & Investments			\$ 2,741,234	\$ (104)	\$ (28)	\$ 2,741,372

(Does not include petty cash) (Includes petty cash)

**TOWN OF SHERIDAN
ELECTED OFFICIALS/OFFICERS**

OFFICE	NAME OF COUNTY OFFICIALS/OFFICERS	DATE TERM EXPIRES
Commissioner (Chairperson)		
Commissioner		
Commissioner		
Attorney		
Clerk and recorder		
Auditor		
Treasurer		
Sheriff		
Clerk of district court		
Coroner		
Justice of the peace		
Justice of the peace		
Public administrator		
School superintendent		

OFFICE	NAME OF CITY/TOWN OFFICIALS/OFFICERS	DATE TERM EXPIRES
Mayor	Robert C. Stump	
Councilperson/Commissioner	Mike Walter	2025
Councilperson/Commissioner	Rahn Abbott	2023
Councilperson/Commissioner	Emilie Saylor	2025
Councilperson/Commissioner	Wade Zahn	2023
Councilperson/Commissioner	Tammy Todd	2025
Councilperson/Commissioner		
Councilperson/Commissioner		
Councilperson/Commissioner		
City manager		
Attorney	Stephanie Kruer	
Chief of police		
Clerk		
Clerk/Treasurer	Ginger Galiger	
Finance Director		
Police Judge		
Treasurer		
Utility billing/collection clerk		

**CONSISTENT WITH STATE LAW, I HEREBY TRANSMIT THE
TOWN OF SHERIDAN
ANNUAL FINANCIAL REPORT FOR THE
FISCAL YEAR ENDING JUNE 30, 2023**

Submitted by;

County Clerk and Recorder or City/Town Clerk-Treasurer

Date

Preparer's contact information:

Email: _____

Phone: _____

