

| CITY OF ROGUE RIVER, OREGON
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2023
WITH
INDEPENDENT AUDITOR'S REPORT



CITY OF ROGUE RIVER, OREGON

Year Ended June 30, 2023

ELECTED OFFICIALS OF THE CITY OF ROGUE RIVER, OREGON

Pam VanArsdale, Mayor

Sharie Davis, Council Member

Rick Kempa, Council Member

Barb Hilty, Council Member

Sherrie Moss, Council Member

Barb Gregory, Council Member

All council members receive mail at the address listed below.

ADMINISTRATION

Ryan Nolan, City Administrator

Michael Franell, City Attorney

City of Rogue River
P.O. Box 1137
Rogue River, Oregon 97537



CITY OF ROGUE RIVER, OREGON

YEAR ENDED JUNE 30, 2023

Independent Auditor's Report	A1-A3
Management's Discussion and Analysis	B1-B9
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements:	
Balance Sheet – Governmental Funds	3
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position	4
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Statement of Net Position – Proprietary Funds	7
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	8
Statement of Cash Flows – Proprietary Funds	9
Notes to the Financial Statements	10-39
Required Supplementary Information:	
Major Governmental Funds:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:	
General Fund	40
Street Fund	41
Schedule of the City's Proportionate Share of the Net Pension Asset/(Liability) and Schedule of the City's Contributions - OPERS	42
Schedule of the City's Proportionate Share of the Net OPEB Asset/(Liability) and Schedule of the City's Contributions - RHIA	43
Other Supplementary Information:	
Other Major Governmental Funds:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual: Governmental Debt Service Fund	44
Major Enterprise Funds:	
Combining Statement of Revenues, Expenditures and Changes in Net Position:	
Water Fund	45
Sewer Fund	46
Schedules of Revenues, Expenditures and Changes in Net Position – Budget and Actual:	
Water Fund	47
Sewer Fund	48
Water Improvement Reserve Fund	49
Sewer Improvement Reserve Fund	50
System Development Fund	51
Water and Sewer Revenue Bond Debt Service Fund	52



TABLE OF CONTENTS (CONTINUED)

Independent Auditor's Report Required by Oregon State Regulation	53-54
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 <i>Government Auditing Standards</i>	55-56
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by The Uniform Guidance	57-59
Schedule of Expenditures of Federal Awards and Associated Notes	60-61
Schedule of Findings and Questioned Costs	62



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Council
City of Rogue River
Rogue River, OR 97537

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City, as of 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 of America (GAAS) 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 the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known 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 GAAS 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, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, general fund and major special revenue fund budgetary comparison information, certain pension schedules, and certain other post-employment benefit schedules as listed in the Table of Contents 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 context. We have applied certain limited procedures to the management's discussion and analysis, certain pension schedules and certain other post-employment benefit schedule 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 general fund and major special revenue fund budgetary comparison information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the general fund and major special revenue funds budgetary

comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplementary information listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is also not a required part of the basic financial statements. The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Other Reporting Required by Oregon State Regulations

In accordance with Oregon State Regulation, we have also issued our report dated December 13, 2023 on our consideration of the City of Rogue River's compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules 162-010-0000 through 162-010-3200 of the Minimum Standards for Audits of Oregon Municipal Corporations. The purpose of that report is to describe the scope of our testing necessary to address the required provisions of ORS, and not to provide an opinion on compliance with such provisions.



Aria Bettinger, CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
December 13, 2023

**CITY OF ROGUE RIVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

This Management Discussion and Analysis (MD&A) is presented to facilitate financial analysis and provide an overview of the financial activities of the City of Rogue River (the City) for the fiscal year ended June 30, 2023. Information in the MD&A is based on currently known facts, decisions and conditions. Please read it in conjunction with the basic financial statements and the accompanying notes to those financial statements. It should also be noted that all amounts included in text below are rounded for ease of reading.

FINANCIAL HIGHLIGHTS

- In the **government-wide statements**, the City's assets and deferred outflows totaled \$18.7 million as of June 30, 2023, consisting of \$10.5 million in capital assets (net), \$4.3 million in cash and investments, \$3.1 million in restricted cash, \$390 thousand in receivables and other assets, and \$534 thousand in deferred outflows related to pensions and OPEB. The City's assets and deferred outflows increased by \$1.3 million when compared to June 30, 2022 (approximately 7%).
- In the **government-wide statements**, the City's liabilities and deferred inflows totaled \$5.28 million as of June 30, 2023, consisting of \$3.2 million (approximately 60%) in debt, \$1.2 million in pension related liabilities, \$490 thousand in accounts payable and other current liabilities, \$54 thousand in accrued compensated absences, and \$391 thousand in deferred inflows related to pensions and OPEB. The City's liabilities and deferred inflows increased by \$653 thousand when compared to June 30, 2022 (approximately 14%).
- **Government-wide** net position (assets and deferred outflows minus liabilities and deferred inflows) totaled \$13.5 million as of June 30, 2023, of which \$7.3 million was net investment in capital assets, approximately \$3.1 million was restricted, and \$3.1 million was considered unrestricted. In the prior year, net position totaled \$12.8 million, of which \$7.3 million was invested in capital assets net of related debt, \$2.9 million was restricted and \$2.6 million was considered unrestricted.
- In the **government-wide statements**, the City generated program revenues of \$2.6 million from its governmental and business activities. Direct expenses of all programs totaled \$3.4 million. General revenues which include taxes, other support and investment income totaled approximately \$1.3 million. In the prior year the City generated program revenues of \$3.2 million from its governmental and business activities, direct expenses of all programs totaled \$3.1 million and general revenues totaled \$1.2 million.
- At the end of the fiscal year, fund balance for all **governmental funds** was \$2.1 million, up \$269 thousand from the prior year's balance of \$1.8 million, an increase of approximately 15%. The fund balance in the General Fund is all unassigned, the fund balance in the Street Fund and Governmental Debt Service Fund are restricted.
- At the end of the fiscal year, fund balance in the **General Fund** was \$1.44 million, an increase of \$209 thousand from the prior year, which is an increase of approximately 17%. Unassigned fund balance in the General Fund represented approximately 87% of total General Fund expenditures.
- The City's net position increased \$650 thousand during the fiscal year ended June 30, 2023 from the prior year net position.

**CITY OF ROGUE RIVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

OVERVIEW OF THE FINANCIAL STATEMENTS

The Basic Financial Statements and supplementary information are presented using the integrated approach as prescribed by GASB Statement No. 34. The Basic Financial Statements are comprised of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

The Basic Financial Statements present financial information about the City as a whole and about its activities. Following the Basic Financial Statements is information required by the Governmental Accounting Standards Board (GASB). Additionally, included are other supplementary schedules providing other governmental major funds and business-type major fund budgetary comparison schedules. Finally, completing the document is a series of other financial schedules, and auditor's report, as required by statute.

1. Government-wide Financial Statements

The government-wide financial statements are designed to present the financial picture of the City in a manner similar to a private-sector business, i.e. from the economic resources measurement focus using the accrual basis of accounting.

The Statement of Net Position includes all assets (including infrastructure) and deferred outflows of resources of the City, as well as all liabilities (including long-term debt) and deferred inflows of resources. Net position is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, which is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position may be an indicator of whether its financial health is improving or deteriorating.

The Statement of Activities reports all revenues when earned and expenses when incurred regardless of the timing of related cash flows. The focus of the Statement of Activities is to present the major program costs, matching major resources with each. To the extent a program's costs are not recovered by grants and direct charges, it is paid from general taxes and other general revenues. This Statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

The government-wide financial statements distinguish programs/functions of the City that are governmental (principally supported by taxes and intergovernmental revenues) to those that are business-type (intended to recover all or a significant portion of their costs through user fees and charges).

**CITY OF ROGUE RIVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

Governmental activities of the City are categorized as follows:

- Administrative - includes centralized services such as public works administration and support, information technology, administration and financial services and other general functions not separately identified as a program.
- Public safety - includes police department.
- Parks department - includes maintenance of the City's parks and playgrounds.
- Building department - includes the City's community development and building inspection functions.
- Highways and streets - includes the City's street maintenance operations, street and local improvement construction and the City's engineering activities.

Business-type activities include the following:

- Water
- Sewer

2. Fund Financial Statements

Following the government-wide statements is a section containing fund financial statements. The fund financial statements include statements for governmental funds and proprietary funds. Funds are used to segregate resources for specific activities or objectives.

Governmental Funds. The governmental fund statements emphasize available financial resources rather than net income. They are prepared using the current financial resources measurement focus and modified accrual basis of accounting. A reconciliation of the fund balance reported in the governmental funds Balance Sheet to the net position reported on the government-wide Statement of Net Position, and a reconciliation of the change in fund balances reported in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances to the change in net position reported in the government-wide Statement of Activities are provided to facilitate a comparison between governmental funds and governmental activities.

The City has three governmental funds, all of which are considered major funds and presented separately in the governmental fund financial statements. These funds are the General Fund, Street Fund, and Governmental Debt Service Fund.

Proprietary Funds. Proprietary funds are used to account for activities supported by user charges and where the emphasis is on net income. The City uses enterprise funds to account for its water and sewer operations. The City has two proprietary funds that are considered major funds which are the Water Fund and Sewer Fund. Non-major funds for the City include the Water Improvement Reserve Fund (combined with the Water Fund for financial reporting purposes), Sewer Improvement Reserve Fund (combined with the Sewer Fund for financial reporting purposes), Water/Sewer Debt Service Fund (combined with the Sewer Fund for financial reporting purposes) and System Development Fund.

3. Notes to the Basic Financial Statements

The notes provide information that is essential for a full understanding of the data presented in the government-wide and fund financial statements (the basic financial statements). Information such as significant accounting policies and detail of certain assets and liabilities are included in the notes which should be read in conjunction with the basic financial statements.

**CITY OF ROGUE RIVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Position

The City's assets and deferred outflows exceeded liabilities and deferred inflows by \$13.47 million at June 30, 2023. Net position for governmental activities totaled \$6.45 million while net position for business-type activities totaled \$7.02 million.

	June 30, 2023		June 30, 2022	
	Governmental Activities	Business Type Activities	Governmental Activities	Business Type Activities
Capital assets, net	\$ 6,018,344	\$ 4,456,873	\$ 6,011,153	\$ 3,877,357
Current & other assets	2,246,578	5,487,947	1,975,043	4,975,070
Total assets	8,264,922	9,944,820	7,986,196	8,852,427
Deferred outflows of resources related to OPERS & RHIA	301,595	232,039	346,920	254,929
Total assets and deferred outflows	\$ 8,566,517	\$ 10,176,859	\$ 8,333,116	\$ 9,107,356
Long term debt	\$ 1,027,074	\$ 2,127,553	\$ 1,091,392	\$ 1,490,400
Pension liabilities	667,168	519,263	471,489	421,709
Other liabilities	176,746	366,838	182,200	173,772
Total liabilities	1,870,988	3,013,654	1,745,081	2,085,881
Deferred inflows of resources related to OPERS & RHIA	247,432	143,189	515,107	276,637
Total liabilities and deferred inflows	\$ 2,118,420	\$ 3,156,843	\$ 2,260,188	\$ 2,362,518
Net investment in capital assets	\$ 4,991,270	\$ 2,329,320	\$ 4,919,761	\$ 2,386,957
Restricted	640,357	2,431,555	580,090	2,367,162
Unrestricted	816,470	2,259,141	573,077	1,990,719
Total net position	\$ 6,448,097	\$ 7,020,016	\$ 6,072,928	\$ 6,744,838

As mentioned earlier, net position may be an indicator of the City's financial position. At the end of the current year, the City has a positive net position balance. Net position increased by approximately \$650 thousand from the prior year as revenues exceeded expenses. As of June 30, 2023, the unrestricted portion of the City's net position was approximately 23% of total net position. Net investment in capital assets portion of the City's net position was approximately 54% of total net position. Approximately 23% of the City's net position was restricted. In the prior year, approximately 57% of the City's net position was net investment in capital assets, approximately 23% was restricted, and approximately 20% was unrestricted.

**CITY OF ROGUE RIVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

Analysis of Changes in Net Position

	June 30, 2023		June 30, 2022	
	Governmental Activities	Business Type Activities	Governmental Activities	Business Type Activities
Revenues				
Program revenues:				
Charges for services	\$ 629,954	\$ 1,634,168	\$550,411	\$1,527,129
Operating grants	379,375	-	771,399	-
Capital grants/contributions	-	-	311,765	-
General revenues:				
Property taxes for general	637,834	-	627,526	-
Property taxes for debt	95,029	-	91,638	-
Lodging tax	100,484	-	106,992	-
Gas tax	190,511	-	188,768	-
State revenue sharing	29,906	-	28,061	-
State cigarette/alcohol taxes	67,408	-	50,999	-
Local tax	35,369	-	62,524	-
Earnings on investments	131,539	73,736	23,902	13,421
Gain (loss) on sale of capital assets	15,104	-	-	-
Other	2,773	5,405	2,384	23,101
Total revenues	2,315,286	1,713,309	2,816,369	1,563,651
Expenses				
Administrative	347,628	-	304,894	-
Public Safety	812,609	-	1,009,642	-
Parks	199,973	-	126,656	-
Building Department	97,943	-	109,178	-
Highways and streets	436,914	-	245,775	-
Water Department	-	726,994	-	614,368
Sewer Department	-	673,117	-	574,134
Non-Departmental	16,460	-	29,066	-
Interest on long-term debt	28,590	38,020	17,241	40,243
Total expenses	1,940,117	1,438,131	1,842,452	1,228,745
Change in net position	375,169	275,178	973,917	334,906
Beginning net position	6,072,928	6,744,838	5,099,011	6,409,932
Ending net position	\$ 6,448,097	\$ 7,020,016	\$ 6,072,928	\$ 6,744,838

**CITY OF ROGUE RIVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

Governmental Activities

Governmental activities increased the City's net position by approximately \$375 thousand. Revenues totaled approximately \$2.32 million and consisted primarily of property taxes of approximately \$733 thousand and operating grants of approximately \$379 thousand.

As discussed earlier, the City's governmental activities are categorized into the following programs: administrative; public safety; parks department; building department; highways and streets. Administrative activities are activities not categorized in any of the programs and include central services such as building operations, engineering, public works administration and support, and administration and financial services.

Business-Type Activities

Business-type activities increased the City's net position by approximately \$275 thousand. Business-type revenues totaled \$1.71 million and consisted primarily of charges for services (approximately 95%).

Charges for services, which totaled approximately \$1.63 million, are comprised of water, sewer service, and system development charges. Business-type activities are self-supporting where revenues are expected to cover expenses.

Revenues for water and sewer operations are expected to be higher than the respective direct expenses because the revenues are generated not only for direct expenses but for acquisition of capital assets and principal payments on long-term debt as well. Capital assets and principal payments on long-term debt are not reported as direct expenses but are reported as additions to assets and reductions to liabilities respectively on the Statement of Net Position.

FUND ANALYSIS

The City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

The focus of the governmental funds is to provide information on near-term inflows, outflows and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund, Special Revenue Fund, and Debt Service Fund.

At the end of the current year, the City's governmental funds had combined ending fund balances of \$2.08 million, an increase of \$269 thousand (approximately 15%) from the prior year's fund balance of \$1.81 million.

The General Fund is a primary operating fund of the City. At the end of the fiscal year, the unassigned fund balance of the general fund was approximately \$1.44 million, up \$209 thousand from the previous year. Unassigned fund balance represents approximately 87% of total General Fund expenditures, which may be a measure of the General Fund's liquidity.

Fund balances increased by \$58 thousand in the Street Fund and \$2 thousand in the Governmental Debt Service Fund.

**CITY OF ROGUE RIVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

At June 30, 2023, unrestricted net position of the proprietary funds was \$2.27 million, an increase of approximately \$280 thousand from the prior year. Net investment in capital assets was \$2.26 million and the restricted net position balance was approximately \$2.43 million. The Water Fund reported a decrease in net position for the current fiscal year of approximately \$19 thousand, from prior year net position. The Sewer Fund reported an increase in net position for the current fiscal year of approximately \$230 thousand. The System Development Fund reported an increase of approximately \$64 thousand in net position.

Other factors concerning the finances of the proprietary funds can be found in the previous discussion of the City's business-type activities.

CAPITAL ASSETS

As of June 30, 2023, the City had invested \$10.5 million in capital assets, net of depreciation as reflected in the following table:

	Governmental Activities	Business Type Activities	Total
Land	\$ 665,838	\$ 782,606	\$ 1,448,444
Construction in progress	1,218,414	1,088,859	2,307,273
Buildings and improvements	186,974	31,113	218,087
Machinery and equipment	154,642	217,203	371,845
Infrastructure	3,792,476	2,337,092	6,129,568
Total	<u>\$ 6,018,344</u>	<u>\$ 4,456,873</u>	<u>\$ 10,475,217</u>

Significant capital asset additions during the year include construction in progress related to Rooster Park and Water System Improvements.

**CITY OF ROGUE RIVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

DEBT ADMINISTRATION

As of year-end, the City had \$3.15 million in long-term debt outstanding compared to \$2.58 million in the previous year.

In the current year, the City continued to draw down on their financing contract with the State of Oregon for the financing of Water System Improvements. The City has incurred \$845,254 of the \$3,745,030 available as of June 30, 2023. Long-term debt activity during the year consists of the following:

	Balance at June 30, 2022	Additions	Reductions	Balance at June 30, 2023	Due within one year
Governmental Activities:					
Series 2013A G.O. Bonds (direct placement)	\$ 206,637	\$ -	\$ (10,019)	\$ 196,618	\$ 10,482
Series 2013B G.O. Bonds (direct placement)	884,755	-	(54,299)	830,456	58,426
Total Governmental Activities	<u>\$ 1,091,392</u>	<u>\$ -</u>	<u>\$ (64,318)</u>	<u>\$ 1,027,074</u>	<u>\$ 68,908</u>
Business-Type Activities:					
Series 2017A Bond (direct borrowing)	\$ 1,325,000	\$ -	\$ (90,000)	\$ 1,235,000	\$ 90,000
Safe Drinking Water Revolving Loan (direct borrowing)	110,821	734,433	-	845,254	-
Unamortized Premium/(Discount)	54,579	-	(7,280)	47,299	6,774
Total Business-Type Activities	<u>\$ 1,490,400</u>	<u>\$ 734,433</u>	<u>\$ (97,280)</u>	<u>\$ 2,127,553</u>	<u>\$ 96,774</u>
Total Long-term debt	<u>\$ 2,581,792</u>	<u>\$ 734,433</u>	<u>\$ (161,598)</u>	<u>\$ 3,154,627</u>	<u>\$ 165,682</u>

Debt Limitation and Ratings

Oregon Revised Statutes provides a limit on non-self-supporting general obligation debt of 3% of the taxable assessed value of all taxable property within the City. Based on the fiscal year 2023 value, the City is within its debt limitation.

Please refer to the notes to the basic financial statements for further detailed information.

ECONOMIC FACTORS, NEXT YEARS BUDGET AND RATES

Rogue River is closely linked to Medford and Grants Pass, with a substantial percentage of the work force commuting to these cities for employment. There continues to be a clear trend toward residential growth in the City. Jackson County's July jobless rate averaged 4.7%. The Rogue River Murphy Plywood Mill still remains the City's largest manufacturer and employer.

The City's economic position is currently positive, and financial management practices remain cautious. The immediate financial future of the City of Rogue River looks stable.

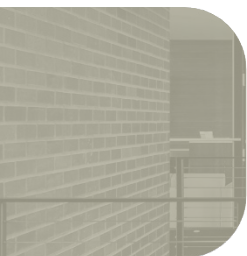
The City's population has increased very little, from a population of 2,435 in 2021 to a population of 2,446 in 2023. The City expects to continue with minimal growth with five to ten future housing starts being predicted. A minimal rate of growth would be consistent with the city's historical trend for most of the past ten years. The assessed value of property in the City increased to \$219,484,638, up 8% percent from the previous year.

**CITY OF ROGUE RIVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

Major Capital Projects for the 2023-24 Budget include: improvements to Palmerton Park and water reclamation there; Police vehicle outfitting; Water Treatment Plant Building improvements; the remainder of the Safe Drinking Water Revolving Loan Fund project consisting of the addition of 13 additional fire hydrants and a new reservoir; Wastewater Treatment screen and aeration basin upgrades; City property storage and safety features; and System Development planning.

REQUEST FOR INFORMATION

The City's financial statements are designed to present users with a general overview of the City's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to City Hall, PO Box 1137, 133 Broadway, Rogue River, Oregon 97537. The City's telephone number is 541-582-4401.



| BASIC FINANCIAL STATEMENTS



| GOVERNMENT- WIDE FINANCIAL STATEMENTS

CITY OF ROGUE RIVER
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Assets:			
Cash and investments	\$ 1,443,052	\$ 2,831,999	\$ 4,275,051
Restricted cash and investments	637,546	2,431,555	3,069,101
Receivables	151,837	216,642	368,479
Net other post-employment asset (RHIA)	14,143	7,751	21,894
Capital assets, net:			
Land	665,838	782,606	1,448,444
Construction in progress	1,218,414	1,088,858	2,307,272
Buildings and improvements	186,974	31,113	218,087
Machinery and equipment	154,642	217,203	371,845
Infrastructure	3,792,476	2,337,093	6,129,569
TOTAL ASSETS	8,264,922	9,944,820	18,209,742
Deferred outflows of resources:			
Deferred amounts related to OPERS	301,409	231,946	533,355
Deferred amounts related to RHIA	186	93	279
TOTAL DEFERRED OUTFLOWS OF RESOURCES	301,595	232,039	533,634
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	8,566,517	10,176,859	18,743,376
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:			
Liabilities:			
Accounts payable	91,580	244,540	336,120
Payroll payable	33,104	11,236	44,340
Accrued interest payable	12,662	10,450	23,112
Customer deposits	-	84,436	84,436
Unearned revenue	2,005	-	2,005
Accrued compensated absences	37,395	16,176	53,571
Net pension liability (OPERS) (due in more than one year)	667,168	519,263	1,186,431
Long-term debt, net of unamortized premium/discount:			
Due within one year	68,908	96,774	165,682
Due in more than one year	958,166	2,030,779	2,988,945
TOTAL LIABILITIES	1,870,988	3,013,654	4,884,642
Deferred inflows of resources:			
Deferred amounts related to OPERS	244,253	141,423	385,676
Deferred amounts related to RHIA	3,179	1,766	4,945
TOTAL DEFERRED INFLOWS OF RESOURCES	247,432	143,189	390,621
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	2,118,420	3,156,843	5,275,263
NET POSITION:			
Net investment in capital assets	4,991,270	2,329,320	7,320,590
Restricted	640,357	2,431,555	3,071,912
Unrestricted	816,470	2,259,141	3,075,611
TOTAL NET POSITION	\$ 6,448,097	\$ 7,020,016	\$ 13,468,113

See accompanying notes to basic financial statements

**CITY OF ROGUE RIVER
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
		Fines, Fees, and Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Governmental activities:							
General government:							
Administrative	\$ 347,628	\$ 383,780	\$ -	\$ 36,152	\$ -	\$ 36,152	
Public safety	812,609	95,131	-	(717,478)	-	(717,478)	
Parks department	199,973	19,900	-	(180,073)	-	(180,073)	
Building department	97,943	70,803	-	(27,140)	-	(27,140)	
Highways and streets	436,914	60,340	112,500	(264,074)	-	(264,074)	
Non-departmental	16,460	-	266,875	250,415	-	250,415	
Interest on long-term debt	28,590	-	-	(28,590)	-	(28,590)	
Total government activities	1,940,117	629,954	379,375	(930,788)	-	(930,788)	
Business-type activities:							
Water	726,994	748,793	-	-	21,799	21,799	
Sewer	673,117	768,133	-	-	95,016	95,016	
System development	-	117,242	-	-	117,242	117,242	
Interest on long-term debt	38,020	-	-	-	(38,020)	(38,020)	
Total business-type activities	1,438,131	1,634,168	-	-	196,037	196,037	
Total Common City	<u>\$ 3,378,248</u>	<u>\$ 2,264,122</u>	<u>\$ 379,375</u>	<u>(930,788)</u>	<u>196,037</u>	<u>(734,751)</u>	
General revenues:							
Property taxes levied for general purposes				637,834	-	637,834	
Property taxes levied for debt service				95,029	-	95,029	
Lodging tax				100,484	-	100,484	
Gas tax				190,511	-	190,511	
State revenue sharing				29,906	-	29,906	
State cigarette and alcohol taxes				67,408	-	67,408	
Local tax				35,369	-	35,369	
Earnings on investments				131,539	73,736	205,275	
Miscellaneous				2,773	5,405	8,178	
Gain on disposal				15,104	-	15,104	
Total general revenues				1,305,957	79,141	1,385,098	
CHANGE IN NET POSITION				375,169	275,178	650,347	
BEGINNING NET POSITION - JULY 1, 2022				6,072,928	6,744,838	12,817,766	
ENDING NET POSITION - JUNE 30, 2023				\$ 6,448,097	\$ 7,020,016	\$ 13,468,113	



| FUND FINANCIAL STATEMENTS

**CITY OF ROGUE RIVER
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023**

	General Fund	Street Fund	Debt Service Fund	Total
ASSETS:				
Pooled cash and investments	\$ 1,443,052	\$ -	\$ -	\$ 1,443,052
Restricted cash and investments	-	512,019	125,527	637,546
Receivables	90,152	28,841	-	118,993
Taxes receivable	28,748	-	4,096	32,844
TOTAL ASSETS	\$ 1,561,952	\$ 540,860	\$ 129,623	\$ 2,232,435
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:				
Liabilities:				
Accounts payable	\$ 67,354	\$ 24,226	\$ -	\$ 91,580
Payroll payable	30,333	2,771	-	33,104
Unearned revenue	2,005	-	-	2,005
TOTAL LIABILITIES	99,692	26,997	-	126,689
Deferred Inflows of Resources:				
Unavailable revenue - property taxes	21,964	-	3,129	25,093
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	121,656	26,997	3,129	151,782
Fund Balances:				
Restricted	-	513,863	126,494	640,357
Unassigned	1,440,296	-	-	1,440,296
TOTAL FUND BALANCES	1,440,296	513,863	126,494	2,080,653
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,561,952	\$ 540,860	\$ 129,623	\$ 2,232,435

**CITY OF ROGUE RIVER
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2023**

TOTAL FUND BALANCES \$ 2,080,653

Capital assets are not financial resources and therefore are not reported in the governmental funds:

Cost	\$ 8,901,667	
Accumulated depreciation	<u>(2,883,323)</u>	
		6,018,344

The asset associated with the City's retirement health insurance account (RHIA) is not recorded in the governmental funds as it is not available nor payable currently.

14,143

The net deferred outflow/(inflow) associated with the City's pension and other post-employment benefits is not recorded in the governmental funds as it is not available nor payable currently.

54,163

A portion of the City's property taxes are collected after year-end but are not available soon enough to pay for the current year's operations, and therefore are not reported as revenue in the governmental funds.

25,093

Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather recognized as an expenditure when due. These liabilities consist of:

Compensated absences payable	(37,395)	
Net pension liability	(667,168)	
Accrued interest payable	(12,662)	
Long-term debt payable	<u>(1,027,074)</u>	

TOTAL NET POSITION \$ 6,448,097

CITY OF ROGUE RIVER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

	General Fund	Street Fund	Debt Service Fund	Total
REVENUES				
Taxes	\$ 636,190	\$ -	\$ 94,933	\$ 731,123
Franchise fees	296,481	-	-	296,481
Licenses and permits	389,713	-	-	389,713
Fines and forfeitures	9,194	-	-	9,194
Intergovernmental	376,689	290,511	-	667,200
Fees	-	60,340	-	60,340
Earnings on investments	115,153	15,362	1,024	131,539
Miscellaneous	10,079	2,773	-	12,852
TOTAL REVENUES	1,833,499	368,986	95,957	2,298,442
EXPENDITURES				
Current:				
Administrative	350,198	-	-	350,198
Public safety	829,830	-	-	829,830
Building department	97,943	-	-	97,943
Parks	126,483	-	-	126,483
Streets	-	282,033	-	282,033
Capital outlay	257,680	28,920	-	286,600
Debt service	-	-	93,723	93,723
TOTAL EXPENDITURES	1,662,134	310,953	93,723	2,066,810
OTHER FINANCING SOURCES (USES):				
Proceeds from insurance claims	37,761	-	-	37,761
TOTAL OTHER FINANCING SOURCES (USES)	37,761	-	-	37,761
NET CHANGE IN FUND BALANCE	209,126	58,033	2,234	269,393
FUND BALANCE - JULY 1, 2022	1,231,170	455,830	124,260	1,811,260
FUND BALANCE - JUNE 30, 2023	\$ 1,440,296	\$ 513,863	\$ 126,494	\$ 2,080,653

CITY OF ROGUE RIVER
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

NET CHANGE IN FUND BALANCE **\$ 269,393**

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

Government funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Expenditures for capital assets	\$ 281,550	
Less: current year depreciation	<u>(251,702)</u>	
		29,848

Government funds recognize proceeds from the sale of assets. However, in the Statement of Activities the net gain or loss of disposal is recognized. This is the net amount where the original cost exceeded the accumulated depreciation. (22,657)

Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the Statement of Activities property taxes are recognized as revenue when levied. 1,740

Compensated absences are recognized as an expenditure in the governmental funds when they are paid. In the Statement of Activities compensated absences are recognized as an expenditure when earned. 2,898

In the Statement of Activities interest is accrued on long-term debt, whereas in the governmental funds it is recorded as an interest expense when due. 815

Government funds report pension and OPEB contributions as expenditures. However, in the Statement of Activities, the cost of pension and OPEB benefits earned net of employee contributions is reported as expenses. 28,814

Principal repayments are an expenditure in the governmental fund presentation. In the Statement of Activities, these debt repayments are reclassified to the Statement of Net Assets as a reduction of debt.

Principal repayments		<u>64,318</u>
----------------------	--	---------------

CHANGE IN NET POSITION **\$ 375,169**

CITY OF ROGUE RIVER
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2023

	Water Fund	Sewer Fund	System Development Fund	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:				
Current assets:				
Pooled cash and investments	\$ 1,367,771	\$ 1,464,228	\$ -	\$ 2,831,999
Restricted cash and investments	-	-	2,431,555	2,431,555
Receivables, net	116,281	100,361	-	216,642
Total current assets	1,484,052	1,564,589	2,431,555	5,480,196
Noncurrent assets:				
Net other post-employment asset (RHIA)	3,444	4,307	-	7,751
Capital assets, net:				
Land	439,606	343,000	-	782,606
Construction in progress	1,088,858	-	-	1,088,858
Buildings and improvements	22,193	8,920	-	31,113
Machinery and equipment	143,511	73,692	-	217,203
Infrastructure	1,705,026	632,067	-	2,337,093
Total noncurrent assets	3,402,638	1,061,986	-	4,464,624
Total assets	4,886,690	2,626,575	2,431,555	9,944,820
Deferred outflows of resources:				
Deferred amounts related to OPERS	117,214	114,732	-	231,946
Deferred amounts related to RHIA	37	56	-	93
Total deferred outflows of resources	117,251	114,788	-	232,039
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	5,003,941	2,741,363	2,431,555	10,176,859
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION:				
Current liabilities:				
Accounts payable	232,930	11,610	-	244,540
Payroll payable	6,116	5,120	-	11,236
Accrued interest payable	-	10,450	-	10,450
Customer deposits	46,005	38,431	-	84,436
Accrued compensated absences	8,964	7,212	-	16,176
Net pension liability (OPERS)	266,560	252,703	-	519,263
Long-term debt, current portion net of unamortized premium/discount	-	96,774	-	96,774
Total current liabilities	560,575	422,300	-	982,875
Noncurrent liabilities:				
Long-term debt, net of current portion and unamortized premium/discount	845,254	1,185,525	-	2,030,779
Total noncurrent liabilities	845,254	1,185,525	-	2,030,779
Total liabilities	1,405,829	1,607,825	-	3,013,654
Deferred inflows of resources:				
Deferred amounts related to OPERS	62,691	78,732	-	141,423
Deferred amounts related to RHIA	790	976	-	1,766
Total deferred inflows of resources	63,481	79,708	-	143,189
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	1,469,310	1,687,533	-	3,156,843
NET POSITION:				
Net investment in capital assets	2,553,940	(224,620)	-	2,329,320
Restricted - system development	-	-	2,431,555	2,431,555
Unrestricted	980,691	1,278,450	-	2,259,141
TOTAL NET POSITION	\$ 3,534,631	\$ 1,053,830	\$ 2,431,555	\$ 7,020,016

See accompanying notes to basic financial statements

**CITY OF ROGUE RIVER
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2023**

	Water Fund	Sewer Fund	System Development Fund	Total
OPERATING REVENUES:				
Charges for services	\$ 748,793	\$ 768,133	\$ 117,242	\$ 1,634,168
Miscellaneous	5,256	149	-	5,405
TOTAL OPERATING REVENUES	<u>754,049</u>	<u>768,282</u>	<u>117,242</u>	<u>1,639,573</u>
OPERATING EXPENSES:				
Personal services	281,845	283,970	-	565,815
Materials and services	320,415	256,478	-	576,893
Depreciation	124,734	132,669	-	257,403
TOTAL OPERATING EXPENSES	<u>726,994</u>	<u>673,117</u>	<u>-</u>	<u>1,400,111</u>
OPERATING INCOME (LOSS)	<u>27,055</u>	<u>95,165</u>	<u>117,242</u>	<u>239,462</u>
NONOPERATING REVENUES (EXPENSES):				
Earnings on investments	20,482	25,603	27,651	73,736
Interest expense, net of amortization	-	(38,020)	-	(38,020)
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>20,482</u>	<u>(12,417)</u>	<u>27,651</u>	<u>35,716</u>
INCOME (LOSS) BEFORE TRANSFERS	47,537	82,748	144,893	275,178
Transfers (to) from other funds	(66,344)	146,844	(80,500)	-
CHANGES IN NET POSITION	(18,807)	229,592	64,393	275,178
NET POSITION - JULY 1, 2022	<u>3,553,438</u>	<u>824,238</u>	<u>2,367,162</u>	<u>6,744,838</u>
NET POSITION - JUNE 30, 2023	<u><u>\$ 3,534,631</u></u>	<u><u>\$ 1,053,830</u></u>	<u><u>\$ 2,431,555</u></u>	<u><u>\$ 7,020,016</u></u>

**CITY OF ROGUE RIVER
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2023**

	Water Fund	Sewer Fund	System Development Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 729,993	\$ 746,909	\$ 117,242	\$ 1,594,144
Payments to suppliers	(137,909)	(252,788)	-	(390,697)
Payments to employees	(283,817)	(295,367)	-	(579,184)
Other receipts	5,256	149	-	5,405
Net cash provided (used) by operating activities	<u>313,523</u>	<u>198,903</u>	<u>117,242</u>	<u>629,668</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Interfund transfer from (to) other funds	(66,344)	146,844	(80,500)	-
Net cash provided (used) by noncapital financing activities	<u>(66,344)</u>	<u>146,844</u>	<u>(80,500)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal paid on capital debt	-	(90,000)	-	(90,000)
Interest paid on capital debt	-	(46,200)	-	(46,200)
Purchase and construction of capital assets	(821,426)	(15,493)	-	(836,919)
Proceeds from issuance of long term debt	734,433	-	-	734,433
Net cash provided (used) by capital and related financing activities	<u>(86,993)</u>	<u>(151,693)</u>	<u>-</u>	<u>(238,686)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and dividends	20,482	25,603	27,651	73,736
Net cash provided (used) by investing activities	<u>20,482</u>	<u>25,603</u>	<u>27,651</u>	<u>73,736</u>
NET INCREASE (DECREASE) IN CASH	180,668	219,657	64,393	464,718
CASH AND INVESTMENTS - BEGINNING OF THE YEAR	<u>1,187,103</u>	<u>1,244,571</u>	<u>2,367,162</u>	<u>4,798,836</u>
CASH AND INVESTMENTS - END OF THE YEAR	<u><u>1,367,771</u></u>	<u><u>1,464,228</u></u>	<u><u>2,431,555</u></u>	<u><u>5,263,554</u></u>
Reconciliation of cash and investments to the Statement of Net Position:				
Cash and investments	1,367,771	1,464,228	-	2,831,999
Restricted cash and investments	-	-	2,431,555	2,431,555
Total cash and investments	<u><u>1,367,771</u></u>	<u><u>1,464,228</u></u>	<u><u>2,431,555</u></u>	<u><u>5,263,554</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	27,055	95,165	117,242	239,462
Adjustments to reconcile operating income to cash provided by operating activities:				
Depreciation expense	124,734	132,669	-	257,403
Change in assets and liabilities:				
Receivables, net	(22,598)	(24,493)	-	(47,091)
Pension and other post-employment benefit items (OPERS & RHIA)	(5,503)	(8,569)	-	(14,072)
Deposits	3,798	3,269	-	7,067
Compensated absences	1,112	(3,586)	-	(2,474)
Accounts and other payables	182,506	3,690	-	186,196
Net cash provided (used) by operating activities	<u><u>\$ 313,523</u></u>	<u><u>\$ 198,903</u></u>	<u><u>\$ 117,242</u></u>	<u><u>\$ 629,668</u></u>

See accompanying notes to basic financial statements



| NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ROGUE RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Rogue River, Oregon (the City) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The more significant of the City's accounting policies are described below.

The Financial Reporting Entity

As required by GAAP, the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable or a legally separate organization that raises and holds economic resources for the direct benefit of the primary government. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. For financial reporting purposes the City is classified as the primary government and there are no outside organizations or governmental units that are considered to be component units under criteria set forth in GAAP.

Organization and Operation

The City of Rogue River was incorporated March 8, 1912. The City presently operates under a charter which was adopted November 2, 1982. The Charter provides for a Mayor/Council form of government and provides such services as are authorized by the Charter. The City is governed by the City Council, consisting of six independently elected members, and an elected Mayor. Appointed officials provided by the Charter are the City Administrator and the Municipal Judge, though there is currently no municipal court proceedings being held.

The accounts of the City are organized on the basis of funds. Fund accounting is designed to demonstrate legal compliance and aid financial management by segregating government functions and activities. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, fund equities, revenues and expenditures (expenses).

The City Administrator is directly responsible to this governing body. The City provides the following services as authorized by its charter: administration, buildings, public safety, parks, planning, highways and streets, and water and sewer utilities.

Financial Statement Presentation, Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities report information for all activities of the City. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees charged to external parties for services.

The Statement of Activities presents the direct expenses of a given function/program or business-type activity and the related program revenues categorized into charges for services, operating grants and contributions and capital grants and contributions. Direct expenses are those that are clearly identifiable with a specific function or program. Indirect expenses are those costs, usually administrative in nature, that support all City functions and enable direct services to be provided. Program revenues include 1) fees, fines and charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, investment income and other items not included among program revenues are reported as general revenues.

**CITY OF ROGUE RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-Wide Financial Statements (continued)

The government-wide financial statements are accounted for using an economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Nonexchange transactions, in which the City receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the year for which the taxes are levied. Revenues from grants, entitlements and donations are recognized when all eligibility requirements have been satisfied. The effect of interfund activity within governmental activities or business-type activities such as transfers, advances and loans are eliminated.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

Fund Financial Statements

The City uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance, and to aid financial management by segregating transactions related to certain functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into two categories: governmental and proprietary. Each category, in turn, is divided into separate funds. Fund financial statements are provided for governmental and proprietary fund types.

Governmental Funds

Governmental funds are used to account for most of the City's general activities, including the collection and disbursement of earmarked monies (general revenue, special revenue, and debt service funds).

The governmental fund financial statements are presented on a modified accrual basis of accounting with a current financial resources measurement focus whereby only current assets (deferred outflows) and current liabilities (deferred inflows) generally are included in the Balance Sheet, and the Statement of Revenues, Expenditures and Changes in Fund Balance present increases and decreases in those current net fund balances. Governmental funds use the modified accrual basis of accounting where revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount can be determined and "available" means collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as debt service when due.

The City considers property taxes available and susceptible to accrual if they are collected within sixty days after year-end.

Intergovernmental revenues are recognized when all eligibility requirements are met. Eligibility requirements for intergovernmental revenues received on a reimbursement basis (i.e. where monies must be expended on specific projects or for a specific purpose before any amounts are paid to the City) are determined to be met when the underlying expenditures are recorded. Eligibility requirements for intergovernmental revenues, which are unrestricted as to purpose of the expenditure and are usually revocable only for failure to comply with prescribed requirements, are considered to be met at the time of receipt or when susceptible to accrual.

**CITY OF ROGUE RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Funds (continued)

Property taxes are reflected as revenues in the fiscal period for which they were levied, provided they are due, or past due, and receivable within the current period, and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days). Otherwise, they are reported as a deferred inflow of resources (unavailable revenue). Property taxes, which are held at year end by the collecting agency, Jackson County, and are remitted to the City within the 60-day period, are reported as "Taxes Receivable".

Licenses, permits, and miscellaneous revenues are associated with the current fiscal period and are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Investment earnings are recorded as earned since they are measurable and available. All other revenues are considered to be measurable and available only when cash is received by the City.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, reconciliation is provided to explain the differences between the governmental fund statements and the governmental column of the government-wide presentation. This reconciliation is part of the financial statements.

There are stated minimum criteria for the determination of major funds: percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category, or the governmental and enterprise funds combined. In addition, standards permit the presentation of major funds based on management judgment. Management considers all funds of the City to be major.

The following are the City's major governmental funds:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. Principal sources of revenue are property taxes, and intergovernmental revenues. Primary expenditures of the General fund are made for public safety, parks, building, and general administration. Effectively, all governmental-type staff departments within the City, except those related to activity in Special Revenue Funds, and Debt Service Funds, are financed by the General Fund.

Street Fund (Special Revenue Fund) - This fund accounts for services related to street rehabilitation. Principal sources of revenue are intergovernmental revenues and fees.

Debt Service Fund - This fund accounts for debt service appropriations for the payment of principal and interest on the Series 2013A and 2013B General Obligation Bonds.

Proprietary Funds - Enterprise Funds

Proprietary funds account for the acquisition, operation and maintenance of the City facilities and services which are entirely self-supporting through service charges of customers. Services accounted for through enterprise funds are water and sewer operations and public facilities improvements. Funds included in this category are the Water Fund, Sewer Fund, Water Improvement Reserve Fund, Sewer Improvement Reserve Fund, System Development Fund, and the Water and Sewer Revenue Bond Debt Service Fund.

The principal operating revenues are charges to customers, grants, and earnings on investments. Operating expenses include cost of sales, debt service, capital outlay, administration expenses, and depreciation.

**CITY OF ROGUE RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Funds - Enterprise Funds (continued)

All proprietary funds are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the Statement of Net Position. The accrual basis of accounting is utilized by proprietary fund types where revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The following are the City's major enterprise funds:

Water Fund - This fund accounts for operating the City's water system and distribution and treatment facility. Principal sources of revenue are user fees and earnings on investments. The water improvement reserve fund combines with the water fund for generally accepted accounting principles purposes.

Sewer Fund - This fund accounts for operating the City's sewer system and treatment facility. Principal sources of revenue are user fees and earnings on investments. The sewer improvement reserve fund and the water and sewer revenue bond debt service fund combine with the sewer fund for generally accepted accounting principles purposes.

System Development Fund - This fund accounts for operations related to water supply, treatment and distribution, sewer collection and treatment, transportation, and storm drain collection. Principal sources of revenue are system development charges and earnings on investments.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two types of deferred outflows, which arise under the full accrual basis of accounting that qualifies for reporting in this category. Accordingly, these items, deferred outflows related to pensions and other post-employment benefits, are reported in the proprietary fund financial statements and in the government-wide financial statements.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition on net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has three types of deferred inflows, deferred amounts related to pension and other post-employment benefits and unavailable revenue related to property taxes.

Deferred inflows related to pensions and other post-employment benefits arise under the full accrual basis of accounting that qualifies for reporting under this category. Accordingly, these items, are reported in the proprietary fund financial statements and in the government-wide financial statements.

In contrast, deferred inflows related to property taxes (unavailable revenue) arise under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the governmental funds report unavailable revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**CITY OF ROGUE RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pooled Cash and Investments

The City's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less. Short-term investments are stated at cost which approximates fair value.

The City's investments, authorized under state statute, consist of the State of Oregon Treasurer's Local Government Investment Pool (LGIP). The LGIP is stated at amortized cost which approximates fair value. Fair value of the LGIP is the same as the City's value in the pool shares.

The Oregon State Treasury administers the LGIP. It is an open-ended no-load diversified portfolio offered to any agency, political subdivision or public corporation of the State that by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon legislature established the Oregon Short-Term Fund Board. The purpose of the Board is to advise the Oregon State Treasury in the management and investment options of the LGIP. The investments are regulated by the Oregon Short Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). Earnings on pooled cash and investments are credited to each fund monthly based on the average daily balance of each participating fund. Pooled cash and investments have the general characteristics of a demand deposit account in that any participating fund may deposit additional cash at any time and may also withdraw cash at any time without prior notice or penalty.

For purposes of the statement of cash flows, the proprietary fund types consider all highly liquid investments with a maturity date of three months or less when purchased to be cash equivalents.

Customer Deposits

The City requires refundable surety deposits from property owners wishing to be annexed into the City and from utility customers. Upon service termination, the individual's respective deposit is applied to the amount owing with any remaining balance refunded to the customer.

Accounts Receivable

Recorded property taxes receivable that are collected within 60 days after year-end are considered measurable and available and, therefore, are recognized as revenue in the governmental funds. The remaining balance is recorded as a deferred inflow of resource because it is not deemed available to finance operations of the current period. An allowance for doubtful accounts is not deemed necessary, as uncollectible taxes become a lien on the property. Property taxes are levied and become a lien on July 1. Collection dates are November 15, February 15, and May 15 following the lien date. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

Receivables of the enterprise funds are recognized as revenue when earned, including services provided but not billed. Receivables in governmental and enterprise funds are stated net of any allowance for uncollectible accounts.

Prepays

Governmental fund expenditures for services/benefits extending over more than one accounting period are recorded as expense in the period in which the cash is paid. In the government-wide financial statements these expenditures are recorded as a current asset.

**CITY OF ROGUE RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

Capital assets are stated at historical cost, or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the fair market value of such assets at the date of donation. As permitted by GASB Statement No. 34, the City has limited the capitalization of infrastructure to only those which were constructed or acquired after July 1, 2003, with the exception of infrastructure related directly to long-term debt (water pipeline and booster pump station modifications). Capital assets include land, right-of-way, buildings, improvements, infrastructure and equipment costing over \$5,000 with an estimated life in excess of one year. Infrastructure assets include streets, sidewalks, streetlights, water pipeline, etc. Maintenance and repairs that do not add to the value of the assets or extend the assets' lives are charged to expenditures as incurred and are not capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the related capital assets, except for land and right-of-way's which are considered inexhaustible in nature and are not depreciated.

The estimated useful lives of the various categories of assets are as follows:

Buildings & Improvements	30 - 40 years
Land Improvements	10 - 20 years
Machinery & Equipment	5 - 10 years
Vehicles	5 - 10 years
Utility systems	25 - 40 years
Infrastructure	25 - 40 years

Upon disposal of capital assets, the accounts are relieved of the related historical costs and accumulated depreciation and, if appropriate, resulting gains or losses are recognized.

Compensated Absences

Liabilities for vacation pay, compensated absences, and holiday pay for Police are recorded in the Statement of Net Position and proprietary funds when vested or earned by employees. Vacation pay, compensated absences, and holiday pay for Police are accrued as expenditures in the governmental funds when the amounts are expected to be liquidated with expendable available resources. Sick pay, which does not vest, is recognized in all funds when leave is taken.

Long-term Debt and Bond Issuance Costs

In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts (if applicable) are deferred and amortized over the life of the bonds. Long-term debt is reported net of the applicable bond premium or discount. Bond issue costs are recognized as an expense in the period incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts as well as bond issuance costs during the current period. The face amount of the debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Bond issue costs are recognized as expenses in the period incurred.

CITY OF ROGUE RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (OPERS) and additions to/deductions from OPERS's fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payment (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Operating Revenues and Expenses, Non-Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for sales of water, sewer and related SDC charges. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. Non-operating revenues and expenses of the City are those revenues and expenses not directly related to the service provided by the fund. Non-operating revenues and expenses include interest, grants, and gain or loss on disposition of capital assets.

Net Position and Fund Balances

In the government-wide financial statements, equity is classified as net position and displayed in three components:

Net investment in capital assets – consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

Restricted net position – Consists of net position with constraints placed on the use by either (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the City.

In the fund financial statements, governmental fund equity is classified in the flowing categories:

Non-spendable - Includes items not immediately converted to cash, such as prepaid items and inventory.

Restricted - Includes items that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.

Committed - Includes items committed by the City Council, by formal action.

Assigned - Includes items assigned for specific uses, authorized by the City Administrator and/or Finance Director.

Unassigned - This is the residual classification used for those balances not assigned to another category.

**CITY OF ROGUE RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position and Fund Balances (continued)

It is the City's policy to first use restricted net position prior to the use of unrestricted net position when an expenditure is incurred for purposes for which both restricted and unrestricted net position is available. In addition, it is the City's policy to use committed and then assigned fund balance when an expenditure is incurred for purposes for which committed, assigned, and unrestricted fund balance classifications could be used.

Adoption of New GASB Pronouncements

During the fiscal year ended June 30, 2023, the City implemented the following GASB Pronouncements:

GASB Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. There is no effect on the City's financial statements as a result of this Statement.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement's objective is to address accounting and financial reporting for arrangements in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a capital asset for a period of time in an exchange or exchange-like transaction. There is no effect on the City's financial statements as a result of this Statement.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement's objective is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. There is no effect on the City's financial statements as a result of this Statement.

Future GASB Pronouncements

The following GASB pronouncements have been issued, but are not effective as of June 30, 2023:

GASB Statement No. 100, *Accounting Changes and Error Corrections*. This Statement clarifies the presentation and disclosures requirements for prior period adjustments to beginning net position. This Statement will be effective for the City for fiscal year ending June 30, 2024.

GASB Statement No. 101, *Compensated Absences*. Issued in June 2022, this Statement updates recognition and measurement guidelines for compensated absences and is effective for the City for the fiscal year ending June 30, 2025.

The City will implement new GASB pronouncements no later than the required effective date. The City is currently evaluating whether or not the above listed new GASB pronouncements will have a significant impact to the City's financial statements.

**CITY OF ROGUE RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 2 – APPROPRIATION AND BUDGETARY CONTROLS

The City is subject to provisions of the Oregon Revised Statutes which set forth local budget procedures. A resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Appropriations are established by department in the General Fund, and by function (personal services, materials and services, capital outlay, debt service, transfers to other funds and contingency) in other funds.

The City Council may, however, approve additional appropriations for unexpected additional resources or necessary expenditures which could not be reasonably estimated at the time the budget was adopted. Additionally, budgets may be modified during the fiscal year by the use of appropriation transfers between legal categories or appropriation transfers from one fund to another. Such transfers must be authorized by official resolution or ordinance of the City Council. The resolution or ordinance must state the need for the transfer, the purpose of the authorized expenditures, and the amount of the appropriation transferred.

Transfers of contingency appropriations which in aggregate during a fiscal year exceed 15% of the total appropriations of the fund may only be made after adoption of a supplemental budget prepared for that purpose. A supplemental budget less than 10% of the fund's original budget may be adopted at a regular meeting of the governing body. A supplemental budget greater than 10% of the fund's original budget requires public hearings, publication in newspapers and approval by the Council. Budget amounts shown in the financial statements include the original budget, supplemental budgets, and budget transfers. All appropriations terminate on June 30th.

Unexpected additional resources or appropriations may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers and approval by the City Council. Original and supplemental budgets may be modified by the use of appropriation transfers between levels of control. Such transfers require approval by passing a Council resolution authorizing the transfer. All budget amendments are subject to the limitations put forth in the Oregon Revised Statutes Chapters 294.305 through 394.565 (Oregon Budget Law). Budget amounts are as originally budgeted, or as amended by the City Council.

During the fiscal year ended June 30, 2023, the City exceeded its appropriation authority in the following categories:

Street Fund	
Personal services	\$ 10,062
Water Fund	
Personal services	2,840
Materials and services	31,850
Sewer Fund	
Personal services	4,829
Water Improvement Fund	
Capital outlay	860

NOTE 3 – CASH AND INVESTMENTS

The City maintains a cash management pool for its cash and investments in which each fund participates. Interest earnings are distributed based on average daily balances.

The City participates in the State of Oregon Local Investment Pool (LGIP or Pool) which is an open ended, no-load diversified portfolio created under ORS 294.805 to 294.895 and is not registered with the U.S. Securities and Exchange Commission as an investment company. The State Treasurer is the investment officer for the Pool and is responsible for all funds in the Pool.

**CITY OF ROGUE RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 3 – CASH AND INVESTMENTS (continued)

These funds must be invested and managed, like that of a prudent investor, exercising reasonable care, skill and caution. Investments in the fund are further governed by portfolio guidelines issued by the Oregon Short-term Funds Board, which establish diversification percentages and specify the types and maturities of investments. The Oregon Audits Division of the Secretary of State's Office audits the Pool annually. The State of Oregon Local Government Investment Pool is not rated. Same day wire redemptions cannot exceed \$1.5 million and withdrawals in excess of \$25 million may require 48 hours notice.

The City's position in the pool as of June 30, 2023 is stated at amortized cost which approximates fair value.

Deposits

Deposits with financial institutions are comprised of bank demand deposits. For deposits in excess of federal depository insurance, Oregon Revised Statutes require depository institutions to be in compliance with ORS 295. For the fiscal year ended June 30, 2023, the carrying amounts of the City's deposits in various financial institutions were \$221,384 and the bank balances were \$863,676. As of June 30, 2023, \$613,676 of the City's deposits with various financial institutions were not covered by the federal depository insurance. However, the balance is covered by the State of Oregon shared liability structure for participating bank depositories in Oregon.

Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk.

Pooled Deposits and Investments

Investments in the Oregon State Treasury LGIP are made under the provisions of ORS 194.180. These funds are held in the City's name and are not subject to collateralization requirements or ORS 295.015.

State of Oregon statutes restrict the types of investments in which the City may invest. Authorized investments include obligations of the United States Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, time certificates of deposit, certain commercial paper, and the State of Oregon Treasurer's Local Government Investment Pool.

The City has invested funds in the State Treasurer's Oregon Short-term Fund Local Government Investment Pool during fiscal year 2022-2023. Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board. Investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool.

In addition, the Oregon State Treasury LGIP distributes investment income on an amortized cost basis and participants' equity in the pool is determined by the amount of participant deposits, adjusted for withdrawals and distributed income. Accordingly, the adjustment to fair value would not represent an expendable increase in the City's cash position.

Investments in the Oregon State Treasury LGIP are made under the provisions of ORS 194.180. These funds are held in the City's name and are not subject to collateralization requirements of ORS 295.015. Investments are stated at amortized cost, which approximated fair value.

**CITY OF ROGUE RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 3 – CASH AND INVESTMENTS (continued)

Pooled Deposits and Investments (continued)

As of June 30, 2023 and for the year then ended, the City was in compliance with the aforementioned State of Oregon statutes.

Credit Risk - State Statutes authorize the City to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, banker's acceptances, certain commercial papers, and the State Treasurer's Investment Pool, among others. The City has no formal investment policy that further restricts its investment choices.

Concentration of Credit Risk - The City is required to provide information about the concentration of credit risk associated with its investments in one issuer that represents 5 percent or more of the total investments, excluding investments in external investment pools or those issued and explicitly guaranteed by the U.S. Government. The City has no such investments.

Interest Rate Risk - The City has no formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 - Unadjusted inputs using quoted prices in active markets for identical investments.

Level 2 - Other significant observable inputs other than level 1 prices, including, but are not limited to, quoted prices for similar investments, inputs other than quoted prices that are observable for investments (such as interest rates, prepayment speeds, credit risk, etc.) or other market corroborated inputs.

Level 3 - Significant inputs based on the best information available in the circumstances, to the extent observable inputs are not available.

As of June 30, 2023, the City had the following investments:

Investments Measured at Fair Value:	Totals as of 6/30/2023	Level One	Level Two	Level Three	Amortized Cost Measurement Not Measured at Fair Value
Local Government Investment Pool	\$ 7,122,768	\$ -	\$ -	\$ -	\$ 7,122,768
Total	<u>\$ 7,122,768</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,122,768</u>

**CITY OF ROGUE RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 3 – CASH AND INVESTMENTS (continued)

Pooled Deposits and Investments (continued)

Cash and investments are comprised of the following as of June 30, 2023:

Demand deposits	\$ 221,384
Investments - LGIP	<u>7,122,768</u>
Total	<u>\$ 7,344,152</u>

Cash and investments are shown on the Statement of Net Position as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash and investments	\$ 1,443,052	\$ 2,831,999	\$ 4,275,051
Restricted cash and investments	<u>637,546</u>	<u>2,431,555</u>	<u>3,069,101</u>
Total cash and investments	<u>\$ 2,080,598</u>	<u>\$ 5,263,554</u>	<u>\$ 7,344,152</u>

Restricted cash represents the cash balances of the Governmental Debt Service Fund, Street Fund, and System Development Fund. Details of these restrictions are discussed at *Note 11*.

NOTE 4 – RECEIVABLES

Governmental receivables are comprised of the following as of June 30, 2023:

Governmental:

General Fund:

Property taxes	\$ 28,748
Other taxes and fees	90,152

Street Fund:

ODOT receivable	28,841
-----------------	--------

Debt Service Fund:

Property taxes	<u>4,096</u>
----------------	--------------

Total governmental receivables	<u>\$ 151,837</u>
--------------------------------	-------------------

Business-type receivables are comprised of the following as of June 30, 2023:

Business-Type:

Water Fund:

Accounts receivable	\$ 116,281
---------------------	------------

Sewer Fund:

Accounts receivable	<u>100,361</u>
---------------------	----------------

Total business-type receivables	<u>\$ 216,642</u>
---------------------------------	-------------------

CITY OF ROGUE RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE 5 – CAPITAL ASSETS

The changes in governmental capital assets for the year ended June 30, 2023, are as follows:

<i>Governmental Activities:</i>	Balance June 30, 2022	Additions	Disposals	Transfers	Balance June 30, 2023
Capital assets not being depreciated:					
Land	\$ 665,838	\$ -	\$ -	\$ -	\$ 665,838
Construction in progress	1,005,346	231,424	-	(18,356)	1,218,414
Total capital assets not being depreciated	1,671,184	231,424	-	(18,356)	1,884,252
Capital assets being depreciated:					
Buildings & improvements	618,567	25,556	-	-	644,123
Machinery & equipment	389,244	24,570	(42,482)	18,356	389,688
Infrastructure	5,983,604	-	-	-	5,983,604
Total capital assets being depreciated	6,991,415	50,126	(42,482)	18,356	7,017,415
Less accumulated depreciation for:					
Buildings & improvements	(440,443)	(16,706)	-	-	(457,149)
Machinery & equipment	(235,538)	(19,333)	19,825	-	(235,046)
Infrastructure	(1,975,465)	(215,663)	-	-	(2,191,128)
Total accumulated depreciation	(2,651,446)	(251,702)	19,825	-	(2,883,323)
Total capital assets being depreciated, net	4,339,969	(201,576)	(22,657)	18,356	4,134,092
Total capital assets governmental activities, net	<u>\$ 6,011,153</u>	<u>\$ 29,848</u>	<u>\$ (22,657)</u>	<u>\$ -</u>	<u>\$ 6,018,344</u>

Depreciation expense for the year ended June 30, 2023 was charged to the governmental programs as follows:

Governmental Activities:

Administrative	\$ 5,034
Public Safety	12,585
Parks Department	62,926
Highway and Streets	156,055
Non-Departmental	15,102
Total	<u>\$ 251,702</u>

CITY OF ROGUE RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE 5 – CAPITAL ASSETS (continued)

The changes in business-type capital assets for the year ended June 30, 2023, are as follows:

<i>Business-type Activities:</i>	Balance June 30, 2022	Additions	Disposals	Transfers	Balance June 30, 2023
Capital assets not being depreciated:					
Land	\$ 782,606	\$ -	\$ -	\$ -	\$ 782,606
Construction in progress	279,438	809,420	-	-	1,088,858
 Total capital assets not being depreciated	 1,062,044	 809,420	 -	 -	 1,871,464
Capital assets being depreciated:					
Buildings & improvements	56,115	-	-	-	56,115
Machinery & equipment	1,177,422	15,493	-	-	1,192,915
Infrastructure	7,269,346	12,006	-	-	7,281,352
 Total capital assets being depreciated	 8,502,883	 27,499	 -	 -	 8,530,382
Less accumulated depreciation for:					
Buildings & improvements	(23,651)	(1,351)	-	-	(25,002)
Machinery & equipment	(947,234)	(28,478)	-	-	(975,712)
Infrastructure	(4,716,685)	(227,574)	-	-	(4,944,259)
 Total accumulated depreciation	 (5,687,570)	 (257,403)	 -	 -	 (5,944,973)
 Total capital assets being depreciated, net	 2,815,313	 (229,904)	 -	 -	 2,585,409
 Total capital assets business-type activities, net	 <u>\$ 3,877,357</u>	 <u>\$ 579,516</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 4,456,873</u>

Depreciation expense for the year ended June 30, 2023 was charged to the following departments:

Business-Type Activities:

Water Department	\$ 124,734
Sewer Department	<u>132,669</u>
 Total	 <u>\$ 257,403</u>

**CITY OF ROGUE RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 6 – LONG-TERM LIABILITIES

In the following tables, long-term debt information is presented separately with respect to governmental and business type activities. The following presents current year changes in those obligations.

	Balance at June 30, 2022	Additions	Reductions	Balance at June 30, 2023	Due within one year
Governmental Activities:					
Series 2013A G.O. Bonds (direct placement)	\$ 206,637	\$ -	\$ (10,019)	\$ 196,618	\$ 10,482
Series 2013B G.O. Bonds (direct placement)	884,755	-	(54,299)	830,456	58,426
Total Governmental Activities	<u>\$ 1,091,392</u>	<u>\$ -</u>	<u>\$ (64,318)</u>	<u>\$ 1,027,074</u>	<u>\$ 68,908</u>
Business-Type Activities:					
Series 2017A Bond (direct borrowing)	\$ 1,325,000	\$ -	\$ (90,000)	\$ 1,235,000	\$ 90,000
Safe Drinking Water Revolving Loan (direct borrowing)	110,821	734,433	-	845,254	-
Unamortized Premium/(Discount)	54,579	-	(7,280)	47,299	6,774
Total Business-Type Activities	<u>\$ 1,490,400</u>	<u>\$ 734,433</u>	<u>\$ (97,280)</u>	<u>\$ 2,127,553</u>	<u>\$ 96,774</u>
Total Long-term debt	<u>\$ 2,581,792</u>	<u>\$ 734,433</u>	<u>\$ (161,598)</u>	<u>\$ 3,154,627</u>	<u>\$ 165,682</u>

Governmental Activities

Series 2013A and 2013B G.O. Bonds

On September 27, 2013, the City entered into two loan agreements with the State of Oregon, acting by and through its Department of Transportation (the State or ODOT) pertaining to the City's General Obligation Series 2013 Bonds. The Series 2013 Bonds were issued to finance the costs of capital construction and capital improvement to the City's streets. The Series 2013 Bonds were issued in two Series: 2013A (Loan OTIF-0051) in the amount of \$250,000 will be referred to as Series 2013A, and Series 2013B (Loan OTIF-0052) in the amount of \$1,350,000 will be referred to as Series 2013B. The Series 2013 Bonds (both A and B) are pledged by the general obligation levy that occurred on November 6, 2012 and any funds payable from the State to the City, including but not limited to any amounts due to the City from the State pursuant to ORS 366.739 to 366.820. Series 2013A shall bear interest at the rate of 1% per annum while Series 2013B shall bear interest at the rate of 3.09% per annum.

The Series 2013 Bonds (both A and B) were due and payable in scheduled payments of principal on December 1, 2014, and on the first day of each December thereafter and one final payment on June 1, 2033 (maturity date). Beginning on December 1, 2014, and on the first day of each December and June thereafter, the City paid interest only on the drawn balances until the loan proceeds were fully drawn down, at which point the City made payments of both principal and interest. The agreements (both A and B) contain a provision that in an event of default, outstanding amounts become immediately due if the City is unable to make payment. The repayment schedule may be amended as mutually agreed upon by ODOT and the City.

**CITY OF ROGUE RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 6 – LONG-TERM LIABILITIES (continued)

On January 15, 2018, the repayment schedule was amended by ODOT and the City as the City had fully drawn down the loan proceeds. The Series 2013 Bonds (both A and B) are currently due and payable in scheduled payments of principal and accrued interest on January 15, 2018, and on the 15th day of each January thereafter with the final payment on January 15, 2037 (maturity date).

Annual debt service requirements associated with the Series 2013 G.O. Bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 68,908	\$ 27,627	\$ 96,535
2025	73,714	25,717	99,431
2026	78,747	23,669	102,416
2027	84,012	21,474	105,486
2028	89,523	19,129	108,652
2029-2033	539,540	54,612	594,152
2034-2037	92,630	2,494	95,124
Total	<u>\$ 1,027,074</u>	<u>\$ 174,722</u>	<u>\$ 1,201,796</u>

Business Type Activities

Series 2017 Obligations

On October 11, 2017, the City entered into a Trust Agreement and Financing Agreement with U.S. Bank National Association. The City entered into the Trust Agreement to provide for the issuance of \$1,775,000 in Full Faith and Credit Obligations (the Series 2017 Obligations) which will be paid from payments the City makes under the Financing Agreement. Under the Financing Agreement, the Series 2017 Obligations are secured by and payable from the City's general non-restricted revenues (specifically water and sewer revenues) and other funds that may be available. The agreement contains a provision that in an event of default, the Trustee may exercise any remedy available at law or in equity; however, the payments are not subject to acceleration. The obligation to pay the financing payments is a full faith credit obligation of the City.

The Series 2017 Obligations were issued at a premium of \$94,878. The premium represents interest paid in advance to the City by Obligation holders who then receive a return of this premium in the form of larger periodic interest payments. The bond premium will be amortized using the effective interest method over the life of the obligations.

The Series 2017 Obligations were issued to refund the City's Reservoir Construction Loan and the Sewer Revenue Bonds. In addition, the Series 2017 Obligations were issued to pay the cost of issuance.

The Series 2017 Obligations stated interest rate ranges between 2% and 4% based upon maturity date of each obligation. Interest is payable semiannually on April 1 and October 1 each year. Principal payments are due annually on April 1st (first principal payment was due on April 1, 2018).

The obligations that mature on or before April 1, 2027 shall not be subject to optional call and prepayment prior to their respective maturity dates. Obligations that mature on and after April 1, 2030 are referred to as Term Obligations. The obligations that mature on and after April 1, 2030 shall be subject to prepayment at the option of the City prior to their respective maturity dates, on or after April 1, 2027, in whole or in part.

**CITY OF ROGUE RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 6 – LONG-TERM LIABILITIES (continued)

The difference in cash flows that resulted from the refunding was net positive cash flow to the City of \$215,631 (present value savings).

Annual debt service requirements associated with the Series 2017 Obligations is as follows:

Year Ending June 30,	Principal	Interest	Premium/ (Discount)	Total
2024	\$ 90,000	\$ 41,800	\$ 6,774	\$ 138,574
2025	95,000	38,200	6,259	139,459
2026	100,000	34,400	5,716	140,116
2027	105,000	30,400	5,144	140,544
2028	105,000	26,200	4,554	135,754
2029-2033	435,000	83,412	14,139	532,551
2034-2038	305,000	29,663	4,713	339,376
Total	<u>\$ 1,235,000</u>	<u>\$ 284,075</u>	<u>\$ 47,299</u>	<u>\$ 1,566,374</u>

Safe Drinking Water Revolving Loan Fund (SDWRLF) Financing Contract

On September 23, 2021, the City entered into a financing contract with the State of Oregon, acting by and through its Oregon Infrastructure Finance Authority of the Oregon Business Development Department (OBDD) for the financing of Water System Improvements. The contract consists of two loan components, a \$530,000 forgivable loan and a \$3,215,030 loan carrying an interest rate of 1.00% per annum. The City has 36 months after the date of the contract to complete the project. Repayment commences on the first December 1st to occur 90 days after the earlier of the project completion date or the project completion deadline. Starting on the repayment commencement date and then on each succeeding December 1st, the City is obligated to make level installment payments of principal and interest. Sources of repayment include revenue from the City's water system, including special assessment revenue and the general fund of the City.

Subject to satisfaction of any special conditions, if the City completes the project by the project completion deadline in accordance with the terms of the contract, and provided that no event of default has occurred, 90 days after the project completion date OBDD will forgive repayment of the forgivable loan amount including any accrued interest and cancel the forgivable loan.

Upon any event of default, OBDD may pursue any or all remedies available at law or in equity to collect amounts due or to become due or to enforce the performance of any obligation of the City.

The financing proceeds shall be disbursed to the City on an expense reimbursement or cost-incurred basis.

The loan balance as of June 30, 2023 was \$845,254. The Repayment Commencement Date has not yet occurred; therefore, no payment schedule is available at this time.

**CITY OF ROGUE RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 7 – ACCRUED COMPENSATED ABSENCES

The changes in accrued compensated absences for the year ended June 30, 2023, are as follows:

	Accrued June 30, 2022	Earned	Taken	Accrued June 30, 2023
Governmental Activities	\$ 40,293	\$ 42,320	\$ 45,218	\$ 37,395
Business-Type Activities	18,650	24,485	26,959	16,176
Total	<u>\$ 58,943</u>	<u>\$ 66,805</u>	<u>\$ 72,177</u>	<u>\$ 53,571</u>

NOTE 8 – INTERFUND TRANSFERS

Interfund transfers during the year ended June 30, 2023 were as follows:

	Transfers In	Transfers Out
Business-type Activities:		
Water Fund	\$ -	\$ 66,344
Sewer Fund	146,844	-
System Development Fund	-	80,500
Total Transfers	<u>\$ 146,844</u>	<u>\$ 146,844</u>

The City made a transfer from various funds to the Sewer Fund for loan repayments.

NOTE 9 – DEFINED PENSION BENEFIT PLAN

Plan description

Employees are provided pensions as participants under one or more plans currently available through Oregon Public Employees Retirement System (OPERS), a cost-sharing multiple-employer defined benefit plan in accordance with Oregon Revised Statutes Chapter 238, Chapter 238A, and Internal Revenue Service Code Section 401(a).

There are currently two programs within OPERS, with eligibility determined by the date of employment. Those employed prior to August 29, 2003 are OPERS Program members, and benefits are provided based on whether a member qualifies for Tier One or Tier Two described below. Those employed on or after August 29, 2003 are Oregon Public Service Retirement Plan (OPSRP) Program members. OPSRP is a hybrid retirement plan with two components: 1) the Pension Program (defined benefit; established and maintained as a tax-qualified governmental defined benefit plan), and 2) the Individual Account Program (IAP) (defined contribution; established and maintained as a tax-qualified governmental defined contribution plan).

**CITY OF ROGUE RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 9 – DEFINED PENSION BENEFIT PLAN (continued)

Plan description (continued)

The 1995 Legislature enacted Chapter 654, Section 3, Oregon Laws 1995, which was codified into ORS 238.435. This legislature created a second tier of benefits for those who established membership on or after January 1, 1996. The second tier does not have the Tier One assumed earnings rate guarantee and has a higher normal retirement age of 60, compared to age 58 for Tier One.

The 2003 Legislature enacted House Bill 2021, codified as ORS 238A, which created the Oregon Public Service Retirement Plan (OPSRP). OPSRP consists of the Pension Program and the Individual Account Program. Membership includes public employees hired on or after August 29, 2003.

Beginning January 1, 2004, OPERS active Tier One and Tier Two members became members of the Individual Account Program (IAP) or OPSRP. OPERS members retain their existing Regular or Variable (if applicable) accounts, but member contributions are now deposited into the member's IAP account. Accounts are credited with earnings and losses net of administrative expenses.

Tier One/Tier Two Retirement Benefit (Chapter 238)

Pension Benefits - The OPERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.00 percent for Police and Fire employees and 1.67 percent for General Service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results. Monthly payments must be a minimum of \$200 per month or the member will receive a lump-sum payment of the actuarial equivalent of benefits to which he or she is entitled.

Under Senate Bill 1049, passed during 2019 legislative session, the salary included in the determination of final average salary will be limited for all members beginning in 2021. The limit will be equal to \$210,582 as of January 1, 2022, and will be indexed with inflation in later years.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for Police and Fire members). General Service employees may retire after reaching age 55. Tier One General Service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan was closed to new members hired on or after August 29, 2003.

Death Benefits - Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- Member was employed by an OPERS employer at the time of death,
- Member died within 120 days after termination of OPERS-covered employment,
- Member died as a result of injury sustained while employed in an OPERS-covered job, or
- Member was on an official leave of absence from an OPERS-covered job at the time of death.

**CITY OF ROGUE RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 9 – DEFINED PENSION BENEFIT PLAN (continued)

Tier One/Tier Two Retirement Benefit (Chapter 238) – (continued)

Disability Benefits - A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member for disability benefits regardless of the length of OPERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

Benefit Changes After Retirement - Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of the underlying global equity investments of that account.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes (COLA). The COLA is capped at 2.0 percent.

OPSRP Pension Program (Chapter 238A)

Pension Benefits - The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

General Service - 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for General Service members is age 65, or age 58 with 30 years of retirement credit.

Police and Fire - 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for a police and fire member is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

Under Senate Bill 1049, passed during 2019 legislative session, the salary included in the determination of final average salary will be limited for all members beginning in 2021. The limit will be equal to \$210,582 as of January 1, 2022, and will be indexed with inflation each year.

A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

Death Benefits - Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse receives for life 50 percent of the pension that would otherwise have been paid to the deceased member. The surviving spouse or other person may elect to delay payment of the death benefit, but payment must commence no later than December 31 of the calendar year in which the member would have reached 70 ½ years.

Disability Benefits - A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

**CITY OF ROGUE RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 9 – DEFINED PENSION BENEFIT PLAN (continued)

OPSRP Pension Program (Chapter 238A) – (continued)

Contributions –

OPERS funding policy provides for periodic member and employer contributions at rates established by the OPERS Board, subject to limits set by statute. The rates established for member and employer contributions were approved based on the recommendation of the OPERS third-party actuary.

Member Contributions – Beginning January 1, 2004, all member contributions, except for contributions by judge members, were placed in the IAP. Prior to that date, all member contributions were credited to the Defined Benefit Pension Plan. Member contributions are set by statute at 6.0 or 7.0 percent of salary for City employees and are remitted by participating employers.

Employer Contributions - OPERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the OPERS Defined Benefit Plan and OPEB plans.

Employer contributions during the period July 1, 2022 through June 30, 2023, were based on the December 31, 2019 actuarial valuation, which became effective July 1, 2021. For the period July 1, 2021 through June 30, 2023, net employer contribution rates were 30.26% for Tier 1/Tier 2 employees and 24.70% for OPSRP General Employees and 29.06% for OPSRP Police and Fire Employees. Employer contributions for the year ended June 30, 2023 were \$205,251.

Pension Plan Annual Comprehensive Financial Report (ACFR) –

OPERS prepares their financial statements in accordance with generally accepted accounting principles in the United States of America as set forth in Governmental Accounting Standards Board (GASB) pronouncements that apply to governmental accounting for fiduciary funds and enterprise funds. The accrual basis of accounting is used for all funds. Contributions are recognized when due, pursuant to legal (or statutory) requirements. Benefits and withdrawals are recognized when they are currently due and payable in accordance with the terms of the plan. Investments are recognized at fair value, the amount that could be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

OPERS produces an independently audited ACFR which includes the OPEB plans and can be found at:

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2022-Annual-Comprehensive-Financial-Report.pdf>

Actuarial Valuation

The employer contribution rates effective July 1, 2021 through June 30, 2023, were set using the entry age normal actuarial cost method. Under this cost method, each active member's entry age present value of projected benefits is allocated over the member's service from the member's date of entry until their assumed date of exit, taking into consideration expected future compensation increases.

**CITY OF ROGUE RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 9 – DEFINED PENSION BENEFIT PLAN (continued)

OPSRP Pension Program (Chapter 238A) (continued)

Actuarial Methods and Assumptions Used in Developing Total Pension Liability -

Valuation date	December 31, 2020
Measurement date	June 30, 2022
Experience study	2020, published July 20, 2021
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Inflation rate	2.40 percent
Long-term expected rate of return ¹	6.90 percent
Discount rate	6.90 percent
Projected salary increases	3.40 percent
Cost of living adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision; blend based on service.
Mortality	<p><i>Healthy retirees and beneficiaries:</i> Pub-2010 Healthy Retiree, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p><i>Active members:</i> Pub-2010 Employee, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p><i>Disabled retirees:</i> Pub-2010 Disabled Retiree, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p>

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2020 Experience Study, which reviewed experience for the four-year period ending on December 31, 2020.

Discount Rate –

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

**CITY OF ROGUE RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 9 – DEFINED PENSION BENEFIT PLAN (continued)

OPSRP Pension Program (Chapter 238A) (continued)

Assumed Asset Allocation -

<u>Asset Class</u>	<u>Target Allocation</u>
Cash	0.00%
Debt securities	20.00%
Public equity	30.00%
Private equity	20.00%
Real estate	12.50%
Real assets	7.50%
Diversifying strategies	7.50%
Risk parity	2.50%
Total	<u>100.00%</u>

Long-term Expected Rate of Return –

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in June, 2021 the OPERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at the time based on the OIC long-term target asset allocation. The OIC's description of each asset was used to map the target allocation to the asset classes shown below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>20-Year Annualized Geometric Mean</u>
Global equity	30.62%	5.85%
Private equity	25.50%	7.71%
Core fixed income	23.75%	2.73%
Real estate	12.25%	5.66%
Master limited partnerships	0.75%	5.71%
Infrastructure	1.50%	6.26%
Commodities	0.63%	3.10%
Hedge fund of funds - multistrategy	1.25%	5.11%
Hedge fund equity - hedge	0.63%	5.31%
Hedge fund - macro	5.62%	5.06%
US cash	-2.50%	1.76%
Total	<u>100.00%</u>	

Assumed inflation - mean	2.40%
--------------------------	-------

*Negative allocation to cash represents levered exposure from allocation to Risk Parity strategy.

CITY OF ROGUE RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE 9 – DEFINED PENSION BENEFIT PLAN (continued)

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

At June 30, 2023, the City reported a liability of \$1,186,431 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, (measurement date), the City's proportion was approximately 0.00774837 percent.

For the year ended June 30, 2023, the City recognized a reduction in pension expense of \$38,847.

At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 57,592	\$ 7,399
Changes in assumptions	186,157	1,701
Net difference between projected and actual earnings on investment	-	212,111
Changes in proportionate share	55,329	75,576
Differences between employer contributions and employer's proportionate share of system contributions	29,026	88,889
Contributions subsequent to measurement date	205,251	-
Total	<u>\$ 533,355</u>	<u>\$ 385,676</u>

\$205,251 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources (prior to post-measurement date contributions) related to pensions will be recognized in pension expense or (expense reduction) as follows:

Year Ended June 30,	Deferred Outflow/(Inflow) of Resources (prior to post- measurement date)
2024	\$ (5,596)
2025	(46,005)
2026	(98,825)
2027	94,833
2028	(1,979)
Thereafter	-
Total	<u>\$ (57,572)</u>

**CITY OF ROGUE RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 9 – DEFINED PENSION BENEFIT PLAN (continued)

Sensitivity for the City's Proportionate Share of the Net Pension Liability to Changes in Discount Rate –

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percent lower (5.90 percent) or one percent higher (7.90 percent) than the current rate:

City's Net Pension Asset/(Liability)	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Defined Benefit Pension	\$ (2,104,033)	\$ (1,186,431)	\$ (418,441)

Changes in Assumptions –

A summary of key changes implemented since the December 31, 2020 valuation are noted below. Additional detail and list of changes can be found in the 2020 Experience Study for the System, which can be found at:

<https://www.oregon.gov/pers/Documents/Financials/Actuarial/2021/2020-Experience-Study.pdf>

Assumption Changes

- There were no changes to actuarial assumptions since the December 31, 2020 actuarial valuation.

Actuarial Methods

- There were no changes to actuarial methods since the December 31, 2020 actuarial valuation.

Plan Changes

There were no changes to plan provisions valued since the December 31, 2020 actuarial valuation. The provisions of Senate Bill 111 and House Bill 2906, both enacted in June 2021, were reflected in the December 31, 2020 actuarial valuation.

**CITY OF ROGUE RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 9 – DEFINED PENSION BENEFIT PLAN (continued)

Defined Contribution Plan – Individual Account Program (IAP)

Benefit Terms – The IAP is an individual account-based program under the OPERS tax-qualified governmental plan as defined under ORS 238A.400. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the contributions are deposited into a separate employer account. The member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies. The accounts fall under Internal Revenue Code Section 401(a).

Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5, 10, 15, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

Death Benefits. Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Starting July 1, 2020, Senate Bill 1049 required a portion of member contributions to their IAP accounts to be redirected to the Defined Benefit fund. If the member earns more than \$2,500 per month (increased to \$2,535 per month on January 2021) 0.75 percent (if OPSRP member) or 2.5 percent (if Tier One/Tier Two member) of the member's contributions that were previously contributed to the member's IAP now fund the new Employee Pension Stability Accounts (EPSA). The EPSA accounts will be used to fund the cost of future pension benefits without changing those benefits, which means reduced contributions to the member's IAP account. Members may elect to make voluntary IAP contributions equal to the amount redirected.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Retirement Health Insurance Account (RHIA) –

Plan Description - As a member of Oregon Public Employees Retirement System (OPERS), the City contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other post-employment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan was closed to new entrants hired on or after August 29, 2003.

**CITY OF ROGUE RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

Retirement Health Insurance Account (RHIA) (continued) –

Funding Policy -

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 dollars or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of \$60 dollars shall be paid by the eligible retired member in the manner provided in ORS 238.410.

To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in OPERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in OPERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a OPERS-sponsored health plan. A surviving spouse or dependent of a deceased OPERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from OPERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Contributions -

Employer Contributions – OPERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due.

The contribution rates in effect for the fiscal year ended June 30, 2023 for the OPEB program were: Tier1/Tier 2 – 0.05%, and OPSRP general service – 0.00%. The City contributed \$108 for the year ended June 30, 2023.

Actuarial Valuation -

The actuarial valuation used for RHIA is identical to the actuarial valuation details related to the OPERS Plan disclosed in *Note 9 – Defined Benefit Pension Plan* except the table listed below:

Actuarial assumptions:

Retiree healthcare participation	Healthy retirees: 27.5%; Disabled retirees: 15%
Healthcare cost trend rate	Not applicable
Cost-of-living adjustments (COLA)	Not applicable

**CITY OF ROGUE RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

Retirement Health Insurance Account (RHIA) (continued) –

OPEB Liabilities/Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB –

At June 30, 2023, the City reported \$21,894 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2022, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2020. The City's proportion of the net OPEB asset was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, (measurement date), the City's proportion was 0.00616142 percent.

For the year ended June 30, 2023, the City recognized a reduction of OPEB expense of \$4,039.

At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 593
Changes in assumptions	171	730
Net difference between projected and actual earnings on investment	-	1,670
Changes in proportionate share	-	1,952
Contributions subsequent to measurement date	<u>108</u>	<u>-</u>
Total	<u>\$ 279</u>	<u>\$ 4,945</u>

\$108 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as an increase to the net OPEB asset in the year ended June 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources (prior to post-measurement date contributions) related to OPEB will be recognized in pension expense (or expense reduction) as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflow/(Inflow) of resources</u>
2024	\$ (2,872)
2025	(1,383)
2026	(1,054)
2027	535
2028	-
Thereafter	<u>-</u>
Total	<u>\$ (4,774)</u>

**CITY OF ROGUE RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

Retirement Health Insurance Account (RHIA) (continued) –

Sensitivity for the City's Proportionate Share of the Net OPEB Asset to Changes in Discount Rate

The following presents the City's proportionate share of the net OPEB asset calculated using the discount rate of 6.90 percent, as well as what the City's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is 1-percentage point lower (5.90 percent) or 1-percentage point higher (7.90 percent) than the current rate:

City's Net OPEB Asset/(Liability)	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Retiree Health Insurance Account	\$ 19,732	\$ 21,894	\$ 23,746

Sensitivity of City's Proportionate Share of the Net OPEB Asset to Changes in Healthcare Cost Trend Rate

The RHIA OPEB is unaffected by healthcare cost trends due to the benefit being limited to \$60 monthly payments toward Medicare companion insurance premiums.

Changes in Assumptions

The changes in assumptions used for RHIA are identical to the changes in assumptions related to the OPERS plan discussed in Note 9.

NOTE 11 – NET POSITION

Restricted Net Position

The City has approved enabling legislation that imposes legally enforceable limits on how certain system development charges (restricted resource/net position) may be used. A portion of net position is also restricted by external parties for payments of outstanding debt and street maintenance.

Restricted net position as of June 30, 2023 is comprised of the following:

Enacted by enabling legislation of the City:	
Restricted for system development	\$ 2,431,555
Externally imposed:	
Restricted for debt service	126,494
Restricted for street maintenance	<u>513,863</u>
Total restricted net position	<u><u>\$ 3,071,912</u></u>

NOTE 12 – RISK MANAGEMENT

The City of Rogue River is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. Worker's compensation insurance is also provided through a commercial carrier. There has been no significant reduction in insurance coverage from the prior year. The City has not been required to pay in excess of insurance coverage during the past three fiscal years.

**CITY OF ROGUE RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 13 – CONCENTRATIONS OF RISK

In the normal course of operations, the City receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 14 – CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The City's operations are concentrated within Jackson County. In addition, substantially all of the City's revenues for continuing operations are from federal, state, and local government agencies.

NOTE 15 – TAX ABATEMENTS

As of June 30, 2023, Jackson County provides tax abatement through four programs: Enterprise Zone, Commercial Facilities Under Construction, Food Processor, and Solar.

For the fiscal year ended June 30, 2023, information regarding the City's property tax abatements through Jackson County are as follows:

	Assessed Value of Excluded Properties	Percent of Code Area	Reduced Property Taxes
Enterprise Zone	\$ 102,997	24.40%	\$ 25,131
Total Tax Abatements			\$ 25,131

The Oregon Enterprise Zone program is a State of Oregon economic development program, that allows for property tax exemptions for up to five years. In exchange for receiving property tax exemption, participating entities are required to meet the program requirements set by state statute and the local sponsor.

The Enterprise Zone program provides qualified entities that will be making a substantial new capital investment within the defined enterprise zone, a waiver of 100% of the amount of real property taxes attributable to the new investment for a period of five years following completion of the new investment. Land or existing machinery or equipment is not tax exempt; therefore, there is no loss of current property tax levies to local taxing jurisdiction.

NOTE 16 – COMMITMENTS

The City has one active construction project at June 30, 2023, which is the Drinking Water Capital Improvement Project primarily funded through the State Drinking Water Revolving Loan Fund. The estimated total cost of this project is \$3,745,030, of which \$1,032,473 has been incurred prior to year-end. The estimated completion date for this project is June 30, 2025 and the amount actively committed at June 30, 2023 is \$68,612.

NOTE 17 – SUBSEQUENT EVENTS

Management of the City has evaluated events and transactions occurring after June 30, 2023 through the date the financial statements were available for issuance, for recognition and/or disclosure in the financial statements.



| REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ROGUE RIVER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2023

	Budget			Variance with Final Budget Positive (Negative)
	Adopted	Final	Actual	
REVENUES:				
Taxes	\$ 615,544	\$ 615,544	\$ 636,190	\$ 20,646
Franchise fees	254,214	254,214	296,481	42,267
Licenses and permits	307,373	307,373	389,713	82,340
Fines and forfeitures	6,300	6,300	9,194	2,894
Intergovernmental	345,173	345,173	376,689	31,516
Earnings on investments	27,297	27,297	115,153	87,856
Miscellaneous	8,000	8,000	10,079	2,079
TOTAL REVENUES	1,563,901	1,563,901	1,833,499	269,598
EXPENDITURES:				
Current:				
Administrative	387,582	387,582	350,198	37,384
Public safety	1,019,053	1,019,053	829,830	189,223
Building department	124,690	124,690	97,943	26,747
Parks maintenance	183,482	183,482	126,483	56,999
Capital outlay	586,694	586,694	257,680	329,014
Special payments	168,500	168,500	-	168,500
Contingency	489,200	489,200	-	489,200
TOTAL EXPENDITURES	2,959,201	2,959,201	1,662,134	1,297,067
OTHER FINANCING SOURCES (USES):				
Proceeds from insurance claims	-	-	37,761	37,761
TOTAL OTHER FINANCING SOURCES (USES)	-	-	37,761	37,761
NET CHANGE IN FUND BALANCE	(1,395,300)	(1,395,300)	209,126	1,604,426
FUND BALANCE - JULY 1, 2022	1,395,300	1,395,300	1,231,170	(164,130)
FUND BALANCE - JUNE 30, 2023	\$ -	\$ -	\$ 1,440,296	\$ 1,440,296

CITY OF ROGUE RIVER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
STREET FUND
YEAR ENDED JUNE 30, 2023

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES:				
Intergovernmental	\$ 270,052	\$ 270,052	\$ 290,511	\$ 20,459
Fees	17,500	17,500	60,340	42,840
Earnings on investments	4,250	4,250	15,362	11,112
Miscellaneous	4,000	4,000	2,773	(1,227)
TOTAL REVENUES	295,802	295,802	368,986	73,184
EXPENDITURES:				
Current:				
Personal services	150,647	150,647	160,709	(10,062)
Materials and services	190,650	190,650	121,324	69,326
Capital outlay	226,500	226,500	28,920	197,580
Contingency	212,135	212,135	-	212,135
TOTAL EXPENDITURES	779,932	779,932	310,953	468,979
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(484,130)	(484,130)	58,033	542,163
NET CHANGE IN FUND BALANCE	(484,130)	(484,130)	58,033	(395,795)
FUND BALANCE - JULY 1, 2022	484,130	484,130	455,830	(28,300)
FUND BALANCE - JUNE 30, 2023	\$ -	\$ -	\$ 513,863	\$ 513,863

CITY OF ROGUE RIVER
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION ASSET/(LIABILITY) AND SCHEDULE OF THE CITY'S
CONTRIBUTIONS
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)
LAST 10 YEARS ENDING JUNE 30 (For Years Information is Available)

City of Rogue River Proportionate Share of Net Pension Asset / (Liability)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
City proportion of the net pension asset/(liability)	0.00774837%	0.00746417%	0.00766707%	0.00851187%	0.00790873%	0.00804326%	0.00795005%	0.01040123%	0.01076112%
City proportion of the net pension asset/(liability)	\$ (1,186,431)	\$ (893,198)	\$ (1,673,218)	\$ (1,472,350)	\$ (1,198,068)	\$ (1,084,234)	\$ (1,193,487)	\$ (597,183)	\$243,924
City's covered payroll	\$ 984,129	\$ 900,928	\$ 775,953	\$ 699,367	\$ 719,002	\$ 732,612	\$ 754,456	\$ 704,571	\$700,275
Proportionate share of the pension asset/(liability) as a percentage of its covered-employee payroll	120.56%	99.14%	215.63%	210.53%	166.63%	148.00%	158.19%	84.76%	-34.83%
Plan fiduciary net position as a percentage of the total pension liability	84.50%	87.57%	75.79%	80.23%	82.06%	83.12%	80.53%	91.88%	103.59%

City of Rogue River Contributions

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 205,251	\$215,206	\$200,801	\$160,105	\$121,888	\$135,026	\$121,470	\$119,841	\$114,498
Contribution in relation to the contractually required	(205,251)	(215,206)	(200,801)	(160,105)	(121,888)	(135,026)	(121,470)	(119,841)	(114,498)
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 979,215	\$984,129	\$900,928	\$775,953	\$699,367	\$719,002	\$732,612	\$754,456	\$704,571
Contributions as a percentage of covered payroll	20.96%	21.87%	22.29%	20.63%	17.43%	18.78%	16.10%	17.01%	16.25%

Notes to Schedule -

A summary of key changes implemented since the December 31, 2020 valuation are described briefly in *Note 9* in the Notes to the Basic Financial Statements. Additional detail and a comprehensive list of changes in methods and assumptions can be found in the 2020 Experience Study for the system can be found at:

<https://www.oregon.gov/pers/Documents/Financials/Actuarial/2021/2020-Experience-Study.pdf>

Other Information:

This schedule is presented to illustrate required supplementary information for a 10 year period. The City adopted GASB 68 during fiscal year 2015, as a result, only nine years of information is presented.

CITY OF ROGUE RIVER
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB
ASSET/(LIABILITY) AND SCHEDULE OF THE CITY'S CONTRIBUTIONS -
OPERS RETIREMENT HEALTH INSURANCE ACCOUNT (RHIA)
LAST 10 YEARS ENDING JUNE 30 (For Years Information is Available)

City of Rogue River's Proportionate Share of Net OPEB Asset/(Liability)

	2023	2022	2021	2020	2019	2018
City's proportion of the net OPEB asset/(liability)	0.00616142%	0.00544045%	0.00375275%	0.00639203%	0.00709058%	0.00714122%
City's proportion of the net OPEB asset/(liability)	\$ 21,894	\$ 18,683	\$ 7,647	\$ 12,352	\$ 7,915	\$ 2,980
City's covered-employee payroll	\$ 984,129	\$ 900,928	\$ 775,953	\$ 699,367	\$ 719,002	\$ 719,002
City's proportionate share of the net OPEB asset/(liability) as a percentage of its covered-employee payroll	2.22%	2.07%	0.99%	1.77%	1.13%	1.13%
Plan fiduciary net position as a percentage of the total OPEB asset/(liability)	194.60%	183.90%	150.10%	144.37%	123.99%	123.99%

City of Rogue River's Contributions

	2023	2022	2021	2020	2019	2018
Contractually required contributions	\$ 108	\$ 152	\$ 146	\$ 268	\$ 3,168	\$ 3,168
Contribution in relation to the contractually required	(108)	(152)	(146)	(268)	(3,168)	(3,168)
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered - employee payroll	\$ 979,215	\$ 984,129	\$ 900,928	\$ 775,953	\$ 699,367	\$ 719,002
Contributions as a percentage of covered-employee payroll	0.01%	0.02%	0.02%	0.03%	0.45%	0.45%

Notes to Schedule -

A summary of assumption changes implemented since the December 31, 2020 valuation are outlined briefly in *Note 10* to the financial statements. A comprehensive list of changes in methods and assumptions can be found in the 2020 Experience Study for the system, which was published in July 2021, and can be found at:
<https://www.oregon.gov/pers/Documents/Financials/Actuarial/2021/2020-Experience-Study.pdf>

Other Information:

This schedule is presented to illustrate required supplementary information for a 10 year period. The City adopted GASB 75 for RHIA during fiscal 2018, as a result, only six years of information is presented.



OTHER SUPPLEMENTARY INFORMATION

OTHER MAJOR GOVERNMENTAL FUNDS

Debt Service Fund – This accounts for debt service appropriations for the payment of principal and interest on the Series 2013A and 2013B General Obligation Bonds.

ENTERPRISE FUNDS

These funds account for activities supported by user charges and where the emphasis is on change in working capital.

Water Fund - This fund accounts for operating the City's water system and distribution and treatment facility. Principal sources of revenue are user fees and earnings on investments.

Sewer Fund - This fund accounts for operating the City's sewer system and treatment facility. Principal sources of revenue are user fees and earnings on investments.

Water Improvement Reserve Fund - This fund accounts for funds reserved for the future expansion of the water system. Principal sources of revenue are transfers, charges for service, and earnings on investments. The water improvement reserve fund combines with the water fund for generally accepted accounting principles purposes.

Sewer Improvement Reserve Fund - This fund accounts for funds reserved for the future expansion of the wastewater treatment plant. The principal source of revenue are transfers and earnings on investments. The sewer improvement reserve fund combines with the sewer fund for generally accepted accounting principles purposes.

System Development Fund - This fund accounts for operations related to water supply, treatment and distribution. Principal sources of revenue are system development charges and earnings on investments.

Water and Sewer Revenue Bond Debt Service Fund - This fund accounts for bond and interest transactions relating to the water and sewer bond issued to construct the City water plant and wastewater system. It also accounts for the repayment of a loan payable to the state of Oregon used to obtain a sewage treatment facility plan. Principal sources of revenue are operating transfers from the Water Fund and Sewer Fund. The Water and Sewer Revenue Bond Debt Service Fund combines with the Sewer Fund for generally accepted accounting principles purposes.

CITY OF ROGUE RIVER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL
GOVERNMENTAL DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2023

	Budget			Variance with Final Budget Positive (Negative)
	Adopted	Final	Actual	
REVENUES:				
Taxes	\$ 94,500	\$ 94,500	\$ 94,933	\$ 433
Earnings on investments	225	225	1,024	799
TOTAL REVENUES	94,725	94,725	95,957	1,232
EXPENDITURES:				
Debt service	104,723	104,723	93,723	11,000
NET CHANGE IN FUND BALANCE	(9,998)	(9,998)	2,234	12,232
FUND BALANCE - JULY 1, 2022	123,588	123,588	124,260	672
FUND BALANCE - JUNE 30, 2023	\$ 113,590	\$ 113,590	\$ 126,494	\$ 12,904

CITY OF ROGUE RIVER
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
WATER FUND
YEAR ENDED JUNE 30, 2023

	<u>Water Fund</u>	<u>Water Improvement Reserve Fund</u>	<u>Total Water Fund</u>
REVENUES:			
Charges for services	\$ 599,021	\$ 149,772	\$ 748,793
Earnings on investments	10,241	10,241	20,482
Miscellaneous	5,256	-	5,256
TOTAL REVENUES	<u>614,518</u>	<u>160,013</u>	<u>774,531</u>
EXPENDITURES:			
Current:			
Personal services	286,236	-	286,236
Materials and services	329,900	-	329,900
Capital outlay	775,581	36,360	811,941
TOTAL EXPENDITURES	<u>1,391,717</u>	<u>36,360</u>	<u>1,428,077</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(777,199)</u>	<u>123,653</u>	<u>(653,546)</u>
OTHER FINANCING SOURCES (USES):			
Transfers (to) from other funds	-	(66,344)	(66,344)
Safe Drinking Water Revolving Loan Proceeds	734,433	-	734,433
TOTAL OTHER FINANCING SOURCES (USES)	<u>734,433</u>	<u>(66,344)</u>	<u>668,089</u>
CHANGE IN NET WORKING CAPITAL	(42,766)	57,309	14,543
NET WORKING CAPITAL - JULY 1, 2022	<u>466,013</u>	<u>718,445</u>	<u>1,184,458</u>
NET WORKING CAPITAL - JUNE 30, 2023	<u>\$ 423,247</u>	<u>\$ 775,754</u>	<u>\$ 1,199,001</u>
Add (deduct) adjustments to budgetary basis working capital to reconcile ending net position.			
Capital assets, net			\$ 3,399,194
Net other post-employment asset (RHIA)			3,444
Deferred outflows			117,251
Compensated absences			(8,964)
Net pension liability			(266,560)
Long-term debt, net			(845,254)
Deferred inflows			(63,481)
ENDING NET POSITION			<u>\$ 3,534,631</u>

CITY OF ROGUE RIVER
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
SEWER FUND
YEAR ENDED JUNE 30, 2023

	Sewer Fund	Sewer Improvement Reserve Fund	Water/Sewer Debt Service Fund	Total Sewer Fund
REVENUES:				
Charges for services	\$ 768,133	\$ -	\$ -	\$ 768,133
Earnings on investments	10,241	15,362	-	25,603
Miscellaneous	149	-	-	149
TOTAL REVENUES	<u>778,523</u>	<u>15,362</u>	<u>-</u>	<u>793,885</u>
EXPENDITURES:				
Current:				
Personal services	296,125	-	-	296,125
Materials and services	253,139	-	-	253,139
Debt service	-	-	136,200	136,200
Capital outlay	18,832	-	-	18,832
TOTAL EXPENDITURES	<u>568,096</u>	<u>-</u>	<u>136,200</u>	<u>704,296</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>210,427</u>	<u>15,362</u>	<u>(136,200)</u>	<u>89,589</u>
OTHER FINANCING SOURCES (USES):				
Transfers (to) from other funds	-	-	146,844	146,844
CHANGE IN NET WORKING CAPITAL	210,427	15,362	10,644	236,433
NET WORKING CAPITAL - JULY 1, 2022	<u>698,128</u>	<u>535,969</u>	<u>38,898</u>	<u>1,272,995</u>
NET WORKING CAPITAL - JUNE 30, 2023	<u>\$ 908,555</u>	<u>\$ 551,331</u>	<u>\$ 49,542</u>	<u>\$ 1,509,428</u>
Add (deduct) adjustments to budgetary basis working capital to reconcile ending net position.				
Capital assets, net				\$ 1,057,679
Net other post-employment asset (RHIA)				4,307
Deferred outflows				114,788
Accrued interest				(10,450)
Compensated absences				(7,212)
Net pension liability				(252,703)
Long-term debt, net				(1,282,299)
Deferred inflows				(79,708)
ENDING NET POSITION				<u>\$ 1,053,830</u>

CITY OF ROGUE RIVER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL
WATER FUND
YEAR ENDED JUNE 30, 2023

	Budget			Variance with Final Budget Positive (Negative)
	Adopted	Final	Actual	
REVENUES:				
Charges for services	\$ 600,625	\$ 600,625	\$ 599,021	\$ (1,604)
Grants	3,610,437	3,610,437	-	(3,610,437)
Earnings on investments	2,200	2,200	10,241	8,041
Miscellaneous	3,600	3,600	5,256	1,656
TOTAL REVENUES	4,216,862	4,216,862	614,518	(3,602,344)
EXPENDITURES:				
Current:				
Personal services	283,396	283,396	286,236	(2,840)
Materials and services	298,050	298,050	329,900	(31,850)
Capital outlay	3,768,937	3,768,937	775,581	2,993,356
Contingency	467,908	467,908	-	467,908
TOTAL EXPENDITURES	4,818,291	4,818,291	1,391,717	3,426,574
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(601,429)	(601,429)	(777,199)	(175,770)
OTHER FINANCING SOURCES (USES):				
Safe Drinking Water Revolving Loan Proceeds	-	-	734,433	734,433
CHANGE IN NET WORKING CAPITAL	(601,429)	(601,429)	(42,766)	558,663
NET WORKING CAPITAL - JULY 1, 2022	601,429	601,429	466,013	(135,416)
NET WORKING CAPITAL - JUNE 30, 2023	\$ -	\$ -	\$ 423,247	\$ 423,247

CITY OF ROGUE RIVER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL
SEWER FUND
YEAR ENDED JUNE 30, 2023

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES:				
Charges for services	\$ 654,922	\$ 654,922	\$ 768,133	\$ 113,211
Earnings on investments	2,200	2,200	10,241	8,041
Miscellaneous	1,000	1,000	149	(851)
TOTAL REVENUES	658,122	658,122	778,523	120,401
EXPENDITURES:				
Current:				
Personal services	291,296	291,296	296,125	(4,829)
Materials and services	285,300	285,300	253,139	32,161
Capital outlay	99,000	99,000	18,832	80,168
Special payments	10,000	10,000	-	10,000
Contingency	413,226	413,226	-	413,226
TOTAL EXPENDITURES	1,098,822	1,098,822	568,096	530,726
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(440,700)	(440,700)	210,427	651,127
OTHER FINANCING SOURCES (USES):				
Transfers in	80,500	80,500	80,500	-
Transfers out	(281,525)	(281,525)	(80,500)	201,025
TOTAL OTHER FINANCING SOURCES (USES)	(201,025)	(201,025)	-	201,025
CHANGE IN NET WORKING CAPITAL	(641,725)	(641,725)	210,427	852,152
NET WORKING CAPITAL - JULY 1, 2022	641,725	641,725	698,128	56,403
NET WORKING CAPITAL - JUNE 30, 2023	\$ -	\$ -	\$ 908,555	\$ 908,555

CITY OF ROGUE RIVER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL
WATER IMPROVEMENT RESERVE FUND
YEAR ENDED JUNE 30, 2023

	Budget			Variance with Final Budget Positive (Negative)
	Adopted	Final	Actual	
REVENUES:				
Charges for services	\$ 151,544	\$ 151,544	\$ 149,772	\$ (1,772)
Earnings on investments	2,200	2,200	10,241	8,041
TOTAL REVENUES	153,744	153,744	160,013	6,269
EXPENDITURES:				
Capital outlay	35,500	35,500	36,360	(860)
Reserve for future improvements	595,061	595,061	-	595,061
Contingency	176,294	176,294	-	176,294
TOTAL EXPENDITURES	806,855	806,855	36,360	770,495
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(653,111)	(653,111)	123,653	776,764
OTHER FINANCING SOURCES (USES):				
Transfers out	(66,344)	(66,344)	(66,344)	-
CHANGE IN NET WORKING CAPITAL	(719,455)	(719,455)	57,309	776,764
NET WORKING CAPITAL - JULY 1, 2022	719,455	719,455	718,445	(1,010)
NET WORKING CAPITAL - JUNE 30, 2023	\$ -	\$ -	\$ 775,754	\$ 775,754

CITY OF ROGUE RIVER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL
SEWER IMPROVEMENT RESERVE FUND
YEAR ENDED JUNE 30, 2023

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES:				
Earnings on investments	\$ 2,500	\$ 2,500	\$ 15,362	\$ 12,862
EXPENDITURES:				
Capital outlay	103,000	103,000	-	103,000
Reserve for future improvements	479,119	479,119	-	479,119
Contingency	156,185	156,185	-	156,185
TOTAL EXPENDITURES	738,304	738,304	-	738,304
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(735,804)	(735,804)	15,362	751,166
OTHER FINANCING SOURCES (USES):				
Transfers in	200,000	200,000	-	(200,000)
CHANGE IN NET WORKING CAPITAL	(535,804)	(535,804)	15,362	(551,166)
NET WORKING CAPITAL - JULY 1, 2022	535,804	535,804	535,969	165
NET WORKING CAPITAL - JUNE 30, 2023	\$ -	\$ -	\$ 551,331	\$ 551,331

CITY OF ROGUE RIVER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL
SYSTEM DEVELOPMENT FUND
YEAR ENDED JUNE 30, 2023

	Budget			Variance with Final Budget Positive (Negative)
	Adopted	Final	Actual	
REVENUES:				
System development charges	\$ 43,720	\$ 43,720	\$ 117,242	\$ 73,522
Earnings on investments	5,462	5,462	27,651	22,189
TOTAL REVENUES	49,182	49,182	144,893	95,711
EXPENDITURES:				
Capital outlay	185,000	185,000	-	185,000
Reserve for future capital projects	1,834,521	1,834,521	-	1,834,521
Contingency	270,506	270,506	-	270,506
TOTAL EXPENDITURES	2,290,027	2,290,027	-	2,290,027
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,240,845)	(2,240,845)	144,893	2,385,738
OTHER FINANCING SOURCES (USES):				
Transfers out	(80,500)	(80,500)	(80,500)	-
CHANGE IN NET WORKING CAPITAL	(2,321,345)	(2,321,345)	64,393	2,385,738
NET WORKING CAPITAL - JULY 1, 2022	2,321,345	2,321,345	2,367,162	45,817
NET WORKING CAPITAL - JUNE 30, 2023	\$ -	\$ -	\$ 2,431,555	\$ 2,431,555

CITY OF ROGUE RIVER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL
WATER AND SEWER REVENUE BOND DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2023

	Budget			Variance with Final Budget Positive (Negative)
	Adopted	Final	Actual	
EXPENDITURES:				
Debt service	\$ 143,380	\$ 143,380	\$ 136,200	\$ 7,180
OTHER FINANCING SOURCES (USES):				
Transfers in	147,869	147,869	146,844	1,025
CHANGE IN NET WORKING CAPITAL	4,489	4,489	10,644	6,155
NET WORKING CAPITAL - JULY 1, 2022	24,678	24,678	38,898	14,220
NET WORKING CAPITAL - JUNE 30, 2023	<u>\$ 29,167</u>	<u>\$ 29,167</u>	<u>\$ 49,542</u>	<u>\$ 20,375</u>



INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Honorable Mayor and Council
City of Rogue River
Rogue River, OR 97537

We have audited the basic financial statements of the City of Rogue River, Oregon (the City) as of and for the year ended June 30, 2023, and have issued our report thereon dated December 13, 2023. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not the objective of our audit, and accordingly, we do not express such an opinion.

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

- Deposit of public funds with financial institutions under ORS Chapter 295.
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required under ORS Chapter 294.
- Insurance and fidelity under bonds in force or required by law.
- Programs funded from outside sources.
- Highway revenues used for public highways, roads, and streets.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing under ORS Chapters 279A, 279B, 279C.

In connection with our audit, nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of Oregon Revised Statutes as specified in Oregon Administration Rules 162-010-0000 through 162-010-0320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, except as reported in Note 2 – Appropriation and Budgetary Controls, of the financial statements.

OAR 162-010-0230 Internal Control

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Restrictions On Use

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



Aria Bettinger, CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
December 13, 2023



**| ITEMS REQUIRED BY UNIFORM
GUIDANCE FOR FEDERAL AWARDS
PROGRAMS**



**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**

Honorable Mayor and Council
City of Rogue River
Rogue River, OR 97537

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of City of Rogue River (the City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 13, 2023.

Report on Internal Control over Financial Reporting

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

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 statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Aria Bettinger". The signature is fluid and cursive, with the first name "Aria" and last name "Bettinger" clearly distinguishable.

Aria Bettinger, CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
December 13, 2023



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Honorable Mayor and Council
City of Rogue River
Rogue River, OR 97537

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Rogue River's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2023. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*) and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

A handwritten signature in black ink, reading "Aria Bettinger". The signature is fluid and cursive, with the first name "Aria" and last name "Bettinger" clearly distinguishable.

Aria Bettinger, CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
December 13, 2023

CITY OF ROGUE RIVER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal AL Number</u>	<u>Pass-through Grantor Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Treasury			
Passed through State of Oregon Department of Administrative Services: COVID-19 State and Local Fiscal Recovery Funds	21.027	N/A	\$ 19,570
Total AL 21.027			<u>19,570</u>
Total U.S. Department of Treasury			<u>19,570</u>
U.S. Environmental Protection Agency			
Passed through State of Oregon Business Development Department: Capitalization Grants for Drinking Water State Revolving Funds	66.468	S21014	798,424
Total Drinking Water State Revolving Fund Cluster			<u>798,424</u>
Total U.S. Environmental Protection Agency			<u>798,424</u>
TOTAL FEDERAL AWARDS EXPENDED			<u>\$ 817,994</u>

**CITY OF ROGUE RIVER
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023**

NOTE 1 – BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal awards activity of the City of Rogue River (the City) under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, change in net position, or cash flows of the City.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – INDIRECT COST RATE:

The City has elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 – SUBRECIPIENTS:

The City did not have any awards that were passed through to subrecipients for the year ended June 30, 2023.

**CITY OF ROGUE RIVER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

1. The auditor's report expresses an unmodified opinion on whether the basic financial statements of the City were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the basic financial statements of the City which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.

Federal Awards

4. No significant deficiencies or material weaknesses in internal control over major federal programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance for the major federal award program for the City expressed an unmodified opinion.
6. There were no audit findings that are required to be reported in accordance with the Uniform Guidance in this Schedule.
7. The program tested as a major program was:

US Environmental Protection Agency:

Drinking Water State Revolving Fund Cluster AL #66.468

8. The threshold for distinguishing Types A and B Programs was \$750,000.
9. The City did not qualify as a low-risk auditee under the criteria specified in the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None