

CITY OF ROGUE RIVER
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2022
WITH
INDEPENDENT AUDITOR'S REPORT



CITY OF ROGUE RIVER, OREGON

Year Ended June 30, 2022

ELECTED OFFICIALS OF THE CITY OF ROGUE RIVER, OREGON

Wayne Stuart, Mayor

Jack Bird, Council Member

Pam VanArsdale, 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

Mark Reagles, 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, 2022
TABLE OF CONTENTS**

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 Balance of Governmental Funds to the Statement of Activities	6
Statement of Net Position – Proprietary Funds	7
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	8
Statement of Cash Flows – Proprietary Funds	9
Notes to the Basic 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 balance – 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
Independent Auditor’s Report Required by Oregon State Regulations	53 – 54



Oregon Office
841 O'Hare Pkwy, Ste.200
Medford, OR 97504
T. 541.773.6633

Idaho Office
155 E. 50th St.
Boise, ID 83714
T: 208.373.7890
www.KDPLLP.com

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2022, 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). 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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

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

Other 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Oregon State Regulations

In accordance with Oregon State Regulation, we have also issued our report dated December 9, 2022 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 9, 2022

**CITY OF ROGUE RIVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

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, 2022. 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 \$17.4 million as of June 30, 2022, consisting of \$9.9 million in capital assets (net), \$3.7 million in cash and investments, \$2.9 million in restricted cash, \$337 thousand in receivables and other assets, and \$602 thousand in deferred outflows related to pensions. The City's assets and deferred outflows increased by \$1.1 million when compared to June 30, 2021 (approximately 7%).
- In the **government-wide statements**, the City's liabilities and deferred inflows totaled \$4.62 million as of June 30, 2022, consisting of \$2.6 million (approximately 56%) in debt, \$893 thousand in pension related liabilities, \$297 thousand in accounts payable and other current liabilities, \$59 thousand in accrued compensated absences, and \$791 thousand in deferred inflows related to pensions. The City's liabilities and deferred inflows decreased by \$236 thousand when compared to June 30, 2021 (approximately 5%).
- **Government-wide** net position (assets and deferred outflows minus liabilities and deferred inflows) totaled \$12.8 million as of June 30, 2022, of which \$7.3 million was net investment in capital assets, approximately \$2.9 million was restricted, and \$2.6 million was considered unrestricted. In the prior year, net position totaled \$11.4 million, of which \$6.2 million was invested in capital assets net of related debt, \$2.8 million was restricted and \$2.4 million was considered unrestricted.
- In the **government-wide statements**, the City generated program revenues of \$3.2 million from its governmental and business activities. Direct expenses of all programs totaled \$3 million. General revenues which include taxes, other support and investment income totaled approximately \$1.2 million. In the prior year the City generated program revenues of \$2.3 million from its governmental and business activities, direct expenses of all programs totaled \$3.3 million and general revenues totaled \$1.2 million.
- At the end of the fiscal year, fund balance for all **governmental funds** was \$1.8 million, up \$130 thousand from the prior year's balance of \$1.7 million, an increase of approximately 8%. 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 \$1.23 million, an increase of \$63 thousand from the prior year, which is an increase of approximately 5%. Unassigned fund balance in the General Fund represented approximately 67% of total General Fund expenditures.
- The City's net position increased \$1.3 million during the fiscal year ended June 30, 2022 from the prior year restated net position.

**CITY OF ROGUE RIVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

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, 2022**

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, 2022**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Position

The City's assets and deferred outflows exceeded liabilities and deferred inflows by \$12.87 million at June 30, 2022. Net position for governmental activities totaled \$6.07 million while net position for business-type activities totaled \$6.8 million.

	June 30, 2022		June 30, 2021	
	Governmental Activities	Business Type Activities	Governmental Activities	Business Type Activities
Capital assets, net	\$ 6,011,153	\$ 3,877,357	\$ 5,315,323	\$ 3,555,393
Current & other assets	1,975,043	4,975,070	1,894,384	4,904,938
Total assets	<u>7,986,196</u>	<u>8,852,427</u>	<u>7,209,707</u>	<u>8,460,331</u>
Deferred outflows of resources related to OPERS & RHIA	<u>346,920</u>	<u>254,929</u>	<u>372,385</u>	<u>267,625</u>
Total assets and deferred outflows	<u>\$ 8,333,116</u>	<u>\$ 9,107,356</u>	<u>\$ 7,582,092</u>	<u>\$ 8,727,956</u>
Long term debt	\$ 1,091,392	\$ 1,490,400	\$ 1,187,227	\$ 1,472,347
Pension liabilities	471,489	421,709	992,007	681,211
Other liabilities	<u>182,200</u>	<u>173,772</u>	<u>226,097</u>	<u>163,157</u>
Total liabilities	<u>1,745,081</u>	<u>2,085,881</u>	<u>2,405,331</u>	<u>2,316,715</u>
Deferred inflows of resources related to OPERS & RHIA	<u>515,107</u>	<u>276,637</u>	<u>77,750</u>	<u>58,597</u>
Total liabilities and deferred inflows	<u>\$ 2,260,188</u>	<u>\$ 2,362,518</u>	<u>\$ 2,483,081</u>	<u>\$ 2,375,312</u>
Net investment in capital assets	\$ 4,919,761	\$ 2,386,957	\$ 4,128,096	\$ 2,083,046
Restricted	580,090	2,367,162	515,223	2,292,177
Unrestricted	<u>573,077</u>	<u>1,990,719</u>	<u>455,692</u>	<u>1,977,421</u>
Total net position	<u>\$ 6,072,928</u>	<u>\$ 6,744,838</u>	<u>\$ 5,099,011</u>	<u>\$ 6,352,644</u>

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 \$1.36 million from the prior year as revenues exceeded expenses. As of June 30, 2022, the unrestricted portion of the City's net position was approximately 20% of total net position. Net investment in capital assets portion of the City's net position was approximately 57% of total net position. Approximately 23% of the City's net position was restricted. In the prior year, approximately 54% of the City's net position was net investment in capital assets, approximately 25% was restricted, and approximately 21% was unrestricted.

**CITY OF ROGUE RIVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

Analysis of Changes in Net Position

	June 30, 2022		June 30, 2021	
	Governmental Activities	Business Type Activities	Governmental Activities	Business Type Activities
Revenues				
Program revenues:				
Charges for services	\$ 550,411	\$ 1,527,129	\$ 670,258	\$ 1,502,013
Operating grants	771,399	-	103,600	-
Capital grants/contributions	311,765	-	-	-
General revenues:				
Property taxes for general	627,526	-	613,945	-
Property taxes for debt	91,638	-	93,046	-
Lodging tax	106,992	-	111,086	-
Gas tax	188,768	-	170,053	-
State revenue sharing	28,061	-	31,623	-
State cigarette/alcohol taxes	50,999	-	62,342	-
Local tax	62,524	-	-	-
Earnings on investments	23,902	13,421	31,171	17,432
Gain (loss) on sale of capital assets	-	-	16,169	-
Other	2,384	23,101	13,610	32,509
Total revenues	2,816,369	1,563,651	1,916,903	1,551,954
Expenses				
Administrative	304,894	-	359,885	-
Public Safety	1,009,642	-	998,131	-
Municipal Court	-	-	22,840	-
Parks	126,656	-	118,919	-
Building Department	109,178	-	71,957	-
Highways and streets	245,775	-	334,180	-
Water Department	-	614,368	-	640,511
Sewer Department	-	574,134	-	582,354
Non-Departmental	29,066	-	123,019	-
Interest on long-term debt	17,241	40,243	33,981	43,008
Total expenses	1,842,452	1,228,745	2,062,912	1,265,873
Change in net position	973,917	334,906	(146,009)	286,081
Beginning net position (as restated)	5,099,011	6,409,932	5,245,020	6,066,563
Ending net position	\$ 6,072,928	\$ 6,744,838	\$ 5,099,011	\$ 6,352,644

**CITY OF ROGUE RIVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

Governmental Activities

Governmental activities increased the City's net position by approximately \$973 thousand. Revenues totaled approximately \$2.81 million and consisted primarily of property taxes of approximately \$719 thousand and operating grants of approximately \$771 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 restated net position by approximately \$335 thousand. Business-type revenues totaled \$1.56 million and consisted primarily of charges for services (approximately 97%).

Charges for services, which totaled approximately \$1.53 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 \$1.81 million, an increase of \$128 thousand (approximately 8%) from the prior year's fund balance of \$1.68 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 \$1.23 million, up \$63 thousand from the previous year. Unassigned fund balance represents approximately 67% of total General Fund expenditures, which may be a measure of the General Fund's liquidity.

Fund balances increased by \$64 thousand in the Street Fund and \$1 thousand in the Governmental Debt Service Fund.

**CITY OF ROGUE RIVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

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, 2022, unrestricted net position of the proprietary funds was \$1.87 million, a decrease of approximately \$97 thousand from the prior year. Net investment in capital assets was \$2.50 million and the restricted net position balance was approximately \$2.37 million. The Water Fund reported an increase in net position for the current fiscal year of approximately \$75 thousand, from restated prior year net position. The Sewer Fund reported an increase in net position for the current fiscal year of approximately \$185 thousand. The System Development Fund reported an increase of approximately \$75 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, 2022, the City had invested \$9.9 million in capital assets, net of depreciation as reflected in the following table:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Land	\$ 665,838	\$ 782,606	\$ 1,448,444
Construction in progress	1,005,346	279,438	1,284,784
Buildings and improvements	178,124	32,464	210,588
Machinery and equipment	153,706	230,188	383,894
Infrastructure	<u>4,008,139</u>	<u>2,552,661</u>	<u>6,560,800</u>
Total	<u>\$ 6,011,153</u>	<u>\$ 3,877,357</u>	<u>\$ 9,888,510</u>

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

**CITY OF ROGUE RIVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

DEBT ADMINISTRATION

As of year-end, the City had \$2.58 million in long-term debt outstanding compared to \$2.66 million in the previous year.

In the current year, the City entered into a financing contract with the State of Oregon for the financing of Water System Improvements. The City has incurred \$110,821 of the \$3,745,030 available as of June 30, 2022. Long-term debt activity during the year consists of the following:

	Balance at June 30, 2021	Additions	Reductions	Balance at June 30, 2022
Governmental Activities:				
Business Loan (direct borrowing)	\$ 35,898	\$ -	\$ (35,898)	\$ -
Series 2013A G.O. Bonds (direct placement)	216,209	-	(9,572)	206,637
Series 2013B G.O. Bonds (direct placement)	935,120	-	(50,365)	884,755
Total Governmental Activities	<u>\$ 1,187,227</u>	<u>\$ -</u>	<u>\$ (95,835)</u>	<u>\$ 1,091,392</u>
Business-Type Activities:				
Series 2017A Bond (direct borrowing)	\$ 1,410,000	\$ -	\$ (85,000)	\$ 1,325,000
Safe Drinking Water Revolving Loan (direct borrowing)	-	110,821	-	110,821
Unamortized Premium/(Discount)	62,347	-	(7,768)	54,579
Total Business-Type Activities	<u>\$ 1,472,347</u>	<u>\$ 110,821</u>	<u>\$ (92,768)</u>	<u>\$ 1,490,400</u>
Total Long-term debt	<u>\$ 2,659,574</u>	<u>\$ 110,821</u>	<u>\$ (188,603)</u>	<u>\$ 2,581,792</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 2022 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 September jobless rate averaged 4.3% in 2021, and 4.3% in 2020. 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 by 8.2% over the past year from a population of 2,250 in 2020 to a population of 2,435 in 2021. The City expects to continue with minimal growth with few 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 \$202,231,035 up 2% percent from the previous year.

**CITY OF ROGUE RIVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

Major Capital Projects for the 2022-23 Budget include: Continued construction and completion of Rooster Park; improvements to Palmerton Park and water reclamation there; Water Treatment Plant Building improvements; a Safe Drinking Water Revolving Loan Fund project consisting of a new reservoir, radio read meters throughout the city and the addition of 13 additional fire hydrants; waste water treatment plant improvements, to include an update on the automation controls; and sidewalk and storm drain upgrades.

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, 2022**

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Assets:			
Cash and investments	\$ 1,237,117	\$ 2,431,674	\$ 3,668,791
Restricted cash and investments	577,340	2,367,162	2,944,502
Receivables	148,586	169,551	318,137
Net other post-employment asset (RHIA)	12,000	6,683	18,683
Capital assets, net:			
Land	665,838	782,606	1,448,444
Construction in progress	1,005,346	279,438	1,284,784
Buildings and improvements	178,124	32,464	210,588
Machinery and equipment	153,706	230,188	383,894
Infrastructure	4,008,139	2,552,661	6,560,800
TOTAL ASSETS	7,986,196	8,852,427	16,838,623
Deferred outflows of resources:			
Deferred amounts related to OPERS	345,905	254,130	600,035
Deferred amounts related to RHIA	1,015	799	1,814
TOTAL DEFERRED OUTFLOWS OF RESOURCES	346,920	254,929	601,849
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	8,333,116	9,107,356	17,440,472
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:			
Liabilities:			
Accounts payable	98,918	58,344	157,262
Payroll payable	17,332	8,059	25,391
Accrued interest payable	13,477	11,350	24,827
Customer deposits	-	77,369	77,369
Unearned revenue	12,180	-	12,180
Accrued compensated absences	40,293	18,650	58,943
Net pension liability (OPERS) (due in more than one year)	471,489	421,709	893,198
Long-term debt, net of unamortized premium/discount:			
Due within one year	64,318	97,280	161,598
Due in more than one year	1,027,074	1,393,120	2,420,194
TOTAL LIABILITIES	1,745,081	2,085,881	3,830,962
Deferred inflows of resources:			
Deferred amounts related to OPERS	510,351	274,085	784,436
Deferred amounts related to RHIA	4,756	2,552	7,308
TOTAL DEFERRED INFLOWS OF RESOURCES	515,107	276,637	791,744
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	2,260,188	2,362,518	4,622,706
NET POSITION:			
Net investment in capital assets	4,919,761	2,386,957	7,306,718
Restricted	580,090	2,367,162	2,947,252
Unrestricted	573,077	1,990,719	2,563,796
TOTAL NET POSITION	\$ 6,072,928	\$ 6,744,838	\$ 12,817,766

See accompanying notes to basic financial statements

**CITY OF ROGUE RIVER
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fines, Fees, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government:							
Administrative	\$ 304,894	\$ 337,769	\$ -	\$ -	\$ 32,875	\$ -	\$ 32,875
Public safety	1,009,642	100,618	-	-	(909,024)	-	(909,024)
Parks department	126,656	5,400	233,724	311,765	424,233	-	424,233
Building department	109,178	61,242	-	-	(47,936)	-	(47,936)
Highways and streets	245,775	45,382	271,000	-	70,607	-	70,607
Non-departmental	29,066	-	266,675	-	237,609	-	237,609
Interest on long-term debt	17,241	-	-	-	(17,241)	-	(17,241)
Total government activities	1,842,452	550,411	771,399	311,765	(208,877)	-	(208,877)
Business-type activities:							
Water	614,368	730,252	-	-	-	115,884	115,884
Sewer	574,134	726,925	-	-	-	152,791	152,791
System development	-	69,952	-	-	-	69,952	69,952
Interest on long-term debt	40,243	-	-	-	-	(40,243)	(40,243)
Total business-type activities	1,228,745	1,527,129	-	-	-	298,384	298,384
Total Common City	\$ 3,071,197	\$ 2,077,540	\$ 771,399	\$ 311,765	(208,877)	298,384	89,507
General revenues:							
Property taxes levied for general purposes					627,526	-	627,526
Property taxes levied for debt service					91,638	-	91,638
Lodging tax					106,992	-	106,992
Gas tax					188,768	-	188,768
State revenue sharing					28,061	-	28,061
State cigarette and alcohol taxes					50,999	-	50,999
Local tax					62,524	-	62,524
Earnings on investments					23,902	13,421	37,323
Miscellaneous					2,384	23,101	25,485
Total general revenues					1,182,794	36,522	1,219,316
CHANGE IN NET POSITION					973,917	334,906	1,308,823
BEGINNING NET POSITION, AS RESTATED - JULY 1, 2021					5,099,011	6,409,932	11,508,943
ENDING NET POSITION - JUNE 30, 2022					\$ 6,072,928	\$ 6,744,838	\$ 12,817,766

FUND FINANCIAL STATEMENTS

**CITY OF ROGUE RIVER
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022**

	<u>General Fund</u>	<u>Street Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
ASSETS:				
Pooled cash and investments	\$ 1,237,117	\$ -	\$ -	\$ 1,237,117
Restricted cash and investments	-	453,939	123,401	577,340
Receivables	89,683	28,938	-	118,621
Taxes receivable	26,073	-	3,892	29,965
TOTAL ASSETS	<u>\$ 1,352,873</u>	<u>\$ 482,877</u>	<u>\$ 127,293</u>	<u>\$ 1,963,043</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:				
Liabilities:				
Accounts payable	\$ 73,772	\$ 25,146	\$ -	\$ 98,918
Payroll payable	15,431	1,901	-	17,332
Unearned revenue	12,180	-	-	12,180
TOTAL LIABILITIES	<u>101,383</u>	<u>27,047</u>	<u>-</u>	<u>128,430</u>
Deferred Inflows of Resources:				
Unavailable revenue - property taxes	20,320	-	3,033	23,353
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>121,703</u>	<u>27,047</u>	<u>3,033</u>	<u>151,783</u>
Fund Balances:				
Restricted	-	455,830	124,260	580,090
Unassigned	1,231,170	-	-	1,231,170
TOTAL FUND BALANCES	<u>1,231,170</u>	<u>455,830</u>	<u>124,260</u>	<u>1,811,260</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,352,873</u>	<u>\$ 482,877</u>	<u>\$ 127,293</u>	<u>\$ 1,963,043</u>

**CITY OF ROGUE RIVER
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2022**

TOTAL FUND BALANCES		\$ 1,811,260
<p>Capital assets are not financial resources and therefore are not reported in the governmental funds:</p>		
Cost	\$ 8,662,599	
Accumulated depreciation	<u>(2,651,446)</u>	
		6,011,153
<p>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.</p>		
		12,000
<p>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.</p>		
		(168,187)
<p>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.</p>		
		23,353
<p>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:</p>		
Compensated absences payable		(40,293)
Net pension liability		(471,489)
Accrued interest payable		(13,477)
Long-term debt payable		<u>(1,091,392)</u>
TOTAL NET POSITION		<u>\$ 6,072,928</u>

CITY OF ROGUE RIVER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022

	<u>General Fund</u>	<u>Street Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
REVENUES				
Taxes	\$ 626,234	\$ -	\$ 91,480	\$ 717,714
Franchise fees	272,238	-	-	272,238
Licenses and permits	389,562	-	-	389,562
Fines and forfeitures	6,976	-	-	6,976
Intergovernmental	580,459	458,768	-	1,039,227
Fees	-	45,382	-	45,382
Earnings on investments	20,920	2,796	186	23,902
Miscellaneous	5,769	2,384	-	8,153
TOTAL REVENUES	<u>1,902,158</u>	<u>509,330</u>	<u>91,666</u>	<u>2,503,154</u>
EXPENDITURES				
Current:				
Administrative	286,690	-	-	286,690
Public safety	878,627	-	-	878,627
Building department	91,105	-	-	91,105
Parks	179,768	-	-	179,768
Streets	-	244,525	-	244,525
Capital outlay	360,765	200,610	-	561,375
Special payments	42,389	-	-	42,389
Debt service	-	-	90,994	90,994
TOTAL EXPENDITURES	<u>1,839,344</u>	<u>445,135</u>	<u>90,994</u>	<u>2,375,473</u>
NET CHANGE IN FUND BALANCE	62,814	64,195	672	127,681
FUND BALANCE - JULY 1, 2021	<u>1,168,356</u>	<u>391,635</u>	<u>123,588</u>	<u>1,683,579</u>
FUND BALANCE - JUNE 30, 2022	<u>\$ 1,231,170</u>	<u>\$ 455,830</u>	<u>\$ 124,260</u>	<u>\$ 1,811,260</u>

**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, 2022**

NET CHANGE IN FUND BALANCE \$ 127,681

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	\$ 944,097	
Less: current year depreciation	<u>(248,267)</u>	
		695,830

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. 1,450

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. (13,671)

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. 1,730

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. 65,062

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>95,835</u>
----------------------	--	---------------

CHANGE IN NET POSITION \$ 973,917

**CITY OF ROGUE RIVER
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2022**

	Water Fund	Sewer Fund	System Development Fund	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:				
Current assets:				
Pooled cash and investments	\$ 1,187,103	\$ 1,244,571	\$ -	\$ 2,431,674
Restricted cash and investments	-	-	2,367,162	2,367,162
Receivables, net	93,683	75,868	-	169,551
Total current assets	1,280,786	1,320,439	2,367,162	4,968,387
Noncurrent assets:				
Net other post-employment asset (RHIA)	3,015	3,668	-	6,683
Capital assets, net:				
Land	439,606	343,000	-	782,606
Construction in progress	279,438	-	-	279,438
Buildings and improvements	23,174	9,290	-	32,464
Machinery and equipment	163,702	66,486	-	230,188
Infrastructure	1,796,582	756,079	-	2,552,661
Total noncurrent assets	2,705,517	1,178,523	-	3,884,040
Total assets	3,986,303	2,498,962	2,367,162	8,852,427
Deferred outflows of resources:				
Deferred amounts related to OPERS	126,118	128,012	-	254,130
Deferred amounts related to RHIA	465	334	-	799
Total deferred outflows of resources	126,583	128,346	-	254,929
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	4,112,886	2,627,308	2,367,162	9,107,356
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION:				
Current liabilities:				
Accounts payable	50,424	7,920	-	58,344
Payroll payable	3,697	4,362	-	8,059
Accrued interest payable	-	11,350	-	11,350
Customer deposits	42,207	35,162	-	77,369
Accrued compensated absences	7,852	10,798	-	18,650
Net pension liability (OPERS)	227,407	194,302	-	421,709
Long-term debt, current portion	-	97,280	-	97,280
Total current liabilities	331,587	361,174	-	692,761
Noncurrent liabilities:				
Long-term debt, net	110,821	1,282,299	-	1,393,120
Total noncurrent liabilities	110,821	1,282,299	-	1,393,120
Total liabilities	442,408	1,643,473	-	2,085,881
Deferred inflows of resources:				
Deferred amounts related to OPERS	115,935	158,150	-	274,085
Deferred amounts related to RHIA	1,105	1,447	-	2,552
Total deferred outflows of resources	117,040	159,597	-	276,637
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	559,448	1,803,070	-	2,362,518
NET POSITION:				
Net investment in capital assets	2,591,681	(204,724)	-	2,386,957
Restricted - system development	-	-	2,367,162	2,367,162
Unrestricted	961,757	1,028,962	-	1,990,719
TOTAL NET POSITION	\$ 3,553,438	\$ 824,238	\$ 2,367,162	\$ 6,744,838

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, 2022**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>System Development Fund</u>	<u>Total</u>
OPERATING REVENUES:				
Charges for services	\$ 730,252	\$ 726,925	\$ 69,952	\$ 1,527,129
Miscellaneous	22,101	1,000	-	23,101
TOTAL OPERATING REVENUES	<u>752,353</u>	<u>727,925</u>	<u>69,952</u>	<u>1,550,230</u>
OPERATING EXPENSES:				
Personal services	239,398	248,550	-	487,948
Materials and services	255,874	195,087	-	450,961
Depreciation	119,096	130,497	-	249,593
TOTAL OPERATING EXPENSES	<u>614,368</u>	<u>574,134</u>	<u>-</u>	<u>1,188,502</u>
OPERATING INCOME (LOSS)	<u>137,985</u>	<u>153,791</u>	<u>69,952</u>	<u>361,728</u>
NONOPERATING REVENUES (EXPENSES):				
Earnings on investments	3,728	4,660	5,033	13,421
Interest expense, net of amortization	-	(40,243)	-	(40,243)
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>3,728</u>	<u>(35,583)</u>	<u>5,033</u>	<u>(26,822)</u>
INCOME (LOSS) BEFORE TRANSFERS	141,713	118,208	74,985	334,906
Transfers (to) from other funds	(66,344)	66,344	-	-
CHANGES IN NET POSITION	75,369	184,552	74,985	334,906
NET POSITION - JULY 1, 2021 (as restated)	<u>3,478,069</u>	<u>639,686</u>	<u>2,292,177</u>	<u>6,409,932</u>
NET POSITION - JUNE 30, 2022	<u>\$ 3,553,438</u>	<u>\$ 824,238</u>	<u>\$ 2,367,162</u>	<u>\$ 6,744,838</u>

**CITY OF ROGUE RIVER
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2022**

	Water Fund	Sewer Fund	System Development Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 739,027	\$ 719,621	\$ 69,952	\$ 1,528,600
Payments to suppliers	(244,203)	(206,864)	-	(451,067)
Payments to employees	(250,775)	(266,155)	-	(516,930)
Other receipts	22,101	1,000	-	23,101
Net cash provided (used) by operating activities	<u>266,150</u>	<u>247,602</u>	<u>69,952</u>	<u>583,704</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Interfund transfer from (to) other funds	(66,344)	66,344	-	-
Net cash provided by noncapital financing activities	<u>(66,344)</u>	<u>66,344</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal paid on capital debt	-	(85,000)	-	(85,000)
Interest paid on capital debt	-	(48,649)	-	(48,649)
Purchase and construction of capital assets	(398,074)	(116,195)	-	(514,269)
Proceeds from issuance of long term debt	110,821	-	-	110,821
Net cash provided (used) by capital and related financing activities	<u>(287,253)</u>	<u>(249,844)</u>	<u>-</u>	<u>(537,097)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and dividends	3,728	4,660	5,033	13,421
Net cash provided (used) by investing activities	<u>3,728</u>	<u>4,660</u>	<u>5,033</u>	<u>13,421</u>
NET INCREASE (DECREASE) IN CASH	(83,719)	68,762	74,985	60,028
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - BEGINNING OF THE YEAR	<u>1,270,822</u>	<u>1,175,809</u>	<u>2,292,177</u>	<u>4,738,808</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF THE YEAR	<u>1,187,103</u>	<u>1,244,571</u>	<u>2,367,162</u>	<u>4,798,836</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	137,985	153,791	69,952	361,728
Adjustments to reconcile operating income to cash provided by operating activities:				
Depreciation expense	119,096	130,497	-	249,593
Change in assets and liabilities:				
Receivables, net	4,678	(11,112)	-	(6,434)
Pension and other post-employment benefit items (OPERS & RHIA)	(13,018)	(19,418)	-	(32,436)
Deposits	4,097	3,808	-	7,905
Compensated absences	34	18	-	52
Accounts and other payables	11,671	(11,777)	-	(106)
Net cash provided (used) by operating activities	<u>\$ 266,150</u>	<u>\$ 247,602</u>	<u>\$ 69,952</u>	<u>\$ 583,704</u>

NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF ROGUE RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

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, 2022**

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, 2022**

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 and a land note payable.

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, 2022**

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, 2022**

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. 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, 2022**

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
Utilily 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, 2022**

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 following 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, 2022**

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, 2022, the District implemented the following GASB Pronouncements:

GASB Statement No. 87, *Leases*. Issued June 2017 to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments and increases the usefulness of governments' financial statements. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. There is no effect on the City's financial statements as a result of this statement.

GASB Statement No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*. This statement was issued June 2018 to establish accounting requirements for interest cost incurred before the end of a construction period. The objectives of the Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. There is no effect on the City's financial statements as a result of this statement.

GASB Statement No 92, *Omnibus 2020*. Issued January 2020, this statement establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, post-employment benefits, government acquisitions, risk financing, and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. 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, 2022:

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. GASB Statement No. 91 will be effective for the City for fiscal year ending June 30, 2023.

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. This statement will be effective for the City for fiscal year ending June 30, 2023.

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, 2022**

NOTE 2 – RESTATEMENT OF BEGINNING NET POSITION

During the fiscal year ended June 30, 2022, the City identified an error in the Water fund.

The result of the restatement was a \$57,288 increase in construction in progress and an increase in the beginning net position of the Water Fund, from \$3,420,781 to \$3,478,069.

NOTE 3 – 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, 2022, the City was in compliance with Local Budget Law.

NOTE 4 – 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, 2022**

NOTE 4 – 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, 2022 is stated at amortized cost which approximates fair value.

Deposits

Deposits with financial institutions are comprised of bank demand deposits and certificates of deposit. For deposits in excess of federal depository insurance (currently limited to balances less than \$250,000), Oregon Revised Statute 295 requires a multiple financial institution collateral pool and eliminated Certificates of Participation. As a result, all balances over the \$250,000 FDIC limit are collateralized. As of June 30, 2022, all the City's deposits were covered by the federal depository insurance.

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 2021-2022. 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, 2022**

NOTE 4 – CASH AND INVESTMENTS (continued)

Pooled Deposits and Investments (continued)

As of June 30, 2022 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, 2022, the City had the following investments:

Investments Measured at Fair Value:	Totals as of 6/30/2022	Level One	Level Two	Level Three	Amortized Cost Measurement Not Measured at Fair Value
Local Government Investment Pool	\$ 6,633,656	\$ -	\$ -	\$ -	\$ 6,633,656
Total	<u>\$ 6,633,656</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,633,656</u>

**CITY OF ROGUE RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

NOTE 4 – CASH AND INVESTMENTS (continued)

Pooled Deposits and Investments (continued)

Cash and investments are comprised of the following as of June 30, 2022:

Demand deposits	\$	(20,363)
Investments - LGIP		6,633,656
Total	\$	6,613,293

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

	Governmental Activities	Business-Type Activities	Total
Cash and investments	\$ 1,237,117	\$ 2,431,674	\$ 3,668,791
Restricted cash and investments	577,340	2,367,162	2,944,502
Total cash and investments	\$ 1,814,457	\$ 4,798,836	\$ 6,613,293

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 12*.

NOTE 5 – RECEIVABLES

Governmental receivables are comprised of the following as of June 30, 2022:

Governmental:

General Fund:	
Property taxes	\$ 26,073
Other taxes and fees	89,683
Street Fund:	
ODOT receivable	28,938
Debt Service Fund:	
Property taxes	3,892
Total governmental receivables	\$ 148,586

Business-type receivables are comprised of the following as of June 30, 2022:

Business-Type:

Water Fund:	
Accounts receivable	\$ 93,683
Sewer Fund:	
Accounts receivable	75,868
Total business-type receivables	\$ 169,551

**CITY OF ROGUE RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

NOTE 6 – CAPITAL ASSETS

The changes in governmental capital assets for the year ended June 30, 2022, are as follows:

Governmental Activities:	Balance June 30, 2021	Additions	Transfers/ Disposals	Balance June 30, 2022
Capital assets not being depreciated:				
Land	\$ 608,838	\$ 57,000	\$ -	\$ 665,838
Construction in progress	317,663	687,683	-	1,005,346
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets not being depreciated	926,501	744,683	-	1,671,184
	<hr/>	<hr/>	<hr/>	<hr/>
Capital assets being depreciated:				
Buildings & improvements	618,567	-	-	618,567
Machinery & equipment	369,284	19,960	-	389,244
Infrastructure	5,804,150	179,454	-	5,983,604
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets being depreciated	6,792,001	199,414	-	6,991,415
	<hr/>	<hr/>	<hr/>	<hr/>
Less accumulated depreciation for:				
Buildings & improvements	(425,603)	(14,840)	-	(440,443)
Machinery & equipment	(213,727)	(21,811)	-	(235,538)
Infrastructure	(1,763,849)	(211,616)	-	(1,975,465)
	<hr/>	<hr/>	<hr/>	<hr/>
Total accumulated depreciation	(2,403,179)	(248,267)	-	(2,651,446)
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets being depreciated, net	4,388,822	(48,853)	-	4,339,969
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets governmental activities, net	<u>\$ 5,315,323</u>	<u>\$ 695,830</u>	<u>\$ -</u>	<u>\$ 6,011,153</u>

Depreciation expense for the year ended June 30, 2022 was charged to the governmental programs as follows:

Governmental Activities:	
Administrative	\$ 59,180
Public Safety	131,015
Parks Department	12,493
Building Department	18,073
Highway and Streets	25,676
Non-Departmental	1,830
	<hr/>
Total	<u>\$ 248,267</u>

**CITY OF ROGUE RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

NOTE 6 – CAPITAL ASSETS (continued)

The changes in business-type capital assets for the year ended June 30, 2022, are as follows:

<i>Business-type Activities:</i>	Balance June 30, 2021 <u>As Restated</u>	<u>Additions</u>	Transfers/ Disposals	Balance June 30, 2022 <u></u>
Capital assets not being depreciated:				
Land	\$ 649,606	\$ 133,000	\$ -	\$ 782,606
Construction in progress	57,288	222,150	-	279,438
	<u>706,894</u>	<u>355,150</u>	<u>-</u>	<u>1,062,044</u>
 Total capital assets not being depreciated				
Capital assets being depreciated:				
Buildings & improvements	56,115	-	-	56,115
Machinery & equipment	1,048,873	159,119	(30,570)	1,177,422
Infrastructure	7,269,346	-	-	7,269,346
	<u>8,374,334</u>	<u>159,119</u>	<u>(30,570)</u>	<u>8,502,883</u>
 Total capital assets being depreciated				
Less accumulated depreciation for:				
Buildings & improvements	(22,300)	(1,351)	-	(23,651)
Machinery & equipment	(957,085)	(20,719)	30,570	(947,234)
Infrastructure	(4,489,162)	(227,523)	-	(4,716,685)
	<u>(5,468,547)</u>	<u>(249,593)</u>	<u>30,570</u>	<u>(5,687,570)</u>
 Total accumulated depreciation				
 Total capital assets being depreciated, net	<u>2,905,787</u>	<u>(90,474)</u>	<u>-</u>	<u>2,815,313</u>
 Total capital assets business-type activities, net	<u>\$ 3,612,681</u>	<u>\$ 264,676</u>	<u>\$ -</u>	<u>\$ 3,877,357</u>

Depreciation expense for the year ended June 30, 2022 was charged to the following departments:

Business-Type Activities:

Water Department	\$ 119,096
Sewer Department	<u>130,497</u>
Total	<u>\$ 249,593</u>

**CITY OF ROGUE RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

NOTE 7 – 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, 2021	Additions	Reductions	Balance at June 30, 2022	Due within one year
Governmental Activities:					
Business Loan (direct borrowing)	\$ 35,898	\$ -	\$ (35,898)	\$ -	\$ -
Series 2013A G.O. Bonds (direct placement)	216,209	-	(9,572)	206,637	10,019
Series 2013B G.O. Bonds (direct placement)	935,120	-	(50,365)	884,755	54,299
Total Governmental Activities	<u>\$ 1,187,227</u>	<u>\$ -</u>	<u>\$ (95,835)</u>	<u>\$ 1,091,392</u>	<u>\$ 64,318</u>
Business-Type Activities:					
Series 2017A Bond (direct borrowing)	\$ 1,410,000	\$ -	\$ (85,000)	\$ 1,325,000	\$ 90,000
Safe Drinking Water Revolving Loan (direct borrowing)	-	110,821	-	110,821	-
Unamortized Premium/(Discount)	62,347	-	(7,768)	54,579	7,280
Total Business-Type Activities	<u>\$ 1,472,347</u>	<u>\$ 110,821</u>	<u>\$ (92,768)</u>	<u>\$ 1,490,400</u>	<u>\$ 97,280</u>

Governmental Activities

Business Loan

On October 25, 2013, the City entered into a Business Loan Agreement, Promissory Note, and Security Agreement with AmericanWest Bank (AWB). The loan was obtained to purchase Pine & First Street property for a park. The initial principal and interest payment is due December 15, 2014 and annually thereafter (matures on December 15, 2023). The interest rate associated with the loan is fixed at 5% per annum. The Note is secured by the Pine and First Street property.

The Business Loan Agreement contains (among other provisions) certain annual financial covenants and provisions for timely payment. If the City becomes out of compliance with such covenants and provisions it constitutes an event of default. An event of default gives the lender the option (among other rights) to accelerate all amounts outstanding and make them immediately due. In addition, the Loan Agreement contains a subjective acceleration clause that allows the lender to accelerate payment of the entire principal amount to become immediately due if the lender determines that a material adverse change occurs.

The Business Loan was paid in full as of June 30, 2022.

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.

**CITY OF ROGUE RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

NOTE 7 – LONG-TERM LIABILITIES (continued)

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.

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
2023	\$ 64,318	\$ 29,405	\$ 93,723
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
2028-2032	507,962	68,885	576,847
2033-2037	213,731	7,350	221,081
Total	<u>\$ 1,091,392</u>	<u>\$ 204,127</u>	<u>\$ 1,295,519</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.

**CITY OF ROGUE RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

NOTE 7 – LONG-TERM LIABILITIES (continued)

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.

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
2023	\$ 90,000	\$ 45,400	\$ 7,280	\$ 142,680
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
2028-2032	485,000	98,350	16,772	600,122
2033-2037	295,000	38,812	6,390	340,202
2038	65,000	2,113	244	67,357
Total	<u>\$ 1,325,000</u>	<u>\$ 329,475</u>	<u>\$ 54,579</u>	<u>\$ 1,709,054</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.

**CITY OF ROGUE RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

NOTE 7 – LONG-TERM LIABILITIES (continued)

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

The loan balance as of June 30, 2022 was \$110,821. The Repayment Commencement Date has not yet occurred; therefore, no payment schedule is available at this time.

NOTE 8 – ACCRUED COMPENSATED ABSENCES

The changes in accrued compensated absences for the year ended June 30, 2022, are as follows:

	<u>Accrued June 30, 2021</u>	<u>Earned</u>	<u>Taken</u>	<u>Accrued June 30, 2022</u>
Governmental Activities	\$ 26,622	\$ 44,994	\$ 31,323	\$ 40,293
Business-Type Activities	<u>18,598</u>	<u>17,078</u>	<u>17,026</u>	<u>18,650</u>
Total	<u>\$ 45,220</u>	<u>\$ 62,072</u>	<u>\$ 48,349</u>	<u>\$ 58,943</u>

NOTE 9 – INTERFUND TRANSFERS

Interfund transfers during the year ended June 30, 2022 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Business-type Activities:		
Water Fund	\$ -	\$ 66,344
Sewer Fund	<u>66,344</u>	<u>-</u>
Total Transfers	<u>\$ 66,344</u>	<u>\$ 66,344</u>

The City made a transfer from the Water Fund to the Sewer Fund for a loan repayment.

NOTE 10 – 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, 2022**

NOTE 10 – DEFINED PENSION BENEFIT PLAN (continued)

Plan description (continued)

The ORS Chapter 238 Defined Benefit Plan was closed to new members hired on or after August 29, 2003. In 1995, the Oregon Legislature created a second tier of benefits for those who became OPERS Program members after 1995 but before August 29, 2003. The second tier does not have the Tier One assumed earnings rate guarantee.

Beginning January 1, 2004, PERS active Tier One or Tier Two members became members of the OPSRP IAP Program. OPERS plan member contributions (the employee contribution, whether made by the employee or "picked-up" by the employer) go into the IAP portion of OPSRP. OPERS plan members retain their existing OPERS accounts; however, member contributions after January 1, 2004 are deposited in the member's IAP, not into the member's OPERS account.

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 \$197,730 in 2021, 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. 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.

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.

**CITY OF ROGUE RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

NOTE 10 – DEFINED PENSION BENEFIT PLAN (continued)

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

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 \$197,730 in 2021, 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.

Benefit Changes After Retirement - Under ORS 238A.210, monthly benefits are adjusted annually through cost-of-living changes. The COLA is capped at 2.0 percent.

**CITY OF ROGUE RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

NOTE 10 – 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.

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, 2021 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, 2022, 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, 2022 were \$215,206.

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.

Oregon PERS produces an independently audited ACFR which can be found at:

<https://www.oregon.gov/pers/EMP/Pages/Actuarial-Financial-Information.aspx>

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, 2022**

NOTE 10 – 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, 2019
Measurement date	June 30, 2021
Experience study	2018, published July 24, 2019
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Inflation rate	2.40 percent
Long-term expected rate of return ¹	6.9 percent
Discount rate	6.9 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 2018 Experience Study, which reviewed experience for the four-year period ending on December 31, 2018.

Discount Rate –

The discount rate used to measure the total pension liability was 6.90 percent for the Defined Benefit Pension Plan, a reduction approved by the Board from 7.20 percent in the prior fiscal year. 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, 2022**

NOTE 10 – 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%
Alternative equity	15.00%
Opportunity portfolio	2.50%
Total	<u>100.00%</u>

Investment 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, 2022**

NOTE 10 – 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, 2022, the City reported a liability of \$893,198 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. 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, 2021, (measurement date), the City's proportion was approximately .00746417 percent.

For the year ended June 30, 2022, the City recognized a reduction in pension expense of \$94,658.

At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 83,609	\$ -
Changes in assumptions	223,594	2,351
Net difference between projected and actual earnings on investment	-	661,228
Changes in proportionate share	30,511	107,765
Differences between employer contributions and employer's proportionate share of system contributions	47,115	13,092
Contributions subsequent to measurement date	215,206	-
Total	<u>\$ 600,035</u>	<u>\$ 784,436</u>

\$215,206 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, 2023.

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:

<u>Year Ended June 30,</u>	<u>Deferred Outflow/(Inflow) of Resources (prior to post- measurement date)</u>
2023	\$ (62,293)
2024	(76,394)
2025	(115,703)
2026	(166,010)
2027	20,793
Thereafter	-
Total	<u>\$ (399,607)</u>

**CITY OF ROGUE RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

NOTE 10 – 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	\$ (1,754,028)	\$ (893,198)	\$ (172,996)

Changes in Assumptions –

A summary of key changes implemented since the December 31, 2019 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>

- Reduce the long-term inflation assumption from the current 2.50% to 2.40% or lower
- Reduce the system payroll growth assumption from the current 3.50% to 3.40% or lower, paralleling the change in inflation
- The current investment return assumption of 7.20% per year should be lowered at 0.20%, based on PERS' current target allocation
- Update the assumption for future administrative expenses and use a combined assumption amount for the Tier 1/Tier 2 and OPSRP programs
- Update the RHIPA health cost trend assumption
- Adjust the base mortality table assumption and make a routine update to the mortality improvement scale for all groups
- Adjust retirement rates for certain member categories and service bands to more closely align with recent and expected future experience
- Increase the merit component of the individual member salary increase assumption for all member categories
- Update pre-retirement termination of employment assumptions for one member category
- Lower assumed rates of ordinary (non-duty) disability and general service duty disability incidence
- Increase the Tier 1 unused vacation cash out assumption for three member categories
- Increase the Tier 1/Tier 2 unused sick leave assumption for all member categories
- Decrease the healthy and disabled likelihood of program participation assumptions for the RHIA retiree healthcare program
- Decrease the RHIPA likelihood of program participation assumption for most service bands
- Revise the parameters of the rate collar methodology to only restrict changes in the Unfunded Actuarial Liability (UAL) Rate contribution rate component and to narrow the width of allowable changes
- Introduce a methodology for UAL Rate amortization in the RHIA or RHIPA programs when one or both are in an actuarial surplus position (over 100% funded)
- Update the assumed system-average level of member redirect contributions to Tier 1/Tier 2 and OPSRP reflecting the projected effects of HB 2906, which passed in June 2021.

**CITY OF ROGUE RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

NOTE 10 – DEFINED PENSION BENEFIT PLAN (continued)

Defined Contribution Plan – Individual Account Program (IAP)

Pension Benefits. Participants in OPERS defined benefit pension plans also participate in their defined contribution plan. 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. All covered employees are required by State statute to contribute 6% of their salary to the plan. If the employer makes optional employer contributions for a member, 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.

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.

Member Contributions - Beginning January 1, 2004, all the member contributions, except for contributions by judge members, were placed in the OPSRP Individual Account Program (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 and are remitted by participating employers. The contributions are either deducted from member salaries or paid by the employers on the members behalf.

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.

EPSA redirect is only triggered when the member's gross pay in a month exceeds the monthly salary threshold, tied to the annual Consumer Price Index (All Urban Consumers, West Region).

During 2022, the City, as an employee benefit, paid the employee portion of the contribution. Employer contributions for the year ended June 30, 2022 were \$52,116, of which \$41,350 was deposited into the individual members' accounts.

**CITY OF ROGUE RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

NOTE 11 – 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.

OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO box 23700, Tigard, OR 97281-3700.

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 PERS 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.

Participating employers are contractually required to contribute to RHIA at a rate assessed each year by OPERS. The contribution rates in effect for the fiscal year ended June 30, 2022 for the OPEB program were: Tier1/Tier 2 – 0.05%, and OPSRP general service – 0.00%. The City contributed \$152 for the year ended June 30, 2022.

Pension Plan Annual Comprehensive Financial Report (AFCR) –

Oregon PERS produces an independently audited AFMR which can be found at:

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2021-ACFR.pdf>

Actuarial Valuation -

The actuarial valuation used for RHIA is identical to the actuarial valuation details related to the OPERS Plan disclosed in Note 10 Defined Benefit Pension Plan (excluding the healthcare cost trend rate and a retiree healthcare participation assumption of 32% for healthy retirees and 20% for disabled retirees has been used). The actuarial valuation details are the Actuarial Methods and Assumptions, Discount Rate, Assumed Asset Allocation, and the Investment Rate of Return.

**CITY OF ROGUE RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

NOTE 11 – 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, 2022, the City reported \$18,683 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2021, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2019. 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, 2021, (measurement date), the City’s proportion was 0.00544045 percent.

For the year ended June 30, 2022, the City recognized a reduction of OPEB expense of \$2,840.

At June 30, 2022, 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	\$ -	\$ 520
Changes in assumptions	368	278
Net difference between projected and actual earnings on investment	-	4,440
Changes in proportionate share	1,294	2,070
Contributions subsequent to measurement date	152	-
Total	<u>\$ 1,814</u>	<u>\$ 7,308</u>

\$152 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, 2023.

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>
2023	\$ (1,481)
2024	(1,749)
2025	(1,014)
2026	(1,402)
2027	-
Thereafter	-
Total	<u>\$ (5,646)</u>

**CITY OF ROGUE RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

NOTE 11 – 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	\$ 16,522	\$ 18,683	\$ 20,528

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 disclosed in *Note 10 – Defined Benefit Pension Plan*.

NOTE 12 – 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, 2022 is comprised of the following:

Enacted by enabling legislation of the City:	
Restricted for system development	\$ 2,367,162
Externally imposed:	
Restricted for debt service	124,260
Restricted for street maintenance	455,830

Total restricted net position	\$ 2,947,252

NOTE 13 – 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, 2022**

NOTE 14 – 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 15 – 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 16 – TAX ABATEMENTS

As of June 30, 2022, 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, 2022, 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	\$ 94,527	29.60%	\$ 27,980
Total Tax Abatements			\$ 27,980

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 17 – COMMITMENTS

The City has three active construction projects at June 30, 2022. Those projects are Rooster Park Construction, City Hall Audio/Visual Project, and the Drinking Water Capital Improvement Project through the State Drinking Water Revolving Loan Fund. The total project costs of these obligations were approximately \$4,546,384. As of June 30, 2022 there was \$3,597,842 outstanding remaining on the contracts.

NOTE 18 – SUBSEQUENT EVENTS

Management of the City has evaluated events and transactions occurring after June 30, 2022 through the date the financial statements were available for issuance, for recognition and/or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information consists of schedules and other information that the Governmental Accounting Standards Board (GASB) has determined are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity. With the exception of management's discussion and analysis, all other required supplementary information is presented immediately following the notes to the basic financial statements. Required Supplementary Information presented here includes budgetary comparisons for the general fund and for each major special revenue fund that has a legally adopted annual budget, and the schedules of the City's proportionate share of the net pension asset/(liability) and related contributions and the schedule of the City's proportionate share of the net other post-employment benefit asset/(liability) and related contributions.

**CITY OF ROGUE RIVER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2022**

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Adopted</u>	<u>Final</u>		
REVENUES:				
Taxes	\$ 549,820	\$ 549,820	\$ 626,234	\$ 76,414
Franchise fees	258,225	258,225	272,238	14,013
Licenses and permits	254,062	254,062	389,562	135,500
Fines and forfeitures	4,300	4,300	6,976	2,676
Intergovernmental	323,612	323,612	580,459	256,847
Earnings on investments	31,526	31,526	20,920	(10,606)
Miscellaneous	157,300	157,300	5,769	(151,531)
TOTAL REVENUES	<u>1,578,845</u>	<u>1,578,845</u>	<u>1,902,158</u>	<u>323,313</u>
EXPENDITURES:				
Current:				
Administrative	406,443	406,443	286,690	119,753
Public safety	1,063,704	1,063,704	878,627	185,077
Building department	123,606	123,606	91,105	32,501
Parks maintenance	205,738	234,238	179,768	54,470
Capital outlay	521,693	521,693	360,765	160,928
Special payments	168,850	168,850	42,389	126,461
Contingency	262,316	233,816	-	233,816
TOTAL EXPENDITURES	<u>2,752,350</u>	<u>2,752,350</u>	<u>1,839,344</u>	<u>913,006</u>
NET CHANGE IN FUND BALANCE	(1,173,505)	(1,173,505)	62,814	1,236,319
FUND BALANCE - JULY 1, 2021	<u>1,173,505</u>	<u>1,173,505</u>	<u>1,168,356</u>	<u>(5,149)</u>
FUND BALANCE - JUNE 30, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,231,170</u>	<u>\$ 1,231,170</u>

CITY OF ROGUE RIVER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
STREET FUND
YEAR ENDED JUNE 30, 2022

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Adopted</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 220,726	\$ 220,726	\$ 458,768	\$ 238,042
Fees	17,500	17,500	45,382	27,882
Earnings on investments	6,000	6,000	2,796	(3,204)
Miscellaneous	4,000	4,000	2,384	(1,616)
TOTAL REVENUES	<u>248,226</u>	<u>248,226</u>	<u>509,330</u>	<u>261,104</u>
EXPENDITURES:				
Current:				
Personal services	148,040	148,040	132,787	15,253
Materials and services	184,350	184,350	111,738	72,612
Capital outlay	341,014	369,514	200,610	168,904
Contingency	110,384	81,884	-	81,884
TOTAL EXPENDITURES	<u>783,788</u>	<u>783,788</u>	<u>445,135</u>	<u>338,653</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(535,562)</u>	<u>(535,562)</u>	<u>64,195</u>	<u>599,757</u>
OTHER FINANCING SOURCES (USES):				
Transfers (to) from other funds	60,000	60,000	-	60,000
NET CHANGE IN FUND BALANCE	<u>(475,562)</u>	<u>(475,562)</u>	<u>64,195</u>	<u>(17,549)</u>
FUND BALANCE - JULY 1, 2021	<u>475,562</u>	<u>475,562</u>	<u>391,635</u>	<u>(83,927)</u>
FUND BALANCE - JUNE 30, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 455,830</u>	<u>\$ 455,830</u>

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)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City proportion of the net pension asset/(liability)	0.00746417%	0.00766707%	0.00851187%	0.00790873%	0.00804326%	0.00795005%	0.01040123%	0.01076112%	1.07611200%
City proportion of the net pension asset/(liability)	\$ (893,198)	\$ (1,673,218)	\$ (1,472,350)	\$ (1,198,068)	\$ (1,084,234)	\$ (1,193,487)	\$ (597,183)	\$ 243,924	\$ (549,156)
City's covered payroll	\$ 900,928	\$ 775,953	\$ 699,367	\$ 719,002	\$ 732,612	\$ 754,456	\$ 704,571	\$ 700,275	\$ 693,954
Proportionate share of the pension asset/(liability) as a percentage of its covered-employee payroll	99.14%	215.63%	210.53%	166.63%	148.00%	158.19%	84.76%	-34.83%	79.13%
Plan fiduciary net position as a percentage of the total pension liability	87.57%	75.79%	80.23%	82.06%	83.12%	80.53%	91.88%	103.59%	103.59%

City of Rogue River Contributions

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 215,206	\$ 200,801	\$ 160,105	\$ 121,888	\$ 135,026	\$ 121,470	\$ 119,841	\$ 114,498	\$ 114,498
Contribution in relation to the contractually required	<u>(215,206)</u>	<u>(200,801)</u>	<u>(160,105)</u>	<u>(121,888)</u>	<u>(135,026)</u>	<u>(121,470)</u>	<u>(119,841)</u>	<u>(114,498)</u>	<u>(114,498)</u>
Contributions deficiency (excess)	<u>\$ -</u>								
City's covered payroll	\$ 984,129	\$ 900,928	\$ 775,953	\$ 699,367	\$ 719,002	\$ 732,612	\$ 754,456	\$ 704,571	\$ 700,275
Contributions as a percentage of covered payroll	21.87%	22.29%	20.63%	17.43%	18.78%	16.10%	17.01%	16.25%	16.25%

Notes to Schedule -

A summary of key changes implemented since the December 31, 2019 valuation are described briefly in *Note 10* 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 2014, 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)

	2022	2021	2020	2019	2018
City's proportion of the net OPEB asset/(liability)	0.00544045%	0.00375275%	0.00639203%	0.00709058%	0.00714122%
City's proportion of the net OPEB asset/(liability)	\$ 18,683	\$ 7,647	\$ 12,352	\$ 7,915	\$ 2,980
City's covered-employee payroll	\$ 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	2.07%	0.99%	1.77%	1.13%	1.13%
Plan fiduciary net position as a percentage of the total OPEB asset/(liability)	183.90%	150.10%	144.37%	123.99%	123.99%

City of Rogue River's Contributions

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

Notes to Schedule -

A summary of assumption changes implemented since the December 31, 2019 valuation are outlined briefly in *Note 11* 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 five years of information is presented.

OTHER SUPPLEMENTARY INFORMATION

Reconciliation of budgetary revenues and expenditures to changes in net position, other major governmental funds, and enterprise funds.

OTHER MAJOR GOVERNMENTAL FUNDS

This fund accounts for the City's collection and disbursement of earmarked monies.

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 POSTION - BUDGET AND ACTUAL
GOVERNMENTAL DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2022**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Adopted</u>	<u>Final</u>		
REVENUES:				
Taxes	\$ 94,522	\$ 94,522	\$ 91,480	\$ (3,042)
Earnings on investments	635	635	186	(449)
TOTAL REVENUES	<u>95,157</u>	<u>95,157</u>	<u>91,666</u>	<u>(3,491)</u>
EXPENDITURES:				
Debt service	<u>211,773</u>	<u>211,773</u>	<u>90,994</u>	<u>120,779</u>
NET CHANGE IN FUND BALANCE	(116,616)	(116,616)	672	117,288
FUND BALANCE - JULY 1, 2021	<u>116,616</u>	<u>116,616</u>	<u>123,588</u>	<u>6,972</u>
FUND BALANCE - JUNE 30, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 124,260</u>	<u>\$ 124,260</u>

CITY OF ROGUE RIVER
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
WATER FUND
YEAR ENDED JUNE 30, 2022

	Water Fund	Water Improvement Reserve Fund	Total Water Fund
REVENUES:			
Charges for services	\$ 584,059	\$ 146,193	\$ 730,252
Earnings on investments	1,864	1,864	3,728
Miscellaneous	22,101	-	22,101
TOTAL REVENUES	608,024	148,057	756,081
EXPENDITURES:			
Current:			
Personal services	252,382	-	252,382
Materials and services	255,874	-	255,874
Capital outlay	398,074	-	398,074
TOTAL EXPENDITURES	906,330	-	906,330
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(298,306)	148,057	(150,249)
OTHER FINANCING SOURCES (USES):			
Transfers (to) from other funds	-	(66,344)	(66,344)
Safe Drinking Water Revolving Loan Proceeds	110,821	-	110,821
TOTAL OTHER FINANCING SOURCES (USES)	110,821	(66,344)	44,477
CHANGE IN NET WORKING CAPITAL	(187,485)	81,713	(105,772)
NET WORKING CAPITAL - JULY 1, 2021	653,498	636,732	1,290,230
NET WORKING CAPITAL - JUNE 30, 2022	\$ 466,013	\$ 718,445	\$ 1,184,458
Add (deduct) adjustments to budgetary basis working capital to reconcile ending net position.			
Capital assets, net			\$ 2,702,502
Net other post-employment asset (RHIA)			3,015
Deferred outflows			126,583
Compensated absences			(7,852)
Net pension liability			(227,407)
Long-term debt, net			(110,821)
Deferred inflows			(117,040)
ENDING NET POSITION			\$ 3,553,438

CITY OF ROGUE RIVER
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
SEWER FUND
YEAR ENDED JUNE 30, 2022

	Sewer Fund	Sewer Improvement Reserve Fund	Water/Sewer Debt Service Fund	Total Sewer Fund
REVENUES:				
Charges for services	\$ 726,925	\$ -	\$ -	\$ 726,925
Earnings on investments	1,864	2,796	-	4,660
Miscellaneous	1,000	-	-	1,000
TOTAL REVENUES	729,789	2,796	-	732,585
EXPENDITURES:				
Current:				
Personal services	267,950	-	-	267,950
Materials and services	195,087	-	-	195,087
Debt service	-	-	133,649	133,649
Capital outlay	116,195	-	-	116,195
TOTAL EXPENDITURES	579,232	-	133,649	712,881
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	150,557	2,796	(133,649)	19,704
OTHER FINANCING SOURCES (USES):				
Transfers (to) from other funds	(281,525)	200,000	147,869	66,344
CHANGE IN NET WORKING CAPITAL	(130,968)	202,796	14,220	86,048
NET WORKING CAPITAL - JULY 1, 2021	829,096	333,173	24,678	1,186,947
NET WORKING CAPITAL - JUNE 30, 2022	\$ 698,128	\$ 535,969	\$ 38,898	\$ 1,272,995
Add (deduct) adjustments to budgetary basis working capital to reconcile ending net position.				
Capital assets, net				\$ 1,174,855
Net other post-employment asset (RHIA)				3,668
Deferred outflows				128,346
Accrued interest				(11,350)
Compensated absences				(10,798)
Net pension liability				(194,302)
Bond principal, net				(1,379,579)
Deferred inflows				(159,597)
ENDING NET POSITION				\$ 824,238

**CITY OF ROGUE RIVER
SCHEDULE OF REVUES, EXPENDITURES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL
WATER FUND
YEAR ENDED JUNE 30, 2022**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES:				
Charges for services	\$ 470,822	\$ 470,822	\$ 584,059	\$ 113,237
Grants	2,926,181	2,926,181	-	(2,926,181)
Earnings on investments	6,348	6,348	1,864	(4,484)
Miscellaneous	4,200	4,200	22,101	17,901
TOTAL REVENUES	3,407,551	3,407,551	608,024	(2,799,527)
EXPENDITURES:				
Current:				
Personal services	261,064	261,064	252,382	8,682
Materials and services	273,350	273,350	255,874	17,476
Capital outlay	2,610,279	2,676,779	398,074	2,278,705
Special payments	10,000	10,000	-	10,000
Contingency	654,053	587,553	-	587,553
TOTAL EXPENDITURES	3,808,746	3,808,746	906,330	2,902,416
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(401,195)	(401,195)	(298,306)	102,889
OTHER FINANCING SOURCES (USES):				
Safe Drinking Water Revolving Loan Proceeds	-	-	110,821	(110,821)
CHANGE IN NET WORKING CAPITAL	(401,195)	(401,195)	(187,485)	213,710
NET WORKING CAPITAL - JULY 1, 2021	401,195	401,195	653,498	252,303
NET WORKING CAPITAL - JUNE 30, 2022	\$ -	\$ -	\$ 466,013	\$ 466,013

**CITY OF ROGUE RIVER
SCHEDULE OF REVUES, EXPENDITURES AND CHANGES
IN NET POSITON - BUDGET AND ACTUAL
SEWER FUND
YEAR ENDED JUNE 30, 2022**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Adopted</u>	<u>Final</u>		
REVENUES:				
Charges for services	\$ 634,922	\$ 634,922	\$ 726,925	\$ 92,003
Earnings on investments	6,348	6,348	1,864	(4,484)
Miscellaneous	708	708	1,000	292
TOTAL REVENUES	<u>641,978</u>	<u>641,978</u>	<u>729,789</u>	<u>87,811</u>
EXPENDITURES:				
Current:				
Personal services	293,603	293,603	267,950	25,653
Materials and services	278,800	278,800	195,087	83,713
Capital outlay	181,500	248,000	116,195	131,805
Special payments	10,000	10,000	-	10,000
Contingency	157,202	90,702	-	90,702
TOTAL EXPENDITURES	<u>921,105</u>	<u>921,105</u>	<u>579,232</u>	<u>341,873</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(279,127)</u>	<u>(279,127)</u>	<u>150,557</u>	<u>429,684</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	61,000	61,000	-	(61,000)
Transfers out	(281,525)	(281,525)	(281,525)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(220,525)</u>	<u>(220,525)</u>	<u>(281,525)</u>	<u>(61,000)</u>
CHANGE IN NET WORKING CAPITAL	(499,652)	(499,652)	(130,968)	368,684
NET WORKING CAPITAL - JULY 1, 2021	<u>499,652</u>	<u>499,652</u>	<u>829,096</u>	<u>329,444</u>
NET WORKING CAPITAL - JUNE 30, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 698,128</u>	<u>\$ 698,128</u>

**CITY OF ROGUE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL
WATER IMPROVEMENT RESERVE FUND
YEAR ENDED JUNE 30, 2022**

	<u>Budget Adopted</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Charges for services	\$ 117,783	\$ 117,783	\$ 146,193	\$ 28,410
Earnings on investments	5,100	5,100	1,864	(3,236)
TOTAL REVENUES	<u>122,883</u>	<u>122,883</u>	<u>148,057</u>	<u>25,174</u>
EXPENDITURES:				
Reserve for future improvements	517,107	517,107	-	517,107
Contingency	88,543	88,543	-	88,543
TOTAL EXPENDITURES	<u>605,650</u>	<u>605,650</u>	<u>-</u>	<u>605,650</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(482,767)</u>	<u>(482,767)</u>	<u>148,057</u>	<u>630,824</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(66,344)	(66,344)	(66,344)	-
CHANGE IN NET WORKING CAPITAL	(549,111)	(549,111)	81,713	630,824
NET WORKING CAPITAL - JULY 1, 2021	<u>549,111</u>	<u>549,111</u>	<u>636,732</u>	<u>87,621</u>
NET WORKING CAPITAL - JUNE 30, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 718,445</u>	<u>\$ 718,445</u>

**CITY OF ROGUE RIVER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET POSITON - BUDGET AND ACTUAL
SEWER IMPROVEMENT RESERVE FUND
YEAR ENDED JUNE 30, 2022**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES:				
Earnings on investments	\$ 6,000	\$ 6,000	\$ 2,796	\$ (3,204)
EXPENDITURES:				
Reserve for future improvements	485,210	485,210	-	485,210
Contingency	50,331	50,331	-	50,331
TOTAL EXPENDITURES	<u>535,541</u>	<u>535,541</u>	<u>-</u>	<u>535,541</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(529,541)</u>	<u>(529,541)</u>	<u>2,796</u>	<u>532,337</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	200,000	200,000	200,000	-
CHANGE IN NET WORKING CAPITAL	(329,541)	(329,541)	202,796	(532,337)
NET WORKING CAPITAL - JULY 1, 2021	<u>329,541</u>	<u>329,541</u>	<u>333,173</u>	<u>3,632</u>
NET WORKING CAPITAL - JUNE 30, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 535,969</u>	<u>\$ (528,705)</u>

**CITY OF ROGUE RIVER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL
SYSTEM DEVELOPMENT FUND
YEAR ENDED JUNE 30, 2022**

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Adopted</u>	<u>Final</u>		
REVENUES:				
System development charges	\$ 43,720	\$ 43,720	\$ 69,952	\$ 26,232
Earnings on investments	12,000	12,000	5,033	(6,967)
TOTAL REVENUES	<u>55,720</u>	<u>55,720</u>	<u>74,985</u>	<u>19,265</u>
EXPENDITURES:				
Capital outlay	185,000	185,000	-	185,000
Reserve for future capital projects	1,761,412	1,761,412	-	1,761,412
Contingency	229,712	229,712	-	229,712
TOTAL EXPENDITURES	<u>2,176,124</u>	<u>2,176,124</u>	<u>-</u>	<u>2,176,124</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(2,120,404)</u>	<u>(2,120,404)</u>	<u>74,985</u>	<u>2,195,389</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(121,000)	(121,000)	-	121,000
CHANGE IN NET WORKING CAPITAL	<u>(2,241,404)</u>	<u>(2,241,404)</u>	<u>74,985</u>	<u>2,316,389</u>
NET WORKING CAPITAL - JULY 1, 2021	<u>2,241,404</u>	<u>2,241,404</u>	<u>2,292,177</u>	<u>50,773</u>
NET WORKING CAPITAL - JUNE 30, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,367,162</u>	<u>\$ 2,367,162</u>

**CITY OF ROGUE RIVER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET POSTION - BUDGET AND ACTUAL
WATER AND SEWER REVENUE BOND DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2022**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
EXPENDITURES:				
Debt service	\$ 161,568	\$ 161,568	\$ 133,649	\$ 27,919
OTHER FINANCING SOURCES (USES):				
Transfers in	147,869	147,869	147,869	-
CHANGE IN NET WORKING CAPITAL	(13,699)	(13,699)	14,220	27,919
NET WORKING CAPITAL - JULY 1, 2021	13,699	13,699	24,678	10,979
NET WORKING CAPITAL - JUNE 30, 2022	\$ -	\$ -	\$ 38,898	\$ 38,898

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, 2022, and have issued our report thereon dated December 9, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

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.

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.

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.

A handwritten signature in cursive script that reads "Aria Bettinger". The signature is contained within a thin black rectangular border.

Aria Bettinger, CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
December 9, 2022