

CITY OF FALLS CITY

Annual Financial Report

For the Year Ended June 30, 2023

CITY OF FALLS CITY, OREGON
Officers and Members of the City Council
June 30, 2023

<u>Name</u>	<u>Term Expires</u>
TJ Bailey, Mayor	
Council Members	
Amy Houghtaling, President	December 31, 2024
Lori Jean Sickles	December 31, 2026
Nick Backus	December 31, 2026
Tony Meier	December 31, 2026
Dennis Sickles	December 31, 2024
Martha Jirovec	December 31, 2024

CITY MANAGER

AJ Foscolli

REGISTERED ADDRESS

299 Mill Street
Falls City, Oregon 97344

CITY OF FALLS CITY
For the year ended June 30, 2023
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Dougall Conrادية LLC
Certified Public Accountants

Geoffrey Dougall, CPA
Heather Jackson, CPA
Lee Owen, CPA
Richard Winkel, CPA
Members of AICPA & OSCPA

Independent Auditor's Report

To the City Council
Falls City, Oregon

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Falls City as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with the cash basis of accounting.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 of Falls City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter—Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 of Falls City's ability to continue as a going concern for twelve 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Falls 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 of Falls 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 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Falls City's basic financial statements. The combining and individual fund budget to actual schedules 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 combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Reports on Other Legal and Regulatory Requirements


Other Reporting Required by Oregon Revised Statutes

In accordance with Oregon State Regulations, we have also issued our report dated February 5, 2024 on our consideration of the City of Falls City's internal control over financial reporting and on our procedures to address its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is required by Oregon State Regulations.

DOUGALL CONRADIE LLC

Portland, Oregon

February 5, 2024

By: 
Richard Winkel, Partner

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CITY OF FALLS CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023**

The management of the City of Falls City, Oregon, presents this narrative overview and analysis to facilitate both a short and long-term analysis of the financial activities of the City for the fiscal year ended June 30, 2023. This Management's Discussion and Analysis (MD&A) is based on currently known facts, decisions, and conditions that existed as of the date the financial statements are issued.

Financial Highlights

- The City's governmental activities assets exceed liabilities (net position) as of June 30, 2023 by \$1,045,987, an increase of \$70,174 from the prior year.
- The City's business-type activities assets exceed liabilities (net position) by \$814,221, a decrease of \$13,733 from the prior year.
- Total revenues for the year ended June 30, 2023 were \$1,359,362, a decrease of \$285,251 from the prior year. The decrease was due to higher grant revenue in the prior year.
- Total expenses at the City for the year ended June 30, 2023 were \$1,302,921, a decrease of \$250,733 from the prior year.

Overview of the Financial Statements

The following discussion and analysis is intended to serve as an introduction to the City's basic financial statements and other supplementary information. The City's basic financial statements are comprised of three components:

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

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

The statement of net position (cash basis) presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities (cash basis) presents information showing how the City's net position changed during the most recent fiscal year by tracking revenues, expenses and other transactions that increase or reduce net position. All changes in net position are reported as soon as the related cash flow occurs under the cash basis of accounting.

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

- General government
- Community development
- Fire service
- Parks
- Street

**CITY OF FALLS CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023**

The business-type activities of the City include the following:

- Water
- Sewer

Fund financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Notes to financial statements – The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. They are an integral part of the financial statements and should be read in conjunction with them.

Supplementary information – The combining statements and schedules are presented as supplementary information.

Requests for information

The City's financial statements are designed to present users with a general overview of the City's finances and to demonstrate the City's accountability. If you have any questions about this report, please contact the City at 299 Mill Street, Falls City, Oregon 97344.

The City's assets, liabilities and net position for June 30, 2023 and 2022 are as follows:

Government-Wide Financial Analysis

	Governmental Activities		Business-type Activities		Totals	
	FY 2023	FY 2022	FY 2023	FY 2022	FY 2023	FY 2022
Assets:						
Cash and investments	\$ 1,045,987	\$ 975,813	\$ 814,221	\$ 827,954	\$ 1,860,208	\$ 1,803,767
Total assets	<u>1,045,987</u>	<u>975,813</u>	<u>814,221</u>	<u>827,954</u>	<u>1,860,708</u>	<u>1,803,767</u>
Net Position:						
Restricted	153,352	138,514	-	-	153,352	138,514
Unrestricted	<u>892,635</u>	<u>837,299</u>	<u>814,221</u>	<u>827,954</u>	<u>1,706,856</u>	<u>1,665,253</u>
Total net position	<u>\$ 1,045,987</u>	<u>\$ 975,813</u>	<u>\$ 814,221</u>	<u>\$ 827,954</u>	<u>\$ 1,860,208</u>	<u>\$ 1,803,767</u>

A portion of the City's net position, \$153,352 or approximately 8%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position totaling \$1,706,856 represents the balance that may be used to meet the City's ongoing obligations to citizens and creditors.

**CITY OF FALLS CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023**

The change in net position for the years ended June 30, 2023 and 2022 is as follows:

	Governmental Activities		Business-type Activities		Totals	
	FY 2023	FY 2022	FY 2023	FY 2022	FY 2023	FY 2022
Revenues						
Program						
Charges for services	\$ 37,289	\$ 51,230	\$ 528,551	\$ 523,311	\$ 565,840	\$ 574,541
Operating grants and contributions	206,373	524,076	-	-	206,373	524,076
Capital grants	-	-	167,236	88,235	167,236	88,235
General						
Taxes and assessments	191,906	185,380	-	-	191,906	185,380
Franchise fees	58,785	62,199	-	-	58,785	62,199
Intergovernmental	118,234	120,178	-	-	118,234	120,178
Miscellaneous	50,988	90,004	-	-	50,988	90,004
Total revenues	<u>663,575</u>	<u>1,033,067</u>	<u>695,787</u>	<u>611,546</u>	<u>1,359,362</u>	<u>1,644,613</u>
Expenses						
General government	361,448	392,576	-	-	361,448	392,576
Community development	2,107	317,860	-	-	2,107	317,860
Fire service	125,241	112,518	-	-	125,241	112,518
Parks	25,353	29,121	-	-	25,353	29,121
Streets	75,953	301,085	-	-	75,953	301,085
Interest on long-term debt	3,299	2,957	-	-	3,299	2,957
Water	-	-	300,553	224,016	300,553	224,016
Sewer	-	-	408,967	173,521	408,967	173,521
Total expenses	<u>593,401</u>	<u>1,156,117</u>	<u>709,520</u>	<u>397,537</u>	<u>1,302,921</u>	<u>1,553,654</u>
Change in net position	70,174	(123,050)	(13,733)	214,009	56,441	90,959
Net position - beginning	<u>975,813</u>	<u>1,098,863</u>	<u>827,954</u>	<u>613,945</u>	<u>1,803,767</u>	<u>1,712,808</u>
Total net position	<u><u>\$ 1,045,987</u></u>	<u><u>\$ 975,813</u></u>	<u><u>\$ 814,221</u></u>	<u><u>\$ 827,954</u></u>	<u><u>\$ 1,860,208</u></u>	<u><u>\$ 1,803,767</u></u>

Financial Analysis of the City's Funds

Governmental funds – Governmental funds are used to account for activities where the emphasis is placed on available financial resources, rather than upon net income determination. However, unlike the government-wide financial statements, governmental fund financial statements focus on each major fund. Such information may be useful in evaluating the City's near term financial requirements.

**CITY OF FALLS CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023**

The City maintained seven individual governmental funds. Information for the funds that are considered significant (major) is presented separately in the governmental fund balance sheet (cash basis) and in the governmental fund statement of revenues, expenditures and changes in fund balances (cash basis). Two of the City's funds are considered to be major funds: General Fund and Street Fund.

The City adopts annual appropriated budgets for all funds. To demonstrate compliance with the budget, budgetary comparison statements have been provided for all funds.

The General Fund ended the year with a fund balance of \$950,921, a decrease of \$14,400 from the prior year. Revenues in the General Fund for fiscal year ended June 30, 2023 were \$469,567 and expenses were \$483,967. Total governmental funds ended the year with a fund balance of \$1,045,987, which was an increase of \$70,174 from the prior year.

Proprietary funds – Proprietary funds are used to account for activities where the emphasis is placed on net income determination. Enterprise funds are used to report the same functions presented as business-type activities in the governmental-wide financial statements.

The City uses enterprise funds to account for its water and sewer utility activities. The enterprise funds of the City are reported separately as proprietary fund financial statements in the basic financial statements.

The City presents six individual proprietary funds. Information is presented separately in the enterprise fund balance sheet and in the enterprise fund statement of revenue, expenditures and changes in fund balances for those funds that are considered significant (major) to the City taken as a whole. These financial statements report four major funds: Water, Sewer, Water Improvement, and Sewer Improvement. Data from the other four enterprise funds are combined into a single aggregated presentation.

The City's proprietary funds ended the year with a total net position of \$814,221, a decrease of \$13,733 from the prior year.

Budgetary Highlights

During the year ended June 30, 2023, General Fund revenues were over budget by \$90,508 and expenditures were under budget by \$156,850. General Fund budgetary appropriations exceeded actual expenditures in the Administration, Community Development, Council and Debt Principal categories.

Long-Term Obligations

At the end of the fiscal year, the City had revenue-backed bonded debt outstanding of \$695,000 and long-term loans in the amount of \$143,409. During the current year the City paid \$90,225 as principal payments to reduce the debt. The long-term debt is not included in the Statement of Net Position under the cash basis of accounting. Additional information on the City's long-term obligations can be found in Note 3 to the basic financial statements.

Economic Factors and Next Year's Budget

During the preparation of the budget for the ensuing fiscal year, the long-term impacts of the local economy were examined in conjunction with business decisions made by the City. The City uses a conservative approach when preparing the budget each year.

BASIC FINANCIAL STATEMENTS

CITY OF FALLS CITY, OREGON

**Statement of Net Position
(Cash Basis)**

June 30, 2023

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 1,045,987	\$ 814,221	\$ 1,860,208
Total assets	1,045,987	814,221	1,860,208
NET POSITION:			
Restricted for:			
Community development	92,215	-	92,215
Fire service	61,137	-	61,137
Unrestricted	892,635	814,221	1,706,856
Total net position	\$ 1,045,987	\$ 814,221	\$ 1,860,208

The accompanying notes are an integral part of these financial statements

CITY OF FALLS CITY, OREGON

**Statement of Activities
(Cash Basis)**

For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Totals
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:							
General government	\$ 361,448	\$ 37,289	\$ 152,942	\$ -	\$ (171,217)	\$ -	\$ (171,217)
Community development	2,107	-	-	-	(2,107)	-	(2,107)
Fire service	125,241	-	-	-	(125,241)	-	(125,241)
Parks	25,353	-	-	-	(25,353)	-	(25,353)
Street	75,953	-	53,431	-	(22,522)	-	(22,522)
Interest on long-term debt	3,299	-	-	-	(3,299)	-	(3,299)
Total governmental activities	593,401	37,289	206,373	-	(349,739)	-	(349,739)
Business-type activities:							
Water	300,553	372,448	-	-	-	71,895	71,895
Sewer	408,967	156,103	-	167,236	-	(85,628)	(85,628)
Total business-type activities	709,520	528,551	-	167,236	-	(13,733)	(13,733)
Total activities	\$ 1,302,921	\$ 565,840	\$ 206,373	\$ 167,236	(349,739)	(13,733)	(363,472)
General revenues:							
Property taxes					191,906	-	191,906
Franchise taxes					58,785	-	58,785
Intergovernmental					118,234	-	118,234
Miscellaneous					50,988	-	50,988
Total general revenues					419,913	-	419,913
Change in net position					70,174	(13,733)	56,441
Net position - beginning					975,813	827,954	1,803,767
Net position - ending					\$ 1,045,987	\$ 814,221	\$ 1,860,208

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

CITY OF FALLS CITY, OREGON

**Balance Sheet - Governmental Funds
(Cash Basis)
June 30, 2023**

	Special Revenue				Total
	General	Streets	Polk Community Development	Other Governmental Funds	
ASSETS:					
Cash and investments	\$ 607,691	\$ -	\$ 284,944	\$ 153,352	\$ 1,045,987
Due from other funds	343,230	-	-	-	343,230
 Total assets	 <u>\$ 607,691</u>	 <u>\$ -</u>	 <u>\$ 284,944</u>	 <u>\$ 153,352</u>	 <u>\$ 1,045,987</u>
LIABILITIES:					
Due to other funds	\$ -	\$ 343,230	\$ -	\$ -	\$ 343,230
 Total liabilities	 -	 343,230	 -	 -	 343,230
FUND BALANCES:					
Restricted for:					
Community development	-	-	-	92,215	92,215
Fire services	-	-	-	61,137	61,137
Committed to:					
Community development	-	-	284,944	-	284,944
Unassigned	950,921	(343,230)	-	-	607,691
 Total fund balances	 <u>950,921</u>	 <u>(343,230)</u>	 <u>284,944</u>	 <u>153,352</u>	 <u>1,045,987</u>
 Total liabilities and fund balances	 <u>\$ 950,921</u>	 <u>\$ -</u>	 <u>\$ 284,944</u>	 <u>\$ 153,352</u>	 <u>\$ 1,389,217</u>

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

CITY OF FALLS CITY, OREGON

**Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
(Cash Basis)**

For the Year Ended June 30, 2023

	Special Revenue			Other Governmental Funds	Total
	General	Streets	Polk Community Development		
REVENUES:					
Taxes and assessments	\$ 143,587	\$ -	\$ -	\$ 48,319	\$ 191,906
Franchise fees	58,785	-	-	-	58,785
Grants	152,942	53,431	-	-	206,373
Charges for services	37,289	-	-	-	37,289
Intergovernmental	36,244	81,990	-	-	118,234
Miscellaneous	40,720	-	10,268	-	50,988
Total revenues	469,567	135,421	10,268	48,319	663,575
EXPENDITURES:					
General government	361,448	-	-	-	361,448
Community development	-	-	-	-	-
Fire service	94,647	-	-	14,520	109,167
Parks	25,353	-	-	-	25,353
Streets	-	60,673	-	-	60,673
Debt payments					
Principal	2,107	-	-	16,074	18,181
Interest	412	-	-	2,887	3,299
Capital acquisitions	-	15,280	-	-	15,280
Total expenditures	483,967	75,953	-	33,481	593,401
Net change in fund balances	(14,400)	59,468	10,268	14,838	70,174
Fund balances, beginning of year	965,321	(402,698)	274,676	138,514	975,813
Fund balances, end of year	<u>\$ 950,921</u>	<u>\$ (343,230)</u>	<u>\$ 284,944</u>	<u>\$ 153,352</u>	<u>\$1,045,987</u>

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

CITY OF FALLS CITY, OREGON

**Statement of Net Position
Enterprise Funds**

(Cash Basis)

June 30, 2023

	Business-type Activities / Enterprise Funds			
	Water	Sewer	Utility Reserve	Total
ASSETS:				
Cash and investments	\$ 404,431	\$ 7,479	\$ 402,311	\$ 814,221
LIABILITIES:				
Due to other funds	-	-	-	-
NET POSITION:				
Restricted for:				
Debt service	-	-	-	-
Unrestricted	404,431	7,479	402,311	814,221
 Total net position	<u>\$ 404,431</u>	<u>\$ 7,479</u>	<u>\$ 402,311</u>	<u>\$ 814,221</u>

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

CITY OF FALLS CITY, OREGON

**Statement of Revenues, Expenses and Changes in Net Position
Enterprise Funds**

(Cash Basis)

For the Year Ended June 30, 2023

	Business-type Activities / Enterprise Funds			
	Water	Sewer	Utility Reserve	Total
Operating revenues				
Charges for services	\$ 320,881	\$ 156,103	\$ 51,567	\$ 528,551
Grants	-	167,236	-	167,236
Miscellaneous	-	-	-	-
Total operating revenues	320,881	323,339	51,567	695,787
Operating expenses				
Personal services	84,661	53,505	-	138,166
Materials and services	97,523	51,143	4,666	153,332
Total operating expenses	182,184	104,648	4,666	291,498
Operating income (loss)	138,697	218,691	46,901	404,289
Non-operating revenues (expenses)				
Capital acquisitions	-	(304,319)	(48,241)	(352,560)
Debt payments:				
Principal	(40,000)	-	-	(40,000)
Interest expense	(25,462)	-	-	(25,462)
Total non-operating revenues (expenses)	(65,462)	(304,319)	(48,241)	(418,022)
Change in net position	73,235	(85,628)	(1,340)	(13,733)
Net position, beginning of year	331,196	93,107	403,651	827,954
Net position, end of year	\$ 404,431	\$ 7,479	\$ 402,311	\$ 814,221

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

CITY OF FALLS CITY, OREGON
Notes to Financial Statements
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Falls City, Oregon is governed by an elected mayor and six council members who comprise the City Council. The City Council exercises supervisory responsibilities over the City operations, but day-to-day management control is the responsibility of the city administrator, who report to the City Council.

The accompanying financial statements present all activities, funds, and component units for which the City is financially accountable. The criteria used in making this determination includes appointment of a voting majority, imposition of will, financial benefit or burden on the primary government, and fiscal dependency on the primary government. Based upon the evaluation of this criteria, the City is a primary government with no includable component units.

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

Basic Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either government or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Government-wide financial statements report information on all activities of the primary government. As a general rule, the effect of interfund activity has been eliminated from these statements. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Position (Cash Basis) and the Statement of Activities (Cash Basis).

The Statement of Net Position (Cash Basis) presents all the assets and liabilities of the City. Net position, representing assets less liabilities, is shown in two components. Restricted for special purposes (amounts which must be spent in accordance with legal restrictions) and unrestricted (the amount available for ongoing City activities).

The Statement of Activities (Cash Basis) demonstrates the degree to which the direct and allocated indirect expenses of a given function or business-type activity are offset by program revenues. 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 and other items not properly included among program revenues are reported instead as general revenues.

CITY OF FALLS CITY, OREGON
Notes to Financial Statements
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary or fiduciary. Currently, the City has governmental funds (general and special revenue) and proprietary funds (enterprise). Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. Nonmajor funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and are detailed in the supplemental information.

Measurement Focus and Basis of Accounting

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

In the government-wide financial statements both governmental and business-type activities are accounted for using the economic resource measurement focus, within the limits of the cash basis of accounting as defined below.

The financial statements are presented on the cash basis of accounting, which is a basis of accounting other than GAAP established by GASB.

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for charges for services. Operating expenses for proprietary funds include payroll expense and materials and supplies. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, receipts and disbursements.

CITY OF FALLS CITY, OREGON
Notes to Financial Statements
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reports the following major governmental funds:

General Fund – This is the City’s primary operating fund. It accounts for all the financial operations of the City, except for those required to be accounted for in another fund. Principal sources of revenue are property taxes, franchise fees and state and county shared revenues. Primary expenditures are for general government, parks, City Council, and municipal court.

Street Fund – This fund accounts for the cost of construction, reconstruction, improvement, repair and maintenance of public highways, roads and streets within the City. Principal sources of revenues are gas tax apportionments received from the State and grants. Expenditures are for street construction and maintenance.

Polk Community Development Fund – This fund accounts for rehabilitation housing loan repayments received from Polk Community Development Corporation (Polk CDC).

The City reports the following non-major governmental funds:

Wagner Library 80% Fund – This fund accounts for funds to restore the Wagner Public Library. Sources of revenues are contributions.

Fire Levy Fund – This fund accounts for the fire levy funds to augment the fire portion of the General Fund by providing equipment and funding to the City Fire Department. The principal source of revenue is the fire levy approved by voters.

The City reports the following major proprietary funds:

Water Fund – This fund accounts for the operations, maintenance, debt service and capital construction projects for the City’s water system. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, and billing and collection. The water fund receives utility fees, construction fees, grants and debt proceeds to fund activities.

Sewer Fund – This fund accounts for the operations, maintenance, debt service and capital construction projects for the City’s sewer system. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, and billing and collection. The sewer fund receives utility fees, construction fees, grants and debt proceeds to fund activities.

Utility Reserve Fund – This fund accounts for funds reserved for capital improvements and repairs for the water and sewer system and is funded by a utility capital improvement fee.

CITY OF FALLS CITY, OREGON
Notes to Financial Statements
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or regulations of other governments. Net position is classified in the following three categories:

Restricted net position – consists of net position with constraints placed on them by entities outside of the City.

Unrestricted net position – all other net positions that do not meet either of the criteria above.

Fund Balance

The City follows the guidance in GASB 54. Under this standard, the fund balances are classified within one of the fund balance categories listed below.

- Nonspendable fund balance represents amounts that are not in a spendable form.
- Restricted fund balance represents amounts constrained to specific purpose by their providers (such as grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed fund balance represents amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision making authority for the City. Commitments may be established, modified or rescinded only through ordinances or resolutions approved by the City Council.
- Assigned fund balance represents amounts a government intends to use for a specific purpose; intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- Unassigned fund balance represents amounts that are available for any purpose; these amounts are reported only in the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds in certain circumstances.

When both restricted and unrestricted resources are available for use, it is the City’s practice to use restricted resources first, then unrestricted resources as they are needed.

Definitions of Governmental Fund Types

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

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

CITY OF FALLS CITY, OREGON
Notes to Financial Statements
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- a. All governmental funds utilize a current financial resources measurement focus within the limitations of the cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary funds utilize an economic resource measurement focus within the limitations of the cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, change in net position (or cost recovery), net financial position, and cash flows. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the cash basis of accounting.

Cash and Investments

The City maintains cash and cash equivalents in a common pool that is available for use by all funds. Each fund type's portion of this pool is displayed in the financial statements as cash and cash equivalents. The City considers cash on hand, demand deposits and savings accounts, and short-term investments with an original maturity of three months or less from the date of acquisition to be cash and cash equivalents. Oregon Revised Statutes authorize the City to invest in certificates of deposit, savings accounts, bank repurchase agreements, bankers' acceptances, general obligations of U.S. Government and its agencies, certain bonded obligations of Oregon municipalities and the State Treasurer's Local Government Investment Pool, among others.

Property Taxes

Real and personal property taxes are levied by the County Assessor and collected by the County Tax Collector. Property taxes are an enforceable lien on both real and personal property as of July 1 and are due and payable in three installments on November 15, February 15, and May 15. All property taxes are billed and collected by the County Tax Collector and remitted to the City. Property tax revenues are recognized when collected under the cash basis of accounting, whereby revenues are recognized when they are received.

Fund Deficit

As of June 30, 2023 the Streets Fund had a fund deficit of \$343,230. The City plans to correct these deficits by controlling expenditures and through transfers from the General Fund in the year ended June 30, 2024.

Budget and Budgetary Accounting

A budget is prepared for each fund in accordance with the cash basis of accounting for all funds. The budget is adopted on a department basis for the General Fund and on an object basis (personal services, materials and services, capital outlay and debt service) for all other funds. Expenditures may not legally exceed appropriations. Appropriations lapse at the end of each fiscal year. Budget amounts include original approved amounts and all subsequent appropriation transfers approved by the City Council. After budget approval, the City Council may approve supplemental appropriations if an occurrence, condition, or need exists which had not been ascertained at the time the budget was adopted. Management may not amend the budget. A supplemental budget requires hearings before the public, publications in newspapers and approval by the City Council.

CITY OF FALLS CITY, OREGON
Notes to Financial Statements
June 30, 2023

2. CASH AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is displayed on the financial statements as cash and investments.

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

<i>Deposits</i>	
Cash on hand	\$ 306
Deposits with financial institutions	146,277
Cash held by fiscal agents	280,784
 <i>Investments</i>	
Local Government Investment Pool	<u>1,432,841</u>
 Total	 <u>\$ 1,860,208</u>

Deposits

Deposits are secured to legal limits by federal deposit insurance. The remaining amount is secured in accordance with ORS 295 under a collateral program administered by the Oregon State Treasurer.

Custodial Credit Risk - Deposits

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

Investments

The State Treasurer of Oregon maintains the Oregon Short Term Fund, of which the Local Government Investment Pool (LGIP) is part. The state of Oregon's investment policies used in administering the LGIP are governed by statute and the Oregon Investment Council (the Council). The State Treasurer is the investment officer for the Council and is responsible for the funds on deposit in the State Treasury. The State Treasury's investments in short-term securities are limited by the portfolio rules established by the Oregon Short-term Fund Board and the Council. In accordance with Oregon statutes, the investment funds are invested and the investments are those funds managed, as a prudent investor would do, exercising reasonable care, skill, and caution.

CITY OF FALLS CITY, OREGON
Notes to Financial Statements
June 30, 2023

2. CASH AND INVESTMENTS (Continued)

Investments in the LGIP are carried at fair value, which approximates the value of the pool shares. Separate financial statements for the Oregon Short Term Fund are available from the Oregon State Treasurer.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the risk that its fair value will decline if interest rates rise. In order to manage the interest rate risk of its investments, the City only invests in the LGIP. The LGIP has rules that require at least 50 percent of its investments to mature within 93 days, not more than 25 percent may mature in over a year, and all other investments must mature in no more than three years.

Custodial Risk - Investments

For an investment, this is the risk that, in the event of a failure of the counterparty, the City will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party. The City's investment policy limits the types of investments that may be held and does not allow securities to be held by the counterparty.

The LGIP is administered by the Oregon State Treasury with the advice of other state agencies and is not registered with the U.S. Securities and Exchange Council. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of any fund. The LGIP's portfolio rules provide that broker/dealers meet certain qualifications and that investments are delivered to and held by a third-party custodian which holds the securities in the state of Oregon's name.

Cash Held by Fiscal Agents

Cash held by fiscal agents is held by Polk CDC as part of the City's revolving loan fund.

CITY OF FALLS CITY, OREGON
Notes to Financial Statements
June 30, 2023

3. LONG-TERM OBLIGATIONS

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

Long-term debt transactions for the year ended June 30, 2023 were as follows:

	<u>July 1, 2022</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2023</u>	<u>Due Within One Year</u>
<i>Governmental activities</i>					
<i>Direct borrowings</i>					
Fire truck lease	\$ 16,074	\$ -	\$ (16,074)	\$ -	\$ -
New fire truck lease	-	136,456	(32,045)	104,411	22,919
Polk CDC park loan	<u>41,186</u>	<u>-</u>	<u>(2,107)</u>	<u>39,079</u>	<u>2,128</u>
Total	<u>\$ 57,260</u>	<u>\$ 136,456</u>	<u>\$ (50,225)</u>	<u>\$ 143,490</u>	<u>\$ 25,047</u>
<i>Business-type activities</i>					
<i>Direct placement</i>					
Water bonds	<u>\$ 735,000</u>	<u>\$ -</u>	<u>\$ (40,000)</u>	<u>\$ 695,000</u>	<u>\$ 40,000</u>

Loans from Direct Borrowings – Governmental Activities

Fire Truck lease – In May 2019 the City entered into a lease-purchase agreement to acquire a fire truck. The loan was for \$85,170 and requires annual payments of \$18,961 including interest at 5.66% with the final payment due in May 2023. The loan is secured by the fire truck. This loan was paid off as of June 30, 2023.

Polk CDC park loan – In May 2010 the City entered into a loan agreement with Polk CDC to fund park improvements. The loan was for \$65,000 and requires annual payments of \$2,519 including interest at 1.0% through May 2040.

New Fire Truck lease – In April 2023 the City entered into a lease-purchase agreement to acquire a fire truck. The loan was for \$104,411 and requires annual payments of \$32,045 including interest at 8.74% with the final payment due in April, 2027. The loan is secured by the fire truck.

Bonds payable from Direct Placement Business-type activities

Full Faith and Credit Obligation – In October 2017 the City borrowed \$925,000 from US Bank through the Oregon Cities Financing Pool to refinance USDA water revenue bonds that had been issued in 2003. The loan requires semi-annual payments with coupon interest rates from 2.0% to 4.0% with maturity in April 2037.

CITY OF FALLS CITY, OREGON
Notes to Financial Statements
June 30, 2023

3. LONG-TERM OBLIGATIONS (Continued)

Future debt service requirements on these long-term obligations for each year ended June 30 are as follows:

Governmental Activities

Fiscal Year	Principal	Interest	Total
2024	\$ 25,047	\$ 9,516	\$ 34,563
2025	25,071	7,492	34,563
2026	29,271	5,292	34,563
2027	31,661	2,902	34,563
2028-2032	11,295	1,298	12,593
2033-2037	11,871	722	12,593
2038-2042	7,274	148	7,422
	<u>\$ 143,490</u>	<u>\$ 27,370</u>	<u>\$ 170,860</u>

Business-type Activities

Fiscal Year	Principal	Interest	Total
2024	\$ 40,000	\$ 23,063	\$ 63,063
2025	40,000	21,462	61,462
2026	45,000	19,862	64,862
2027	45,000	18,063	63,063
2028-2032	250,000	66,787	316,787
2033-2037	275,000	25,000	300,000
	<u>\$ 695,000</u>	<u>\$ 174,238</u>	<u>\$ 869,238</u>

CITY OF FALLS CITY, OREGON
Notes to Financial Statements
June 30, 2023

4. **PENSION PLAN**

Plan Description

Employees of the City are provided with pensions through the Oregon Public Employees Retirement System (OPERS), a cost-sharing multiple-employer pension plan with both defined benefit and defined contribution components. The Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the system. All benefits of OPERS are established by the legislature pursuant to ORS Chapters 238 and 238A. The Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The Oregon Public Service Retirement Plan (OPSRP Pension Program), established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003.

The Individual Account Program (IAP) was created by the Oregon legislature in 2003 to provide an individual account-based retirement benefit for new workers hired on or after August 29, 2003, and for Tier One / Tier Two members active on or after January 1, 2004. The IAP benefit is a defined contribution plan, and it is in addition to the member's defined benefit plan (i.e., Tier One, Tier Two, or OPSRP Pension Programs). OPERS issues a publicly available Comprehensive Annual Financial Report and Actuarial Valuation that can be obtained at: http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx.

Benefits Provided

Tier One/Tier Two Retirement Benefit:

Pension Benefits

The PERS 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 (2.0 percent for police and fire employees, 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 either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

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 is 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:

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

CITY OF FALLS CITY, OREGON
Notes to Financial Statements
June 30, 2023

4. PENSION PLAN (Continued)

Disability Benefits

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a 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 PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 when determining the monthly benefit.

Benefit Changes After Retirement

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living (COLA) changes. The COLA is capped at 2.0 percent.

OPSRP Defined Benefit Pension Program

Pension Benefits

The Pension Program (ORS Chapter 238A) 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. For general service members, 1.5% 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. For police and fire members, 1.8% is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members 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. A member of the OPSRP 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.

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. Under current law, the cap on the COLA for creditable service earned before October 2013 is 2.00%. The COLA for creditable service earned after October 2013 is calculated as 1.25% on the first \$60,000 of annual benefit and \$750 plus 0.15 percent on annual benefits above \$60,000.

CITY OF FALLS CITY, OREGON
Notes to Financial Statements
June 30, 2023

4. PENSION PLAN (Continued)

OPSRP Pension Program

Pension Benefits

The OPSRP Pension Program (ORS Chapter 238A) 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 by formula for members who attain normal retirement age. For general service members, 1.5% 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. For police and fire members, 1.8% is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members 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. A member of the OPSRP 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 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.

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. Under current law, the cap on the COLA for creditable service earned before October 2013 is 2.00%. The COLA for creditable service earned after October 2013 is calculated as 1.25% on the first \$60,000 of annual benefit and 0.15% on amounts above \$60,000 of annual benefit.

OPSRP Individual Account Program (IAP)

Pension Benefits

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the 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.

CITY OF FALLS CITY, OREGON
Notes to Financial Statements
June 30, 2023

4. PENSION PLAN (Continued)

Recordkeeping

OPERS contracts with VOYA Financial to maintain IAP participant records.

Contributions

PERS 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 PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2020 actuarial valuation. The rates based on a percentage of payroll first became effective July 1, 2021. Employer contributions for the year ended June 30, 2023 were \$31,226, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2023 were 24.69 percent for Tier One/Tier Two General Service Member, 18.39 percent for OPSRP Pension Program General Service Members, 22.75 percent for OPSRP Police and Fire Members and 6.0 percent for OPSRP IAP.

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

Since the City's financial statements are reported on the cash basis, no amounts are reported on the statement of net position for pension related assets, deferred outflows, liabilities or deferred inflows. Had the City's financial statements been reported in accordance with GAAP, at June 30, 2023, the City would have reported a liability of \$399,224 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020 rolled forward to June 30, 2022. 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 entities, actuarially determined. At June 30, 2023, the City's proportion was 0.002607 percent, which was an increase from its proportion of 0.002044 percent measured as of June 30, 2022.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 19,379	\$ 2,490
Changes of assumptions	62,640	572
Net difference between projected and actual earnings on investments	-	71,373
Changes in proportionate share	107,712	-
Differences between employer contributions and employer's proportionate share of system contributions	-	65,3656
Total (prior to post-Measurement Date contributions)	189,731	139,800
Contributions subsequent to the Measurement Date	31,226	-
Total	\$ 220,957	\$ 139,800

CITY OF FALLS CITY, OREGON
Notes to Financial Statements
June 30, 2023

4. PENSION PLAN (Continued)

The \$31,226 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred Outflows		
Amortization Period		
FY 2024	\$	19,086
FY 2025		7,161
FY 2026		(20,518)
FY 2027		40,492
FY 2028		3,710
Total	\$	49,931

Actuarial Methods and Assumptions

The employer contribution rates effective July 1, 2022 through June 30, 2023 were set using the projected unit credit actuarial cost method. For the ORS 238 Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), and (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

For the ORS 238A OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an actuarially determined amount for funding a disability benefit component, and (3) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2020
Measurement Date	June 30, 2022
Experience Study	2020, published July 2021
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.40%
Investment Rate of Return	6.90%
Discount Rate	6.90%
Projected Salary Increases	3.40%

CITY OF FALLS CITY, OREGON
Notes to Financial Statements
June 30, 2023

4. PENSION PLAN (Continued)

Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with Moro decision; blend based on service
Mortality	<p>Healthy retirees and beneficiaries: 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>Active members: Pub-2010 Employee, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees: Pub-2010 Disabled retiree, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p>

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

Discount Rate

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

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the 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 1-percentage-point lower (5.90 percent) or 1-percentage-point higher (7.90 percent) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
City's proportionate share of the net pension liability (asset)	\$ 707,989	\$ 399,224	\$ 140,802

CITY OF FALLS CITY, OREGON
Notes to Financial Statements
June 30, 2023

4. PENSION PLAN (Continued)

Long-term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in June 2021 the PERS 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.

Depletion Date Projection

GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for PERS:

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 67 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is our independent actuary's opinion that the detailed depletion date projections outlined in GASB 68 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

Changes in Plan Provisions During the Measurement Period

There were no changes during the June 30, 2022 measurement period that require disclosure.

CITY OF FALLS CITY, OREGON
Notes to Financial Statements
June 30, 2023

5. OTHER POST-EMPLOYMENT HEALTH BENEFITS

Retirement Health Insurance Account

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 postemployment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statue (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. 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.

Because RHIA was created by enabling legislation, 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 or the total monthly cost of Medicare companion health insurance premiums, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of \$60 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 or more years of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-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 PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating governments are contractually required to contribute to RHIA at a rate assessed each year by OPERS. The OPERS Board of Trustees sets the employer contribution rate based on the annual required contribution of the employers (ARC). The ARC represents a level of funding that is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The City's contributions for the year ended June 30, 2023 equaled the required contributions for the year.

6. REVOLVING LOAN FUND

The City has an agreement with Polk CDC to administer a revolving loan fund on behalf of the City. The loan fund provides Falls City home and business owners with low interest loans for renovation projects. At June 30, 2023 the loan fund had \$281,784 in cash and there were \$134,089 of outstanding loans.

7. CONTINGENCIES

The City purchases insurance to cover all commonly insurable risks, which includes property damage, liability and employee bonds. Most policies carry a small deductible amount. The City has not had any losses in the past three years that have exceeded policy coverage.

CITY OF FALLS CITY, OREGON
Notes to Financial Statements
June 30, 2023

8. EXPENDITURES IN EXCESS OF APPROPRIATIONS

Oregon law prohibits expenditures of a fund in excess of Council approved appropriations. Expenditures in excess of appropriations in individual funds were as follows for the year ended June 30, 2023:

<u>Fund / Appropriation Category</u>	<u>Appropriation</u>	<u>Disbursement</u>	<u>Variance</u>
General Fund			
Administration	\$ 208,692	\$ 349,930	\$ (132,894)
Fire	84,977	94,647	(9,670)
Parks and cemeteries	15,381	25,353	(9,972)
Council	2,622	2,822	(200)
Code enforcement and court	8,638	8,696	(58)
Debt principal	2,000	2,107	(107)
Debt interest	-	412	(412)
Street Fund			
Materials and services	29,143	42,576	(13,433)
Sewer Fund			
Materials and services	37,441	51,143	(13,702)
Capital outlay	122,000	304,319	(182,319)
Water Fund			
Debt service	35,000	40,000	(5,000)
Utility Reserve Fund			
Materials and services	-	4,666	(4,666)

9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 5, 2024, the date on which the financial statements were available to be issued noting no events that require disclosure in the accompanying financial statements.

SUPPLEMENTARY INFORMATION

CITY OF FALLS CITY, OREGON
Schedule of Proportionate Share of Net Pension Liability and Related Ratios

Year Ended	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Actual Covered Member Payroll	Net Pension Liability (Asset) as a Percentage of Covered Payroll	Fiduciary Net Position as a Percentage of Total Pension Liability
6/30/2023	0.002607%	\$ 399,224	\$ 197,935	201.69%	84.5%
6/30/2022	0.002044%	\$ 244,591	\$ 201,319	121.5%	87.6%
6/30/2021	0.001969%	\$ 429,719	\$ 187,356	229.4%	75.2%
6/30/2020	0.001674%	\$ 289,621	\$ 216,939	133.5%	80.2%
6/30/2019	0.001540%	\$ 233,299	\$ 233,641	99.9%	82.1%
6/30/2018	0.001469%	\$ 197,958	\$ 184,918	107.1%	83.1%
6/30/2017	0.002377%	\$ 356,784	\$ 157,064	227.2%	80.5%
6/30/2016	0.002089%	\$ 119,996	\$ 142,579	84.1%	91.9%

Note: 10-year trend information required by GASB Statement 68 will be presented prospectively

CITY OF FALLS CITY, OREGON
Schedule of the City's Contributions
Oregon Public Employees Retirement System

<u>Year Ended</u>	<u>Statutorily Required Contribution</u>	<u>Actual Employer Contributions</u>	<u>Contribution Excess / (Deficiency)</u>	<u>Actual Covered Member Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
6/30/2023	\$ 31,226	\$ 31,226	\$ -	\$ 197,935	15.8%
6/30/2022	\$ 42,315	\$ 42,315	\$ -	\$ 201,319	21.0%
6/30/2021	\$ 31,312	\$ 31,312	\$ -	\$ 187,356	16.7%
6/30/2020	\$ 31,683	\$ 31,683	\$ -	\$ 216,939	14.6%
6/30/2019	\$ 23,944	\$ 23,944	\$ -	\$ 233,641	10.3%
6/30/2018	\$ 20,350	\$ 20,350	\$ -	\$ 184,918	11.0%
6/30/2017	\$ 17,732	\$ 17,732	\$ -	\$ 157,064	11.3%
6/30/2016	\$ 15,138	\$ 15,138	\$ -	\$ 142,579	10.6%

Note: 10-year trend information required by GASB Statement 68 will be presented prospectively

CITY OF FALLS CITY
Combining Balance Sheet -
Nonmajor Governmental Funds
(Cash Basis)

June 30, 2023

	Special Revenue		
	Wagner Library 80%	Fire Levy	Total
ASSETS:			
Current assets			
Cash and investments	\$ 92,215	\$ 61,137	\$ 153,352
FUND BALANCES:			
Restricted for fire service	\$ -	\$ 61,137	\$ 61,137
Restricted for community development	92,215	-	92,215
Total fund balance	\$ 92,215	\$ 61,137	\$ 153,352

CITY OF FALLS CITY

**Combining Statement Revenues, Expenses and Changes in Fund Balance -
Nonmajor Governmental Funds
(Cash Basis)**

For the Year Ended June 30, 2023

	Special Revenue		
	Wagner Library 80%	Fire Levy	Total
REVENUES:			
Taxes and assessments	\$ -	\$ 48,319	\$ 48,319
Grants	-	-	-
Miscellaneous	-	-	-
Total revenues	-	48,319	48,319
EXPENDITURES:			
Fire service	-	14,520	14,520
Debt service			
Principal	-	16,074	16,074
Interest	-	2,887	2,887
Total expenditures	-	33,481	33,481
Net change in fund balances	-	14,838	14,838
Fund balances, beginning of year	92,215	46,299	138,514
Fund balances, end of year	\$ 92,215	\$ 61,137	\$ 153,352

CITY OF FALLS CITY, OREGON

**Schedule of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual
General Fund
(Budgetary Basis)
For the Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:				
Taxes and assessments	\$ 121,000	\$ 137,231	\$ 143,587	\$ 6,356
Franchise fees	55,550	55,550	58,785	3,235
Grants	118,000	118,000	152,942	34,942
Charges for services	6,800	6,800	37,289	30,489
Intergovernmental	28,500	28,500	36,244	7,744
Miscellaneous	29,000	32,978	40,720	7,742
Total revenues	358,850	379,059	469,567	90,508
EXPENDITURES:				
Administration	208,692	217,036	349,930	(132,894)
Community development	-	-	-	-
Fire	56,523	84,977	94,647	(9,670)
Parks and cemeteries	31,960	15,381	25,353	(9,972)
Council	3,100	2,622	2,822	(200)
Code enforcement and court	36,412	8,638	8,696	(58)
Debt service				
Principal	2,000	2,000	2,107	(107)
Interest	-	-	412	(412)
Contingency	310,163	310,163	-	310,163
Total expenditures	648,850	640,817	483,967	156,850
Net change in fund balances	(290,000)	(261,758)	(14,400)	247,358
Fund balances, beginning of year	300,000	965,321	965,321	-
Fund balances, end of year	\$ 10,000	\$ 703,563	\$ 950,921	\$ 247,358

CITY OF FALLS CITY, OREGON

**Schedule of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual
Street Fund
(Budgetary Basis)
For the Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:				
Intergovernmental	\$ 70,000	\$ 56,739	\$ 81,990	\$ 25,251
Grants	571,520	270	53,431	53,161
Total revenues	<u>641,520</u>	<u>57,009</u>	<u>135,421</u>	<u>78,412</u>
EXPENDITURES:				
Personal services	23,237	23,237	18,097	5,140
Materials and services	25,400	29,143	42,576	(13,433)
Capital outlay	571,520	571,520	15,280	556,240
Contingency	11,363	11,363	-	11,363
Total expenditures	<u>631,520</u>	<u>635,263</u>	<u>75,953</u>	<u>559,310</u>
Net change in fund balance	10,000	(578,254)	59,468	637,722
Beginning fund balance	<u>(10,000)</u>	<u>(593,000)</u>	<u>(402,698)</u>	<u>190,302</u>
Ending fund balance	<u><u>\$ -</u></u>	<u><u>\$ (1,171,254)</u></u>	<u><u>\$ (343,230)</u></u>	<u><u>\$ 828,024</u></u>

CITY OF FALLS CITY, OREGON

**Schedule of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual
Polk Community Development Fund
(Budgetary Basis)
For the Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:				
Miscellaneous	\$ 7,000	\$ 7,000	\$ 10,268	\$ 3,268
Total revenues	<u>7,000</u>	<u>7,000</u>	<u>10,268</u>	<u>3,268</u>
EXPENDITURES:				
Materials and services	-	-	-	-
Contingency	<u>207,000</u>	<u>207,000</u>	<u>-</u>	<u>207,000</u>
Total expenditures	<u>207,000</u>	<u>207,000</u>	<u>-</u>	<u>207,000</u>
Net change in fund balance	(200,000)	(200,000)	10,268	210,268
Beginning fund balance	<u>200,000</u>	<u>200,000</u>	<u>274,676</u>	<u>74,676</u>
Ending fund balance	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 284,944</u></u>	<u><u>\$ 284,944</u></u>

CITY OF FALLS CITY, OREGON

**Schedule of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual
Wagner Library 80% Fund
(Budgetary Basis)
For the Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES:				
Materials and services	30,000	30,000	-	30,000
Contingency	67,135	67,135	-	67,135
Total expenditures	<u>97,135</u>	<u>97,135</u>	<u>-</u>	<u>97,135</u>
Net change in fund balance	(97,135)	(97,135)	-	(97,135)
Beginning fund balance	<u>97,135</u>	<u>97,135</u>	<u>92,215</u>	<u>(4,920)</u>
Ending fund balance	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 92,215</u></u>	<u><u>\$ 92,215</u></u>

CITY OF FALLS CITY, OREGON

**Schedule of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual
Fire Levy Fund
(Budgetary Basis)
For the Year Ended June 30, 2023**

	Original Budget	Final Budget	Actual	Variance
REVENUES:				
Taxes and assessments	\$ 45,000	\$ 45,000	\$ 48,319	\$ 3,319
Grants	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>45,000</u>	<u>45,000</u>	<u>48,319</u>	<u>3,319</u>
EXPENDITURES:				
Materials and services	22,300	22,300	14,520	7,780
Debt service				
Principal	16,575	16,575	16,074	501
Interest	3,390	3,390	2,887	503
Contingency	<u>2,735</u>	<u>2,735</u>	<u>-</u>	<u>2,735</u>
Total expenditures	<u>45,000</u>	<u>45,000</u>	<u>33,481</u>	<u>11,519</u>
Net change in fund balance	-	-	14,838	14,838
Beginning fund balance	<u>-</u>	<u>-</u>	<u>46,299</u>	<u>46,299</u>
Ending fund balance	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 61,137</u></u>	<u><u>\$ 61,137</u></u>

CITY OF FALLS CITY

**Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Sewer Fund**

(Budgetary Basis)

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance
REVENUES:				
Charges for services	\$ 131,000	\$ 96,018	\$ 156,103	\$ 60,085
Grants	120,000	120,000	167,236	47,236
Miscellaneous	-	-	-	-
Total revenues	251,000	216,018	323,339	107,321
EXPENDITURES:				
Personal services	94,500	94,500	53,505	40,995
Materials and services	36,500	37,441	51,143	(13,702)
Capital outlay	122,000	122,000	304,319	(182,319)
Contingency	98,000	98,000	-	98,000
Total expenditures	351,000	351,941	408,967	(57,026)
Net change in fund balances	(100,000)	(135,923)	(85,628)	50,295
Fund balance, beginning of year	100,000	100,000	93,107	(6,893)
Fund balance, end of year	\$ -	\$ (35,923)	\$ 7,479	\$ 43,402

CITY OF FALLS CITY

**Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Water Fund**

(Budgetary Basis)

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance
REVENUES:				
Charges for services	\$ 316,500	\$ 215,749	\$ 320,881	\$ 105,132
Miscellaneous	-	-	-	-
Total revenues	316,500	215,749	320,881	105,132
EXPENDITURES:				
Personal services	133,769	131,614	84,661	46,953
Materials and services	141,625	163,498	97,523	65,975
Debt service				
Principal	35,000	35,000	40,000	(5,000)
Interest	26,800	26,800	25,462	1,338
Contingency	179,306	179,306	-	179,306
Total expenditures	516,500	536,218	247,646	288,572
Net change before transfers	(200,000)	(320,469)	73,235	393,704
OTHER USES:				
Transfers out	-	-	-	-
Net change in fund balances	(200,000)	(320,469)	73,235	393,704
Fund balance, beginning of year	200,000	200,000	331,196	131,196
Fund balance, end of year	\$ -	\$ (120,469)	\$ 404,431	\$ 524,900

CITY OF FALLS CITY

**Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Utility Reserve Fund**

(Budgetary Basis)

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance
REVENUES:				
Charges for services	\$ 55,000	\$ 33,951	\$ 51,567	\$ 17,616
Total revenues	55,000	33,951	51,567	17,616
EXPENDITURES:				
Materials and services	-	-	4,666	(4,666)
Capital outlay	295,000	295,000	48,241	246,759
Contingency	80,000	80,000	-	80,000
Total expenditures	375,000	375,000	52,907	322,093
Net change in fund balances	(320,000)	(341,049)	(1,340)	(304,477)
Fund balance, beginning of year	320,000	403,651	403,651	-
Fund balance, end of year	\$ -	\$ 62,602	\$ 402,311	\$ 339,709

**INDEPENDENT AUDITOR'S REPORT REQUIRED BY
OREGON STATE REGULATIONS**



Dougall Conrادية LLC
Certified Public Accountants

Geoffrey Dougall, CPA
Heather Jackson, CPA
Lee Owen, CPA
Richard Winkel, CPA
Members of AICPA & OSCPA

Independent Auditor's Report Required by Oregon State Regulations

To the City Council
Falls City, Oregon

We have audited the basic financial statements of the City of Falls City (the City) as of and for the year ended June 30, 2023 and have issued our report thereon dated February 5, 2024. 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 Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion.

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

- Deposit of Public Funds with Financial Institutions (ORS Chapter 295)
- Indebtedness limitations, restrictions and repayment
- Budgets legally required (ORS Chapter 294)
- Insurance and Fidelity Bond Coverage
- Public Contracts and Purchasing (ORS Chapters 279A, 279B, 279C)
- Highway revenues used for public highways, roads and streets
- Programs Funded From Outside Sources
- Authorized investment of surplus funds (ORS Chapter 294)

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

The City had the following expenditures that exceeded appropriations for the year ended June 30, 2023:

<u>Fund / Appropriation Category</u>	<u>Appropriation</u>	<u>Disbursement</u>	<u>Variance</u>
General Fund			
Administration	\$ 208,692	\$ 349,930	\$ (132,894)
Fire	84,977	94,647	(9,670)
Parks and cemeteries	15,381	25,353	(9,972)
Council	2,622	2,822	(200)
Code enforcement and court	8,638	8,696	(58)
Debt principal	2,000	2,107	(107)
Debt interest	-	412	(412)
Street Fund			
Materials and services	29,143	42,576	(13,433)
Sewer Fund			
Materials and services	37,441	51,143	(13,702)
Capital outlay	122,000	304,319	(182,319)
Water Fund			
Debt service	35,000	40,000	(5,000)
Utility Reserve Fund			
Materials and services	-	4,666	(4,666)

As of June 30, 2023 the Streets Fund had a fund deficit of \$343,230.


Internal Control Over Financial Reporting

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 District'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.

Restriction on Use

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

DOUGALL CONRADIE LLC
 Portland, Oregon
 February 5, 2024

By: 
 Richard Winkel, Partner