

CITY OF OAKRIDGE, OREGON



INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

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CITY OF OAKRIDGE, OREGON

City Council and Officials

As of June 30, 2022

Mayor and Council

Christina Hollett	Mayor
Audy Spliethof	Councilor
Bobbie Whitney	Councilor
Dawn Kinyon	Councilor
Jan Hooker	Councilor
Melissa Bjarnson	Councilor
Michelle Coker	Councilor

Administrative

Kevin Martin	City Administrator Pro Tem
Colleen Shirley	Finance Director

Contact Information

City of Oakridge
P.O. Box 1410
Oakridge, Oregon 97463

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Independent Auditor's Report

Honorable Mayor and Members of the City Council
City of Oakridge
Oakridge, OR 97463

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oakridge, Oregon 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.

Management's Responsibility for the Financial Statements

The City of Oakridge's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1. This includes determining that the modified 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 error or fraud.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the modified cash basis financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, and each major fund of the City of Oakridge as of June 30, 2022, and the respective changes in financial position, for the year then ended in accordance with the basis of accounting described in Note 1.

Matters of Emphasis

As discussed in Note 1 to the financial statements, for fiscal year end June 30, 2022, the City changed the basis of accounting for financial statement preparation from full-accrual to modified-cash.

As discussed in Note 10, there is a going concern regarding the General Fund operations. The auditor expects the going concern to be alleviated by management plans to be enacted starting fiscal year 2024.

Basis of Accounting

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that required supplementary information 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 required supplementary information in accordance with auditing standards, 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.

Report on Supplemental and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Oakridge's basic financial statements. The accompanying supplementary information is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

The introductory information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on such information.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated July 24, 2023 on our consideration of the City's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

A handwritten signature in cursive script that reads "Teresa Hanford".

Hanford & Associates, LLC
West Richland, WA
July 24, 2023

City of Oakridge, Oregon
Government-Wide Financial Statements
June 30, 2022

City of Oakridge
Statement of Net Position
Modified Cash Basis
June 30, 2022

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents	\$ 29,040	\$ 987,723	\$ 1,016,763
Restricted assets			
Cash and equivalents	1,326,363	100,000	1,426,363
Capital assets, not being depreciated			
Land and land improvements	850,560	20,300	870,860
Capital assets, net of accumulated depreciation			
Buildings and improvements, net	1,145,808	861,104	2,006,912
Vehicles and equipment, net	543,867	115,654	659,521
Infrastructure, net	322,928	5,284,651	5,607,579
Total capital assets	<u>2,863,163</u>	<u>6,281,709</u>	<u>9,144,872</u>
Total assets	<u>4,218,566</u>	<u>7,369,432</u>	<u>11,587,999</u>
LIABILITIES			
Accrued interest payable	1,174	33,027	34,201
Notes payable			
Due within one year	13,665	190,283	203,948
Due in more than one year	28,944	4,185,717	4,214,661
Total liabilities	<u>43,783</u>	<u>4,409,028</u>	<u>4,452,810</u>
NET POSITION			
Net investment in capital assets	2,820,554	1,912,174	4,732,728
Restricted for:			
Debt service	120,683	-	120,683
Grants	297,627	100,000	397,627
Industrial Park program	661,555	-	661,555
Transportation	246,498	-	246,498
Unrestricted	27,866	948,231	976,097
Total net position	<u>4,174,783</u>	<u>2,960,405</u>	<u>7,135,188</u>

The accompanying notes are an integral part of these statements.

City of Oakridge
Statement of Activities - Modified Cash Basis
For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) & Changes in Net Position		
		Fees, Fines & Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
Administrative	\$ 727,564	\$ -	\$ -	\$ -	\$ (727,564)		\$ (727,564)
Building and planning	70,455	-	-	-	(70,455)		(70,455)
EMS	1,156,939	497,810	-	-	(659,129)		(659,129)
Library	43,952	1,895	6,908	-	(35,149)		(35,149)
Municipal Court	79,198	-	-	-	(79,198)		(79,198)
Parks	115,999	-	71,102	-	(44,897)		(44,897)
Police	1,078,538	111,965	-	-	(966,573)		(966,573)
Willamette Activity Center (WAC)	25,083	6,778	-	-	(18,305)		
Street program	418,805	526,465	-	-	107,660		
Oakridge Industrial Park	287,171	78,412	67,575	-	(141,184)		
General Government	321,056	1,187,205	424,468	-	1,290,617		
Total governmental activities	4,324,760	2,410,530	570,053	-	(1,344,177)		(2,582,966)
Business-type Activities							
Water	762,803	1,009,492	-	-		246,689	246,689
Wastewater	715,508	668,919	-	-		(46,589)	(46,589)
Stormwater	8,775	26,566	-	-		17,791	17,791
Total business-type activities	1,487,086	1,704,977	-	-		217,892	217,892
Total government	5,811,846	4,115,508	570,053	-	(1,344,177)	217,892	(2,365,074)
General Revenues							
Property taxes					1,180,755	-	1,180,755
Other miscellaneous taxes					108,363	-	108,363
Interest earnings					5,725	-	5,725
Gain on sale of assets					348,850	-	348,850
Loan proceeds					161	-	161
Interfund loan transfers					(385,000)	385,000	-
Transfers					(100,000)	100,000	-
Total general revenues					1,158,853	485,000	1,643,853
Change in net position					(185,324)	702,892	517,568
Beginning net position					3,923,730	1,884,918	5,808,648
Change in accounting method					436,377	372,595	808,972
Ending net position					4,174,783	2,960,405	7,135,188

The accompanying notes are an integral part of these statements.

City of Oakridge, Oregon

Basic Financial Statements

June 30, 2022

City of Oakridge
 Balance Sheet - Modified Cash Basis
 Governmental Funds
 June 30, 2022

	General Fund	Street Fund	Industrial Park Fund	Other Gov't'l Funds	Total Gov't'l Funds
ASSETS					
Cash and equivalents	\$ -	\$ -	\$ -	\$ 29,040	\$ 29,040
Restricted assets					
Cash and equivalents	297,627	246,498	661,555	120,683	1,326,363
Total assets	297,627	246,498	661,555	149,723	1,355,403
LIABILITIES					
Total liabilities	-	-	-	-	-
FUND BALANCE					
Restricted	297,627	246,498	661,555	120,683	1,326,363
Assigned	-	-	-	29,040	29,040
Total Fund balance	297,627	246,498	661,555	149,723	1,355,403

Reconciliation of the Balance Sheet to the Statement of Net Position for Governmental Activities

Fund balance of total governmental funds	<u>\$ 1,355,403</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. They are presented net of accumulated depreciation.	2,863,163
Long-term liabilities used in governmental activities are not recognized in the modified-cash basis of presentation. Instead the expense of principal is recognized as it occurs.	(43,783)
Net position of governmental activities	<u>4,174,783</u>

The accompanying notes are an integral part of these statements.

City of Oakridge

Statement of Revenues, Expenditures and Changes in Fund Balances - Modified Cash Basis
Governmental Funds (Page 1 of 2)
For the Year Ended June 30, 2022

	General Fund	Street Fund	Industrial Park Fund	Other Gov't'l Funds	Total Gov't'l Funds
REVENUES					
Property taxes	\$ 1,180,755	\$ -	\$ -	\$ -	\$ 1,180,755
Other miscellaneous taxes	108,363	-	-	-	108,363
Assessments	-	3,163	-	-	3,163
Franchise fees	212,306	-	-	-	212,306
Planning fees	2,155	-	-	-	2,155
License and permit fees	58,247	70,905	-	-	129,152
Public safety fees	184,729	-	-	-	184,729
Other miscellaneous fees	11,212	-	-	-	11,212
Grants and donations	502,478	-	67,575	-	570,053
Intergovernmental shared revenues	76,021	437,861	-	-	513,882
Intergovernmental charges for services	164,206	-	-	-	164,206
Charges for Services	380,393	5,569	-	-	385,962
Internal service fees	518,725	-	-	-	518,725
Fines and forfeitures	41,529	-	-	-	41,529
Rent and lease	14,453	-	78,412	-	92,865
Interest	4,461	-	1,263	-	5,724
Miscellaneous	141,678	8,967	-	-	150,645
Total revenues	3,601,710	526,465	147,251	-	4,275,425
EXPENDITURES					
Administrative	740,717	-	-	-	740,717
Building and planning	70,455	-	-	-	70,455
EMS	1,156,939	-	-	-	1,156,939
Library	43,952	-	-	-	43,952
Municipal Court	79,198	-	-	-	79,198
Parks	115,999	-	-	-	115,999
Police	1,078,538	-	-	-	1,078,538
Willamette Activity Center (WAC)	25,083	-	-	-	25,083
Street program	-	418,805	-	-	418,805
Oakridge Industrial Park	-	-	287,171	-	287,171
General Government	146,538	-	-	-	146,538
Capital outlay	-	-	135,000	-	135,000
Total expenditures	3,457,419	418,805	422,171	-	4,298,395
Excess of revenues over (under) expenditures and net change in fund balance	144,291	107,660	(274,920)	-	(22,970)

The accompanying notes are an integral part of these statements.

City of Oakridge

Statement of Revenues, Expenditures and Changes in Fund Balances - Modified Cash Basis
 Governmental Funds (Page 2 of 2)
 For the Year Ended June 30, 2022

	General Fund	Street Fund	Industrial Park Fund	Other Gov't'l Funds	Total Gov't'l Funds
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of assets held for sale	-	-	348,850	-	348,850
Proceeds from loan repayments	-	-	161	-	161
Interfund loan payments	(385,000)	-	-	-	(385,000)
Transfers in	-	8,076	-	-	8,076
Transfers out	(108,076)	-	-	-	(108,076)
Total other financing sources (uses)	(493,076)	8,076	349,011	-	(135,989)
Net change in fund balance	(348,785)	115,736	74,091	-	(158,959)
Beginning fund balance	481,990	173,279	570,865	149,723	1,375,857
Change in accounting method	164,422	(42,517)	16,600	-	138,505
Ending fund balance	297,627	246,498	661,555	149,723	1,355,403

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities for Governmental Activities

Net change in fund balance of total governmental funds	\$ (158,959)
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets are depreciated over the estimated useful lives:	135,000
Current year depreciation expense	(173,344)
Principal payments are recognized as changes to long term liabilities in governmental activities. Additionally other changes in long-term payables are recognized as expenses.	11,979
Eliminate transfers between governmental funds presented together as governmental activities: \$8,076	no net effect
Change in net position of governmental activities	(185,324)

The accompanying notes are an integral part of these statements.

City of Oakridge
Statement of Net Position - Modified Cash Basis
Proprietary Funds
June 30, 2022

	Major Funds		Nonmajor Stormwater Fund	Total Proprietary
	Water Fund	Wastewater Fund		
ASSETS				
Cash and equivalents	\$ 504,193	\$ 422,029	\$ 61,502	\$ 987,723
Restricted cash and equivalents	-	100,000	-	100,000
Capital Assets, not being depreciated				
Land and land improvements	6,300	-	14,000	20,300
Capital assets, net of accumulated depreciation				
Buildings and improvements, net	218,428	614,997	27,679	861,104
Vehicles and equipment, net	81,154	30,414	4,086	115,654
Infrastructure, net	5,124,861	93,360	66,430	5,284,651
Total capital assets	<u>5,430,743</u>	<u>738,771</u>	<u>112,195</u>	<u>6,281,709</u>
Total assets	<u>5,934,936</u>	<u>1,260,800</u>	<u>173,697</u>	<u>7,369,432</u>
LIABILITIES				
Accrued interest payable	28,362	4,665	-	33,027
Notes payable				
Due within one year	180,283	10,000	-	190,283
Due in more than one year	4,035,717	150,000	-	4,185,717
Total liabilities	<u>4,244,363</u>	<u>164,665</u>	<u>-</u>	<u>4,409,028</u>
NET POSITION				
Net investment in capital assets	1,221,208	578,771	112,195	1,912,174
Restricted for grants	-	100,000	-	100,000
Unrestricted	469,366	417,364	61,502	948,231
Total net position	<u>1,690,573</u>	<u>1,096,135</u>	<u>173,697</u>	<u>2,960,405</u>

The accompanying notes are an integral part of these statements.

City of Oakridge
Statement of Revenues, Expenses and Changes in Net Position - Modified Cash Basis
Proprietary Funds
For the Year Ended June 30, 2022

	Major Funds			Total Proprietary
	Water Fund	Wastewater Fund	Nonmajor Stormwater Fund	
OPERATING REVENUES				
Charges for services	\$ 1,002,536	\$ 663,813	\$ 26,566	\$ 1,692,915
Rent and lease	4,425	-	-	4,425
Miscellaneous	2,531	5,106	-	7,638
Total Revenues	1,009,492	668,919	26,566	1,704,977
OPERATING EXPENSES				
Water Utility	566,590	-	-	566,590
Wastewater Utility	-	665,967	-	665,967
Stormwater Utility	-	-	3,000	3,000
Contingency	5,499	5,499	-	10,997
Depreciation	138,783	34,432	5,775	178,990
Total Expenditures	710,871	705,898	8,775	1,425,544
Operating income (loss)	298,621	(36,979)	17,791	279,434
NONOPERATING REVENUES (EXPENSES)				
Interest expense	(51,932)	(9,610)	-	(61,542)
Proceeds from repayment of interfund loan	255,000	130,000	-	385,000
Transfers in	-	100,000	-	100,000
Total nonoperating revenues (expenses)	203,068	220,390	-	423,458
Income (loss) after nonoperating activity and change in net position	501,689	183,411	17,791	702,892
Beginning fund balance	982,731	743,287	158,900	1,884,918
Change in accounting method	206,153	169,436	(2,994)	372,595
Ending fund balance	1,690,573	1,096,134	173,697	2,960,404

The accompanying notes are an integral part of these statements.

City of Oakridge
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2022

	Major Funds			Total Proprietary
	Water Fund	Wastewater Fund	Nonmajor Stormwater Fund	
CASH FLOW FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 1,009,492	\$ 668,919	\$ 26,566	\$ 1,704,977
Cash paid for employee payroll	(507,948)	(542,624)	-	(1,050,572)
Cash paid to suppliers	(60,466)	(124,176)	(3,000)	(187,642)
Net cash provided by (used for) operating activities	<u>441,078</u>	<u>2,119</u>	<u>23,566</u>	<u>466,763</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Cash paid for debt service principal	(178,585)	(10,000)	-	(188,585)
Cash paid for debt service interest	(51,932)	(9,610)	-	(61,542)
Acquisition of capital assets	(65,000)	-	-	(65,000)
Net cash provided by (used for) capital activities	<u>(295,517)</u>	<u>(19,610)</u>	<u>-</u>	<u>(315,127)</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Cash collected on outstanding interfund loans	255,000	130,000	-	385,000
Cash transferred from other funds	-	100,000	-	100,000
Net cash provided by (used for) noncapital activities	<u>255,000</u>	<u>230,000</u>	<u>-</u>	<u>485,000</u>
Net increase (decrease) in cash	400,561	212,509	23,566	636,636
Beginning cash balance	149,870	329,686	40,930	520,486
Change in accounting method	(46,238)	(20,166)	(2,994)	(69,398)
Total ending cash balance	<u>504,193</u>	<u>522,029</u>	<u>61,502</u>	<u>1,087,723</u>
Ending restricted cash	-	100,000	-	100,000
Ending unrestricted cash	504,193	422,029	61,502	987,723
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	298,621	(36,979)	17,791	279,434
Adjustments to reconcile:				
Depreciation of capital assets	138,783	34,432	5,775	178,990
Change in accrued interest payable	3,674	4,665	-	8,339
Net cash provided by (used for) operating	<u>441,078</u>	<u>2,119</u>	<u>23,566</u>	<u>466,763</u>

The accompanying notes are an integral part of these statements.

City of Oakridge
Notes to the Financial Statements
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE FINANCIAL REPORTING ENTITY

The City of Oakridge is a municipal corporation governed by a mayor and an elected council who comprise the City Council. The daily functioning is under the supervision of the City Administrator. As required by Generally Accepted Accounting Principles, all activities of the City have been included in these basic financial statements.

The basic financial statements include all financial activities, organizations, and functions for which the City Council has financial accountability as defined by GASB Statement No. 61. The financial reporting entity consists of (a) the primary government (City), and (b) organizations for which the City is financially accountable. The City does not have any reportable component units, legally separate organizations for which the elected officials of the City are financially accountable

BASIC FINANCIAL STATEMENTS

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

Government-wide financial statements display information about the City as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the City 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 and the Statement of Activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental or proprietary. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major 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 supplementary information.

BASIS OF PRESENTATION

The financial transactions are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund balances, revenues and expenditures/expenses.

There are stated minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. Management can designate a fund as major even if it does not meet these criteria. Non-major funds are combined in one column in the fund financial statements and detailed in the supplementary section.

These are the major governmental funds:

General Fund - This fund accounts for all financial resources and expenditures, except those required to be accounted for in another fund. The principal revenue sources are property taxes, franchise fees, fines and forfeitures, planning fees, charges for services and interest on investments. As of fiscal year 2022, the fund includes the operation of the following subfund that are rolled together for presentation:

Emergency Services Fund - This fund is a combination of the ambulance and fire departments. Costs are paid primarily from ambulance user charges and a transfer from the general fund.

Street Fund - This special revenue fund accounts for the maintenance, construction or reconstruction of streets and sidewalks. These costs are paid primarily from moneys received pursuant to the State of Oregon Gas Tax Apportionment, from Lane County road funds and Lane Electric franchise fees.

Oakridge Industrial Park Fund – This capital project fund accounts for the maintenance, sale and operation of the Oakridge Industrial Park.

These are the major proprietary funds:

Water Fund - This fund accounts for the revenues and expenses of the water utility. The primary revenue source is fees for services.

Wastewater Fund - This fund accounts for the revenues and expenses of the sewer utility. The primary revenue source is fees for services.

Interfund activities between governmental funds appear as other resources and other uses on the Modified Cash Basis Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Funds. All interfund transactions between governmental funds are eliminated.

BASIS OF ACCOUNTING

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to the report in the statements of net position or balance sheets cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include capital assets and related depreciation and short-term and long-term liabilities arising from cash transactions or events. This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenue (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 or 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.

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

MEASUREMENT FOCUS

In the government-wide Statement of Net Position and the Statement of Activities, the governmental activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as subsequently defined in item (b).

In the fund financial statements, the current financial resources measurement focus is applied to the modified cash basis of accounting using:

- a. All governmental funds utilize a current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial asset 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 economic resources measurement focus within the limitations of the modified cash basis of accounting is used in the government wide-statement of Net Position and the Statement of Activities. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery) and financial position. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.

BUDGETS

A budget is prepared for all funds in accordance with a cash basis of accounting and legal requirements set forth in the Oregon Local Budget Law. The budget process begins early in each fiscal year with the establishment of the Budget Committee. Recommendations are developed through late winter with the Budget Committee approving the budget in early spring. Public notices of the budget hearing are published generally in early spring with a public hearing being held approximately three weeks later. The Council may amend the budget prior to adoption; however, budgeted expenditures for each fund may not be increased by more than ten percent. The budget is then adopted, appropriations are made and the tax levy declared no later than June 30th.

Expenditure budgets are allocated to, and appropriated by, program or organizational unit when possible. Expenditure budgets that are not allocated to a program or organizational unit are appropriated at the following levels of control: Debt Service, Contingency, and Transfers Out.

The General Fund and some other funds are appropriated at the department level along with transfers and contingencies. Expenditures cannot legally exceed the above appropriation levels except in the case of grants which could not be estimated at the time of budget adoption. Appropriations lapse at the fiscal year-end. Management may amend line items in the budget without Council approval as long as appropriation levels (the legal level of control) are not changed. Supplemental appropriations may occur if the City Council approves them due to a need which exists which was not determined at the time the budget was adopted.

Budget amounts shown in the basic and supplemental financial statements reflect the original appropriations and supplemental appropriations if they occur.

ESTIMATES

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

Cash and cash equivalents

For the purpose of the statement of cash flows, the City's cash and cash equivalents include all cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. All short-term cash surpluses are maintained in savings accounts and the Local Government Investment Pool. 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.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Additions or improvements and other capital outlays that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

City capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Class</u>	<u>Useful Life</u>
Land	Indefinite
Buildings and improvements	20-30 years
Infrastructure	33-50 years
Equipment and vehicles	10 years

Assets held for sale

Various properties located in the Oakridge Industrial Park are currently held for sale/lease by the City.

Grants

Unreimbursed expenditures due from grantor agencies are reflected in the basic financial statements as receivables and revenues. Grant revenues are recorded at the time eligible expenditures are incurred. Cash received from grantor agencies in excess of related grant expenditures is recorded as a liability in the balance sheet and statement of net position.

Net position

Net position comprises the various net earnings from operations, non-operating revenues, expenses and contributions of capital. Net position is classified in the following three categories.

Net investment in capital assets - consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted - consists of external constraints placed on asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - consists of all other assets that are not included in the other categories previously mentioned.

Fund Balances

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund-type Definitions, is followed. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications are non-spendable, restricted, committed, assigned, and unassigned.

Non-spendable represents amounts that are not in a spendable form.

Restricted represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation). For fiscal year 2022, the restricted balances in the General Fund represent the grant funds on hand that are restricted for purposes specified by the awarding agency.

Committed represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.

Assigned represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body. The authority to classify portions of ending fund balances as assigned has been granted to the City Administrator.

Unassigned is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as Unassigned.

The order of spending regarding fund balance categories is as follows: restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and unassigned.

Fair Value Inputs and Methodologies and Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity.

Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based upon the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

Level 1 - unadjusted price quotations in active markets/exchanges for identical assets or liabilities that each Fund has the ability to access

Level 2 - other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates) or other market-corroborated inputs)

Level 3 - unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including each Fund's own assumptions used in determining the fair value of investments)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

NOTE 2 – DEPOSITS AND INVESTMENTS

Investments are reported at fair value. Deposits and investments by type at December 31, 2022 are as follows (investments are maturities of less than 3 months):

Type of Deposit or Investment	City's own Deposits and Investments	Deposits and investments held by the City as custodian	Total
Bank deposits	1,944,767	-	1,944,767
Local Government Investment Pool (LGIP)	498,360	-	498,360
Total	2,443,127	-	

Deposits

Deposits with financial institutions include bank demand deposits. The total bank balance per the bank statements is covered by federal depository insurance up to \$250, and the remainder was collateralized by the Oregon Public Funds Collateralization Program (PFCP). Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the deposits may not be recovered. There is no deposit policy for custodial credit risk. As of June 30, 2021, all deposits are insured or at qualified institutions.

Investments

Policy is to follow state statutes governing cash management. Statutes authorize investing in banker's acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool.

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, which establish diversification percentages and specify the types and maturities of investments.

The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The fund's compliance with all portfolio guidelines can be found in their annual report when issued. The LGIP seeks to exchange shares at \$1.00 per share; an 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. We intend to measure these investments at book value since it approximates fair value. The pool is comprised of a variety of investments. These investments are characterized as a level 2 fair value measurement in the Oregon Short Term Fund's audited financial report. Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. The audited financial reports of the Oregon Short Term Fund can be found here: [http://www.oregon.gov/treasurv/Divisions/Investment/Pages/Oregon-Short-Term-Fund-\(OSTF\).aspx](http://www.oregon.gov/treasurv/Divisions/Investment/Pages/Oregon-Short-Term-Fund-(OSTF).aspx)

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. There are no investments that have a maturity date beyond three months.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the value of the deposit will not be recovered. There is no formal investment policy for custodial credit risk. All of the investments are with the LGIP. Oregon Revised Statutes do not limit investments as to credit rating for securities purchased from US Government Agencies or USGSE.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss due to a large portion of investments with a single issuer. To avoid incurring unreasonable risks inherent to over-investing in specific instruments or in individual financial institutions, the investment policy sets maximum limits on the percentage of the portfolio that can be invested in any one type of security. State statutes do not limit the percentage of investments in the LGIP. As of June 30, 2021, 100% of the investments were in the LGIP.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2022 was as follows:

	Beginning Balance	PPA to Beginning Balance	Additions & Transfers	Disposals & Transfers	Ending Balance
Non-depreciable Capital Assets					
Land and land improvements	850,560	-	-	-	850,560
Construction in progress	83,737	-	-	(83,737)	-
Total non-depreciable	934,297	-	-	(83,737)	850,560
Depreciable Capital Assets					
Buildings and improvements	2,110,617	-	83,737	-	2,194,354
Vehicles and equipment	1,913,614	-	135,000	-	2,048,614
Infrastructure	726,101,849	-	-	-	726,101,849
Total depreciable	730,126,080	-	218,737	-	730,344,817
Accumulated Depreciation					
Buildings and improvements	1,010,650	-	37,897	-	1,048,547
Vehicles and equipment	1,412,663	-	92,084	-	1,504,747
Infrastructure	725,731,988	-	46,933	-	725,778,921
Total accumulated depreciation	728,155,301	-	176,914	-	728,332,215
Net capital assets	2,905,077	-	41,823	(83,737)	2,863,162

Depreciation Expense for governmental activities is charged to the general government function.

Capital asset activity for business-type activities for the year ended June 30, 2022 was as follows:

	Beginning Balance	PPA to Beginning Balance	Additions	Disposals	Ending Balance
Non-depreciable Capital Assets					
Land and land improvements	20,300	-	-	-	20,300
Construction in progress	-	-	-	-	-
Total non-depreciable	20,300	-	-	-	20,300
Depreciable Capital Assets					
Buildings and improvements	1,815,372	-	-	-	1,815,372
Vehicles and equipment	645,082	-	65,000	-	710,082
Infrastructure	6,910,538	-	-	-	6,910,538
Total depreciable	9,370,991	-	65,000	-	9,435,991
Accumulated Depreciation					
Buildings and improvements	920,193	-	34,074	-	954,267
Vehicles and equipment	579,627	-	14,801	-	594,429
Infrastructure	1,495,772	-	130,114	-	1,625,887
Total accumulated depreciation	2,995,593	-	178,990	-	3,174,582
Net capital assets	6,395,698	-	(113,990)	-	6,281,708

NOTE 4 -LONG-TERM DEBT

In the following section, long-term debt information is presented separately with respect to governmental and business-type activities. The table below presents current year changes in those obligations, and the current portions due for each issue.

Issue	Interest Rates	Outstanding July 1, 2021	Issued	Matured and Redeemed	Outstanding June 30,2022	Due Within One Year
Governmental						
Capital lease - Motorola	3.89%	\$ 55,762	\$ -	\$ 13,153	\$ 42,609	\$ 13,665
Total Governmental		55,762	-	13,153	42,609	13,665
Business-type						
OECD Water Loan (Water Fund)	1.00%	2,030,710	-	101,990	1,928,719	103,010
IFA Safe Drinking Water Loan (Water Fund)	1.00%	2,186,172	-	65,356	2,120,816	66,009
IRA New Source Well Study (Water Fund)	1.99%	7,703	-	1,239	6,465	1,264
2009 Series LOCAP Bonds (Water Fund 50%)	1.25-6.00%	170,000	-	10,000	160,000	10,000
2009 Series LOCAP Bonds (Wastewater Fund 50%)	1.25-6.00%	170,000	-	10,000	160,000	10,000
Total Business-type		4,564,585	-	188,585	4,376,000	190,283

Governmental Activities

Capital Lease - Motorola - In October 2017, the City executed a City-wide lease for cell phone equipment. The original capital lease liability for governmental activities was \$88,744, which will be paid over six (6) years at 3.89% starting October 2018. Future annual requirements are as follows:

	Principal	Interest	Total
2023	\$ 13,665	\$ 1,657	\$ 15,322
2024	14,196	1,126	15,322
2025	14,748	574	15,322
	42,609	3,357	45,966

Business-Type Activities

OECD Loan - Proceeds from this loan were used to improve the water systems and the quality of the drinking water in the City. The total amount of the original loan was \$3,406,383, but the City was granted \$250,000 in loan forgiveness. The loan repayment term is 30 years with an interest rate of 1.00%. Future annual requirements are as follows:

	Principal	Interest	Total
2023	\$ 103,010	\$ 19,287	\$ 122,297
2024	104,040	18,257	122,297
2025	105,080	17,217	122,297
2026	106,131	16,166	122,297
2027	107,193	15,105	122,297
2028-2032	552,258	59,228	611,486
2033-2037	580,428	31,057	611,486
2038-2040	270,578	4,518	275,096
	1,928,719	180,834	2,109,553

Under the terms of the OECD loan and related Promissory Notes, the City pledges in full faith and credit and taxing power within the Oregon Constitution to pay amounts due. Amounts due OECD are payable from all legally available funds of the City including the net revenues of the water system. Event of default include 1) failing to make loan payments when due, 2) failing to make required payments on any other loan made by the State of Oregon or any other Financing Document if the default is not cured within the grace period, 3) proceedings or petitions filed by or against the City under bankruptcy or insolvency laws and similar actions such as appointment of a receiver, and 4) failure of the City's governing body to appropriate sufficient funds to fully fund all of its obligations to make loan repayments. In the event of default of OECD may 1) declare the Note due and any other amounts due and payable immediately, 2) foreclose liens or security interests, 3) bar the City from future awards, or 4) the State of Oregon may withhold amounts otherwise due the City and apply them to payments due under these loans.

IFA Safe Drinking Water Loan - In December 2015 the City entered in to a financing contract (the Contract) with the Infrastructure Financing Authority. Proceeds from the loan are being used for the 2017 Water Improvement Project, a project that is expected to be completed in the upcoming fiscal year. The total amount of the original loan was \$2,653,000 evidenced by two Promissory Notes (the Notes). Upon completion of the project and satisfaction of certain other conditions, \$765,000 of the loan was forgiven.

The City received an extension of the loan beyond the original completion date of December 2018 and received an additional \$340,000 in loan proceeds from IFA to fund payments agreed to under mediation with contractors on the project primarily related to contractor claims of extra costs incurred by the contractors based on conditions occurring during construction.

The loan repayment term is 30 years with an interest rate of 1.00%. Repayment of principal on the loan is expected to begin in December, 2020 based on the extension of the loan and final draws under the original Contract. Future annual requirements are as follows:

	Principal	Interest	Total
2023	\$ 66,009	\$ 21,208	\$ 87,217
2024	66,669	20,548	87,217
2025	67,336	19,881	87,217
2026	68,009	19,208	87,217
2027	68,689	18,528	87,217
2028-2032	353,889	82,198	436,087
2033-2037	371,941	64,146	436,087
2038-2042	390,914	45,173	436,087
2043-2047	410,854	25,233	436,087
2048-2050	256,505	5,147	261,652
	2,120,816	321,270	2,442,086

Under the terms of the Contract with IFA and related Promissory Notes and City pledges its full faith and credit and taxing power within the Oregon Constitution to pay amounts due. Amounts due IFA are payable from all legally available funds of the City including the net revenues of the water system. The City is required to maintain a debt service ratio in the Water Fund on an annual basis based on the ratio of net operating revenue to debt service requirements on the IFA loans, debt senior to the IFA loans and certain other types of debt obligations.

Events of default include 1) failing to make loan payments when due, failing to make required payments on any other loan made by the State of Oregon or on any other Financing Document if the default is not cured within the grace period and 2) proceedings or petitions filed by or against the City under bankruptcy or insolvency laws and similar actions such as appointment of a receiver. In the event of default the IFA may terminate its obligation to make further payments under the Contract, declare the Note due and any other amounts due and payable immediately, foreclose liens or security interests or bar the City from future awards.

IFA New Source Well Feasibility Study Loan - In September 2020, the City entered in to a financing contract with the Infrastructure Financing Authority (IFA) to finance a feasibility study for a new source well. The Study was completed. The total amount of the contract was \$40,000, \$20,000 of which was a grant and \$20,000 of which was loan proceeds.

The loan repayment term is 6 years with an interest rate of 1.99%. The project is expected to be completed in Fall 2020, with repayment of principal beginning in December, 2020 based on the extension of the loan and draws under the original contract.

	Principal	Interest	Total
2023	\$ 1,264	\$ 129	\$ 1,393
2024	1,289	104	1,393
2025	1,315	78	1,393
2026	1,341	52	1,393
2027	1,256	25	1,281
	6,465	387	6,852

Under the terms of the Contract with IFA and related Promissory Notes the City pledges its full faith and credit and taxing power within the Oregon Constitution to pay amounts due. Amounts due IFA are payable from all legally available funds of the City including the net revenues of the water system. The recipient irrevocably pledges and grants to the lender a security interest in the net revenues to pay all of its obligations under this contract and the other financing documents. The City shall not incur, without the prior written consent of the lender, any obligation payable from or secured by a lien on and pledge of the net revenues that is on parity or superior to the lender's lien.

The City shall charge rates and fees in connection with the operation of the water system which, when combined with other gross revenues, are adequate to generate net revenues each fiscal year at least equal to one hundred twenty percent (120%) of the annual debt service due in the fiscal year on (i) the Loan; and (ii) any outstanding obligations payable from or secured by a lien on and pledge of net revenues that is on parity with the lender's lien.

Events of default include 1) failing to make loan payments when due, failing to make required payments on any other loan made by the State of Oregon or on any other Financing Document if the default is not cured within the grace period and 2) proceedings or petitions filed by or against the City under bankruptcy or insolvency laws and similar actions such as appointment of a receiver. In the event of default the lender may terminate its obligation to make further payments under the contract, declare the note due and any other amounts due and payable immediately, foreclose liens or security interests or bar the City from future awards.

2009A Series LOCAP Bonds - On June 18, 2009 the City entered into a purchase contract to participate in the League of Oregon Cities Cooperative Asset Financing Program Certificates of Participation, Series 2009A. This issue calls for annual repayments which include interest at 1.25 to 6%. Future annual debt service requirements to maturity for this bond issue are as follows:

	Principal	Interest	Total
2023	\$ 20,000	\$ 18,660	\$ 38,660
2024	20,000	17,540	37,540
2025	20,000	16,420	36,420
2026	25,000	15,300	40,300
2027	25,000	13,900	38,900
2028-2032	140,000	47,000	187,000
2033-2034	70,000	6,260	76,260
	320,000	135,080	455,080

Under the terms of the Contract and related Financial Agreement events of default include 1) failing to make loan payments when due and 2) proceedings or petitions filed by or against the City under bankruptcy or insolvency laws and similar actions such as appointment of a receiver. In the event of default the Trustee may 1) without terminating the agreement declare payable all installment payments past due or due until the end of the City's current budget year and 2) terminate the Agreement or accelerate all outstanding payments past due requiring the City to defease the agreement in its entirety.

NOTE 5 - RISK MANAGEMENT

There is exposure to various risks of loss related to torts; theft of, damage to, and destruction of assets; and omissions; injuries to employees; and natural disasters. Commercial insurance is purchased to minimize its exposure to these risks. Settled claims have not exceeded this commercial coverage for the past three fiscal years.

Note 6 - INTERFUND TRANSFERS AND BALANCES

Transfers were made during the year to fund operations and reserves. Transfers balances are comprised as follows:

Transfer in	Transfer out
	General
Emergency	665,000
Wastewater	100,000
Total	766,826

There were no new interfund loans made during FY 2022. Interfund were repaid during the year for previous loans used to fund operations and capital outlay. Those repayments were:

Interfund loan repayment	Interfund loan payments
	General
Water	255,000
Wastewater	130,000
	385,000

There are two interfund loans outstanding as of June 30, 2022., made from the General fund to Water and Wastewater of \$4,500 each during fiscal year 2019. Because of the modified-cash presentation, this loan is not reported don the face of the statements.

NOTE 7 -PROPERTY TAX LIMITATIONS

The State of Oregon has a constitutional limit on property taxes for schools and non-school government operations. The limitation provides that property taxes for non-school operations are limited to \$10.00 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt. An additional limit reduces the amount of operating property tax revenues available. This reduction was accomplished by rolling property values for 1997-98 back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The Constitution also sets restrictive voter approval requirements for most tax and many fee increases and new bond issues.

NOTE 8 – SUBSEQUENT EVENTS

During fiscal year 2022 the COVID-19 outbreak in the United States was still ongoing and had caused disruption to business and local governments due to mandated and voluntary suspension of operations and stay at home orders. There is considerable uncertainty around the duration of the outbreak and the long-term impact to the overall economy. As of April 1, 2022, the Oregon governor issued an executive order ending COVID-19 emergency orders. The impact on the City’s overall operations is indeterminable.

NOTE 9 - CHANGE IN ACCOUNTING METHOD

For fiscal year 2022, the City converted from full accrual to modified-accrual for financial statement presentation. As a result the beginning balances for the basic financial statements were restated to reflect prior year ending cash per third party bank and investment records. This adjustment is also reflected on the required and other supplementary information.

At governmentwide, the impact was a \$436,377 and \$372,595 increase to the governmental and business-type activities respectively.

NOTE 10 – GOING CONCERN

The General Fund has had relatively low fund balances over the recent fiscal years, compared to cash flow needed to meet current obligations. Of the current and previous two fiscal years, the entire fund’s balances have been comprised of:

General Fund	Ending Fund Balance	Comprised of:
2020	\$6,140	Unassigned funds
2021	\$323,610	All available cash is the result of interfund loans to be paid within one year
2022	\$144,695	All available cash is the result of pre-paid grant funding that is restricted in use by the awarding agency

The City has a goal to keep increasing the unappropriated ending fund balance to get to the point where the City has at least six months’ worth of reserves to start each year. With the help of key management and the Budget Committee, a policy will be established to add additional funds to this balance each year until this goal is achieved.

The City intends to increase revenue and reduce expenditures during the current fiscal year to increase the General Fund balance by considering implementing the following measures:

- Increase fees for facility rentals, planning services, etc. (new fee schedule approved June 30, 2023)
- Use State Legislature funding for upkeep of the WAC during remodeling (WAC budget now \$0)
- Install LED lights & energy efficient windows on city buildings to reduce power bills
- Install solar panels on the WAC, city hall, and other City buildings to reduce power bills
- Collect business, alcohol, and tobacco license fees on businesses not paying
- Consider a \$432,000+ offer from Towerpoint to lease the radio tower in the OIP for 99 years
- Sell surplus properties (3 sales totaling \$482,000 approved July 2023)
- Sell surplus vehicles and equipment
- Adding franchise fees to utility bills
- Switch police/fire dispatch services from LCSO to Junction City (estimated \$43,769 annual savings)
- Increase grant applications
- Audit (for duplications) and trim insurance coverages
- Receive FEMA Cedar Creek Fire reimbursement funds (expected fall of 2023)

- Seek corporate sponsorship for Greenwaters Park Amphitheater
- Begin charging system development charges (SDCs)
- Begin taxing and/or requiring business licenses on short term rental properties
- Raise the local gas tax
- Adding "training fees" for ambulance transports & police citations
- Start community paramedicine/mobile integrated health programs to reduce ambulance transports
- Increase FireMed memberships and price
- Start fire department participation in state conflagrations (wildfires)
- Begin billing for fire department responses outside of our fire district
- Begin billing for non-emergency EMS services, such as lift assists
- Contract with a collections agency to collect unpaid Municipal Court fines
- Install photo radar and stop light cameras
- Include the PSF bill with the City's water bills to reduce mail costs (estimated savings \$12,340)
- Place liens on condemned properties
- Workers Compensation policy has been reduced by \$11,669 (as of 5/30/23)
- Use eBay, Amazon, and other online retailers to purchase equipment and supplies at lower prices

These planned actions are expected to enable the government to continue operating and meeting its obligations as they come due.

City of Oakridge, Oregon
Required Supplementary Information
June 30, 2022

City of Oakridge

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Budgetary Basis
General Fund (Page 1 of 2)
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance Over (Under) Budget
REVENUES				
Property taxes	\$ 1,124,600	\$ 1,124,600	\$ 1,180,755	\$ 56,155
Other miscellaneous taxes	146,100	146,100	108,363	(37,737)
Franchise fees	190,000	190,000	212,306	22,306
Planning fees	1,000	1,000	2,155	1,155
License and permit fees	60,000	60,000	58,247	(1,753)
Public safety fees	475,000	475,000	184,729	(290,271)
Other miscellaneous fees	20,900	20,900	11,212	(9,688)
Grants and donations	405,496	405,496	502,478	96,982
Intergovernmental shared revenues	51,100	51,100	76,021	24,921
Intergovernmental charges for services	69,963	69,963	77,888	7,925
Internal service fees	527,550	527,550	518,725	(8,825)
Fines and forfeitures	42,000	42,000	41,529	(471)
Rent and lease	10,667	10,667	14,453	3,786
Interest	6,600	6,600	4,390	(2,210)
Miscellaneous	8,820	8,820	110,563	101,743
Total revenues	3,139,796	3,139,796	3,103,813	(35,983)
EXPENDITURES				
Administrative	758,792	758,792	740,717	(18,075)
Building and planning	96,800	96,800	70,455	(26,345)
Library	30,750	30,750	43,952	13,202
Municipal Court	77,865	77,865	79,198	1,333
Parks	66,600	66,600	115,999	49,399
Police	1,112,090	1,112,090	1,078,538	(33,552)
Willamette Activity Center (WAC)	36,025	36,025	25,083	(10,942)
Outlay	-	-	(0)	(0)
General Government	45,900	45,900	146,538	100,638
Contingency	4,000	4,000	-	(4,000)
Total expenditures	2,228,822	2,228,822	2,300,480	71,658
Excess of revenues over (under) expenditures and net change in fund balance	910,974	910,974	803,334	(107,640)

City of Oakridge

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
 Budgetary Basis
 General Fund (Page 2 of 2)
 For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance Over (Under) Budget
OTHER FINANCING SOURCES (USES)				
Interfund loan payments	(405,297)	(405,297)	(385,000)	(20,297)
Transfers in	-	-	21,318	21,318
Transfers out	(565,000)	(565,000)	(765,000)	200,000
Total other financing sources (uses)	(970,297)	(970,297)	(1,128,682)	201,021
Net change in fund balance	(59,323)	(59,323)	(325,348)	93,381
Beginning fund balance	60,000	60,000	323,610	263,610
Change in accounting method	-	-	146,432	(146,432)
Ending fund balance	677	677	144,694	210,559

Reconciliation to modified-cash presentation

Inclusion of Emergency Services Fund ending fund balance as it will be included as a subfund to the General Fund going forward	152,934
Eliminate the transfer out to the Emergency Services Fund	565,000
Eliminate the corresponding transfer in that was included Emergency Services Fund ending fund balance	(565,000)
Inclusion of Woodstove Replacement Fund change in fund balance as it historically has been included as a subfund to the General Fund	(21,318)
Eliminate the transfer in/out from the Woodstove replacement fund as it has historically been included as a subfund to the General Fund	21,318
	297,627

City of Oakridge

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Budgetary Basis
Street Fund
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance Over (Under) Budget
REVENUES				
Charges for services	\$ 3,100	\$ 3,100	\$ 5,569	\$ 2,469
License and permit fees	90,000	90,000	70,905	(19,095)
Intergovernmental shared revenues	233,000	409,530	437,861	28,331
Assessments	4,400	4,400	3,163	(1,237)
Miscellaneous	11,500	11,500	8,967	(2,533)
Total revenues	342,000	518,530	526,465	7,935
EXPENDITURES				
Street program	327,530	504,060	418,805	(85,255)
Contingency	6,470	6,470	-	(6,470)
Total expenditures	334,000	510,530	418,805	(91,725)
Excess of revenues over (under) expenditures and net change in fund balance	8,000	8,000	107,660	99,660
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	8,076	8,076
Total Other Financing Sources (Uses)	-	-	8,076	8,076
Net change in fund balance	8,000	8,000	115,736	107,736
Beginning fund balance	92,000	92,000	173,279	81,279
Change in accounting method	-	-	(42,517)	(42,517)
Ending fund balance	100,000	100,000	246,498	146,498

City of Oakridge, Oregon

Supplementary Information

June 30, 2022

City of Oakridge
Combining Statements - Modified Cash Basis
Nonmajor Governmental Funds
June 30, 2022

COMBINING BALANCE SHEET

As of June 30, 2022

	Capital Project Funds	Debt Service Funds	Total Other Gov't'l Funds
	Water Capital Reserve Fund	Water Bond Reserve Fund	
ASSETS			
Cash and cash equivalents	\$ 29,040	\$ -	\$ 29,040
Restricted assets			
Cash and cash equivalents	-	120,683	120,683
Total assets	29,040	120,683	149,723
FUND BALANCE			
Restricted	-	120,683	120,683
Assigned	29,040	-	29,040
Total fund balance	29,040	120,683	149,723
 Total liabilities and fund balance	 29,040	 120,683	 149,723

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2022

	Capital Project Funds	Debt Service Funds	Total Other Gov't'l Funds
	Water Capital Reserve Fund	Water Bond Reserve Fund	
REVENUES	\$ -	\$ -	\$ -
 EXPENDITURES	 -	 -	 -
Excess of revenues over (under) expenditures and net change in fund balance	-	-	-
 OTHER FINANCING SOURCES (USES)	 -	 -	
Transfers out			
Total Other Financing Sources (Uses)	-	-	-
 Beginning fund balance	 29,040	 120,683	 149,723
Ending fund balance	29,040	120,683	149,723

City of Oakridge
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Budgetary Basis
Industrial Park Fund
(Major Capital Project Fund)
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance Over (Under) Budget
REVENUES				
Grants and donations	\$ -	\$ -	\$ 67,575	\$ 67,575
Rent and lease	77,000	77,000	78,412	1,412
Interest	1,600	1,600	1,263	(337)
Miscellaneous	500	500	-	(500)
Total Revenues	79,100	79,100	147,251	68,151
EXPENDITURES				
Oakridge Industrial Park	95,640	95,640	287,171	191,531
Capital outlay	135,000	135,000	135,000	-
Contingency	40,000	40,000	-	(40,000)
Total Expenditures	270,640	270,640	422,171	151,531
Excess of revenues over (under) expenditures and net change in fund balance	(191,540)	(191,540)	(274,920)	(83,380)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets held for sale	-	-	348,850	348,850
Proceeds from loan repayments	11,000	11,000	161	(10,839)
Total Other Financing Sources (Uses)	11,000	11,000	349,011	338,011
Net change in fund balance	(180,540)	(180,540)	74,091	254,631
Beginning fund balance	457,000	457,000	570,865	113,865
Change in accounting method	-	-	16,600	16,600
Ending fund balance	276,460	276,460	661,555	385,095

City of Oakridge
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Budgetary Basis
Emergency Medical Services Fund
(Special Revenue Subfund)
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance Over (Under) Budget
REVENUES				
Intergovernmental charges for services	95,630	95,630	86,318	(9,312)
Charges for Services	520,000	520,000	380,393	(139,607)
Interest	-	-	71	71
Miscellaneous	2,000	2,000	31,100	29,100
Total revenues	617,630	617,630	497,882	(119,748)
EXPENDITURES				
EMS	1,182,030	1,182,030	1,156,939	(25,091)
Total expenditures	1,182,030	1,182,030	1,156,939	(25,091)
Excess of revenues over (under) expenditures and net change in fund balance	(564,400)	(564,400)	(659,057)	(94,657)
OTHER FINANCING SOURCES (USES)				
Transfers in	565,000	565,000	665,000	100,000
Total Other Financing Sources (Uses)	565,000	565,000	665,000	100,000
Net change in fund balance	600	600	5,943	5,343
Beginning fund balance	-	-	129,001	129,001
Change in accounting method	-	-	17,990	17,990
Ending fund balance	600	600	152,934	152,334
<u>Reconciliation to modified-cash presentation</u>				
Inclusion of EMS fund in presentation of the General Fund			(152,934)	

City of Oakridge

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Budgetary Basis

Woodstove Replacement Fund (Special Revenue Subfund) For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance Over (Under) Budget
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 15	\$ 15
Total Revenues	15	15	15	-
Excess of revenues over (under) expenditures and net change in fund balance	-	-	15	15
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(21,318)	(21,318)
Total Other Financing Sources (Uses)	-	-	(21,318)	(21,318)
Net change in fund balance	-	-	(21,303)	(21,303)
Beginning fund balance	17,312	17,312	21,303	3,991
Ending fund balance	17,312	17,312	-	(17,312)
<u>Reconciliation to modified-cash presentation</u>				
Inclusion of Woodstove Replacement fund in presentation of the General Fund			-	
			-	

City of Oakridge
 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
 Budgetary Basis
 Bicycle/Pedestrian Path Fund
 (Special Revenue Subfund)
 For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance Over (Under) Budget
EXPENDITURES				
Contingency	\$ 10,076	\$ 10,076	\$ -	\$ (10,076)
Total Expenditures	<u>10,076</u>	<u>10,076</u>	-	<u>(10,076)</u>
Excess of revenues over (under) expenditures and net change in fund balance	(10,076)	(10,076)	-	10,076
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(8,076)	(8,076)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(8,076)</u>	<u>(8,076)</u>
Net change in fund balance	(10,076)	(10,076)	(8,076)	2,000
Beginning fund balance	<u>8,076</u>	<u>8,076</u>	<u>8,076</u>	<u>-</u>
Ending fund balance	<u>(2,000)</u>	<u>(2,000)</u>	<u>-</u>	<u>2,000</u>
<u>Reconciliation to modified-cash presentation</u>				
Inclusion of Bicycle/Pedestrian Path Fund in presentation of the General Fund			<u>-</u>	
			-	

City of Oakridge

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
 Budgetary Basis
 Water Capital Reserve Fund
 (Nonmajor Capital Project Fund)
 For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance Over (Under) Budget
REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES	-	-	-	-
Excess of revenues over (under) expenditures and net change in fund balance	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 25,000	\$ 25,000	\$ -	\$ (25,000)
Total Other Financing Sources (Uses)	25,000	25,000	-	(25,000)
Net change in fund balance	25,000	25,000	-	(25,000)
Beginning fund balance	29,040	29,040	29,040	-
Ending fund balance	54,040	54,040	29,040	(25,000)

City of Oakridge
 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
 Budgetary Basis
 Water Bond Reserve Fund
 (Nonmajor Capital Project Fund)
 For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance Over (Under) Budget
REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES	-	-	-	-
Excess of revenues over (under) expenditures and net change in fund balance	-	-	-	-
OTHER FINANCING SOURCES (USES)	-	-	-	-
Beginning fund balance	120,683	120,683	120,683	-
Ending fund balance	120,683	120,683	120,683	-

City of Oakridge
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Budgetary Basis
Water Fund
(Major Enterprise Fund)
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance Over (Under) Budget
REVENUES				
Charges for services	\$ 1,057,200	\$ 1,057,200	\$ 1,002,536	\$ (54,664)
Rent and lease	-	-	4,425	4,425
Miscellaneous	2,500	2,500	2,531	31
PW overhead income	19,000	19,000	-	(19,000)
Total Revenues	1,078,700	1,078,700	1,009,492	(69,208)
EXPENDITURES				
Water Utility	610,435	610,435	562,916	(47,519)
Capital outlay	186,150	186,150	65,000	(121,150)
Debt Service				
Principal	151,813	151,813	178,585	26,772
Interest	77,230	77,230	51,932	(25,298)
Contingency	35,000	35,000	5,499	(29,502)
Total Expenditures	1,060,628	1,060,628	863,931	(196,697)
Excess of revenues over (under) expenditures and net change in fund balance	18,072	18,072	145,561	127,489
OTHER FINANCING SOURCES (USES)				
Proceeds from repayment of interfund loan	-	-	255,000	255,000
Transfers out	(25,000)	(25,000)	-	(25,000)
Total Other Financing Sources (Uses)	(25,000)	(25,000)	255,000	230,000
Net change in fund balance	(6,928)	(6,928)	400,561	357,489
Beginning fund balance	215,000	215,000	149,870	(65,130)
Change in accounting method	-	-	(46,238)	(46,238)
Ending fund balance	208,072	208,072	504,193	246,121
<u>Reconciliation to modified-cash presentation</u>				
Cumulative effect of capital assets, including additions and depreciation			5,430,742	
Cumulative effect of accrued interest payable			(28,362)	
Cumulative effect of long term liabilities, including principle payments and related change in accounting methods			(4,216,000)	
			1,690,573	

City of Oakridge
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Budgetary Basis
Wastewater Fund
(Major Enterprise Fund)
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance Over (Under) Budget
REVENUES				
Charges for services	725,400	725,400	663,813	(61,587)
Miscellaneous	2,500	2,500	5,106	2,606
PW overhead income	14,667	14,667	-	(14,667)
Total Revenues	742,567	742,567	668,919	(73,648)
EXPENDITURES				
Wastewater Utility	574,160	574,160	661,302	87,142
Capital outlay	210,050	210,050	-	(210,050)
Debt Service				
Principal	7,500	7,500	10,000	2,500
Interest	10,300	10,300	9,610	(690)
Contingency	35,000	35,000	5,499	(29,502)
Total Expenditures	837,010	837,010	686,410	(150,600)
Excess of revenues over (under) expenditures and net change in fund balance	(94,443)	(94,443)	(17,491)	76,952
OTHER FINANCING SOURCES (USES)				
Proceeds from repayment of interfund loan	-	-	130,000	130,000
Transfers in	-	-	100,000	100,000
Total Other Financing Sources (Uses)	-	-	230,000	230,000
Net change in fund balance	(94,443)	(94,443)	212,509	306,952
Beginning fund balance	265,000	265,000	329,686	64,686
Change in accounting method	-	-	(20,166)	(20,166)
Ending fund balance	170,557	170,557	522,029	351,472
<u>Reconciliation to modified-cash presentation</u>				
Cumulative effect of capital assets, including additions and depreciation			738,771	
Cumulative effect of accrued interest payable			(4,665)	
Cumulative effect of long term liabilities, including principle payments and related Change in accounting methods			(160,000)	
			1,096,134	

City of Oakridge
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Budgetary Basis
Stormwater Fund
(Nonmajor Enterprise Fund)
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance Over (Under) Budget
REVENUES				
Charges for services	\$ 29,050	\$ 29,050	\$ 26,566	\$ (2,484)
Total Revenues	29,050	29,050	26,566	(2,484)
EXPENDITURES				
Stormwater Utility	10,800	10,800	3,000	(7,800)
Contingency	20,000	20,000	-	(20,000)
Total Expenditures	30,800	30,800	3,000	(27,800)
Excess of revenues over (under) expenditures and net change in fund balance	(1,750)	(1,750)	23,566	25,316
Net change in fund balance	(1,750)	(1,750)	23,566	25,316
Beginning fund balance	40,000	40,000	40,930	930
Change in accounting method	-	-	(2,994)	(2,994)
Ending fund balance	38,250	38,250	61,502	23,252
<u>Reconciliation to modified-cash presentation</u>				
Cumulative affect of capital assets, including additions and depreciation			112,195	
			173,697	



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Honorable Mayor and Members of the City Council
City of Oakridge
Oakridge, OR 97463

We have audited, in accordance with auditing standards generally accepted by the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oakridge, 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 and have issued our report thereon dated July 24, 2023. As reported in the auditor's opinion on the financial statements, the City prepares its financial statements on the modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies 2022-1 described in the accompanying Schedule of Findings and Responses to be significant deficiencies.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. Except as noted below, the results of our tests disclosed no instances of noncompliance that are required to be reported under Governmental Auditing Standards.

In performing our audit of the financial statements, we identified significant and material noncompliance and lack of internal controls for the following areas. These have been included in the in the accompanying Schedule of Findings and Responses:

- Budget compliance and internal controls (2022-2)
- Cash management internal controls (2022-1)

The City's Response to Findings

The City's response was not subjected to auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of this Report

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



Hanford & Associates, LLC
West Richland, WA
July 24, 2023

Findings - Financial Statement & OMS Audits

Significant Deficiencies in Internal Controls Over Financial Reporting 2022-1

a) Preparation of Financial Statements

Criteria:

A complete system of internal control contemplates an adequate system for reporting and processing the financial statements.

Condition:

The City has elected not to have an internal control system designated to provide for the preparation of the financial statements and related footnotes being audited. As auditors, we were requested to draft the financial statements and accompanying notes.

Cause:

Due to cost and other considerations, the City requested we draft the financial statements and related footnotes.

Effect:

The control deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

Recommendation:

This circumstance is not unusual. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost of other considerations.

Views of Responsible Officials:

For the past several years, the city has elected to have the auditors draft our financial statements and related footnotes, as we simply do not have enough staff to separate the internal control duties and do not have enough money in the budget to hire an outside entity. We provided all requested information in order to have them prepared by the auditors.

b) Cash Management

Criteria:

Management is responsible for the oversight and maintenance of bank activity.

Condition:

The City of Oakridge did not follow established internal controls to complete bank reconciliations during the audit period. However, the majority of activity in the general ledger appeared reflective of bank activity.

Cause:

Due to turnover of key financial staff during and after the audit period, and previous financial staff being behind on bank reconciliations during preceding fiscal year, staff did not complete any reconciliations for fiscal year 2022 during the fiscal year.

Effect:

The control deficiency could result in a misstatement to the financial statements that would not be prevented or detected by City personnel.

Recommendation:

We recommend the City re-establish procedures to complete bank reconciliations in a timely manner throughout the year.

Views of Responsible Officials:

Due to finance staff turnover, the bank reconciliations were not completed in time for the FY 21-22 audit. We are currently up to February 2023 and intend to catch-up as soon as possible. Once we are caught-up, they will be done on a monthly basis to prevent misstatements in financial reporting. Additionally, city staff will keep the City Council updated by reporting on the progress in the Finance Director's monthly Finance Reports

Material Weaknesses in Internal Controls of Financial Reporting and Material Weaknesses for Oregon Minimum Standard Compliance 2022-2 Budgeting

Criteria:

The City must maintain internal controls over the budget process to comply with ORS 294, that are adequate to ensure financial reporting, and comply with applicable requirements.

Condition:

The City did not comply with the following requirements for the FY 2023 Budget Preparation:

- Budget committee meeting publications and the City Council notice of public budget hearings were not published in accordance with requirements:
 - While the City posts notices online, on the City Hall board and the library community board, we were unable to determine if they were posted within the required five to 30 day timeline due to their nature.
 - Notices must be published in at least one newspaper of general circulation, or provided by first class mail to each street address, or hand delivered to each street address within the jurisdictional boundaries. The City did not meet the requirements for alternative publication in ORS 294.448.
 - The City identified after yearend that the budget provided to the public in the notice was not the final version provided to the City Council.
- The estimate of beginning cash for the General Fund's ensuring year was not reasonable, per ORS 294.361, in comparison with the trial balance and history of the fund under budgetary basis.

The City did not comply with the following requirements for the FY 2022 Budget Compliance:

- Supplemental budget City Council notices of public budget hearings were not published in accordance with requirements:
 - While the City posts notices online, on the City Hall board and the library community board, we were unable to determine if they were posted within the required five to 30 day timeline due to their nature.

- Notices must be published in at least one newspaper of general circulation, or provided by first class mail to each street address, or hand delivered to each street address within the jurisdictional boundaries. The City did not meet the requirements for alternative publication allowed under ORS 294.448.
- The City did not hold a public hearing regarding the approved supplemental budget for the Street Fund, as required for supplemental activity that differs by 10% or more than the original budget per ORS 294.471.
- Two funds exceeded their appropriated expenditures during FY 2022:
 - General Fund – seven percent of expenditures and other financing uses exceeded the final budget.
 - Industrial Park Fund – 56% of expenditures and other financing uses exceeded the final budget.

Additionally, historically the General Fund has had a relatively low available balance. In fiscal year 2021 the ending balance was composed entirely of interfund loans due to be paid within one year. In fiscal year 2022 the ending balance was composed entirely of pre-paid grant funding that is limited in use by the awarding agency. As a result, the auditor has identified a going concern of governmental operations to continue for twelve months beyond the financial statement date. However, the substantial doubt of the going concern is considered alleviated by management's plans.

Cause:

Due to turnover of key financial staff during and after the audit period, the City did not complete additional supplemental budgets for FY 2022. The City was unaware they did not meet the requirements for alternative budget publication.

Effect:

The control deficiency could result in a continued going concern of the governmental financial condition, an imbalance of shared costs, using restricted and committed funds for unintended purposes, and noncompliance with OMS requirements.

Recommendation:

We recommend the City improve controls over the budget process and monitoring and consider establishing minimum fund balance requirements for key operating funds.

Views of Responsible Officials:

Regarding Notices

Proper notification and publication was not made for all budget hearings during the 2021-2022 budget cycle. This was an oversight due to staff turnover. From now on, all Budget Hearings will be properly noticed and published. This was achieved during the current (FY 23-24) budget cycle.

Regarding Fund Balance and Going Concern

The City has a goal to keep increasing the unappropriated ending fund balance to get to the point where the City has at least six months' worth of reserves to start each year. With the help of key management and the Budget Committee, a policy will be established to add additional funds to this balance each year until this goal is achieved.

The City intends to increase revenue and reduce expenditures during the current fiscal year to increase the General Fund balance by considering implementing the following measures:

- Increase fees for facility rentals, planning services, etc. (new fee schedule approved June 30, 2023)
- Use State Legislature funding for upkeep of the WAC during remodeling (WAC budget now \$0)
- Install LED lights & energy efficient windows on city buildings to reduce power bills
- Install solar panels on the WAC, city hall, and other City buildings to reduce power bills
- Collect business, alcohol, and tobacco license fees on businesses not paying
- Consider a \$432,000+ offer from Towerpoint to lease the radio tower in the OIP for 99 years
- Sell surplus properties (3 sales totaling \$482,000 approved July 2023)
- Sell surplus vehicles and equipment
- Adding franchise fees to utility bills
- Switch police/fire dispatch services from LCSO to Junction City (estimated \$43,769 annual savings)
- Increase grant applications
- Audit (for duplications) and trim insurance coverages
- Receive FEMA Cedar Creek Fire reimbursement funds (expected fall of 2023)
- Seek corporate sponsorship for Greenwaters Park Amphitheater
- Begin charging system development charges (SDCs)
- Begin taxing and/or requiring business licenses on short term rental properties
- Raise the local gas tax
- Adding "training fees" for ambulance transports & police citations
- Start community paramedicine/mobile integrated health programs to reduce ambulance transports
- Increase FireMed memberships and price
- Start fire department participation in state conflagrations (wildfires)
- Begin billing for fire department responses outside of our fire district
- Begin billing for non-emergency EMS services, such as lift assists
- Contract with a collections agency to collect unpaid Municipal Court fines
- Install photo radar and stop light cameras
- Include the PSF bill with the City's water bills to reduce mail costs (estimated savings \$12,340)
- Place liens on condemned properties
- Workers Compensation policy has been reduced by \$11,669 (as of 5/30/23)
- Use eBay, Amazon, and other online retailers to purchase equipment and supplies at lower prices



Independent Auditor's Report Required by Oregon State Regulation

Honorable Mayor and Members of the City Council
City of Oakridge
Oakridge, OR 97463

We have audited the basic financial statements of the City of Oakridge as of and for the year ended June 30, 2022, and have issued our report thereon dated July 24, 2023. 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 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)
- Highway funds
- Indebtedness (ORS Chapter 287)

In connection with our testing we identified some instances that caused us to believe the City was not in substantial compliance with budget requirements. These have been included in the in the accompanying Schedule of Findings and Response (2022-2).

Otherwise we did not identify other concerns that caused us to believe City was not in substantial compliance with other 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.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the City 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 internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

We noted certain matters that we reported as finding 2022-1 and 2022-2 in the Schedule of Findings and Responses.

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

A handwritten signature in cursive script that reads "Teresa Hanford".

Hanford & Associates, LLC
West Richland, WA
July 24, 2023