

CITY OF SODAVILLE
Linn County, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2022

DRAFT

CITY OF SODAVILLE
Linn County, Oregon

CITY OFFICIALS

June 30, 2022

MAYOR

Roger Perry
(Effective 03/17/2022)

Lori McAllen
(Through 12/31/2021)

CITY COUNCIL

Adina Olivares, President
(Effective 3/17/2022)
30618 Westview Street
Lebanon, Oregon 97355

Roger Perry, President
(Through 3/17/2022)
30824 Sodaville Road
Lebanon, Oregon 97355

Ray Jackman
30838 Sodaville Road
Lebanon, Oregon 97355

Jeff Hensley
30785 Alder Street
Lebanon, Oregon 97355

CITY RECORDER

Alex McHaddad

CITY ADDRESS

30723 Sodaville Road
Lebanon, Oregon 97355

CITY OF SODAVILLE
Linn County, Oregon

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FINANCIAL SECTION

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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CITY OF SODAVILLE

Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

INTRODUCTION

As management of the City of Sodaville, Linn County, Oregon, we offer readers this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2022. It should be read in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2022, total net position of the City of Sodaville amounted to \$1,363,111. Of this amount, \$1,172,174 was invested in capital assets, net of related debt. The remaining balance included \$190,937 of unrestricted net position.
- The City's total net position decreased by \$62,552 during the current fiscal year.
- Overall expenses were \$349,488, which exceeded total revenues of \$286,936 by \$62,552.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Sodaville's basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

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

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

The government-wide financial statements can be found on pages 11 through 13 of this report.

CITY OF SODAVILLE
Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Fund Financial Statements

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

□ **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of available resources, as well as on the balances of available resources at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains two individual governmental funds. Information is presented separately in the fund financial statements for the General and Street Funds, both of which are considered to be major governmental funds.

The City of Sodaville adopts an annual appropriated budget for all of its governmental funds. A budgetary comparison statement has been provided for each fund individually to demonstrate compliance with their respective budgets.

The basic governmental fund financial statements can be found on pages 14 through 17 of this report.

□ **Proprietary Funds**

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City maintains one individual enterprise fund.

The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for its water utility services. Information is presented in the proprietary fund statement of net position, statement of revenues, expenses, and changes in fund net position, and statement of cash flows for the Water Enterprise Fund, which is considered to be a major proprietary fund.

CITY OF SODAVILLE
Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The City of Sodaville adopts an annual appropriated budget for its proprietary fund. A budgetary comparison statement has been provided for the fund to demonstrate compliance with its budget.

The basic proprietary fund financial statements can be found on pages 18 through 20 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the financial data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 21 through 39 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which includes budgetary comparison information for the General and Street Funds. This required supplementary information can be found on pages 40 through 41 of this report.

Individual fund schedules can be found immediately following the required supplementary information on page 42 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. At June 30, 2022, the City's assets exceeded liabilities by \$1,363,111.

A large portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City's Net Position

The City's net position decreased by \$62,552 during the current fiscal year.

CITY OF SODAVILLE
Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Condensed statement of net position information is shown below.

Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Assets and deferred outflows of resources						
Current assets	\$ 118,788	\$ 107,171	\$ 92,101	\$ 101,203	\$ 210,889	\$ 208,374
Net capital assets	873,117	924,067	313,618	333,459	1,186,735	1,257,526
Deferred outflows of resources	118	118	162	162	280	280
Total assets and deferred outflows of resources	992,023	1,031,356	405,881	434,824	1,397,904	1,466,180
Liabilities and deferred inflows of resources						
Current liabilities	2,688	1,534	22,960	20,627	25,648	22,161
Noncurrent liabilities	1,546	1,546	7,534	16,782	9,080	18,328
Deferred inflows of resources	49	12	16	16	65	28
Total liabilities and deferred inflows of resources	4,283	3,092	30,510	37,425	34,793	40,517
Net position						
Net investment in capital assets	873,117	924,067	299,057	309,714	1,172,174	1,233,781
Unrestricted	114,623	104,197	76,314	87,685	190,937	191,882
Total net position	\$ 987,740	\$ 1,028,264	\$ 375,371	\$ 397,399	\$ 1,363,111	\$ 1,425,663

City's Changes in Net Position

The condensed statement of activities information shown on the following page explains changes in net position.

CITY OF SODAVILLE
Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Condensed Statement of Activities

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Program revenues						
General government	\$ 1,320	\$ 76,585	\$ -	\$ -	\$ 1,320	\$ 76,585
Water utility	-	-	216,779	153,582	216,779	153,582
Total program revenues	1,320	76,585	216,779	153,582	218,099	230,167
General revenues						
Property taxes	8,620	8,303	-	-	8,620	8,303
Franchise fees	19,692	18,753	-	-	19,692	18,753
Other taxes	35,880	31,739	-	-	35,880	31,739
Investment earnings	812	1,096	-	-	812	1,096
Miscellaneous	3,833	29,914	-	-	3,833	29,914
Total general revenues	68,837	89,805	-	-	68,837	89,805
Total revenues	70,157	166,390	216,779	153,582	286,936	319,972
Program expenses						
General government	83,527	71,734	-	-	83,527	71,734
Highways and streets	27,154	29,580	-	-	27,154	29,580
Water utility	-	-	238,807	136,107	238,807	136,107
Total program expenses	110,681	101,314	238,807	136,107	349,488	237,421
Change in net position	(40,524)	65,076	(22,028)	17,475	(62,552)	82,551
Net position - beginning of year	1,028,264	963,188	397,399	379,924	1,425,663	1,343,112
Net position - ending	\$ 987,740	\$ 1,028,264	\$ 375,371	\$ 397,399	\$ 1,363,111	\$ 1,425,663

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measurement of the City's net resources available for spending at the end of the fiscal year.

CITY OF SODAVILLE
Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

At the end of the current fiscal year, the City's governmental funds reported combined fund balances of \$117,137, an increase of \$11,811 in comparison with the prior year. This entire amount constitutes unassigned fund balance, which is available for spending at the City's discretion.

Proprietary Fund

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

Total net position of the proprietary fund amounted to \$375,371 at year-end. Of this amount, \$299,057 was invested in capital assets, net of related debt. The remaining balance of \$76,314 was unrestricted.

BUDGETARY HIGHLIGHTS: GENERAL FUND

Significant variances between budgeted and actual amounts in the General Fund for the year ended June 30, 2022 include:

- Regulatory tax revenue was budgeted for \$850. Actual revenue was \$1,270 (49.4% over budget) due to lower-than-expected permit revenue.
- Administrative tax revenue was budgeted for \$1,925. Actual revenue was \$50 (97.4% under budget) due to lower-than-expected donations and refunds.
- Grant revenue was budgeted for \$1,000. Actual revenue was \$0 due to the grant not being received in the current year.
- Intergovernmental revenue was budgeted for \$17,450. Actual revenue was \$11,168 (36.0% under budget) due to the receipt of state and COVID-related revenues.
- Investment earnings were budgeted for \$1,500. Actual revenue was \$748 (50.1% under budget) due to a decrease in interest rates.
- Expenditures for capital outlay were budgeted for \$49,460. Actual expenditures were \$1,579 (96.8% under budget) due to delays in capital improvement projects.

CAPITAL ASSETS

The City's investment in capital assets for its governmental activities and business-type activities as of June 30, 2022 amounted to \$873,117 and \$313,618, net of accumulated depreciation, respectively. This investment in capital assets includes land, construction in progress, buildings and improvements, system improvements, infrastructure, equipment, and vehicles. The total depreciation related to the City's investment in capital assets for the current fiscal year amounted to \$50,950 and \$19,841 for its governmental activities and business-type activities, respectively.

Additional information on the City's capital assets can be found in Note III-B on pages 31 through 33 of this report.

CITY OF SODAVILLE
Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had total debt outstanding of \$14,561. This amount represents a tractor loan and a loan payable to the Oregon Infrastructure Finance Authority (IFA). The City's total debt decreased by \$9,184 during the current fiscal year.

Additional information on the City's long-term debt can be found in Note III-D on page 34 of this report.

KEY ECONOMIC FACTORS

At the time these financial statements were prepared and audited, the City was aware of the following factor that could significantly affect its future financial health:

- The City of Sodaville's operations may be affected by the ongoing outbreak of the Coronavirus Disease 2019 (COVID-19), which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption that may be caused by the outbreak is uncertain; however, it may result in a material impact on the City's financial position, operations, and cash flows. Effects experienced and possible future effects may include, but are not limited to, disruption of the City's revenue, absenteeism in the City's labor workforce, and the unavailability of products and supplies used in operations.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be directed to the following address: City of Sodaville, 30723 Sodaville Road, Lebanon, Oregon 97355.

BASIC FINANCIAL STATEMENTS

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CITY OF SODAVILLE
Linn County, Oregon

STATEMENT OF NET POSITION

June 30, 2022

	Governmental Activities	Business-Type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets			
Cash and cash equivalents	\$ 114,986	\$ 83,073	\$ 198,059
Accounts receivable	3,468	9,028	12,496
Property taxes receivable	334	-	334
Total current assets	118,788	92,101	210,889
Capital assets			
Land and construction in progress	60,000	67,974	127,974
Capital assets, net of accumulated depreciation	813,117	245,644	1,058,761
Total capital assets	873,117	313,618	1,186,735
Total assets	991,905	405,719	1,397,624
Deferred outflows of resources			
Net deferred outflow of OPEB related resources	118	162	280
Total assets and deferred outflows of resources	992,023	405,881	1,397,904
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current liabilities			
Accounts payable	333	-	333
Deposits payable	-	10,299	10,299
Payroll liabilities	1,138	1,707	2,845
Compensated absences	1,217	1,810	3,027
Loans payable, current portion	-	9,144	9,144
Total current liabilities	2,688	22,960	25,648
Noncurrent liabilities			
Net OPEB liability	1,546	2,117	3,663
Loans payable, less current portion	-	5,417	5,417
Total noncurrent liabilities	1,546	7,534	9,080
Total liabilities	4,234	30,494	34,728
Deferred inflows of resources			
Net deferred inflow of OPEB related resources	49	16	65
Total liabilities and deferred inflows of resources	4,283	30,510	34,793

(Continued)

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

CITY OF SODAVILLE
Linn County, Oregon

STATEMENT OF NET POSITION

June 30, 2022

(Continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
NET POSITION			
Net investment in capital assets	\$ 873,117	\$ 299,057	\$ 1,172,174
Unrestricted	<u>114,623</u>	<u>76,314</u>	<u>190,937</u>
Total net position	<u>\$ 987,740</u>	<u>\$ 375,371</u>	<u>\$ 1,363,111</u>

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

CITY OF SODAVILLE
Linn County, Oregon

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2022

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Governmental activities			<u>Capital Grants and Contributions</u>
General government	\$ 83,527	\$ 1,320	\$ -
Highways and streets	27,154	-	-
Total governmental activities	<u>\$ 110,681</u>	<u>\$ 1,320</u>	<u>\$ -</u>
Business-type activities			
Water utility	<u>\$ 238,807</u>	<u>\$ 118,464</u>	<u>\$ 98,315</u>
General revenues			
Property taxes			
Franchise fees			
Highway use taxes			
Alcohol and cigarette taxes			
Investment earnings			
Miscellaneous			
Total general revenues			
Change in net position			
Net position - beginning			
Net position - ending			

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

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (82,207)	\$ -	\$ (82,207)
<u>(27,154)</u>	<u>-</u>	<u>(27,154)</u>
<u>(109,361)</u>	<u>-</u>	<u>(109,361)</u>
<u>-</u>	<u>(22,028)</u>	<u>(22,028)</u>
8,620	-	8,620
19,692	-	19,692
28,545	-	28,545
7,335	-	7,335
812	-	812
<u>3,833</u>	<u>-</u>	<u>3,833</u>
<u>68,837</u>	<u>-</u>	<u>68,837</u>
(40,524)	(22,028)	(62,552)
<u>1,028,264</u>	<u>397,399</u>	<u>1,425,663</u>
<u>\$ 987,740</u>	<u>\$ 375,371</u>	<u>\$ 1,363,111</u>

CITY OF SODAVILLE
Linn County, Oregon

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2022

	General Fund	Street Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 143,425	\$ -	\$ 143,425
Accounts receivable	3,468	-	3,468
Property taxes receivable	<u>334</u>	<u>-</u>	<u>334</u>
Total assets	<u>\$ 147,227</u>	<u>\$ -</u>	<u>\$ 147,227</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Book overdraft	\$ -	\$ 28,439	\$ 28,439
Accounts payable	333	-	333
Payroll liabilities	<u>482</u>	<u>656</u>	<u>1,138</u>
Total liabilities	815	29,095	29,910
Deferred inflows of resources			
Unavailable revenue - property taxes	180	-	180
Fund balances (deficit)			
Unassigned	<u>146,232</u>	<u>(29,095)</u>	<u>117,137</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 147,227</u>	<u>\$ -</u>	<u>\$ 147,227</u>

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

CITY OF SODAVILLE
Linn County, Oregon

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES**

June 30, 2022

Total fund balances		\$ 117,137
Capital assets are not financial resources and are therefore not reported in the governmental funds:		
Cost	1,411,455	
Accumulated depreciation	<u>(538,338)</u>	873,117
Property tax revenue is recognized in the net position of governmental activities when the taxes are levied; however, in the governmental fund statements, it is recognized when available to be used for current year operations. Taxes not collected within 30 days of the end of the year are not considered available to pay for current year operations and are therefore not reported as revenue in the governmental funds.		
		180
OPEB assets or liabilities, with related deferred outflows of resources and deferred inflows of resources, are not reported in the governmental funds, but are reported on the statement of net position. The amounts included in governmental activities on the statement on net position:		
Net OPEB liability	(1,546)	
Deferred outflows of OPEB related resources	118	
Deferred inflows of OPEB related resources	<u>(49)</u>	(1,477)
Liabilities not payable in the current year are not reported as governmental fund liabilities.		
Compensated absences		<u>(1,217)</u>
Net position of governmental activities		<u><u>\$ 987,740</u></u>

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

CITY OF SODAVILLE
Linn County, Oregon

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2022

	General Fund	Street Fund	Total Governmental Funds
REVENUES			
Taxes			
Property	\$ 8,788	\$ -	\$ 8,788
Franchise	19,692	-	19,692
Regulatory	1,270	-	1,270
Administrative	50	-	50
Highway use	-	28,545	28,545
Intergovernmental	11,168	-	11,168
Investment earnings	748	64	812
	<u>41,716</u>	<u>28,609</u>	<u>70,325</u>
Total revenues			
	<u>41,716</u>	<u>28,609</u>	<u>70,325</u>
EXPENDITURES			
Current			
Personnel services	20,393	17,779	38,172
Materials and services	10,135	8,628	18,763
Capital outlay	1,579	-	1,579
	<u>32,107</u>	<u>26,407</u>	<u>58,514</u>
Total expenditures			
	<u>32,107</u>	<u>26,407</u>	<u>58,514</u>
Excess (deficiency) of revenues over (under) expenditures	9,609	2,202	11,811
Fund balances (deficit) - beginning	136,623	(31,297)	105,326
	<u>136,623</u>	<u>(31,297)</u>	<u>105,326</u>
Fund balances (deficit) - ending	\$ 146,232	\$ (29,095)	\$ 117,137
	<u>\$ 146,232</u>	<u>\$ (29,095)</u>	<u>\$ 117,137</u>

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

CITY OF SODAVILLE
Linn County, Oregon

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2022

Net change in fund balances	\$ 11,811
Amounts reported for governmental activities on the statement of activities are different because:	
Governmental funds report capital outlay as expenditures; however, on the statement of activities, the costs of these assets are allocated over their estimated useful lives and are reported as depreciation expense.	
Depreciation expense	(50,950)
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. These liabilities consist of:	
Compensated absences	(1,217)
Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. On the statement of activities, property taxes are recognized as revenue when levied.	
	<u>(168)</u>
Change in net position	<u>\$ (40,524)</u>

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

CITY OF SODAVILLE
Linn County, Oregon

STATEMENT OF NET POSITION

PROPRIETARY FUND

June 30, 2022

	Water Enterprise Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current assets	
Cash and cash equivalents	\$ 83,073
Accounts receivable	9,028
Total current assets	<u>92,101</u>
Noncurrent assets	
Capital assets	
Land and construction in progress	67,974
Capital assets, net of accumulated depreciation	245,644
Total capital assets	<u>313,618</u>
Total assets	405,719
Deferred outflows of resources	
Net deferred outflow of OPEB related resources	162
Total assets and deferred outflows of resources	<u>405,881</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
Current liabilities	
Deposits payable	10,299
Payroll liabilities	1,707
Compensated absences	1,810
Loans payable, current portion	9,144
Total current liabilities	<u>22,960</u>
Noncurrent liabilities	
Net OPEB liability	2,117
Loans payable, less current portion	5,417
Total noncurrent liabilities	<u>7,534</u>
Total liabilities	30,494
Deferred inflows of resources	
Net deferred inflow of OPEB related resources	16
Total liabilities and deferred inflows of resources	<u>30,510</u>
NET POSITION	
Net investment in capital assets	299,057
Unrestricted	76,314
Total net position	<u>\$ 375,371</u>

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

CITY OF SODAVILLE
Linn County, Oregon

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

PROPRIETARY FUND

For the Year Ended June 30, 2022

	Water Enterprise Fund
Operating revenues	
Charges for services	\$ 118,464
Intergovernmental	<u>98,315</u>
Total operating revenues	<u>216,779</u>
Operating expenses	
Personnel services	52,771
Materials and services	121,818
Capital outlay	44,340
Depreciation	<u>19,841</u>
Total operating expenses	<u>238,770</u>
Net operating income (loss)	(21,991)
Nonoperating revenues (expenses)	
Interest expense	<u>(37)</u>
Change in net position	(22,028)
Net position - beginning	<u>397,399</u>
Net position - ending	<u>\$ 375,371</u>

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

CITY OF SODAVILLE
Linn County, Oregon

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

For the Year Ended June 30, 2022

	Water Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 118,304
Intergovernmental	98,315
Payments to employees	(50,702)
Payments to suppliers	<u>(165,958)</u>
Net cash provided (used) by operating activities	<u>(41)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest paid	(37)
Principal paid on capital debt	<u>(9,184)</u>
Net cash provided (used) by capital and related financing activities	<u>(9,221)</u>
Net increase (decrease) in cash and cash equivalents	(9,262)
Cash and cash equivalents - beginning	<u>92,335</u>
Cash and cash equivalents - ending	<u><u>\$ 83,073</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (21,991)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Depreciation expense	19,841
Increase (decrease) in:	
Deposits payable	200
Accounts receivable	(160)
Compensated absences	1,810
Payroll liabilities	<u>259</u>
Net cash provided (used) by operating activities	<u><u>\$ (41)</u></u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

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CITY OF SODAVILLE
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Sodaville have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

Incorporated November 8, 1880, the City of Sodaville sits in the heart of the Willamette Valley at the foothills of the Cascade Mountains. This quiet city offers wonderful views, a beautiful park with large trees, and wildlife. The City was once a large attraction for those seeking the medicinal qualities of the soda water that bubbles out of the ground. With a population of 360 and growing, Sodaville gives you that country feeling with big city facilities nearby. The City of Sodaville is governed by a mayor and four city council members.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the City. Governmental activities, which are normally supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges for goods and services provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the governmental funds and proprietary funds. Major individual governmental funds and the major proprietary fund are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF SODAVILLE
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting; however, principal and interest on long-term debt, as well as expenditures related to compensated absences, are recorded only when payment is due.

Under the modified accrual basis, property taxes, franchise fees, and interest have been recognized as revenues of the current fiscal period if received within 30 days of year-end. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund – The General Fund is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund. The primary sources of revenue are property taxes, franchise fees, and state revenues. Expenditures are primarily for administration.

Special Revenue Fund

Street Fund – The Street Fund accounts for state highway use tax revenues. Expenditures are for street lighting and repairs, as allowed by Oregon statutes.

The City reports the following major proprietary fund:

Enterprise Fund

Water Enterprise Fund – The Water Enterprise Fund accounts for the activities of the City's water utilities. The primary source of revenue is user fees. Expenditures are primarily for operations, maintenance and improvement of the water system, and retirement of bonded debt.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transfers between the governmental funds and the proprietary funds. Elimination of these transactions would distort their respective financial statements.

CITY OF SODAVILLE
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary fund are charges to customers for sales and services. Operating expenses for the proprietary fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in legally issued general obligations of the United States, the agencies and instrumentalities of the United States and the states of Oregon, Washington, Idaho, or California, certain interest-bearing bonds, time deposit open accounts, certificates of deposit, and savings accounts in banks, mutual savings banks, and savings and loan associations that maintain a head office or a branch in this state in the capacity of a bank, mutual savings bank, or savings and loan association, and share accounts and savings accounts in credit unions in the name of, or for the benefit of, a member of the credit union pursuant to a plan of deferred compensation.

2. Accounts Receivable

Receivables of the enterprise fund are recorded as revenue as earned. An allowance for doubtful accounts is not recorded, as the City believes the water bills to be highly collectible.

CITY OF SODAVILLE
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Equity (Continued)

3. Grant Revenue

Unreimbursed expenditures due from grantor agencies are reflected in the basic financial statements as receivables and revenues. Management has determined that all receivables are likely to be received and therefore, no allowance for doubtful accounts has been recorded.

4. Property Taxes

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic remittances of collection to entities levying taxes. Property taxes are levied and become a lien as of July 1 on property values assessed as of June 30. Property taxes are payable in three installments, which are due on November 15, February 15, and May 15.

Uncollected property taxes are shown as assets in the governmental funds. Property taxes collected within approximately 30 days of fiscal year-end are recognized as revenue, while the remaining are recorded as unavailable revenue because they are not deemed available to finance operations of the current period.

5. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental and business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost or donated value of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance or repairs that do not add to the value of an asset or materially extend its life are charged to expenditures as incurred and are not capitalized.

Property, plant, and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Equipment	5-7
Vehicles	5-10
Water system	20-39
Buildings and improvements	30-50
Infrastructure	50

CITY OF SODAVILLE
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Equity (Continued)

6. Compensated Absences

Amounts of vested or accumulated vacation leave that are expected to be liquidated with expendable available resources are reported as expenditures when paid. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as current liabilities on the statement of net position. In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

7. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

In the fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period and therefore, will not be recognized as an outflow of resources until that time. The City has one item that qualifies for reporting in this category, which is comprised of deferred amounts related to other postemployment benefits. These amounts are deferred and recognized as outflows of resources when the City recognizes other postemployment benefit expenses/expenditures. Deferred outflows of amounts related to other postemployment benefits are included in the government-wide and proprietary fund statements of net position.

CITY OF SODAVILLE
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Equity (Continued)

8. Deferred Outflows and Inflows of Resources (Continued)

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period and therefore, will not be recognized as an inflow of resources until that time. The City has two items that qualify for reporting in this category, which are unavailable revenue from property taxes and deferred amounts related to other postemployment benefits. Unavailable revenue from property taxes is deferred and recognized as inflows of resources in the period that the amounts become available. Unavailable revenue from property taxes is reported on the balance sheet. Deferred amounts related to other postemployment benefits are deferred and recognized as inflows of resources in the period when the City recognizes other postemployment benefit income. Deferred inflows of amounts related to other postemployment benefits are included in the government-wide and proprietary fund statements of net position.

For purposes of measuring the implicit other postemployment benefit (OPEB) liability, the City has relied on actuarial reports. The net OPEB liability, deferred outflows of resources, and deferred inflows of resources are related to changes in assumptions for the covered active and inactive participants.

9. Fund Equity

The City reports fund equity in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – amounts that are in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., city council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest-level action to remove or change the constraint.

CITY OF SODAVILLE
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Equity (Continued)

9. Fund Equity (Continued)

- Assigned fund balance – amounts the City intends to use for a specific purpose. Intent can be expressed by the city council or by an official or body to which the city council delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

Commitment of fund balance is accomplished through adoption of a resolution or ordinance by the city council. Further, commitments of fund balance may be modified or rescinded only through approval of the city council via resolution or ordinance. Authority to assign fund balances has been granted to the City Administrator.

The City adopted a minimum fund balance policy, requiring a prudent reserve for economic uncertainties to safeguard the City's financial stability of 3% of budgeted General Fund expenditures and other financing uses.

E. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The City budgets all funds in accordance with the requirements of state law. Annual appropriated budgets are adopted for the general, special revenue, and enterprise funds. All funds are budgeted on the cash basis of accounting.

CITY OF SODAVILLE
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

The City begins its budgeting process by appointing budget committee members. The budget officer prepares a budget, which is reviewed by the budget committee. The budget is then published in proposed form and is presented at public hearings to obtain taxpayer comments and approval from the budget committee. The city council legally adopts the budget by resolution prior to the beginning of the City's fiscal year. The council resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total personnel services, materials and services, debt service, capital outlay, and contingency for each fund are the levels of control established by the resolution. The detailed budget document, however, is required to contain more specific detailed information for the aforementioned expenditure categories and management may revise the detailed line-item budgets within appropriation categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. The city council may adopt a supplemental budget less than 10% of a fund's original budget at a regular city council meeting. A supplemental budget greater than 10% of a fund's original budget requires hearings before the public, publication in newspapers, and approval by the city council. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the city council. During the year, there was one supplemental budget adopted. The City does not use encumbrances and appropriations lapse at year-end.

Budget amounts shown in the financial statements reflect the original budget amounts and a supplemental budget.

B. Deficit Fund Equity

The Street Fund reported a deficit fund balance at June 30, 2022 of \$28,898 due to the Washington Street Paving Project.

C. Excess of Expenditures over Appropriations

The City expended funds in excess of the amounts appropriated, which is in violation of ORS 294.100. The following appropriations were over-expended for the fiscal year ended June 30, 2022:

<u>Fund</u>	<u>Function</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Water Enterprise	Material and services	67,200	121,818	54,618

CITY OF SODAVILLE
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The City of Sodaville maintains a cash and cash equivalents pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the fund financial statements as cash and cash equivalents. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

Investments, including amounts held in pooled cash and investments, are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, investments with a remaining maturity of more than one year at the time of purchase are stated at fair value. Fair value is determined at the quoted market price, if available; otherwise, the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value.

The Oregon State Treasury administers the LGIP. The LGIP is an open-ended, no-load, diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the City's position in the LGIP is the same as the value of the pool shares.

Credit Risk

Oregon statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the Local Government Investment Pool. The City has not adopted an investment policy regarding credit risk; however, investments comply with state statutes.

Investments

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

	Credit Quality Rating	Maturities	Fair Value
Oregon Local Government Investment Pool	Unrated	-	\$ 144,497

Interest Rate Risk

The City does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increases in interest rates.

CITY OF SODAVILLE
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

A. Deposits and Investments (Continued)

Concentration of Credit Risk

The City does not have a formal policy that places a limit on the amount that may be invested in any one insurer. 100 percent of the City's investments are in the Oregon Local Government Investment Pool.

Custodial Credit Risk – Investments

This is the risk that, in the event of the failure of a counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City does not have a policy that limits the amount of investments that can be held by counterparties.

Custodial Credit Risk – Deposits

This is the risk that, in the event of a bank failure, the City's deposits may not be returned. All City deposits not covered by Federal Depositary Insurance Corporation (FDIC) insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon, organized in accordance with ORS 295. The PFCP is a shared liability structure for participating bank depositories. Barring any exceptions, a bank depository is required to pledge collateral valued at a minimum of 10% of their quarter-end public fund deposits if they are considered well capitalized, 25% of their quarter-end public fund deposits if they are considered adequately capitalized, or 110% of their quarter-end public fund deposits if they are considered undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities.

The City holds an account at Chase, for which the FDIC provides insurance coverage of \$250,000 for demand deposit accounts and an additional \$250,000 for time and savings accounts. At June 30, 2022, the City's total deposits of \$90,133 were fully insured by the FDIC.

Deposits

The City's deposits and investments at June 30, 2022 are as follows:

Cash on hand	\$ 425
Checking account	53,137
Total investments	<u>144,497</u>
 Total deposits and investments	 <u><u>\$ 198,059</u></u>

CITY OF SODAVILLE
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

A. Deposits and Investments (Continued)

Deposits (Continued)

Cash and investments by fund:

Governmental activities - unrestricted	
General Fund	\$ 143,425
Street Fund - book overdraft	<u>(28,439)</u>
Total governmental activities - unrestricted	114,986
Business-type activities - unrestricted	
Water Enterprise Fund	<u>83,073</u>
Total cash and investments	<u><u>\$ 198,059</u></u>

B. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 60,000	\$ -	\$ -	\$ 60,000
Capital assets being depreciated				
Buildings and improvements	172,742	-	-	172,742
Infrastructure	1,178,213	-	-	1,178,213
Equipment	<u>500</u>	<u>-</u>	<u>-</u>	<u>500</u>
Total capital assets being depreciated	<u>1,351,455</u>	<u>-</u>	<u>-</u>	<u>1,351,455</u>
Less accumulated depreciation for				
Buildings and improvements	(130,080)	(3,582)	-	(133,662)
Infrastructure	(356,808)	(47,368)	-	(404,176)
Equipment	<u>(500)</u>	<u>-</u>	<u>-</u>	<u>(500)</u>
Total accumulated depreciation	<u>(487,388)</u>	<u>(50,950)</u>	<u>-</u>	<u>(538,338)</u>
Total capital assets being depreciated, net	<u>864,067</u>	<u>(50,950)</u>	<u>-</u>	<u>813,117</u>
Governmental activities capital assets, net	<u><u>\$ 924,067</u></u>	<u><u>\$ (50,950)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 873,117</u></u>

(Continued)

CITY OF SODAVILLE
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

B. Capital Assets (Continued)

(Continued)	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 30,000	\$ -	\$ -	\$ 30,000
Construction in progress	37,974	-	-	37,974
Total capital assets not being depreciated	67,974	-	-	67,974
Capital assets being depreciated				
Buildings and improvements	239,144	-	-	239,144
System improvements	800,254	-	-	800,254
Equipment	60,344	-	-	60,344
Vehicles	23,800	-	-	23,800
Total capital assets being depreciated	1,123,542	-	-	1,123,542
Less accumulated depreciation for				
Buildings and improvements	(239,144)	-	-	(239,144)
System improvements	(539,653)	(17,236)	-	(556,889)
Equipment	(60,344)	-	-	(60,344)
Vehicles	(18,916)	(2,605)	-	(21,521)
Total accumulated depreciation	(858,057)	(19,841)	-	(877,898)
Total capital assets being depreciated, net	265,485	(19,841)	-	245,644
Business-type activities capital assets, net	\$ 333,459	\$ (19,841)	\$ -	\$ 313,618

CITY OF SODAVILLE
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

B. Capital Assets (Continued)

Capital assets are reported on the statement of net position as follows:

	Capital Assets	Accumulated Depreciation	Net Capital Assets
Governmental activities			
Land	\$ 60,000	\$ -	\$ 60,000
Buildings and improvements	172,742	(133,662)	39,080
Infrastructure	1,178,213	(404,176)	774,037
Equipment	500	(500)	-
Total governmental capital assets	<u>1,411,455</u>	<u>(538,338)</u>	<u>873,117</u>
Business-type activities			
Land	30,000	-	30,000
Construction in progress	37,974	-	37,974
Buildings and improvements	239,144	(239,144)	-
System improvements	800,254	(556,889)	243,365
Equipment	60,344	(60,344)	-
Vehicles	23,800	(21,521)	2,279
Total business-type capital assets	<u>1,191,516</u>	<u>(877,898)</u>	<u>313,618</u>
Total capital assets	<u>\$ 2,602,971</u>	<u>\$ (1,416,236)</u>	<u>\$ 1,186,735</u>

Depreciation expense was charged to the functions/programs of the City as follows:

Governmental activities	
General government	\$ 34,743
Highways and streets	<u>16,207</u>
Total governmental activities	<u>\$ 50,950</u>
Business-type activities	
Water utility	<u>\$ 19,841</u>

CITY OF SODAVILLE
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

C. Compensated Absences

The following is a summary of compensated absences transactions for the year:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Compensated absences	\$ -	\$ 1,217	\$ -	\$ 1,217	\$ 1,217
Business-type activities					
Compensated absences	\$ -	\$ 1,810	\$ -	\$ 1,810	\$ 1,810

D. Long-Term Liabilities

1. Changes in Long-Term Liabilities

The following is a summary of long-term liabilities transactions for the year:

	Interest Rate	Original Amount	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities							
Tractor loan	0.0%	\$ 23,584	\$ 10,671	\$ -	\$ 2,860	\$ 7,811	\$ 2,756
IFA loan	1.0%	43,431	13,074	-	6,324	6,750	6,388
Total		\$ 67,015	\$ 23,745	\$ -	\$ 9,184	\$ 14,561	\$ 9,144

2. Business-Type Tractor Loan

A loan payable at 0% interest was obtained commercially to purchase a tractor for \$23,584. The loan will be paid off in 2025.

3. Business-Type IFA Loan

A loan payable to the Oregon Infrastructure Finance Authority (IFA) was used to complete a water system expansion study. The City will be charged 1% interest per annum. The remaining balance will be paid off over the next two years.

4. Future Maturities of Long-Term Liabilities

Fiscal Year Ending June 30	Loans		
	Principal	Interest	Total
2023	\$ 9,144	\$ 68	\$ 9,212
2024	3,118	-	3,118
2025	2,299	-	2,299
Total	\$ 14,561	\$ 68	\$ 14,629

CITY OF SODAVILLE
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

IV. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

A. Benefit Plan

The other postemployment benefits (OPEB) for the City include an implicit rate subsidy for retiree health insurance continuation premiums.

B. Financial Statement Presentation

The amounts on the financial statements relate to the plan as follows:

	<u>Implicit Rate Subsidy Plan</u>
Net OPEB (asset) liability	\$ 3,663
Deferred outflows of resources	
Contributions after measurement date	280
Deferred inflows of resources	
Change in assumptions	(28)
OPEB expense	614
(Included in program expenses on statement of activities)	

C. Plan Description

The City's healthcare plan is administered by Citycounty Insurance Services (CIS). The City has a health insurance continuation option available for most groups of retirees. It is a substantive postemployment benefits plan offered under Oregon Revised Statutes (ORS) 243. ORS 243.303 requires that the City provide retirees with an opportunity to participate in group health and dental insurance from the date of retirement to age 65, and the rate would be calculated using claims experience from retirees and active employees for health plan rating purposes. Providing the same rate to retirees as provided to current employees constitutes an implicit rate subsidy for OPEB. This single-employer plan is not a standalone plan and therefore does not issue its own financial statements.

D. Benefits Provided

The plan provides eligible retirees and their dependents under age 65 the same healthcare coverage at the same premium rates as offered to active employees. The retiree is responsible for the premiums. As of the valuation date of July 1, 2016, the following employees were covered by the benefit terms:

Active employees	2
Inactive employees or beneficiaries receiving benefits	<u>-</u>
Total	<u><u>2</u></u>

CITY OF SODAVILLE
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

IV. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

E. Total OPEB Liability, OPEB Expense, and Deferred Outflows and Inflows of Resources

The City's total OPEB liability of \$3,663 was measured as of June 30, 2017, and was determined by an actuarial valuation as of July 1, 2016.

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

	Deferred Outflows	Deferred Inflows
Changes in assumptions	\$ -	\$ (28)
Contributions subsequent to the measurement date	280	-
Total	<u>\$ 280</u>	<u>\$ (28)</u>

Deferred outflows of resources related to OPEB of \$280 resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Amortization Period Ending June 30</u>	Deferred Inflows
2023	\$ (18)
2024	<u>(10)</u>
	<u>\$ (28)</u>

CITY OF SODAVILLE
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

IV. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

F. Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2016 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.50%
Salary Increases	3.50%
Healthy Mortality	RP-2000 healthy white collar male and female mortality tables, set back one year for males. Mortality is projected on a generational basis using Scale BB for males and females.
Discount Rate	3.58%
Healthcare Cost Trend Rate	Medical and vision: 5.25% per year Dental: 4.50% per year

The discount rate was based on Bond Buyer 20-Year General Obligation Municipal Bond Index.

G. Sensitivity of the Total OPEB Liability

The following presents the City's total OPEB liability, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (2.58%) or one percentage point higher (4.58%) than the current discount rate. A similar sensitivity analysis is then presented for changes in the healthcare trend assumption.

	Discount Rate		
	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Total OPEB Liability	\$ 3,741	\$ 3,663	\$ 3,583
	Healthcare Cost Trend		
	1% Decrease (4.25%)	Current Trend Rate (5.25%)	1% Increase (6.25%)
Total OPEB Liability	\$ 3,497	\$ 3,663	\$ 3,835

CITY OF SODAVILLE
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

V. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. There was no significant reduction in insurance coverage from the previous year. There were no insurance settlements exceeding insurance coverage in any of the past three years.

B. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures, if any, which may be disallowed by the grantor agencies, cannot be determined at this time, although management expects such amounts to be immaterial.

Management believes that there are no liabilities that could result from pending suits, judgments, or claims where the amount in excess of insurance coverage would be material to the financial statements.

C. Tax Abatements

The City did not have tax abatements for the year ended June 30, 2022.

D. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued the following pronouncements that have future effective dates that will impact future financial presentations. Management has not currently determined what impact implementation of the following statements will have on future financial statements.

GASB Statement No. 91, *Conduit Debt Obligations*, is effective for the City beginning with its fiscal year ending June 30, 2023. The objective of this statement clarifies the definition of a conduit debt obligation and improves required note disclosures.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, will be effective for the City beginning with its fiscal year ending June 30, 2023. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments.

CITY OF SODAVILLE
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

V. OTHER INFORMATION (Continued)

D. New Pronouncements (Continued)

GASB Statement No. 99, *Omnibus 2022*, will be effective for the City beginning with its fiscal year ending June 30, 2023. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation of certain GASB statements and accounting and financial reporting for financial guarantees.

GASB Statement No. 100, *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*, will be effective for the City beginning with its fiscal year ending June 30, 2024. The objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or accessing accountability.

GASB Statement No. 101, *Compensated Absences*, will be effective for the City beginning with its fiscal year ending June 30, 2025. This statement updates the recognition and measurement guidance for compensated absences and amends previously required disclosures.

E. Subsequent Events

Management has evaluated subsequent events through **Date Rep Letter Signed**, 2022, which was the date that the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF SODAVILLE
Linn County, Oregon

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

GENERAL FUND

For the Year Ended June 30, 2022

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Taxes					
Property	\$ 8,350	\$ 438	\$ 8,788	-	\$ 8,788
Franchise	19,100	592	19,692	-	19,692
Regulatory	850	420	1,270	-	1,270
Administrative	1,925	(1,875)	50	-	50
Grant revenue	1,000	(1,000)	-	-	-
Intergovernmental	17,450	(6,282)	11,168	-	11,168
Investment earnings	1,500	(752)	748	-	748
	<u>50,175</u>	<u>(8,459)</u>	<u>41,716</u>	<u>-</u>	<u>41,716</u>
EXPENDITURES					
Current					
Personnel services	25,560	(5,167)	20,393	-	20,393
Materials and services	10,650	(515)	10,135	-	10,135
Debt service	1,000	(173)	827	(827)	-
Capital outlay	49,460	(47,881)	1,579	-	1,579
Contingency	31,336	(31,336)	-	-	-
	<u>118,006</u>	<u>(85,072)</u>	<u>32,934</u>	<u>(827)</u>	<u>32,107</u>
Excess (deficiency) of revenues over (under) expenditures	(67,831)	76,613	8,782	827	9,609
Fund balance - beginning	<u>71,450</u>	<u>64,851</u>	<u>136,301</u>	<u>322</u>	<u>136,623</u>
Fund balance - ending	<u>\$ 3,619</u>	<u>\$ 141,464</u>	<u>\$ 145,083</u>	<u>\$ 1,149</u>	<u>\$ 146,232</u>

CITY OF SODAVILLE
Linn County, Oregon

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

STREET FUND

For the Year Ended June 30, 2022

	Original and Final Budget	Variance with Final Budget Over (Under)	Budget Basis	Actual Adjustments	GAAP Basis
REVENUES					
Highway use tax	\$ 27,500	\$ 1,045	\$ 28,545	\$ -	\$ 28,545
Grant revenue	100,000	(100,000)	-	-	-
Investment earnings	-	64	64	-	64
Total revenues	<u>127,500</u>	<u>(98,891)</u>	<u>28,609</u>	<u>-</u>	<u>28,609</u>
EXPENDITURES					
Current					
Personnel services	43,600	(25,821)	17,779	-	17,779
Materials and services	14,100	(5,472)	8,628	-	8,628
Debt service	800	(178)	622	(622)	-
Capital outlay	100,000	(100,000)	-	-	-
Contingency	4,088	(4,088)	-	-	-
Total expenditures	<u>162,588</u>	<u>(135,559)</u>	<u>27,029</u>	<u>(622)</u>	<u>26,407</u>
Excess (deficiency) of revenues over (under) expenditures	(35,088)	36,668	1,580	622	2,202
Fund balance (deficit) - beginning	<u>37,849</u>	<u>(70,373)</u>	<u>(32,524)</u>	<u>1,227</u>	<u>(31,297)</u>
Fund balance (deficit) - ending	<u>\$ 2,761</u>	<u>\$ (33,705)</u>	<u>\$ (30,944)</u>	<u>\$ 1,849</u>	<u>\$ (29,095)</u>

OTHER SUPPLEMENTARY INFORMATION

INDIVIDUAL FUND SCHEDULES

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CITY OF SODAVILLE
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
BUDGET AND ACTUAL

WATER ENTERPRISE FUND

For the Year Ended June 30, 2022

	Original Budget	Final Budget	Variance with Final Budget Over (Under)
REVENUES			
Water sales	\$ 130,000	\$ 130,000	\$ (11,536)
Intergovernmental	<u>851,506</u>	<u>911,506</u>	<u>(813,191)</u>
Total revenues	<u>981,506</u>	<u>1,041,506</u>	<u>(824,727)</u>
EXPENSES			
Current			
Personnel services	78,950	78,950	(27,989)
Materials and services	48,200	67,200	54,618
Debt service	8,255	8,255	(483)
Capital outlay	928,335	969,335	(924,995)
Depreciation	-	-	-
Contingency	<u>4,060</u>	<u>4,060</u>	<u>(4,060)</u>
Total expenses	<u>1,067,800</u>	<u>1,127,800</u>	<u>(902,909)</u>
Excess (deficiency) of revenues over (under) expenses	(86,294)	(86,294)	78,182
Net position - beginning	<u>92,798</u>	<u>92,798</u>	<u>6,948</u>
Net position - ending	<u>\$ 6,504</u>	<u>\$ 6,504</u>	<u>\$ 85,130</u>

Budget Basis	Actual	
	Adjustments	GAAP Basis
\$ 118,464	\$ -	\$ 118,464
98,315	-	98,315
216,779	-	216,779
50,961	1,810	52,771
121,818	-	121,818
7,772	(7,735)	37
44,340	-	44,340
-	19,841	19,841
-	-	-
224,891	13,916	238,807
(8,112)	(13,916)	(22,028)
99,746	297,653	397,399
\$ 91,634	\$ 283,737	\$ 375,371

OTHER FINANCIAL SCHEDULES

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CITY OF SODAVILLE
Linn County, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS

For the Year Ended June 30, 2022

<u>Tax Year</u>	<u>Taxes Receivable July 1, 2021</u>	<u>2021-2022 Levy</u>	<u>Adjustments</u>	<u>Collections</u>	<u>Taxes Receivable June 30, 2022</u>
2021-2022	\$ -	\$ 8,932	\$ (274)	\$ 8,489	\$ 169
2020-2021	176	-	(15)	83	78
2019-2020	88	-	-	40	48
2018-2019	49	-	-	28	21
2017-2018	21	-	-	15	6
2016-2017	6	-	-	2	4
2015-2016	3	-	-	1	2
Prior	7	-	-	1	6
Subtotal - Prior	350	-	(15)	170	165
Total	\$ 350	\$ 8,932	\$ (289)	8,659	\$ 334
Add:					
Other taxes and interest				129	
Undistributed taxes with county, July 1, 2021				-	
Total available				8,788	
Less: Turnovers to City				(8,788)	
Undistributed taxes with county, June 30, 2022				\$ -	

**AUDIT COMMENTS AND DISCLOSURES REQUIRED BY
STATE REGULATIONS**

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