



CITY OF SCIO
Linn County, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2023



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CITY OF SCIO
Linn County, Oregon

CITY OFFICIALS

June 30, 2023

MAYOR

Debbie Nuber
P.O. Box 673
Scio, Oregon 97374

CITY COUNCIL

Joey Ferguson, President
P.O. Box 277
Scio, Oregon 97374

Karen Eckhart
P.O. Box 844
Scio, Oregon 97374

Tom Gray
P.O. Box 336
Scio, Oregon 97374

Tom Meyer
38835 SW 2nd Ave
Scio, Oregon 97374

Dennis Shaffer
38625 SW Filbert Street
Scio, Oregon 97374

John Whalen (resigned 12/12/2022)
38821 SW 3rd Ave
Scio, Oregon 97374

Luke Zedwick (appointed 12/12/2022)
P.O. Box 922
Scio, Oregon 97374

CITY MANAGER

Virginia Allen
P.O. Box 37
Scio, Oregon 97374

CITY OF SCIO
Linn County, Oregon

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

The Honorable Debbie Nuber, Mayor
and Members of the City Council
City of Scio
Scio, Oregon 97374

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, business-type activities, each major fund, and the remaining fund information of the City of Scio, Linn County, Oregon as of June 30, 2023, and the respective changes in modified cash basis financial position thereof for the year then ended on the basis of accounting described in Note I.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Scio, Linn County, Oregon, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter - Basis of Accounting

We draw attention to Note I of the financial statements, which describes the basis of accounting. The City of Scio, Linn County, Oregon, prepares its financial statements on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to that matter.

Emphasis of Matter - Change in Accounting Principle

As described in the notes to the financial statements, in the year ended June 30, 2023, the City adopted new accounting guidance: GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Arrangements*, Statement No. 96, *Subscription-Based Information Technology Arrangements*, Statement No. 99, *Omnibus 202*, and Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note I, and for 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 misstatements, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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


Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Scio, Linn County, Oregon's basic financial statements. The individual fund financial statements and budgetary comparison information, if applicable, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and budgetary comparison information, if applicable, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other 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 September 11, 2023 on our tests of the District's compliance with certain provisions of laws and regulations 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.

Accuity, LLC

By: 

Glen O. Kearns, CPA

Albany, Oregon
September 11, 2023

BASIC FINANCIAL STATEMENTS

CITY OF SCIO
Linn County, Oregon

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

June 30, 2023

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,057,789	\$ 1,121,635	\$ 2,179,424
Restricted assets			
Cash and cash equivalents	275,036	-	275,036
Capital assets not being depreciated	1,668,633	15,683	1,684,316
Capital assets being depreciated, net	424,764	806,121	1,230,885
Total assets	3,426,222	1,943,439	5,369,661
LIABILITIES			
Current liabilities			
Long-term debt, current portion	34,982	39,791	74,773
Total current liabilities	34,982	39,791	74,773
Noncurrent liabilities			
Long-term debt, less current portion	1,535,018	-	1,535,018
Total liabilities	1,570,000	39,791	1,609,791
NET POSITION			
Net investment in capital assets	2,058,415	782,013	2,840,428
Restricted	275,036	-	275,036
Unrestricted	(477,229)	1,121,635	644,406
Total net position	\$ 1,856,222	\$ 1,903,648	\$ 3,759,870

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

CITY OF SCIO
Linn County, Oregon

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For the Year Ended June 30, 2023

<u>Functions/Programs</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Totals
	Expenses	Charges for Services	Operating Grants	Governmental Activities	Business-Type Activities	
Governmental activities						
General government	\$ 372,036	\$ 6,975	\$ -	\$ (365,061)	\$ -	\$ (365,061)
Culture and recreation	-	-	10,172	10,172	-	10,172
Public safety	68,505	575	-	(67,930)	-	(67,930)
Highways and streets	89,178	-	42,462	(46,716)	-	(46,716)
Interest on long-term debt	12,929	-	-	(12,929)	-	(12,929)
Unallocated depreciation	43,115	-	-	(43,115)	-	(43,115)
Total governmental activities	<u>\$ 585,763</u>	<u>\$ 7,550</u>	<u>\$ 52,634</u>	<u>(525,579)</u>	<u>-</u>	<u>(525,579)</u>
Business-type activities						
Water	\$ 282,348	\$ 370,899	\$ -	-	88,551	88,551
Sewer	201,657	262,660	111,280	-	172,283	172,283
Total business-type activities	<u>\$ 484,005</u>	<u>\$ 633,559</u>	<u>\$ 111,280</u>	<u>-</u>	<u>260,834</u>	<u>260,834</u>
General revenues						
Property taxes				298,658	-	298,658
State highway tax				74,708	-	74,708
Alcohol and cigarette taxes				20,773	-	20,773
Franchise fees				40,238	-	40,238
Intergovernmental				10,963	-	10,963
Library				11,303	-	11,303
Investment earnings				35,422	16,634	52,056
Miscellaneous				8,117	787	8,904
Total general revenues				<u>500,182</u>	<u>17,421</u>	<u>517,603</u>
Change in net position				(25,397)	278,255	252,858
Net position - beginning				<u>1,881,619</u>	<u>1,625,393</u>	<u>3,507,012</u>
Net position - ending				<u>\$ 1,856,222</u>	<u>\$ 1,903,648</u>	<u>\$ 3,759,870</u>

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

CITY OF SCIO
Linn County, Oregon

BALANCE SHEET - MODIFIED CASH BASIS

GOVERNMENTAL FUNDS

June 30, 2023

	General Fund	Road Fund	Non-Major Fund Road Reserve Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,041,372	\$ 234,483	\$ 56,970	\$ 1,332,825
FUND BALANCES				
Restricted	249,321	25,715	-	275,036
Committed	-	208,768	56,970	265,738
Unassigned	792,051	-	-	792,051
Total fund balances	\$ 1,041,372	\$ 234,483	\$ 56,970	\$ 1,332,825

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

CITY OF SCIO
Linn County, Oregon

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

June 30, 2023

Total fund balances - governmental funds		\$ 1,332,825
Capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds:		
Cost	3,263,793	
Accumulated depreciation	<u>(1,170,396)</u>	2,093,397
Long-term assets and liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather, is recognized as an expenditure when due. These liabilities consist of:		
Loans payable		<u>(1,570,000)</u>
Net position of governmental activities		<u>\$ 1,856,222</u>

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

CITY OF SCIO
Linn County, Oregon

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
MODIFIED CASH BASIS

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2023

	General Fund	Road Fund	Non-Major Fund Road Reserve Fund	Total Governmental Funds
REVENUES				
Property taxes	\$ 298,658	\$ -	\$ -	\$ 298,658
State highway taxes	-	74,708	-	74,708
Alcohol and cigarette taxes	20,773	-	-	20,773
Franchise fees	20,119	20,119	-	40,238
State revenue sharing	10,963	-	-	10,963
Grants	10,172	42,462	-	52,634
Library	11,858	-	-	11,858
Fees and charges	6,975	-	-	6,975
Fines and forfeitures	575	-	-	575
Investment earnings	33,787	3	1,632	35,422
Miscellaneous	7,462	100	-	7,562
Total revenues	<u>421,342</u>	<u>137,392</u>	<u>1,632</u>	<u>560,366</u>
EXPENDITURES				
Current				
General government	314,172	-	-	314,172
Public safety	68,505	-	-	68,505
Highways and streets	-	89,178	-	89,178
Debt service	5,422	7,507	-	12,929
Capital outlay	1,363,103	1,500	-	1,364,603
Total expenditures	<u>1,751,202</u>	<u>98,185</u>	<u>-</u>	<u>1,849,387</u>
Excess (deficiency) of revenues over (under) expenditures	(1,329,860)	39,207	1,632	(1,289,021)
Fund balances - beginning	<u>2,371,232</u>	<u>195,276</u>	<u>55,338</u>	<u>2,621,846</u>
Fund balances - ending	<u>\$ 1,041,372</u>	<u>\$ 234,483</u>	<u>\$ 56,970</u>	<u>\$ 1,332,825</u>

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

CITY OF SCIO
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, 2023

Net change in fund balances - governmental funds		\$ (1,289,021)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures; however, in the statement of activities, the costs of these assets are allocated over their estimated useful lives and are reported as depreciation expense.		
Capital asset purchases	1,306,739	
Less current year depreciation	<u>(43,115)</u>	<u>1,263,624</u>
Change in net position of governmental activities		\$ <u>(25,397)</u>

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

CITY OF SCIO
Linn County, Oregon

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

PROPRIETARY FUNDS

June 30, 2023

	Business-Type Activities - Enterprise Funds					
	Water Fund	Sewer Fund	Equipment Reserve Fund	Water Reserve Fund	Sewer Reserve Fund	Totals
ASSETS						
Current assets						
Cash and cash equivalents	\$ 183,051	\$ 358,095	\$ 102,137	\$ 385,491	\$ 92,861	\$ 1,121,635
Capital assets not being depreciated	14,033	1,650	-	-	-	15,683
Capital assets being depreciated, net	707,312	98,809	-	-	-	806,121
Total assets	904,396	458,554	102,137	385,491	92,861	1,943,439
LIABILITIES						
Current liabilities						
Long-term debt, current portion	39,791	-	-	-	-	39,791
NET POSITION						
Net investment in capital assets	681,554	100,459	-	-	-	782,013
Unrestricted	183,051	358,095	102,137	385,491	92,861	1,121,635
Total net position	\$ 864,605	\$ 458,554	\$ 102,137	\$ 385,491	\$ 92,861	\$ 1,903,648

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

CITY OF SCIO
Linn County, Oregon

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
MODIFIED CASH BASIS
PROPRIETARY FUNDS

For the Year Ended June 30, 2023

	Business-Type Activities - Enterprise Funds					
	Water Fund	Sewer Fund	Equipment Reserve Fund	Water Reserve Fund	Sewer Reserve Fund	Totals
Operating revenues						
Charges for services	\$ 370,899	\$ 262,660	\$ -	\$ -	\$ -	\$ 633,559
Total operating revenues	370,899	262,660	-	-	-	633,559
Operating expenses						
Personnel services	140,231	103,189	-	-	-	243,420
Materials and services	64,935	72,341	-	-	-	137,276
Repairs and maintenance	-	4,953	-	-	-	4,953
Depreciation	54,592	9,914	-	-	-	64,506
Total operating expenses	259,758	190,397	-	-	-	450,155
Operating income (loss)	111,141	72,263	-	-	-	183,404
Nonoperating revenues (expenses)						
Investment earnings	-	-	2,927	11,046	2,661	16,634
Grants and contributions	-	111,280	-	-	-	111,280
Miscellaneous revenues	738	49	-	-	-	787
Interest and debt issuance expense	(22,590)	(11,260)	-	-	-	(33,850)
Total nonoperating revenues (expenses)	(21,852)	100,069	2,927	11,046	2,661	94,851
Change in net position	89,289	172,332	2,927	11,046	2,661	278,255
Net position - beginning	775,316	286,222	99,210	374,445	90,200	1,625,393
Net position - ending	\$ 864,605	\$ 458,554	\$ 102,137	\$ 385,491	\$ 92,861	\$ 1,903,648

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

CITY OF SCIO
Linn County, Oregon

STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS

PROPRIETARY FUNDS

For the Year Ended June 30, 2023

	Business-Type Activities - Enterprise Funds					Totals
	Water Fund	Sewer Fund	Equipment Reserve Fund	Water Reserve Fund	Sewer Reserve Fund	
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash receipts from customers	\$ 370,899	\$ 262,660	\$ -	\$ -	\$ -	\$ 633,559
Cash payments to employees	(140,231)	(103,189)	-	-	-	(243,420)
Cash payments to suppliers	(64,935)	(77,294)	-	-	-	(142,229)
Net cash provided (used) by operating activities	<u>165,733</u>	<u>82,177</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>247,910</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Cash receipts from grantors	-	111,280	-	-	-	111,280
Miscellaneous revenues	738	49	-	-	-	787
Net cash provided (used) by noncapital financing activities	<u>738</u>	<u>111,329</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>112,067</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital asset purchases	-	(11,467)	-	-	-	(11,467)
Long-term debt payments	(45,258)	-	-	-	-	(45,258)
Net cash provided (used) by capital and related financing activities	<u>(45,258)</u>	<u>(11,467)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(56,725)</u>

(Continued)

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

CITY OF SCIO
Linn County, Oregon

STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS

PROPRIETARY FUNDS

For the Year Ended June 30, 2023

(Continued)

	Business-Type Activities - Enterprise Funds					Totals
	Water Fund	Sewer Fund	Equipment Reserve Fund	Water Reserve Fund	Sewer Reserve Fund	
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment earnings	\$ -	\$ -	\$ 2,927	\$ 11,046	\$ 2,661	\$ 16,634
Investment expenses	<u>(22,590)</u>	<u>(11,260)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(33,850)</u>
Net cash provided (used) by investing activities	<u>(22,590)</u>	<u>(11,260)</u>	<u>2,927</u>	<u>11,046</u>	<u>2,661</u>	<u>(17,216)</u>
Net increase (decrease) in cash and cash equivalents	98,623	170,779	2,927	11,046	2,661	286,036
Cash and cash equivalents - beginning	<u>84,428</u>	<u>187,316</u>	<u>99,210</u>	<u>374,445</u>	<u>90,200</u>	<u>835,599</u>
Cash and cash equivalents - ending	<u>\$ 183,051</u>	<u>\$ 358,095</u>	<u>\$ 102,137</u>	<u>\$ 385,491</u>	<u>\$ 92,861</u>	<u>\$ 1,121,635</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 111,141	\$ 72,263	\$ -	\$ -	\$ -	\$ 183,404
Adjustments to reconcile operating income (loss) to net cash:						
Depreciation	<u>54,592</u>	<u>9,914</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,506</u>
Net cash provided (used) by operating activities	<u>\$ 165,733</u>	<u>\$ 82,177</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 247,910</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF SCIO
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Scio have been prepared 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. 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. Description of Government-Wide 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 normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

B. Reporting Entity

The government of the City consists of an elected mayor and six council members. The mayor serves a four-year term and the council members serve four-year terms. The city council appoints the city manager, an additional officer of the City. The City provides contracted police protection, water and sewer services, road maintenance and improvements, other public improvements, planning, zoning, library, senior and general administrative services to citizens within the City's limits.

C. Basis of Presentation - Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from all governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the government's funds. Separate statements for each fund category - governmental and proprietary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

CITY OF SCIO
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

The City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. It accounts for all financial resources of the City except those required to be accounted for in another fund.

Special Revenue Fund

Road Fund – The Road Fund accounts for the receipt and expenditure of financial resources that are generally restricted for use on the City’s streets.

Capital Projects Fund

Road Reserve Fund – The Road Reserve Fund accounts for financial resources that are set aside for future capital outlays for the City’s streets.

The City reports the following major proprietary funds:

Enterprise Funds

Water Fund – The Water Fund accounts for the operation and maintenance of the City’s water system.

Sewer Fund – The Sewer Fund accounts for the operation and maintenance of the City’s sewer system.

Equipment Reserve Fund – The Equipment Reserve Fund accounts for the accumulation of resources for the replacement of capital equipment. The primary revenues are transfers in.

Water Reserve Fund – The Water Reserve Fund accounts for the accumulation of resources for the upgrading of the City’s water system. The primary revenues are transfers in.

Sewer Reserve Fund – The Sewer Reserve Fund accounts for the accumulation of resources for the upgrading of the City’s sewer system. The primary revenues are transfers in.

Certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

Transfers between the funds included in governmental activities are eliminated, so that only the net amount is included as transfers in the governmental column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

CITY OF SCIO
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured, such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus within the limitations of the modified cash basis of accounting, as described below.

Governmental fund financial statements are reported using the current financial resources measurement focus. Only current financial assets and liabilities are generally included on the balance sheet. The operating statements present sources and uses of available expendable financial resources during a given period. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt is as an other financing source.

Proprietary fund financial statements are reported using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows.

In the government-wide financial statements and the fund financial statements, governmental and business-type activities are presented using the modified cash basis of accounting. This basis recognizes assets, liabilities, fund balance/net position, revenues, and expenditures when they result from cash transactions, with a provision for depreciation in the government-wide statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenues for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in the financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements would use the modified accrual basis of accounting and the government-wide financial statements would be presented on the accrual basis of accounting.

CITY OF SCIO
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

F. Budgetary Information

1. Budgetary Basis of Accounting

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 on the cash basis.

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 budget is legally adopted by the city council 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, interfund transfers, and operating contingencies 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. Supplemental budgets less than 10% of a fund's original budget may be adopted by the city council at a regular 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 use of appropriation transfers between the levels of control. Such transfers require approval by the city council.

During the year, there were no supplemental budgets. 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 four approved appropriation changes.

G. Assets, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

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.

CITY OF SCIO
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

2. Investments

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.

3. Capital Assets

Capital assets resulting from cash transactions, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 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.

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. Major capital 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 asset constructed.

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>
Vehicles and equipment	5-20
Buildings and improvements	5-50
Infrastructure	5-50

4. 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 arising from cash basis transactions are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bond using the bonds outstanding method. Bonds payable are reported net of the applicable bond premium or discount. Management has determined that the bonds outstanding method approximates the effective interest method.

CITY OF SCIO
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs during the current period. 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.

5. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

6. Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned, fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

7. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. Amounts in the assigned fund balance classification are intended to be used by the government for the specific purposes but do not meet the criteria to be classified as committed. The City Council has by resolution authorized the City Manager to assign fund balance.

CITY OF SCIO
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments, generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment. 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 Council takes the same highest level action to remove or change the constraint.
- Assigned fund balance - amounts that 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 authority.
- Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The City has not formally adopted a minimum fund balance policy.

H. Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting used by the City requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

I. Revenues and Expenditures/Expenses

1. Retirement Plans

The City has adopted a Simplified Employee Pension - Individual Retirement Account (SEP-IRA) for the benefit of its employees. Under a SEP-IRA, the City may make contributions directly to its employees' individual retirement accounts.

CITY OF SCIO
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

2. Program Revenues

Amounts reported as 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes and other intentionally dedicated resources are reported as general revenues rather than as program revenues.

3. Property Taxes

Property taxes attach as an enforceable lien on real property and are levied as of July 1st. The tax levy is divided into two billings: the first billing (mailed on July 1) is an estimate of the current year's levy based on prior year's taxes; the second billing (mailed on January 1) reflects adjustments to the current year's actual levy. The billings are considered past due 15 days after the respective billing date, at which time the applicable property is subject to lien, and penalties and interest are assessed. 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.

4. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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 proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Water Capital Projects Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues not meeting this definition are reported as nonoperating revenues and expenses.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Excess of Expenditures Over Appropriations

During the year ended June 30, 2023, the City expended funds in excess of amounts appropriated as follows:

Fund	Function	Appropriation	Expenditure	Excess
Water Fund	Materials & Services	\$ 62,415	\$ 64,935	\$ 2,520

CITY OF SCIO
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Cash Deposits with Financial Institutions

The City of Scio 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. Additionally, several funds hold separate cash accounts.

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. The City participates in an external investment pool (State of Oregon Local Government Investment Pool). The Pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The State's investment policies are governed by the Oregon Revised Statutes (ORC) and the Oregon Investment Council (OIC). The State Treasurer is the investment officer for the OIC and is responsible for all funds in the State Treasury. These funds are invested exercising reasonable care, skill, and caution. Investments in the Pool are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which established diversification percentages and specifies the types and maturities of investments.

The portion of the external investment pool which belongs to local government investment participants is reported in an Investment Trust Fund in the State's Annual Comprehensive Financial Report (ACFR). A copy of the State's ACFR may be obtained at the Oregon State Treasury, 350 Winter St. N.E., Salem, Oregon 97310-0840.

Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or price 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 on the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

- *Level 1* - Unadjusted quoted prices for identical investments in active markets.
- *Level 2* - Observable inputs other than quoted market prices; and,
- *Level 3* - Unobservable inputs.

CITY OF SCIO
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

There were no transfers of assets or liabilities among the three levels of the fair value hierarchy for the year ended June 30, 2023. Fair values of assets measured on a recurring basis at June 30, 2023 are as follows:

	Level 2
Investments	
Oregon Local Government Investment Pool	\$ 2,108,570

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, 2023, the City had the following investments:

	Credit Quality Rating	Maturities	Fair Value
Oregon Local Government Investment Pool	Unrated	-	\$ 2,108,570

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.

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 Depository Insurance Corporation (FDIC) insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon, organized in accordance with ORS 295.

CITY OF SCIO
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

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 accounts at Columbia Bank, for which deposits are insured by the FDIC up to \$250,000. At June 30, 2023, the City had deposits of \$250,000 covered by FDIC insurance and \$1,245,939 collateralized under the PFCP.

Deposits

The City's deposits and investments at June 30, 2023 are as follows:

Checking accounts	\$ 345,890
Total investments	<u>2,108,570</u>
Total deposits and investments	<u><u>\$ 2,454,460</u></u>

Cash and investments by fund:

Governmental activities - unrestricted	
General Fund	\$ 792,051
Road Fund	208,768
Nonmajor fund - Road Reserve Fund	<u>56,970</u>
Total governmental activities - unrestricted	<u>1,057,789</u>
Business-type activities - unrestricted	
Water Fund	183,051
Sewer Fund	358,095
Equipment Reserve Fund	102,137
Water Reserve Fund	385,491
Sewer Reserve Fund	<u>92,861</u>
Total business-type activities - unrestricted	<u>1,121,635</u>
Subtotal unrestricted cash and investments	<u>2,179,424</u>
Governmental activities - restricted	
General Fund	249,321
Road Fund	<u>25,715</u>
Total governmental-type activities - restricted	<u>275,036</u>
Total cash and investments	<u><u>\$ 2,454,460</u></u>

CITY OF SCIO
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

B. Capital Assets

Governmental activities' capital asset activity resulting from modified cash basis transactions for the year ended June 30, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 107,525	\$ -	\$ -	\$ 107,525
Construction in progress	254,369	1,306,739	-	1,561,108
Total capital assets not being depreciated	<u>361,894</u>	<u>1,306,739</u>	<u>-</u>	<u>1,668,633</u>
Capital assets being depreciated				
Buildings and improvements	76,750	-	-	76,750
Vehicles and equipment	78,539	-	-	78,539
Infrastructure	1,439,871	-	-	1,439,871
Total capital assets being depreciated	<u>1,595,160</u>	<u>-</u>	<u>-</u>	<u>1,595,160</u>
Less accumulated depreciation for				
Buildings and improvements	(52,349)	(1,536)	-	(53,885)
Vehicles and equipment	(34,023)	(6,520)	-	(40,543)
Infrastructure	(1,040,909)	(35,059)	-	(1,075,968)
Total accumulated depreciation	<u>(1,127,281)</u>	<u>(43,115)</u>	<u>-</u>	<u>(1,170,396)</u>
Total capital assets being depreciated, net	<u>467,879</u>	<u>(43,115)</u>	<u>-</u>	<u>424,764</u>
Governmental activities capital assets, net	<u>\$ 829,773</u>	<u>\$ 1,263,624</u>	<u>\$ -</u>	<u>\$ 2,093,397</u>

Governmental activities' capital assets are reported on the statement of net position as follows:

	Capital Assets	Accumulated Depreciation	Net Capital Assets
Governmental activities			
Land	\$ 107,525	\$ -	\$ 107,525
Construction in progress	1,561,108	-	1,561,108
Buildings and improvements	76,750	(53,885)	22,865
Vehicles and equipment	78,539	(40,543)	37,996
Infrastructure	1,439,871	(1,075,968)	363,903
Total governmental activities capital assets	<u>\$ 3,263,793</u>	<u>\$ (1,170,396)</u>	<u>\$ 2,093,397</u>

CITY OF SCIO
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

Business-type activities' capital asset activity resulting from modified cash basis transactions for the year ended June 30, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 15,683	\$ -	\$ -	\$ 15,683
Capital assets being depreciated				
Buildings and improvements	14,213	-	-	14,213
Vehicles and equipment	95,778	-	-	95,778
Infrastructure	2,997,168	11,508	-	3,008,676
Total capital assets being depreciated	3,107,159	11,508	-	3,118,667
Less accumulated depreciation for				
Buildings and improvements	(14,213)	-	-	(14,213)
Vehicles and equipment	(62,193)	(7,570)	-	(69,763)
Infrastructure	(2,171,634)	(56,936)	-	(2,228,570)
Total accumulated depreciation	(2,248,040)	(64,506)	-	(2,312,546)
Total capital assets being depreciated, net	859,119	(52,998)	-	806,121
Business-type activities capital assets, net	\$ 874,802	\$ (52,998)	\$ -	\$ 821,804

Business-type activities' capital assets are reported on the statement of net position as follows:

	Capital Assets	Accumulated Depreciation	Net Capital Assets
Business-type activities			
Land	15,683	-	15,683
Buildings and improvements	14,213	(14,213)	-
Vehicles and equipment	95,778	(69,763)	26,015
Infrastructure	3,008,676	(2,228,570)	780,106
Total business-type activities capital assets	\$ 3,134,350	\$ (2,312,546)	\$ 821,804

CITY OF SCIO
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

Governmental capital assets of the City are for the use of the entire City and are therefore unallocated. Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities		
Unallocated depreciation	\$	43,115
Business-type activities		
Water	\$	54,592
Sewer		9,914
Total	\$	64,506

C. Long-Term Liabilities

1. Changes in Long-Term Liabilities

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

	Interest Rate	Original Amount	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities							
Columbia Bank Loan	2.620%	\$ 1,570,000	\$ 1,570,000	\$ -	\$ -	\$ 1,570,000	\$ 34,982
Business-type activities							
Columbia Bank Loan	2.440%	316,847	85,049	-	45,258	39,791	39,791
Total		\$ 1,886,847	\$ 1,655,049	\$ -	\$ 45,258	\$ 1,609,791	\$ 74,773

2. Interest Expense

Interest expense was charged to function/program of the City as follows:

Governmental activities		
Interest on long-term debt	\$	12,929
Business-type activities		
Water	\$	22,590
Sewer		11,260
Total	\$	33,850

CITY OF SCIO
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

3. Governmental Activities - Columbia Bank Loan

Loans are direct obligations that pledge the full faith and credit of the City. The City will use the proceeds on capital improvements for the City, which will be pledged as collateral. Payments are due monthly, including interest at 2.620% per annum. A balloon payment is due November 15, 2036. The General, Road, Sewer, and Water Funds will be used to liquidate this obligation.

4. Business-Type Activities - Columbia Bank Loan

Loans are direct obligations that pledge the full faith and credit of the City. The City used proceeds from the loan for a water project, which was completed in 1998. The terms of the loan required annual payments, including interest at 5.125% per annum. The City refinanced the loan on November 30, 2016. Payments are due monthly, including interest at 2.440% per annum. A balloon payment is due December 15, 2023. The Water Fund has traditionally been used to liquidate this obligation.

5. Governmental Activities - Future Maturities of Long-Term Liabilities

Year Ending June 30	Loan		
	Principal	Interest	Total
2024	\$ 34,982	\$ 41,587	\$ 76,569
2025	60,263	40,036	100,299
2026	62,901	38,389	101,290
2027	64,594	36,599	101,193
2028	66,234	35,057	101,291
2029-2033	360,283	150,158	510,441
2034-2037	920,743	71,701	992,444
	<u>\$ 1,570,000</u>	<u>\$ 413,527</u>	<u>\$ 1,983,527</u>

6. Business-Type Activities - Future Maturities of Long-Term Liabilities

Year Ending June 30	Loan		
	Principal	Interest	Total
2024	<u>\$ 39,791</u>	<u>\$ 1,959</u>	<u>\$ 41,750</u>

An additional principal payment of \$25,000 was made during the current fiscal year in order to reduce the balloon payment due at the end of the loan term.

CITY OF SCIO
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

D. Constraints on Fund Balances

Constraints on fund balances reported on the balance sheet are as follows:

	General Fund	Road Fund	Nonmajor Road Reserve Fund	Total Governmental Funds
Fund balance:				
Restricted for:				
Road improvement	\$ -	\$ 25,715	\$ -	\$ 25,715
Equipment purchases	30,000	-	-	30,000
Capital improvements	219,321	-	-	219,321
Committed to:				
Road improvement	-	208,768	56,970	265,738
Unassigned	792,051	-	-	792,051
Total fund balances	<u>\$ 1,041,372</u>	<u>\$ 234,483</u>	<u>\$ 56,970</u>	<u>\$ 1,332,825</u>

IV. 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. Retirement Plan

The City has adopted a Simplified Employee Pension – Individual Retirement Account (SEP-IRA) for the benefit of its employees. Under a SEP-IRA, the City may make contributions directly to its employees’ individual retirement accounts. As an IRA, the employee is always fully vested in the account. Eligible employees are those that have reached age 21, worked for the employer in at least three of the immediately preceding five years, and received at least \$500 in compensation. For the year ended June 30, 2023, the total amount contributed to the retirement plan was \$26,500.

C. New Pronouncements

For the fiscal year ended June 30, 2023, the City implemented the following new accounting standards:

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Arrangements* – This Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs).

CITY OF SCIO
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* - This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users.

GASB Statement No. 99, *Omnibus 2022*. This statement was issued April 2022 and enhances comparability in accounting and financial reporting to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to lease implementation, public-private and public-public partnerships and availability payment arrangements, and subscription-based information technology arrangements.

GASB Statement No. 101, *Compensated Absences*. This statement was issued to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

The City will implement applicable new GASB pronouncements no later than the required fiscal year. Management has not determined the effect on the financial statements for implementing any of the following pronouncements:

GASB Statement No. 99, *Omnibus 2022*. This statement was issued April 2022 and enhances comparability in accounting and financial reporting to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to financial guarantees and classification of derivatives.

GASB Statement No. 100, *Accounting Changes and Error Corrections*. This statement was issued 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 assessing accountability.

D. Commitments

During the year, the City signed multiple contracts with vendors for various construction projects. The total price for all ongoing construction contracts at June 30, 2023 was \$2,011,775, of which \$601,278 remained outstanding.

E. Subsequent Events

Management has evaluated subsequent events through September 11, 2023, which was the date that the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION
INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

CITY OF SCIO
Linn County, Oregon

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

GENERAL FUND

For the Year Ended June 30, 2023

	Original Budget	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
				Cash Basis	Adjustments	Modified Cash Basis
REVENUES						
Property taxes	\$ 280,000	\$ 280,000	\$ 10,258	\$ 290,258	\$ 8,400	\$ 298,658
Alcohol, cigarette, and marijuana taxes	19,000	19,000	1,773	20,773	-	20,773
Franchise fees	17,300	17,300	2,819	20,119	-	20,119
Intergovernmental	10,000	10,000	963	10,963	-	10,963
Library	16,400	19,252	956	20,208	(8,400)	11,808
Fees and charges	7,000	7,000	(25)	6,975	-	6,975
Fines and forfeitures	500	500	75	575	-	575
Donations - Veteran's Memorial Park	-	-	50	50	-	50
Grants and contributions	-	9,172	1,000	10,172	-	10,172
Investment earnings	5,500	5,500	28,287	33,787	-	33,787
Miscellaneous	1,500	1,500	5,962	7,462	-	7,462
Total revenues	<u>357,200</u>	<u>369,224</u>	<u>52,118</u>	<u>421,342</u>	<u>-</u>	<u>421,342</u>
EXPENDITURES						
Current						
Personnel services	158,846	158,846	(11,919)	146,927	-	146,927
Police services	75,000	75,000	(6,495)	68,505	-	68,505
Materials and services	394,903	406,927	(239,682)	167,245	-	167,245
Capital outlay	1,885,958	1,885,958	(522,855)	1,363,103	-	1,363,103
Debt service	10,800	10,800	(5,378)	5,422	-	5,422
Contingency	197,413	197,413	(197,413)	-	-	-
Total expenditures	<u>2,722,920</u>	<u>2,734,944</u>	<u>(983,742)</u>	<u>1,751,202</u>	<u>-</u>	<u>1,751,202</u>
Excess (deficiency) of revenues over (under) expenditures	(2,365,720)	(2,365,720)	1,035,860	(1,329,860)	-	(1,329,860)
Fund balance - beginning	<u>2,365,720</u>	<u>2,365,720</u>	<u>5,512</u>	<u>2,371,232</u>	<u>-</u>	<u>2,371,232</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,041,372</u>	<u>\$ 1,041,372</u>	<u>\$ -</u>	<u>\$ 1,041,372</u>

CITY OF SCIO
Linn County, Oregon

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

ROAD FUND

For the Year Ended June 30, 2023

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES			
State highway tax	\$ 76,000	\$ (1,292)	\$ 74,708
Franchise fees	17,300	2,819	20,119
Grants	600,000	(557,538)	42,462
Investment earnings	-	3	3
Miscellaneous	-	100	100
Total revenues	693,300	(555,908)	137,392
EXPENDITURES			
Current			
Personnel services	29,190	(6,948)	22,242
Materials and services	112,406	(45,470)	66,936
Capital outlay	650,464	(648,964)	1,500
Debt service	14,400	(6,893)	7,507
Contingency	82,116	(82,116)	-
Total expenditures	888,576	(790,391)	98,185
Excess (deficiency) of revenues over (under) expenditures	(195,276)	234,483	39,207
Fund balance - beginning	195,276	-	195,276
Fund balance - ending	\$ -	\$ 234,483	\$ 234,483

CITY OF SCIO
Linn County, Oregon

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

ROAD RESERVE FUND

For the Year Ended June 30, 2023

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES			
Investment earnings	\$ 200	\$ 1,432	\$ 1,632
EXPENDITURES	-	-	-
Excess (deficiency) of revenues over (under) expenditures	200	1,432	1,632
Fund balance - beginning	55,296	42	55,338
Fund balance - ending	\$ 55,496	\$ 1,474	\$ 56,970

CITY OF SCIO
Linn County, Oregon

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

WATER FUND

For the Year Ended June 30, 2023

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Modified Cash Basis	
REVENUES					
Charges for services	\$ 362,990	\$ 7,909	\$ 370,899	\$ -	\$ 370,899
Miscellaneous	<u>2,000</u>	<u>(1,262)</u>	<u>738</u>	<u>-</u>	<u>738</u>
Total revenues	<u>364,990</u>	<u>6,647</u>	<u>371,637</u>	<u>-</u>	<u>371,637</u>
EXPENSES					
Current					
Personnel services	148,460	(8,229)	140,231	-	140,231
Materials and services	62,415	2,520	64,935	-	64,935
Debt service	84,415	(16,567)	67,848	(45,258)	22,590
Capital outlay	3,500	(3,500)	-	-	-
Depreciation	-	-	-	54,592	54,592
Contingency	<u>148,742</u>	<u>(148,742)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>447,532</u>	<u>(174,518)</u>	<u>273,014</u>	<u>9,334</u>	<u>282,348</u>
Excess (deficiency) of revenues over (under) expenses	(82,542)	181,165	98,623	(9,334)	89,289
Net position - beginning	<u>82,542</u>	<u>1,886</u>	<u>84,428</u>	<u>690,888</u>	<u>775,316</u>
Net position - ending	<u>\$ -</u>	<u>\$ 183,051</u>	<u>\$ 183,051</u>	<u>\$ 681,554</u>	<u>\$ 864,605</u>

CITY OF SCIO
Linn County, Oregon

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

SEWER FUND

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		
				Budget Basis	Adjustments	Modified Cash Basis
REVENUES						
Charges for services	\$ 256,500	\$ 271,460	\$ (8,800)	\$ 262,660	\$ -	\$ 262,660
Grants and contributions	90,000	111,217	63	111,280	-	111,280
Miscellaneous	-	-	49	49	-	49
Total revenues	<u>346,500</u>	<u>382,677</u>	<u>(8,688)</u>	<u>373,989</u>	<u>-</u>	<u>373,989</u>
EXPENSES						
Current						
Personnel services	112,085	128,582	(25,393)	103,189	-	103,189
Materials and services	165,206	84,710	(12,369)	72,341	-	72,341
Debt service	30,000	21,600	(10,340)	11,260	-	11,260
Capital Outlay		205,117	(188,656)	16,461	(11,508)	4,953
Depreciation	-	-	-	-	9,914	9,914
Contingency	<u>75,783</u>	<u>128,949</u>	<u>(128,949)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>383,074</u>	<u>568,958</u>	<u>(365,707)</u>	<u>203,251</u>	<u>(1,594)</u>	<u>201,657</u>
Excess (deficiency) of revenues over (under) expenses	(36,574)	(186,281)	357,019	170,738	1,594	172,332
Net position - beginning	<u>36,574</u>	<u>186,281</u>	<u>1,076</u>	<u>187,357</u>	<u>98,865</u>	<u>286,222</u>
Net position - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 358,095</u>	<u>\$ 358,095</u>	<u>\$ 100,459</u>	<u>\$ 458,554</u>

CITY OF SCIO
Linn County, Oregon

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

EQUIPMENT RESERVE FUND

For the Year Ended June 30, 2023

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjusted Cash Basis	
REVENUES					
Investment earnings	\$ 600	\$ 2,327	\$ 2,927	\$ -	\$ 2,927
EXPENSES	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenses	600	2,327	2,927	-	2,927
Net position - beginning	<u>99,167</u>	<u>43</u>	<u>99,210</u>	<u>-</u>	<u>99,210</u>
Net position - ending	<u>\$ 99,767</u>	<u>\$ 2,370</u>	<u>\$ 102,137</u>	<u>\$ -</u>	<u>\$ 102,137</u>

CITY OF SCIO
Linn County, Oregon

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

WATER RESERVE FUND

For the Year Ended June 30, 2023

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Modified Cash Basis	
REVENUES					
Investment earnings	\$ 1,750	\$ 9,296	\$ 11,046	\$ -	\$ 11,046
EXPENSES					
	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenses	1,750	9,296	11,046	-	11,046
Net position - beginning	<u>374,271</u>	<u>174</u>	<u>374,445</u>	<u>-</u>	<u>374,445</u>
Net position - ending	<u>\$ 376,021</u>	<u>\$ 9,470</u>	<u>\$ 385,491</u>	<u>\$ -</u>	<u>\$ 385,491</u>

CITY OF SCIO
Linn County, Oregon

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

SEWER RESERVE FUND

For the Year Ended June 30, 2023

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual	
			Budget Basis	Adjusted
REVENUES				
Investment earnings	\$ 600	\$ 2,061	\$ 2,661	\$ -
EXPENSES	-	-	-	-
Excess (deficiency) of revenues over (under) expenses	600	2,061	2,661	-
Net position - beginning	90,126	74	90,200	-
Net position - ending	<u>\$ 90,726</u>	<u>\$ 2,135</u>	<u>\$ 92,861</u>	<u>\$ -</u>

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



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

The Honorable Debbie Nuber, Mayor
and Members of the City Council
City of Scio
Scio, Oregon 97374

We have audited the basic financial statements of the City of Scio as of and for the year ended June 30, 2023 and have issued our report thereon dated September 11, 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 of Scio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

Deposit of public funds with financial institutions (ORS Chapter 295)

Indebtedness limitations, restrictions, and repayment

Budgets legally required (ORS Chapter 294)

Insurance and fidelity bonds in force or required by law

Programs funded from outside sources

Highway revenues used for public highways, roads, and streets

Authorized investment of surplus funds (ORS Chapter 294)

Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)

In connection with our testing, nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except as follows:

A. Excess of Expenditures Over Appropriations

During the year ended June 30, 2023, the City expended funds in excess of amounts appropriated as follows:

<u>Fund</u>	<u>Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Excess</u>
Water Fund	Materials & Services	\$ 62,415	\$ 64,935	\$ 2,520

OAR 162-010-0230 Internal Control

In planning and performing our audit, we considered the City of Scio’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Scio’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Scio’s internal control over financial reporting. However, we noted certain matters that we have reported to management of the City in a separate letter dated September 11, 2023.

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



Accuity, LLC
September 11, 2023