

***CITY OF HUBBARD, OREGON
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2023***

CITY OF HUBBARD, OREGON
CITY OFFICIALS
JUNE 30, 2023

<u><i>Name</i></u>	<i>MAYOR</i>	<u><i>Term</i></u>
Charles Rostocil		December 31, 2024

CITY COUNCIL MEMBERS

James Audritsh, President		December 31, 2024
Tyler Thomas		December 31, 2024
Joseph Steininger		December 31, 2026
James Yonally		December 31, 2026

The above individuals may be contacted at the address below.

3720 2nd Street
Hubbard, Oregon 97032

CITY ADMINISTRATOR

Shawn Waite

DIRECTOR OF ADMINISTRATION / CITY RECORDER

Vickie Nogle

CITY OF HUBBARD, OREGON
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FINANCIAL SECTION



GROVE, MUELLER & SWANK

redw
Advisors & CPAs

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Council Members
City of Hubbard
Hubbard, Oregon

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining funds of the City as of June 30, 2023, and the respective changes in financial position - modified cash and, where applicable, cash flows, thereof for the year then ended in accordance with the modified cash basis of accounting described in the summary of significant accounting policies notes.

Basis for Opinions

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

Emphasis of Matter — Basis of Accounting

We draw attention to the notes to basic financial statements, which describe the basis of accounting. The financial statements are prepared 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 this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplemental information and management's discussion and analysis are presented for purposes of additional analysis and are not required parts of the basic financial statements.

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

Management's discussion and analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 19, 2023, on our consideration of the City's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By: 

Ryan T. Pasquarella, Principal
December 19, 2023

CITY OF HUBBARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

As management of the City of Hubbard, we offer readers of the financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2023.

FINANCIAL HIGHLIGHTS

	June 30,		change
	2023	2022	
Net position	\$ 8,131,031	\$ 7,037,327	\$ 1,093,704
Change in net position	1,093,704	982,852	110,852
Governmental net position	3,877,354	3,268,645	608,709
Proprietary net position	4,253,677	3,768,682	484,995
Change in governmental net position	608,709	880,448	(271,739)
Change in proprietary net position	484,995	102,404	382,591

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplemental 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. These statements include:

Statement of Net Position (Modified Cash Basis). The *statement of net position (modified cash basis)* presents information on all of the assets and liabilities of the City as of the date on the statement. Net position is what remains after the liabilities have been paid off or otherwise satisfied. 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.

Statement of Activities (Modified Cash Basis). The *statement of activities (modified cash basis)* presents information showing how the net position of the City changed over the most recent fiscal year by tracking revenues, expenditures and other transactions that increase or reduce net position. All changes in net position are reported as soon as funds are received or paid. Thus, revenues and expenditures are reported in this statement as cash flows occur.

In the government-wide financial statements, the City's activities are shown as governmental and business-type activities. All basic governmental functions are shown here, such as police and court, streets, parks, community development and administration. These activities are primarily financed through property taxes and other intergovernmental revenues. The City's business-type (water and sewer) activities are primarily financed through user charges.

Fund Financial Statements. The fund financial statements provide more detailed information about the City's funds, focusing on its most significant or "major" funds - not the City as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. The governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. 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.

Proprietary Funds. The City charges customers for the services it provides. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *supplemental information* including combining reconciliations, schedules of revenues, expenditures, and changes in fund balance - budget and actual for all funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position (Modified Cash Basis). The statement of net position (modified cash basis) is provided on a comparative basis.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$8 million as of June 30, 2023.

Net position - restricted represent resources that are subject to external restrictions on their use, such as debt service payments or capital acquisitions.

Net position - unrestricted are available for general operations of the City.

	2023			2022		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
<i>Assets</i>						
Cash and cash equivalents	\$ 3,904,611	\$ 4,269,169	\$ 8,173,780	\$ 3,291,531	\$ 3,783,780	\$ 7,075,311
<i>Liabilities</i>						
Due to other governments	672	-	672	2,176	-	2,176
Deposits	26,585	15,492	42,077	20,710	15,098	35,808
Total liabilities	27,257	15,492	42,749	22,886	15,098	37,984
<i>Net Position</i>						
Restricted	2,155,931	3,272,049	5,427,980	1,390,361	2,945,074	4,335,435
Unrestricted	1,721,423	981,628	2,703,051	1,878,284	823,608	2,701,892
Total net position	\$ 3,877,354	\$ 4,253,677	\$ 8,131,031	\$ 3,268,645	\$ 3,768,682	\$ 7,037,327

Statement of Activities. During the current fiscal year, the City's net position increased by \$1.1 million. The key elements of the change in the City's net position for the year ended June 30, 2023 are as follows:

- Charges for services revenues increased by \$26 thousand due to increased utility billings.
- Franchise fee revenue increased by \$25 thousand due to a payment of two years for one franchise and increased payment amounts per contract terms.
- Miscellaneous revenue increased by \$167 thousand due to increased interest income and reimbursement for prior year expenditures.
- General government expenses increased by \$175 thousand as a result of multiple projects being completed in the prior year.
- Water expenses decreased by \$199 thousand as a result of additional payments in debt during the prior year.
- Sewer expenses decreased by \$42 thousand as a result of several completed projects in the prior year and savings in personnel costs as a result of vacancies.

	2023			2022		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Revenues						
Program Revenues						
Charges for services	\$ 399,840	\$ 1,290,566	\$ 1,690,406	\$ 439,714	\$ 1,277,107	\$ 1,716,821
Operating grants	697,119	-	697,119	699,671	-	699,671
Capital grants	27,527	47,214	74,741	67,722	17,684	85,406
General Revenues						
Property taxes	1,057,373	-	1,057,373	1,013,165	-	1,013,165
Franchise and other taxes	233,377	-	233,377	208,688	-	208,688
Intergovernmental	152,508	-	152,508	146,531	-	146,531
Miscellaneous	113,678	145,886	259,564	48,141	44,572	92,713
<i>Total Revenues</i>	2,681,422	1,483,666	4,165,088	2,623,632	1,339,363	3,962,995
Expenses						
General government	330,089	-	330,089	155,550	-	155,550
Police and court	1,270,574	-	1,270,574	1,219,990	-	1,219,990
Community development	118,192	-	118,192	84,980	-	84,980
Parks	192,331	-	192,331	193,273	-	193,273
Streets	306,007	-	306,007	224,697	-	224,697
Interest on long-term debt	-	-	-	6,644	-	6,644
Water	-	349,844	349,844	-	548,922	548,922
Sewer	-	504,347	504,347	-	546,087	546,087
<i>Total Expenses</i>	2,217,193	854,191	3,071,384	1,885,134	1,095,009	2,980,143
Transfers	144,480	(144,480)	-	141,950	(141,950)	-
Change in net position	608,709	484,995	1,093,704	880,448	102,404	982,852
Net position, beginning of year	3,268,645	3,768,682	7,037,327	2,388,197	3,666,278	6,054,475
Net position, end of year	\$ 3,877,354	\$ 4,253,677	\$ 8,131,031	\$ 3,268,645	\$ 3,768,682	\$ 7,037,327

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 relatively short-term cash flow and funding for future basic services on a fund basis. Such information is useful in assessing the City's financing requirements. In particular, *fund balance* may serve as a useful measure of net resources available for spending at the end of a fiscal year.

At June 30, 2023, the City's governmental funds reported combined ending fund balances of \$3.9 million, an increase of \$609 thousand in comparison with prior year.

General Fund - The General Fund is the primary operating fund of the City. The fund balance was \$1.9 million as of June 30, 2023. The fund balance decreased by \$244 thousand during the current fiscal year, primarily due to ARPA funding received in the previous year and transferred to the ARPA fund in the current year. As a measure of the fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Fund balance represents 107 percent of the total of General Fund expenditures.

Street Fund - Fund balance increased by \$16 thousand during the current fiscal year primarily due to increases in charges for services and intergovernmental revenue.

ARPA Fund – The ARPA fund is new this year and was created to more accurately display ARPA revenues and expenditures. The fund had an increase of \$695 thousand.

Parks Improvement Fund - Fund balance increased by \$54 thousand during the current fiscal year as a result of an increase in intergovernmental revenues from State Shared Revenue and interest income with limited expenditures to offset the revenue.

Street Construction Fund – Fund balance increased by \$64 thousand during the current fiscal year as a result of a significant increase in intergovernmental revenues with no expenditures to offset the revenue.

Reserve Fund – Fund balance increased by \$23 thousand during the current fiscal year as a result of transfers from other funds as with no expenditures to offset these transfers.

Enterprise Funds - The City's enterprise funds provide water and sanitary sewer services to customers. As with the governmental funds, net position may serve as a useful measure of net resources available for spending at the end of a fiscal year.

Water Operations – Net position increased by \$268 thousand during the current fiscal year. This was due primarily to an increase in charges for services and a significant increase in debt payments to offset the revenue.

Sewer Operations – Net position increased by \$217 thousand during the current fiscal year. This was due primarily to an increase in charges for services and large increases in operational expenses.

GENERAL FUND BUDGETARY HIGHLIGHTS

A supplemental budget for the General Fund for the fiscal year ended June 30, 2023, was adopted, increasing the beginning fund balance by \$625,732 and causing an increase in transfers in of \$5,012, an increase of reserves for future expenditures for \$229,257, and an increase in transfers out of \$396,475.

LONG-TERM DEBT

The City had total debt outstanding of \$138 thousand at the end of the current fiscal year. During the current fiscal year, the City's total debt decreased by \$88 thousand (57 percent).

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Capital leases	\$ 33,514	\$ 71,862	\$ -	\$ -	\$ 33,514	\$ 71,862
Oregon DEQ loan	-	-	104,891	154,958	104,891	154,958
	<u>\$ 33,514</u>	<u>\$ 71,862</u>	<u>\$ 104,891</u>	<u>\$ 154,958</u>	<u>\$ 138,405</u>	<u>\$ 226,820</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to 3 percent of its total real market value. The City has no outstanding general obligation debt.

Additional information on the City's long-term debt can be found in the notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's Budget Committee considered all the following factors while preparing the budget for the 2023-24 fiscal year:

- Expected rates and consumption for business-type funds.
- Staffing requirements and the desired level of service.
- Capital outlay.
- Receipt of the second tranche of ARPA funds in the amount \$396,475.

REQUESTS FOR INFORMATION

This financial report is designed to present the user (citizens, taxpayers, investors, and creditors) with a general overview of the City of Hubbard's finances and to demonstrate the City's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

City of Hubbard
 Attn: City Administrator
 P.O. Box 380
 3720 2nd Street
 Hubbard, Oregon 97032
 503-981-9633

BASIC FINANCIAL STATEMENTS

CITY OF HUBBARD, OREGON
STATEMENT OF NET POSITION (MODIFIED CASH BASIS)
JUNE 30, 2023

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 3,904,611	\$ 4,269,169	\$ 8,173,780
LIABILITIES			
Due to other governments	672	-	672
Deposits	26,585	15,492	42,077
<i>Total Liabilities</i>	27,257	15,492	42,749
NET POSITION			
Restricted for:			
Capital acquisition	1,557,774	3,244,806	4,802,580
Debt payments	-	27,243	27,243
Streets	201,682	-	201,682
ARPA funds	396,475	-	396,475
Unrestricted	1,721,423	981,628	2,703,051
<i>Total Net Position</i>	<u>\$ 3,877,354</u>	<u>\$ 4,253,677</u>	<u>\$ 8,131,031</u>

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

CITY OF HUBBARD, OREGON
STATEMENT OF ACTIVITIES (MODIFIED CASH BASIS)
YEAR ENDED JUNE 30, 2023

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contribution	Capital Grants and Contribution
Governmental activities				
General government	\$ 330,089	\$ 153,391	\$ 410,940	\$ -
Police and court	1,270,574	95,057	-	-
Community development	118,192	42,939	15,000	-
Parks	192,331	-	-	9,736
Streets	306,007	108,453	271,179	17,791
<i>Total Governmental activities</i>	2,217,193	399,840	697,119	27,527
Business-type activities				
Water	349,844	597,849	-	18,760
Sewer	504,347	692,717	-	28,454
<i>Total Business-type activities</i>	854,191	1,290,566	-	47,214
<i>Total Activities</i>	<u>\$ 3,071,384</u>	<u>\$ 1,690,406</u>	<u>\$ 697,119</u>	<u>\$ 74,741</u>
General Revenues				
Property taxes				
Franchise and other taxes				
Intergovernmental				
Miscellaneous				
<i>Total General Revenues</i>				
Transfers				
Change in Net Position				
Net Position - beginning of year				
Net Position - end of year				

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

*Net (Expenses) Revenues
and Changes in Net Position*

<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>
\$ 234,242	\$ -	\$ 234,242
(1,175,517)	-	(1,175,517)
(60,253)	-	(60,253)
(182,595)	-	(182,595)
91,416	-	91,416
(1,092,707)	-	(1,092,707)
-	266,765	266,765
-	216,824	216,824
-	483,589	483,589
(1,092,707)	483,589	(609,118)
1,057,373	-	1,057,373
233,377	-	233,377
152,508	-	152,508
113,678	145,886	259,564
1,556,936	145,886	1,702,822
144,480	(144,480)	-
608,709	484,995	1,093,704
3,268,645	3,768,682	7,037,327
<u>\$ 3,877,354</u>	<u>\$ 4,253,677</u>	<u>\$ 8,131,031</u>

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

CITY OF HUBBARD, OREGON**BALANCE SHEET (MODIFIED CASH BASIS) – GOVERNMENTAL FUNDS**

JUNE 30, 2023

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
		<u>Street</u>	<u>ARPA Fund</u>
ASSETS			
Cash and cash equivalents	\$ 1,943,287	\$ 201,994	\$ 695,497
LIABILITIES AND FUND BALANCE			
Liabilities			
Due to other governments	\$ 360	\$ 312	\$ -
Deposits	26,585	-	-
<i>Total Liabilities</i>	26,945	312	-
Fund Balance			
Restricted for:			
Capital acquisition	-	-	695,497
Streets	-	201,682	-
ARPA funds	369,475	-	-
Committed to:			
Capital acquisition	-	-	-
Unassigned	1,546,867	-	-
<i>Total Fund Balance</i>	1,916,342	201,682	695,497
<i>Total Liabilities and Fund Balance</i>	\$ 1,943,287	\$ 201,994	\$ 695,497

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

<i>Capital Projects</i>			
<i>Parks Improvement</i>	<i>Street Construction</i>	<i>(Non-major) Reserve</i>	<i>Total</i>
\$ 459,218	\$ 466,622	\$ 137,993	\$ 3,904,611
\$ -	\$ -	\$ -	\$ 672
-	-	-	26,585
-	-	-	27,257
459,218	466,622	-	1,621,337
-	-	-	201,682
-	-	-	369,475
-	-	137,993	137,993
-	-	-	1,546,867
459,218	466,622	137,993	3,877,354
\$ 459,218	\$ 466,622	\$ 137,993	\$ 3,904,611

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

CITY OF HUBBARD, OREGON**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****(MODIFIED CASH BASIS) – GOVERNMENTAL FUNDS****YEAR ENDED JUNE 30, 2023**

	<u>General Fund</u>	<u>Special Revenue</u> <u>Street</u>	<u>Capital Projects</u> <u>ARPA Fund</u>
REVENUES			
Taxes and assessments	\$ 1,057,373	\$ -	\$ -
Fines and forfeitures	244,419	-	-
Licenses and permits	46,967	2,700	-
Charges for services	233,377	105,753	-
Intergovernmental	151,286	176,267	396,475
Miscellaneous	54,456	6,822	22,877
<i>Total Revenues</i>	<u>1,787,878</u>	<u>291,542</u>	<u>419,352</u>
EXPENDITURES			
Current			
General government	209,759	-	36,000
Police and court	1,227,841	-	-
Community development	118,192	-	-
Parks	192,331	-	-
Streets	-	249,089	-
Capital outlay	-	-	84,330
Debt service			
Principal	36,089	-	-
Interest	6,644	-	-
<i>Total Expenditures</i>	<u>1,790,856</u>	<u>249,089</u>	<u>120,330</u>
REVENUES OVER (UNDER) EXPENDITURES	(2,978)	42,453	299,022
OTHER FINANCING SOURCES (USES)			
Transfers in	164,850	-	396,475
Transfers out	(405,475)	(26,052)	-
<i>Total Other Financing Sources (Uses)</i>	<u>(240,625)</u>	<u>(26,052)</u>	<u>396,475</u>
NET CHANGE IN FUND BALANCE	(243,603)	16,401	695,497
FUND BALANCE, beginning of year	<u>2,159,945</u>	<u>185,281</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ 1,916,342</u>	<u>\$ 201,682</u>	<u>\$ 695,497</u>

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

<i>Capital Projects</i>			
<i>Parks Improvement</i>	<i>Street Construction</i>	<i>(Non-major) Reserve</i>	<i>Total</i>
\$ -	\$ -	\$ -	\$ 1,057,373
-	-	-	244,419
9,736	17,791	-	77,194
-	-	-	339,130
30,688	94,913	-	849,629
13,638	12,705	3,179	113,677
54,062	125,409	3,179	2,681,422
-	-	-	245,759
-	-	-	1,227,841
-	-	-	118,192
-	-	-	192,331
-	-	-	249,089
-	56,918	-	141,248
-	-	-	36,089
-	-	-	6,644
-	56,918	-	2,217,193
54,062	68,491	3,179	464,229
-	-	20,000	581,325
(390)	(4,928)	-	(436,845)
(390)	(4,928)	20,000	144,480
53,672	63,563	23,179	608,709
405,546	403,059	114,814	3,268,645
\$ 459,218	\$ 466,622	\$ 137,993	\$ 3,877,354

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

CITY OF HUBBARD, OREGON

STATEMENT OF FUND NET POSITION (MODIFIED CASH BASIS) – PROPRIETARY FUNDS

JUNE 30, 2023

	<u>Water</u> <u>Operations</u>	<u>Sewer</u> <u>Operations</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 1,905,826	\$ 2,363,343	\$ 4,269,169
LIABILITIES			
Current liabilities			
Deposits	15,100	392	15,492
NET POSITION			
Restricted for:			
Capital acquisition	1,248,060	1,996,746	3,244,806
Debt payments	-	27,243	27,243
Unrestricted	642,666	338,962	981,628
	<u>1,890,726</u>	<u>2,362,951</u>	<u>4,253,677</u>
<i>Total Net Position</i>	<u>\$ 1,890,726</u>	<u>\$ 2,362,951</u>	<u>\$ 4,253,677</u>

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

CITY OF HUBBARD, OREGON**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION
(MODIFIED CASH BASIS) – PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2023**

	Water Operations	Sewer Operations	Total
OPERATING REVENUES			
Charges for services	\$ 597,849	\$ 692,717	\$ 1,290,566
Miscellaneous	24,537	-	24,537
<i>Total Operating Revenues</i>	622,386	692,717	1,315,103
OPERATING EXPENSES			
Personnel services	190,999	220,668	411,667
Materials and services	154,045	181,726	335,771
<i>Total Operating Expenses</i>	345,044	402,394	747,438
OPERATING INCOME	277,342	290,323	567,665
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	54,033	67,316	121,349
Capital outlay	(4,800)	(47,467)	(52,267)
Debt payments			
Principal	-	(50,067)	(50,067)
Interest	-	(4,419)	(4,419)
<i>Total Nonoperating Revenues (Expenses)</i>	49,233	(34,637)	14,596
NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	326,575	255,686	582,261
Capital contributions	18,760	28,454	47,214
Transfers out	(77,337)	(67,143)	(144,480)
CHANGE IN NET POSITION	267,998	216,997	484,995
NET POSITION, beginning of year	1,622,728	2,145,954	3,768,682
NET POSITION, end of year	\$ 1,890,726	\$ 2,362,951	\$ 4,253,677

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

CITY OF HUBBARD, OREGON**STATEMENT OF CASH FLOWS (MODIFIED CASH BASIS) – PROPRIETARY FUNDS**

YEAR ENDED JUNE 30, 2023

	<u>Water Operations</u>	<u>Sewer Operations</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 598,030	\$ 692,930	\$ 1,290,960
Cash received from other sources	24,537	-	24,537
Cash paid to employees and others for salaries and benefits	(190,999)	(220,668)	(411,667)
Cash paid to suppliers and others	(154,045)	(181,726)	(335,771)
<i>Net Cash Provided by Operating Activities</i>	277,523	290,536	568,059
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers out	(77,337)	(67,143)	(144,480)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(4,800)	(47,467)	(52,267)
Principal paid on debt	-	(50,067)	(50,067)
Interest paid on debt	-	(4,419)	(4,419)
Capital contributions	18,760	28,454	47,214
<i>Net Cash Used in Capital and Related Financing Activities</i>	13,960	(73,499)	(59,539)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	54,033	67,316	121,349
<i>Increase in Cash and Cash Equivalents</i>	268,179	217,210	485,389
CASH AND CASH EQUIVALENTS, Beginning of year	1,637,647	2,146,133	3,783,780
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 1,905,826</u>	<u>\$ 2,363,343</u>	<u>\$ 4,269,169</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Operating income	\$ 277,342	\$ 290,323	567,665
Adjustments			
Increase (decrease) in:			
Customer deposits	181	213	394
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 277,523</u>	<u>\$ 290,536</u>	<u>\$ 568,059</u>

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Hubbard, Oregon was incorporated in 1878 under the provisions of the Oregon Statutes. The City is governed by a City Council and Mayor who are responsible for rulemaking, budget preparation and enforcement, expenditure approval, and hiring of the City management personnel. The Mayor and four Councilors are elected by vote of the general public. The Councilors are elected for four years, the Mayor for two years.

There are certain governmental agencies and various service districts which provide services within the City. These agencies have independently elected governing boards and the City is not financially accountable for these organizations. Therefore, financial information for these agencies is not included in the accompanying basic financial statements.

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

Basic Financial Statements

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

Government-wide financial statements display information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Position (Modified Cash Basis) and the Statement of Activities (Modified Cash Basis).

The Statement of Net Position (Modified Cash Basis) presents information on all of the assets and liabilities of the City of Hubbard as of the date on the statement. Net position is what remains after the liabilities have been paid off or otherwise satisfied. Net position is shown as restricted and unrestricted.

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

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, or fiduciary. Currently, the City has governmental funds (general, special revenue, and capital projects) and proprietary type funds (enterprise). Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

CITY OF HUBBARD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

Accounting principles generally accepted in the United States of America set forth minimum criteria (percentage of the assets liabilities, revenues, or expenditures/expenses of either fund category or the government and enterprise combined) for the determination of major funds.

The City reports the following governmental funds as major:

General Fund

This fund accounts for the financial operations of the City not accounted for in any other fund. Principal sources of revenue are property taxes, licenses and permits, franchise fees and State shared revenues. Primary expenditures are for administration, police and courts, parks, streets, and community development.

Street Fund

Gas tax apportionments received from the State are recorded in this fund. Expenditures are for road construction and maintenance.

Parks Improvement Fund

This fund is used to accumulate resources for future improvements to the City's parks. Primary resources are system development charges and transfers from other funds.

Street Construction Fund

This fund is used to accumulate resources for future improvements to the City's streets. Primary resources are system development charges and transfers from other funds.

ARPA Fund

ARPA recovery grant funds are received and recorded within this fund as well as related expenditures.

The proprietary funds are used to account for the acquisition, operation, and maintenance of the sewer and water systems. These funds are entirely or predominantly self-supported through user charges to customers. The City reports the following major proprietary funds:

Water Operations - accounts for the operations, maintenance, debt service, and capital construction projects for water system, which is funded through utility fees, construction fees, and debt proceeds.

Sewer Operations - accounts for the operations, maintenance, and capital construction projects for wastewater system, which is funded through utility fees, construction fees, and debt proceeds.

CITY OF HUBBARD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

Fund balance is reported as non-spendable when the resources cannot be spent because they are either in a non-spendable form or legally or contractually required to be maintained intact. Resources in non-spendable form include inventories, prepaids and deposits, and assets held for resale.

Fund balance is reported as restricted when the constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Fund balance is reported as committed when the City Council takes formal action that places specific constraints on how the resources may be used. The City Council can modify or rescind the commitment at any time through taking a similar formal action.

Resources that are constrained by the City's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent is expressed when the City Council approves which resources should be "reserved" during the adoption of the annual budget. The City uses that information to determine whether those resources should be classified as assigned or unassigned for presentation in the City's Annual Financial Report.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned within the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds.

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.

Definitions of Governmental Fund Types

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

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

Capital Projects Funds are utilized to account for financial resources to be used for the acquisition or construction of capital equipment and facilities.

Measurement Focus and Basis of Accounting

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

CITY OF HUBBARD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

In the government-wide Statement of Net Position (Modified Cash Basis) and Statement of Activities (Modified Cash Basis), both governmental and business-type activities are presented using the economic resource measurement focus, within the limitations of the modified cash basis of accounting, as defined below.

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

- a. All governmental funds utilize a current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary funds utilize an economic resource measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, change in net position (or cost recovery), net financial position, and cash flows. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.
- c. The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position or balance sheets cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include:
 1. Interfund receivables and payables that are temporary borrowing and result from transactions involving cash or cash equivalents are recognized.
 2. Assets that normally convert to cash or cash equivalents (e.g., certificates of deposit, external cash pools, and marketable investments) that arise from transactions and events involving cash or cash equivalents are recognized.
 3. Liabilities for cash (or cash equivalents) held on behalf of others or held in escrow are recognized.

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

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

CITY OF HUBBARD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

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

Proprietary funds distinguish between operating revenues and expenses and nonoperating items. Operating revenues and expenses result from providing services to customers in connection with ongoing utility operations. The principal operating revenues are charges to customers for service. Operating expenses include payroll and related costs, and materials and supplies. All revenues not considered operating are reported as nonoperating items.

Cash and Cash Equivalents

The City maintains cash and cash equivalents in a common pool that is available for use by all funds. Each fund type's portion of this pool is displayed as cash and cash equivalents. The City considers cash on hand, demand deposits and savings accounts, and short-term investments with an original maturity of three months or less from the date of acquisition to be cash and cash equivalents.

Oregon Revised Statutes authorize the City to invest in certificates of deposit, savings accounts, bank repurchase agreements, bankers' acceptances, general obligations of U.S. Government and its agencies, certain bonded obligations of Oregon municipalities and the State Treasurer's Local Government Investment Pool, among others.

Investments are stated at cost, which approximates fair value.

Property Taxes

Property taxes are levied by the County Assessor and collected by the County Tax Collector. The taxes are levied and become a lien as of July 1. They may be paid in three installments payable in equal payments due November 15, February 15, and May 15. The City's property tax collection records show that most of the property taxes due are collected during the year of levy and delinquent taxes are collected in the next few years.

Capital Assets

The City does not maintain historical cost or depreciation records for capital assets. Therefore, capital assets are not reported on the government-wide Statement of Net Position, the Proprietary Fund Statement of Net Position, or in the notes to the financial statements.

Long-Term Debt

Long-term debt is presented only in the notes to the financial statements. Payments of principal and interest are recorded as expenditures/expenses when paid.

Accrued Compensated Absences

Accumulated unpaid vacation pay is not accrued. Earned but unpaid sick pay is recorded as an expenditure when paid.

CITY OF HUBBARD, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budget and Budgetary Accounting

A budget is prepared for each fund in accordance with the modified accrual basis of accounting with certain modifications and legal requirements set forth in the Oregon Local Budget Law. Appropriations are made at the program/function level for all funds. Expenditures may not legally exceed appropriations. Appropriations lapse at the end of each fiscal year. Budget amounts include original approved amounts and all subsequent appropriation transfers approved by the City Council. After budget approval, the City Council may approve supplemental appropriations if an occurrence, condition or need exists which has not been ascertained at the time when the budget was adopted. Management may not amend the budget. A supplemental budget requires hearings before the public, publications in newspapers and approval by the City Council.

Use of Estimates

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

CASH AND CASH EQUIVALENTS

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

	<u>Carrying Value</u>
Cash	
Cash on hand	\$ 250
Deposits with Xpress pay	5,989
Cash in checking accounts	102,139
Investments	
Local Government Investment Pool	8,065,402
	<u>\$ 8,173,780</u>

Deposits

The book balance of the City’s bank deposits (checking accounts) was \$108,128 and the bank balance was \$176,394 at year end. The difference is due to transactions in process. Bank deposits are secured to legal limits by federal deposit insurance. The remaining amount is secured in accordance with ORS 295 under a collateral program administered by the Oregon State Treasurer.

CITY OF HUBBARD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2023

CASH AND CASH EQUIVALENTS (Continued)

Custodial Credit Risk – Deposits

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

Local Government Investment Pool

The State Treasurer of the State of Oregon maintains the Oregon Short Term Fund, of which the Local Government Investment Pool is part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, the investment funds are invested as a prudent investor would do, exercising reasonable care, skill, and caution. The Oregon Short Term Fund is the LGIP for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short Term Fund Board and approved by the Oregon Investment Council. At June 30, 2023, the fair value of the position in the Oregon State Treasurer's Short Term Investment Pool was approximately equal to the value of the pool shares. The investment in the Oregon Short Term Fund is not subject to risk evaluation. LGIP is not rated for credit quality. Separate financial statements for the Oregon Short-Term Fund are available from the Oregon State Treasurer.

Deposits with Xpress pay

The City contracts with Xpress pay to facilitate online payments for water and sewer customers. The amounts in this account are those payments received by Xpress pay.

Interest Rate Risk

In accordance with its investment policy, the City manages its exposure to declines in fair value of its investments by limiting the weighted average maturity of its investments through use of the Local Government Investment Pool.

Custodial Risk - Investments

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

CITY OF HUBBARD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2023

CASH AND CASH EQUIVALENTS (Continued)

Custodial Risk – Investments (Continued)

The LGIP is administered by the Oregon State Treasury with the advice of other state agencies and is not registered with the U.S. Securities and Exchange Commission. 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. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short Term Fund Board, which has established diversification percentages and specifies the types and maturities of the investments. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP. These investments within the LGIP must be invested and managed as a prudent investor would, exercising reasonable care, skill, and caution. Professional standards indicate that the investments in external investment pools are not subject to custodial risk because they are not evidenced by securities that exist in physical or book entry form. Nevertheless, management does not believe that there is any substantial custodial risk related to investments in the LGIP.

LEASE RECEIVABLE

The City entered into a tower lease agreement in 2014, renewable every five years with increasing revenue. For the year ended June 30, 2023, the annual lease revenue is \$15,840. This revenue includes an interest component calculated at 1.65%. The City expects the lease to continue through the remaining four five-year extensions.

Future lease revenues (including implicit interest) are forecasted as follows:

<i>Fiscal Year Ending June 30,</i>	<i>Lease Income</i>
2024	\$ 16,896
2025	17,424
2026	17,424
2027	17,424
2028	17,424
2029-2033	95,251
2034-2038	104,776
2039-2043	115,254
2044	7,730
<i>Total</i>	<u><u>\$ 409,604</u></u>

CITY OF HUBBARD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2023

LONG-TERM DEBT

As a result of the use of the modified cash basis of accounting in this report, obligations related to long-term debt and other obligations are not reported as liabilities in the financial statements. Long-term debt transactions for the year were as follows:

Governmental Activities

	Outstanding July 1, 2022	Issued	Matured/ Redeemed During Year	Outstanding June 30, 2023	Due within One Year
Capital leases	\$ 71,862	\$ -	\$ (38,348)	\$ 33,514	\$ 22,913

Notes from Direct Borrowings – Governmental Activities

Leasing Specialists, LLC Lease Payable: In January 2021, the City entered into three separate \$50,228 agreements with Leasing Specialists, LLC to finance the lease of three police vehicles and related attachments. The leases mature in 2023, 2024 and 2025 respectively, with 6% interest. This loan is secured by equipment. In the event of default, the loan becomes immediately due and payable.

Future debt service requirements for governmental activities are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	\$ 22,913	\$ 1,984	\$ 24,897
2025	10,601	622	11,223
	<u>\$ 33,514</u>	<u>\$ 2,606</u>	<u>\$ 36,120</u>

Business-Type Activities

	Outstanding July 1, 2022	Issued	Matured/ Redeemed During Year	Outstanding June 30, 2023	Due within One Year
2006 Clean Water Revolving Fund Loan	\$ 154,958	\$ -	\$ (50,067)	\$ 104,891	\$ 51,631

CITY OF HUBBARD, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2023

LONG-TERM DEBT (Continued)

Notes from Direct Borrowings – Business-Type Activities

The 2006 Clean Water Revolving Fund loan originally issued for \$1,076,123 is paid from the Sewer Bond Fund. The note requires annual payments of \$54,486 with interest of 3.1% and is secured by the full faith and credit of the City. In the event of default, the note becomes immediately due and payable. The loan agreement requires a restricted reserve account to be maintained in the amount of \$27,243. The City was in compliance with this requirement at June 30, 2023.

Future debt service requirements for business-type activities are as follows:

<i>Fiscal Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2024	\$ 51,631	\$ 2,855	\$ 54,486
2025	53,260	1,242	54,502
	<u>\$ 104,891</u>	<u>\$ 4,097</u>	<u>\$ 108,988</u>

PENSION PLAN

Plan Description – City employees are provided pension benefits through the Oregon Public Employees Retirement System (PERS). PERS is a cost-sharing multiple-employer defined benefit pension plan for units of state and local government in Oregon, containing multiple actuarial pools. Benefits are established and amended by the Oregon State Legislature pursuant to ORS Chapters 238 and 238A. The legislature has delegated the authority to administer and manage PERS to the Public Employees Retirement Board. PERS issues a publicly available financial report that can be found at: <https://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>

Benefits Provided – PERS provides retirement, disability, and death benefits which vary based on a qualified employee’s hiring date and employment class (general service or police/fire). All City employees are eligible to participate after six months of covered employment. Details applicable to police/fire employees are noted in [square brackets] where different.

The Tier One/Tier Two Retirement Plan applies to qualifying employees hired before August 29, 2003 and is closed to new members.

Monthly retirement benefits are based on final 3-year average salary multiplied by years of service and a factor of 1.67% [2.00%]. Benefits may also be based on a money match computation, or formula plus annuity (for members contributing before August 21, 1981), if a greater benefit results. Employees are fully vested after making contributions in each of five calendar years and are eligible to retire at age 55 [50]. Tier One benefits are reduced if retirement occurs prior to age 58 [55] with less than 30 [25] years of service; Tier Two benefits are reduced for retirement prior to age 60.

CITY OF HUBBARD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2023

PENSION PLAN (Continued)

Employees are eligible for service-related disability benefits regardless of length of service; 10 years of service is required for nonservice-related benefits. Disability benefits are determined in the same manner as retirement benefits with service time computed to age 58 [55].

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance. The beneficiary may also receive a matching lump-sum payment from employer funds if the member was in covered employment at the time of death, or if the member died less than 120 days after termination, while on official leave of absence, or as a result of a job-related injury.

Monthly benefits are subject to annual cost-of-living adjustments (COLA). For benefits earned after the relevant effective dates, the COLA is subject to a cap of 1.25% on the first \$60,000 of annual benefits and 0.15% thereafter (ORS 238.360).

The Oregon Public Service Retirement Plan (OPSRP) applies to qualifying employees hired on or after August 29, 2003.

Monthly retirement benefits are based on final 3-year average salary multiplied by years of service and a factor of 1.50% [1.80%]. Employees are fully vested after completing 600 hours of service in each of five calendar years and are eligible to retire at age 58 [53] with 30 [25] years of service, or at age 65 [60] otherwise.

Employees are eligible for service-related disability benefits regardless of length of service; 10 years of service is required for nonservice-related benefits. The benefit is 45% of the employee's salary during the last full month of employment before the disability occurred.

Upon the death of a non-retired member, the beneficiary receives a monthly benefit equal to 50% of the retirement benefit that would have been paid to the member.

Monthly benefits are subject to annual cost-of-living adjustments (COLA). For benefits earned after the relevant effective dates, the COLA is subject to a cap of 1.25% on the first \$60,000 of annual benefits and 0.15% thereafter (ORS 238A.210).

Contribution Requirements – As a participating employer, the City is required to make monthly contributions to PERS based on actuarially determined percentages of covered payroll. Rates in effect for fiscal year 2023 were 28.00% for Tier One/Tier Two employees, 21.74% for OPSRP general service employees, and 26.10% for OPSRP police/fire employees. The City's total contributions to PERS were \$265,307 for fiscal year ended June 30, 2023.

Contribution requirements are established by Oregon statute and may be amended by an act of the Oregon State Legislature. Employer contribution rates for fiscal year 2023 were based on the December 31, 2021 actuarial valuation using the entry age normal actuarial cost method. It is important to note that the actuarial valuations used for rate setting are based on different methods and assumptions than those used for financial reporting which are described later in this note.

Employee contributions are set by statute at 6% of salary and are remitted by participating employers, who may agree to make employee contributions on the employee's behalf. Prior to January 1, 2004, employee contributions were credited to the defined benefit pension plan. Beginning January 1, 2004, all employee contributions were placed in the OPSRP Individual Account Program (IAP), a defined contribution pension plan described further at the end of this note.

CITY OF HUBBARD, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2023

PENSION PLAN (Continued)

Pension Assets/Liabilities, Pension Expense, and Pension-Related Deferrals – At June 30, 2023, the City reported a net pension liability of \$1,395,513 as its proportionate share of the collective net pension liability for PERS, measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was based on a December 31, 2020 actuarial valuation, rolled forward to the measurement date. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to PERS relative to the projected contributions of all participating employers, as actuarially determined. The City’s proportion was 0.00911385% as of the June 30, 2022 measurement date, compared to 0.00781771% as of June 30, 2021.

Actuarial Methods and Assumptions – The total pension liability in the December 31, 2020 actuarial valuation was determined using the entry age normal method and the following actuarial assumptions, applied to all periods included in the measurement: inflation rate of 2.40%, projected salary increases of 3.40%, investment rate of return of 6.90%, and mortality rates based on the Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs. These assumptions were based on the results of the 2020 actuarial experience study.

The long-term expected rate of return on pension plan investments was developed by combining estimated rates of return for each major asset class weighted by target asset allocation percentages and adjusting for inflation.

Target allocations and estimated geometric rates of return for each major asset class are available in the PERS publicly available financial report previously mentioned.

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

The following chart shows the sensitivity of the net pension liability (asset) to changes in the discount rate, based on calculations using discount rates of 5.90%, 6.90%, and 7.90%.

	<u>1% Decrease</u> <u>(5.90%)</u>	<u>Discount Rate</u> <u>(6.90%)</u>	<u>1% Increase</u> <u>(7.90%)</u>
Proportionate share of the net pension liability	\$ 2,474,822	\$ 1,395,513	\$ 492,182

Pension Plan Fiduciary Net Position – Detailed information about PERS’ net position is available in its separately issued financial report.

Defined Contribution Plan – PERS-eligible employees are statutorily required to contribute 6% of their annual covered salary to the OPSRP Individual Account Program (IAP), a defined contribution pension plan. Benefits terms, including contribution requirements, are established by the Oregon Legislature. As permitted, the City has opted to pick-up the contributions on behalf of employees. Employees are fully vested after completing 600 hours of service in each of five calendar years. PERS contracts with VOYA Financial to administer the IAP. Total paid on behalf of employees for the fiscal year was \$53,492.

CITY OF HUBBARD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2023

POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

As required by ORS 243.303(2), all retirees are allowed to continue coverage (at the retirees' expense) under the group health insurance plan, until age 65 as another post-employment benefit. The difference between the premium actually paid by retirees under the group insurance plan and the premium that they would pay if they were not included in the plan is considered to be an implicit subsidy. The implicit subsidy is not considered material to the City and the related liability has not been included in these financial statements.

INTERFUND TRANSFERS

Interfund transfers for the year were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 164,850	\$ 405,475
Reserve	20,000	-
ARPA	396,475	-
Street	-	26,052
Street Construction	-	4,928
Parks Improvement	-	390
Sewer	-	185,043
Sewer Construction	-	1,000
Sewer Bond	118,900	-
Water	-	76,337
Water Construction	-	1,000
	<u>\$ 700,225</u>	<u>\$ 700,225</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move revenues restricted to debt service from the funds collecting the revenues to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

EXPENDITURES IN EXCESS OF APPROPRIATIONS

Expenditures in excess of appropriations in individual funds for the year ended June 30, 2023 occurred as follows:

<u>Fund/Appropriation Category</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<i>Sewer</i>			
Transfers out	\$ (75,796)	\$ (185,043)	\$ (109,247)
<i>Sewer Bond Fund</i>			
Sewer	-	651	(651)

CONTINGENCIES

The City purchases commercial insurance to cover all commonly insurable risks, which includes property damage, liability, and employee bonds. Most policies carry a small deductible amount. No insurance claims settled in each of the prior three years have exceeded policy coverage.

From time to time, the City is a defendant in various litigation proceedings. Management believes any losses arising from these actions will not materially affect the City's financial position.

SUPPLEMENTAL INFORMATION

CITY OF HUBBARD, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****(MODIFIED CASH BASIS) – BUDGET AND ACTUAL – GENERAL FUND****YEAR ENDED JUNE 30, 2023**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 1,020,000	\$ 1,020,000	\$ 1,057,373	\$ 37,373
Fines and forfeitures	259,455	259,455	244,419	(15,036)
Licenses and permits	24,750	24,750	46,967	22,217
Charges for services	182,050	182,050	233,377	51,327
Intergovernmental	153,040	153,040	151,286	(1,754)
Miscellaneous	29,400	29,400	54,456	25,056
<i>Total Revenues</i>	1,668,695	1,668,695	1,787,878	119,183
EXPENDITURES				
Administration	238,219	238,219	198,835	39,384
Court	66,380	66,380	63,780	2,600
Council	17,950	17,950	10,923	7,027
Community development	182,384	182,384	118,192	64,192
Police	1,295,505	1,295,505	1,164,061	131,444
Parks	250,280	250,280	192,331	57,949
Debt service				
Principal	45,000	45,000	38,348 *	6,652
Interest	-	-	4,385 *	(4,385)
Contingency	307,608	307,608	-	307,608
<i>Total Expenditures</i>	2,403,326	2,403,326	1,790,855	612,471
REVENUES OVER (UNDER) EXPENDITURES	(734,631)	(734,631)	(2,977)	731,654
OTHER FINANCING SOURCES (USES)				
Transfers in	159,838	164,850	164,850	-
Transfers out	(9,000)	(405,475)	(405,475)	-
<i>Total Other Financing Sources (Uses)</i>	150,838	(240,625)	(240,625)	-
NET CHANGE IN FUND BALANCE	(583,793)	(975,256)	(243,602)	731,654
FUND BALANCE, beginning of year	1,534,218	2,159,950	2,159,945	(5)
FUND BALANCE, end of year	\$ 950,425	\$ 1,184,694	\$ 1,916,343	\$ 731,649

*Debt service is appropriated in total, therefore this is not considered an overexpenditure of appropriations.

CITY OF HUBBARD, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) – BUDGET AND ACTUAL – STREET FUND

YEAR ENDED JUNE 30, 2023

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 100,000	\$ 100,000	\$ 105,753	\$ 5,753
Licenses and permits	1,110	1,110	2,700	1,590
Intergovernmental	172,000	172,000	176,267	4,267
Miscellaneous	2,150	2,150	6,822	4,672
<i>Total Revenues</i>	<u>275,260</u>	<u>275,260</u>	<u>291,542</u>	<u>16,282</u>
EXPENDITURES				
Street	311,105	311,105	249,089	62,016
Contingency	46,666	46,666	-	46,666
<i>Total Expenditures</i>	<u>357,771</u>	<u>357,771</u>	<u>249,089</u>	<u>108,682</u>
REVENUES OVER (UNDER) EXPENDITURES	(82,511)	(82,511)	42,453	124,964
OTHER FINANCING SOURCES (USES)				
Transfers out	(26,052)	(26,052)	(26,052)	-
NET CHANGE IN FUND BALANCE	(108,563)	(108,563)	16,401	124,964
FUND BALANCE, beginning of year	<u>147,141</u>	<u>185,280</u>	<u>185,281</u>	<u>1</u>
FUND BALANCE, end of year	<u>\$ 38,578</u>	<u>\$ 76,717</u>	<u>\$ 201,682</u>	<u>\$ 124,965</u>

CITY OF HUBBARD, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) – BUDGET AND ACTUAL – ARPA FUND

YEAR ENDED JUNE 30, 2023

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ -	\$ 1,396,029	\$ 396,475	\$ (999,554)
Miscellaneous	-	-	22,877	22,877
<i>Total Revenues</i>	-	1,396,029	419,352	(976,677)
EXPENDITURES				
Personal services	-	36,000	36,000	-
Capital outlay	-	869,500	84,330	785,170
<i>Total Expenditures</i>	-	905,500	120,330	785,170
REVENUES OVER (UNDER) EXPENDITURES	-	490,529	299,022	(191,507)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	396,475	396,475	-
NET CHANGE IN FUND BALANCE	-	887,004	695,497	(191,507)
FUND BALANCE, beginning of year	-	-	-	-
FUND BALANCE, end of year	\$ -	\$ 887,004	\$ 695,497	\$ (191,507)

CITY OF HUBBARD, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(MODIFIED CASH BASIS) – BUDGET AND ACTUAL – PARKS IMPROVEMENT FUND
YEAR ENDED JUNE 30, 2023**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 9,734	\$ 9,734	\$ 9,736	\$ 2
Intergovernmental	215,200	215,200	30,688	(184,512)
Miscellaneous	3,600	3,600	13,638	10,038
<i>Total Revenues</i>	228,534	228,534	54,062	(174,472)
EXPENDITURES				
Parks improvement	284,650	257,604	-	257,604
Contingency	42,697	42,697	-	42,697
<i>Total Expenditures</i>	327,347	300,301	-	300,301
REVENUES OVER (UNDER) EXPENDITURES	(98,813)	(71,767)	54,062	125,829
OTHER FINANCING SOURCES (USES)				
Transfers out	(390)	(390)	(390)	-
NET CHANGE IN FUND BALANCE	(99,203)	(72,157)	53,672	125,829
FUND BALANCE, beginning of year	400,895	373,849	405,546	31,697
FUND BALANCE, end of year	\$ 301,692	\$ 301,692	\$ 459,218	\$ 157,526

CITY OF HUBBARD, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(MODIFIED CASH BASIS) – BUDGET AND ACTUAL – STREET CONSTRUCTION FUND
YEAR ENDED JUNE 30, 2023**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 9,192	\$ 9,192	\$ 17,791	\$ 8,599
Intergovernmental	193,000	193,000	94,913	(98,087)
Miscellaneous	3,500	3,500	12,705	9,205
<i>Total Revenues</i>	205,692	205,692	125,409	(80,283)
EXPENDITURES				
Street construction	345,000	345,000	56,918	288,082
REVENUES OVER (UNDER) EXPENDITURES	(139,308)	(139,308)	68,491	207,799
OTHER FINANCING SOURCES (USES)				
Transfers out	(442)	(4,928)	(4,928)	-
NET CHANGE IN FUND BALANCE	(139,750)	(144,236)	63,563	207,799
FUND BALANCE, beginning of year	398,575	403,061	403,059	(2)
FUND BALANCE, end of year	\$ 258,825	\$ 258,825	\$ 466,622	\$ 207,797

CITY OF HUBBARD, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) – BUDGET AND ACTUAL – RESERVE FUND

YEAR ENDED JUNE 30, 2023

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ 1,000	\$ 1,000	\$ 3,179	\$ 2,179
OTHER FINANCING SOURCES (USES)				
Transfers in	20,000	20,000	20,000	-
NET CHANGE IN FUND BALANCE	21,000	21,000	23,179	2,179
FUND BALANCE, beginning of year	114,889	114,814	114,814	-
FUND BALANCE, end of year	<u>\$ 135,889</u>	<u>\$ 135,814</u>	<u>\$ 137,993</u>	<u>\$ 2,179</u>

CITY OF HUBBARD, OREGON

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(MODIFIED CASH BASIS) – WATER OPERATIONS
YEAR ENDED JUNE 30, 2023**

	<u>Water</u>	<u>Water Construction</u>	<u>Total Water Operations</u>
REVENUES			
Charges for services	\$ 514,200	\$ 83,649	\$ 597,849
Licenses and permits	-	18,760	18,760
Miscellaneous	43,446	35,124	78,570
<i>Total Revenues</i>	557,646	137,533	695,179
EXPENDITURES			
Water	345,044	-	345,044
Capital outlay	-	4,800	4,800
<i>Total Expenditures</i>	345,044	4,800	349,844
REVENUES OVER EXPENDITURES	212,602	132,733	345,335
OTHER FINANCING SOURCES (USES)			
Transfers out	(76,337)	(1,000)	(77,337)
CHANGE IN FUND BALANCE	136,265	131,733	267,998
FUND BALANCE, beginning of year	506,401	1,116,327	1,622,728
FUND BALANCE, end of year	<u>\$ 642,666</u>	<u>\$ 1,248,060</u>	<u>\$ 1,890,726</u>

CITY OF HUBBARD, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) – BUDGET AND ACTUAL – WATER FUND

YEAR ENDED JUNE 30, 2023

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 523,700	\$ 523,700	\$ 514,200	\$ (9,500)
Miscellaneous	27,540	27,540	43,446	15,906
<i>Total Revenues</i>	551,240	551,240	557,646	6,406
EXPENDITURES				
Water	476,330	476,330	345,044	131,286
Contingency	71,450	71,450	-	71,450
<i>Total Expenditures</i>	547,780	547,780	345,044	202,736
REVENUES OVER EXPENDITURES	3,460	3,460	212,602	209,142
OTHER FINANCING SOURCES (USES)				
Transfers out	(76,337)	(76,337)	(76,337)	-
CHANGE IN FUND BALANCE	(72,877)	(72,877)	136,265	209,142
FUND BALANCE, beginning of year	475,763	506,403	506,401	(2)
FUND BALANCE, end of year	\$ 402,886	\$ 433,526	\$ 642,666	\$ 209,140

CITY OF HUBBARD, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(MODIFIED CASH BASIS) – BUDGET AND ACTUAL – WATER CONSTRUCTION FUND
YEAR ENDED JUNE 30, 2023**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 82,000	\$ 82,000	\$ 83,649	\$ 1,649
Licenses and permits	7,502	7,502	18,760	11,258
Miscellaneous	10,000	10,000	35,124	25,124
<i>Total Revenues</i>	99,502	99,502	137,533	38,031
EXPENDITURES				
Water construction	150,000	311,609	4,800	306,809
REVENUES OVER (UNDER) EXPENDITURES	(50,498)	(212,107)	132,733	344,840
OTHER FINANCING SOURCES (USES)				
Transfers out	(740)	(1,000)	(1,000)	-
CHANGE IN FUND BALANCE	(51,238)	(213,107)	131,733	344,840
FUND BALANCE, beginning of year	1,124,459	1,116,328	1,116,327	(1)
FUND BALANCE, end of year	<u>\$ 1,073,221</u>	<u>\$ 903,221</u>	<u>\$ 1,248,060</u>	<u>\$ 344,839</u>

CITY OF HUBBARD, OREGON

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(MODIFIED CASH BASIS) – SEWER OPERATIONS
YEAR ENDED JUNE 30, 2023**

	<u>Sewer</u>	<u>Sewer Construction</u>	<u>Sewer Bond</u>	<u>Eliminations</u>	<u>Total Sewer Operations</u>
REVENUES					
Charges for services	\$ 533,785	\$ 158,932	\$ -	\$ -	\$ 692,717
Licenses and permits	-	28,454	-	-	28,454
Miscellaneous	7,126	56,323	3,867	-	67,316
<i>Total Revenues</i>	540,911	243,709	3,867	-	788,487
EXPENDITURES					
Sewer	401,743	-	651	-	402,394
Debt service					
Principal	-	-	50,067	-	50,067
Interest	-	-	4,419	-	4,419
Capital outlay	-	47,467	-	-	47,467
<i>Total Expenditures</i>	401,743	47,467	55,137	-	504,347
REVENUES OVER (UNDER) EXPENDITURES	139,168	196,242	(51,270)	-	284,140
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	118,900	(118,900)	-
Transfers out	(185,043)	(1,000)	-	118,900	(67,143)
<i>Total Other Financing Sources (Uses)</i>	(185,043)	(1,000)	118,900	-	(67,143)
CHANGE IN FUND BALANCE	(45,875)	195,242	67,630	-	216,997
FUND BALANCE, beginning of year	192,603	1,801,504	151,847	-	2,145,954
FUND BALANCE, end of year	<u>\$ 146,728</u>	<u>\$ 1,996,746</u>	<u>\$ 219,477</u>	<u>\$ -</u>	<u>\$ 2,362,951</u>

CITY OF HUBBARD, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) – BUDGET AND ACTUAL – SEWER FUND

YEAR ENDED JUNE 30, 2023

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 506,017	\$ 506,017	\$ 533,785	\$ 27,768
Miscellaneous	3,500	3,500	7,126	3,626
<i>Total Revenues</i>	509,517	509,517	540,911	31,394
EXPENDITURES				
Sewer	477,440	477,440	401,743	75,697
Contingency	71,616	113,134	-	113,134
<i>Total Expenditures</i>	549,056	590,574	401,743	188,831
REVENUES OVER (UNDER) EXPENDITURES	(39,539)	(81,057)	139,168	220,225
OTHER FINANCING SOURCES (USES)				
Transfers out	(185,043)	(75,796)	(185,043)	(109,247)
CHANGE IN FUND BALANCE	(224,582)	(156,853)	(45,875)	110,978
FUND BALANCE, beginning of year	260,332	192,603	192,603	-
FUND BALANCE, end of year	\$ 35,750	\$ 35,750	\$ 146,728	\$ 110,978

CITY OF HUBBARD, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) – BUDGET AND ACTUAL – SEWER CONSTRUCTION FUND

YEAR ENDED JUNE 30, 2023

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 156,025	\$ 156,025	\$ 158,932	\$ 2,907
Licenses and permits	11,382	11,382	28,454	17,072
Miscellaneous	15,000	15,000	56,323	41,323
<i>Total Revenues</i>	182,407	182,407	243,709	61,302
EXPENDITURES				
Sewer construction	316,500	270,010	47,467	222,543
REVENUES OVER (UNDER) EXPENDITURES	(134,093)	(87,603)	196,242	283,845
OTHER FINANCING SOURCES (USES)				
Transfers out	(734)	(1,000)	(1,000)	-
CHANGE IN FUND BALANCE	(134,827)	(88,603)	195,242	283,845
FUND BALANCE, beginning of year	1,847,728	1,801,504	1,801,504	-
FUND BALANCE, end of year	\$ 1,712,901	\$ 1,712,901	\$ 1,996,746	\$ 283,845

CITY OF HUBBARD, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(MODIFIED CASH BASIS) – BUDGET AND ACTUAL – SEWER BOND FUND
YEAR ENDED JUNE 30, 2023**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 3,867	\$ 3,867
EXPENDITURES				
Sewer	-	-	651	(651)
Debt service				
Principal	155,000	157,000	50,067	106,933
Interest	4,500	4,500	4,419	81
<i>Total Expenditures</i>	<u>159,500</u>	<u>161,500</u>	<u>55,137</u>	<u>106,363</u>
REVENUES OVER (UNDER) EXPENDITURES	(159,500)	(161,500)	(51,270)	110,230
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>118,900</u>	<u>9,653</u>	<u>118,900</u>	<u>109,247</u>
CHANGE IN FUND BALANCE	(40,600)	(151,847)	67,630	219,477
FUND BALANCE, beginning of year	<u>40,600</u>	<u>151,847</u>	<u>151,847</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 219,477</u>	<u>\$ 219,477</u>

COMPLIANCE SECTION



GROVE, MUELLER & SWANK

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Advisors & CPAs

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Honorable Mayor and Members of the City Council
City of Hubbard
3720 Second Street
Hubbard, Oregon 97032

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Hubbard, Oregon as of and for the year ended June 30, 2023, and have issued our report thereon dated December 19, 2023.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **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).**
- **Accountability for collecting or receiving money by elected officials - no money was collected or received by elected officials.**

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, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations except for expenditures in excess of appropriations as detailed in the notes to the financial statements.

Internal Control over Financial Reporting

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

Restriction on Use

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

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By: 

Ryan T. Pasquarella, Principal
December 19, 2023