

TOWN OF BUTTE FALLS
JACKSON COUNTY, OREGON

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2023

**TOWN OF BUTTE FALLS
JACKSON COUNTY, OREGON**

June 30, 2023

MAYOR AND TOWN COUNCIL

<u>Name and Address</u>	<u>Position</u>	<u>Term Expires</u>
Trish Callahan	Mayor	January 2025
Stacy Equitz	President Zone 4	January 2027
Delena Oden	Vice-President Zone 1	January 2025
Alvin Thompson	Councilor Zone 2	January 2025
Paul Price	Councilor Zone 3	January 2025
Keith Gilliam	Councilor Zone 5	January 2027
Peggy Davis-Gilliam	Councilor Zone 6	January 2027

ADMINISTRATION

Lori Paxton	Town Recorder
Kathleen Misfeldt	Town Treasurer

MAILING ADDRESS

Town of Butte Falls
431 Broad Street
PO Box 268
Butte Falls, OR 97522
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**TOWN OF BUTTE FALLS
JACKSON COUNTY, OREGON**

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JACKSON COUNTY, OREGON**

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INDEPENDENT AUDITOR'S REPORT



Rebecca Price, CPA

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Gilroy, CA 95020
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Council
Town of Butte Falls
Butte Falls, Oregon 97522

Opinions

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

In my opinion, the financial statements referred to above 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 fund information of the Town of Butte Falls, Oregon, as of June 30, 2023, and the respective changes in modified cash basis financial position, and where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Town of Butte Falls, Oregon, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Emphasis of Matter—Basis of Accounting

I draw attention to Note 1 of the financial statements, which describes 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. My opinions are not modified with respect to this matter.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Town has elected to change the threshold for determining what qualifies as a capital asset in the year ended June 30, 2023. My opinion is not modified with respect to that 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 1 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 misstatement, whether due to error or fraud.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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, I:

- 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 Town of Butte Falls, 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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Butte Falls, Oregon's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Other Matters

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Butte Falls, Oregon's basic financial statements. The budgetary comparison information and combining fund financial statements 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 my opinion, the budgetary comparison information and combining fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the listing of town council members containing their term expiration dates, located before the table of contents, but does not include the basic financial statements and our auditor's report thereon. My opinions on the basic financial statements do not cover the other information, and I do not express an opinion or any form of assurance thereon.

In connection with my audit of the basic financial statements, my responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, I conclude that an uncorrected material misstatement of the other information exists, I am required to describe it in my report.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, I have also issued my report dated November 27, 2023, on my consideration of the Town's internal control over financial reporting and on tests of its compliance with the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-320. However, providing an opinion on compliance with these provisions was not an objective of my audit and, accordingly, I do not express such an opinion.

REBECCA PRICE, CPA

Rebecca Price

Gilroy, California
November 27, 2023

BASIC FINANCIAL STATEMENTS

**TOWN OF BUTTE FALLS
JACKSON COUNTY, OREGON**

**STATEMENT OF NET POSITION -
MODIFIED CASH BASIS**

June 30, 2023

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 804,975	\$ 94,471	\$ 899,446
Restricted cash	63,803	113,650	177,453
Interfund balances	9,632	(9,632)	-
Capital assets, net	1,027,545	1,369,202	2,396,747
Total assets	\$ 1,905,955	\$ 1,567,691	\$ 3,473,646
LIABILITIES			
Long-term debt (Note 2C):			
Due within one year	-	49,975	49,975
Due in more than one year	-	660,728	660,728
Total liabilities	-	710,703	710,703
NET POSITION			
Net investment in capital assets	1,027,545	658,499	1,686,044
Restricted	63,803	113,650	177,453
Unrestricted	814,607	84,839	899,446
Total net position	1,905,955	856,988	2,762,943
Total liabilities and net position	\$ 1,905,955	\$ 1,567,691	\$ 3,473,646

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

**TOWN OF BUTTE FALLS
JACKSON COUNTY, OREGON**

**STATEMENT OF ACTIVITIES -
MODIFIED CASH BASIS**

For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
General government	\$ 113,015	\$ 1,165	\$ 56,206	\$ 6,544	\$ (49,100)	\$ -	\$ (49,100)
Public safety	115,279	35,949	24,299	13,700	(41,331)	-	(41,331)
Highway and Streets	31,058	17,632	35,048	-	21,622	-	21,622
Culture and recreation	30,590	2,672	-	-	(27,918)	-	(27,918)
Forest management	102,092	-	24,613	156,008	78,529	-	78,529
Total governmental activities	<u>392,034</u>	<u>57,418</u>	<u>140,166</u>	<u>176,252</u>	<u>(18,198)</u>	<u>-</u>	<u>(18,198)</u>
Business-type activities							
Water	123,451	51,987	46,207	-	-	(25,257)	(25,257)
Sewer	153,416	115,736	34,810	-	-	(2,870)	(2,870)
Bottled Water	-	11,823	-	-	-	11,823	11,823
Total business-type activities	<u>276,867</u>	<u>179,546</u>	<u>81,017</u>	<u>-</u>	<u>-</u>	<u>(16,304)</u>	<u>(16,304)</u>
Total Primary government	<u>\$ 668,901</u>	<u>\$ 236,964</u>	<u>\$ 221,183</u>	<u>\$ 176,252</u>	<u>(18,198)</u>	<u>(16,304)</u>	<u>(34,502)</u>
General revenues:							
Taxes:							
Property taxes					142,338	-	142,338
Franchise taxes					2,640	-	2,640
Public service taxes					9,166	-	9,166
Investment earnings					16,022	-	16,022
Miscellaneous					3,305	-	3,305
Special item - Gain on disposal of asset					5,918	-	5,918
Transfers					26,000	(26,000)	-
Total general revenues & transfers					<u>205,389</u>	<u>(26,000)</u>	<u>179,389</u>
Changes in net position					187,191	(42,304)	144,887
Net position-beginning, as previously stated					1,723,265	901,612	2,624,877
Prior period adjustment					(4,501)	(2,320)	(6,821)
Net position-beginning, as restated					<u>1,718,764</u>	<u>899,292</u>	<u>2,618,056</u>
Net position-ending					<u>\$ 1,905,955</u>	<u>\$ 856,988</u>	<u>\$ 2,762,943</u>

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

TOWN OF BUTTE FALLS

BALANCE SHEET - MODIFIED CASH BASIS

GOVERNMENTAL FUNDS

June 30, 2023

	Special Revenue Fund				Total Governmental Funds
	General Fund	Street Fund	Forest Management Fund	Other Governmental Funds	
ASSETS					
Cash and cash equivalents	\$ 371,006	\$ 128,559	\$ 114,608	\$ 190,802	\$ 804,975
Restricted cash and cash equivalents	-	63,803	-	-	63,803
Due from other funds	-	-	-	9,632	9,632
	-	-	-	9,632	9,632
Total assets	<u>\$ 371,006</u>	<u>\$ 192,362</u>	<u>\$ 114,608</u>	<u>\$ 200,434</u>	<u>878,410</u>
LIABILITIES					
	-	-	-	-	-
FUND BALANCES					
Restricted	-	63,803	-	-	63,803
Assigned for:					
Highways and streets	-	128,559	-	-	128,559
Planning	-	-	-	1,502	1,502
Public safety	-	-	-	128,970	128,970
Capital projects	-	-	-	69,962	69,962
Forest management	-	-	114,608	-	114,608
Unassigned	<u>371,006</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>371,006</u>
Total fund balances	<u>371,006</u>	<u>192,362</u>	<u>114,608</u>	<u>200,434</u>	<u>878,410</u>
Total liabilities and fund balances	<u>\$ 371,006</u>	<u>\$ 192,362</u>	<u>\$ 114,608</u>	<u>\$ 200,434</u>	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in the governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>1,027,545</u>
Net position of governmental activities	<u>\$ 1,905,955</u>

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

TOWN OF BUTTE FALLS

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

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2023

	<u>Special Revenue Fund</u>				Total
	General	Street	Forest	Other	
	Fund	Fund	Management	Governmental	Governmental
	Fund	Fund	Fund	Funds	Funds
REVENUES:					
Property taxes	\$ 142,338	\$ -	\$ -	\$ -	\$ 142,338
Street taxes	-	35,048	-	-	35,048
Intergovernmental revenues	73,665	-	130,510	-	204,175
Fundraisers/Donations	-	-	24,613	18,457	43,070
Capital grants	-	-	-	13,700	13,700
Licenses, fees and permits	795	17,632	-	370	18,797
Charges for services	41,855	-	25,498	3,498	70,851
Fines and forfeits	1,038	-	-	-	1,038
Interest	16,022	-	-	-	16,022
Proceeds from sale of assets	-	-	-	5,918	5,918
Miscellaneous	2,267	-	-	-	2,267
Total revenues	<u>277,980</u>	<u>52,680</u>	<u>180,621</u>	<u>41,943</u>	<u>553,224</u>
EXPENDITURES:					
Current:					
General government	109,487	-	-	1,006	110,493
Public safety	58,400	-	-	37,855	96,255
Highways and streets	-	26,967	-	-	26,967
Culture and recreation	30,590	-	-	-	30,590
Forest Management	-	-	102,092	-	102,092
Capital outlay	17,994	-	-	-	17,994
Total expenditures	<u>216,471</u>	<u>26,967</u>	<u>102,092</u>	<u>38,861</u>	<u>384,391</u>
Excess (deficiency) of revenues over expenditures	<u>61,509</u>	<u>25,713</u>	<u>78,529</u>	<u>3,082</u>	<u>168,833</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	20,500	-	12,125	8,000	40,625
Transfers out	<u>(12,125)</u>	<u>(1,500)</u>	<u>-</u>	<u>(1,000)</u>	<u>(14,625)</u>
Total other financing sources	<u>8,375</u>	<u>(1,500)</u>	<u>12,125</u>	<u>7,000</u>	<u>26,000</u>
Net change in fund balances	<u>69,884</u>	<u>24,213</u>	<u>90,654</u>	<u>10,082</u>	<u>194,833</u>
FUND BALANCES - July 1	<u>301,122</u>	<u>168,149</u>	<u>23,954</u>	<u>190,352</u>	<u>683,577</u>
FUND BALANCES - June 30	<u>\$ 371,006</u>	<u>\$ 192,362</u>	<u>\$ 114,608</u>	<u>\$ 200,434</u>	<u>\$ 878,410</u>

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

TOWN OF BUTTE FALLS

**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

Total net change in fund balances - governmental funds \$ 194,833

Amounts reported for governmental activities in the statement of activities are different because:

When capital assets are purchased or constructed, the resources expended for these assets are reported as expenditures on fund financial statements. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.

This is the amount by which depreciation \$25,636 exceeded capital outlays \$17,994 (7,642)

Changes in net position of governmental activities \$ 187,191

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

**TOWN OF BUTTE FALLS
JACKSON COUNTY, OREGON**

**STATEMENT OF NET POSITION -
MODIFIED CASH BASIS**

PROPRIETARY FUNDS

June 30, 2023

	Water Fund	Sewer Fund	Nonmajor Proprietary Funds	Totals
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 26,953	\$ 36,980	\$ 30,538	\$ 94,471
Restricted cash	11,156	40,584	61,910	113,650
Total current assets	<u>38,109</u>	<u>77,564</u>	<u>92,448</u>	<u>208,121</u>
Non-current assets:				
Capital assets, net	<u>512,340</u>	<u>856,862</u>	<u>-</u>	<u>1,369,202</u>
Total assets	<u>550,449</u>	<u>934,426</u>	<u>92,448</u>	<u>1,577,323</u>
LIABILITIES				
Current liabilities:				
Due to other funds	-	1,204	-	1,204
Loans payable	<u>21,378</u>	<u>28,597</u>	<u>-</u>	<u>49,975</u>
Total current liabilities	<u>21,378</u>	<u>29,801</u>	<u>-</u>	<u>51,179</u>
Non-current liabilities				
Interfund loans payable	-	8,428	-	8,428
Loans payable	<u>504,830</u>	<u>155,898</u>	<u>-</u>	<u>660,728</u>
Total non-current liabilities	<u>504,830</u>	<u>164,326</u>	<u>-</u>	<u>669,156</u>
Total liabilities	<u>526,208</u>	<u>194,127</u>	<u>-</u>	<u>720,335</u>
NET POSITION				
Net investment in capital assets	(13,868)	672,367	-	658,499
Restricted for:				
Water bond reserve	-		45,057	45,057
Sewer loan reserve`	-		16,853	16,853
Debt service	11,156	40,584	-	51,740
Unrestricted	<u>26,953</u>	<u>27,348</u>	<u>30,538</u>	<u>84,839</u>
Total net position	<u>\$ 24,241</u>	<u>\$ 740,299</u>	<u>\$ 92,448</u>	<u>\$ 856,988</u>

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

**TOWN OF BUTTE FALLS
JACKSON COUNTY, OREGON**

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

PROPRIETARY FUNDS

For the Year Ended June 30, 2023

	Water Fund	Sewer Fund	Nonmajor Proprietary Funds	Totals
Operating revenues:				
Charges for services	\$ 51,987	\$ 113,366	\$ 11,823	\$ 177,176
Other revenues	-	-	2,370	2,370
Total operating revenues	<u>51,987</u>	<u>113,366</u>	<u>14,193</u>	<u>179,546</u>
Operating expenses:				
Personal services	24,763	38,418	-	63,181
Contractual services	-	10,090	260	10,350
Utilities	5,418	16,741	-	22,159
Repairs and maintenance	8,867	20,718	-	29,585
Other supplies and expenses	2,094	6,310	-	8,404
Insurance claims and expenses	-	-	-	-
Depreciation	57,709	53,972	-	111,681
Total operating expenses	<u>98,851</u>	<u>146,249</u>	<u>260</u>	<u>245,360</u>
Operating income (loss)	<u>(46,864)</u>	<u>(32,883)</u>	<u>13,933</u>	<u>(65,814)</u>
Non-operating revenues (expenses):				
Debt service assessments	46,207	34,810	-	81,017
Interest expense	(24,600)	(6,907)	-	(31,507)
Total non-operating revenues(expenses)	<u>21,607</u>	<u>27,903</u>	<u>-</u>	<u>49,510</u>
Income (loss) before contributions and transfers	<u>(25,257)</u>	<u>(4,980)</u>	<u>13,933</u>	<u>(16,304)</u>
Transfer out	<u>(8,000)</u>	<u>(10,000)</u>	<u>(8,000)</u>	<u>(26,000)</u>
Changes in net position	<u>(33,257)</u>	<u>(14,980)</u>	<u>5,933</u>	<u>(42,304)</u>
NET POSITION - July 1, 2022, as previously stated	57,498	757,599	86,515	901,612
Prior period adjustment	-	(2,320)	-	(2,320)
NET POSITION - July 1, 2022, as restated	<u>57,498</u>	<u>755,279</u>	<u>86,515</u>	<u>899,292</u>
NET POSITION - June 30, 2023	<u>\$ 24,241</u>	<u>\$ 740,299</u>	<u>\$ 92,448</u>	<u>\$ 856,988</u>

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

**TOWN OF BUTTE FALLS
JACKSON COUNTY, OREGON**

**STATEMENT OF CASH FLOWS
MODIFIED CASH BASIS**

PROPRIETARY FUNDS

For the Year Ended June 30, 2023

	Water Fund	Sewer Fund	Nonmajor Proprietary Funds	Totals
Cash Flows from operating activities:				
Receipts from customers	\$ 51,987	\$ 113,366	\$ 14,193	\$ 179,546
Payments to suppliers	(16,379)	(53,859)	(260)	(70,498)
Payments to employees	(24,763)	(38,418)	-	(63,181)
Net cash provided (used) by operating activities	10,845	21,089	13,933	45,867
Cash flows from noncapital financing activities:				
Non-operating receipts (payments)	46,207	34,810	-	81,017
Transfers from (to) other funds	(8,000)	(10,000)	(8,000)	(26,000)
Net cash provided by noncapital financing activities	38,207	24,810	(8,000)	55,017
Cash flows from capital and related financing activities:				
Principal paid on capital debt	(20,457)	(28,995)	-	(49,452)
Interest paid on capital debt	(24,600)	(6,907)	-	(31,507)
Net cash provided by capital and related financing activities:	(45,057)	(35,902)	-	(80,959)
Net increase (decrease) in cash and cash equivalents	3,995	9,997	5,933	19,925
Cash and cash equivalents - July 1, 2022	34,114	67,567	86,515	188,196
Cash and cash equivalents - June 30, 2023	\$ 38,109	\$ 77,564	\$ 92,448	\$ 208,121
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (46,864)	\$ (32,883)	\$ 13,933	\$ (65,814)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	57,709	53,972	-	111,681
Net cash provided (used) by operating activities	\$ 10,845	\$ 21,089	\$ 13,933	\$ 45,867

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

**TOWN OF BUTTE FALLS
JACKSON COUNTY, OREGON**

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Town of Butte Falls operates under a charter granted by the State of Oregon in 1911. The Town is governed by the Town Council, composed of an elected Mayor and six elected council members. The Mayor and Town Council set policies for the Town.

The Town of Butte Falls, Oregon, is a primary government. A primary government is a financial reporting entity, which has a separately elected governing body, is legally separate and is fiscally independent of other state and local governments. The Town has considered all organizations for which the Town is financially accountable. Financial accountability may be evidenced by the ability to appoint the voting majority of the governing body, and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific burdens on, the primary government; or a fiscal dependency or intergovernmental relationship so close that exclusion from the primary government would render the financial statements incomplete or misleading. The Town has determined that there is no component units required to be included in these financial statements.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on the entire Town. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 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.

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

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements and proprietary fund financial statements are reported using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues and expenditures when they result from cash transactions with a provision for depreciation and recognition of long-term debts. This basis is a comprehensive basis of accounting other than generally accepted accounting principles.

If the Town utilized generally accepted accounting principles, the governmental fund financial statements would use the modified accrual basis of accounting. All government-wide financial statements and proprietary fund financial statements would be presented on the accrual basis of accounting.

Under the modified accrual basis, revenues are recognized when they are measurable and available. Measurable means being able to reasonably estimate the amount. Available means collectible within the current period or soon

**TOWN OF BUTTE FALLS
JACKSON COUNTY, OREGON**

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

Under the accrual basis, revenues are recognized when earned. Expenses (including depreciation and amortization) are recorded when the liability is incurred or the economic asset is used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The Town reports the following major governmental funds:

General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

State Street Tax Fund accounts for receipts for the state gasoline taxes and interest and related expenditures.

Land Acquisition Fund accounts for donations and grants to purchase and improve the land around the town in order to improve safety from a forest fire.

The Town reports the following major proprietary funds:

Water Fund accounts for the operations of the Town's water department. Primary revenues are charges for services, sale of water to users, connection fees and interest on invested funds. The Water Fund consists of the following budgetary funds:

- Water Fund (budgetary basis financial statements only)
- Water Debt Service Fund (budgetary basis financial statements only)

Sewer Fund accounts for the operation of the Town's sewer department. Primary revenues are charges for services and interest on invested funds. The Sewer Fund consists of the following budgetary funds:

- Sewer Fund (budgetary basis financial statements only)
- Sewer Debt Service Fund (budgetary basis financial statements only)

Additionally, the Town reports nonmajor funds within the following fund types:

Special Revenue Funds are primarily operating funds that account for specific taxes or other revenue sources, which are legally restricted to finance particular functions or activities.

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Nonmajor Proprietary Funds account for other special proprietary activities of the Town.

The *Debt Service Fund* is budgeted as a separate fund but has been allocated to the Water Fund and Sewer Fund based on the activity in the budgetary fund. See pages 36-37 for the allocation of the budgetary Debt Service Fund to the Water and Sewer Funds.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

**TOWN OF BUTTE FALLS
JACKSON COUNTY, OREGON**

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. The Town recognizes revenues as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

D. ASSETS, LIABILITIES, AND NET POSITION

1. Deposits and investments

The cash and cash equivalents include petty cash and change funds, demand deposits held by financial institutions and deposits with the Local Government Investment Pool of the Oregon Short-Term Fund which is managed by the State Treasurer's office. The Local Government Investment Pool is managed in accordance with the "prudent person rule" and administrative regulations of the State Treasurer, which may change from time to time. Eligible investments include U.S. Treasury obligations, U.S. Agency securities, bankers' acceptances, high grade commercial paper, and repurchase agreements, all subject to certain size and maturity limitations. The pool has the general characteristics of a demand deposit account in that investors may deposit additional cash at any time and may withdraw cash at any time without prior notice or penalty. The Town reports the fair value of the position in the pool as the same as the value of the pool shares.

2. Property taxes

Property taxes are levied and attached as an enforceable lien on property on July 1 of each fiscal year. Taxes are payable in three installments on November 15, February 15, and May 15. A 3% discount is allowed for payment in full on November 15. Jackson County, Oregon, makes all assessments of property value, and levies and collects taxes for the Town of Butte Falls, and all other entities within the county.

For the current year, the Town levied taxes at the rate of 7.2494 per \$1,000 of assessed value of all taxable property within the Town. Measure 50 establishes the permanent rate and allows for an increase of the assessed value of property of 3% per year.

**TOWN OF BUTTE FALLS
JACKSON COUNTY, OREGON**

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government 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 if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

<u>Assets</u>	<u>Years</u>
Buildings	15/30
Water and Sewer System	30
Vehicles	3-7
Equipment	7

4. Long-Term Debt Obligation

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities. In governmental fund types, bond discounts and issuance costs are recognized in the current period. Bond discounts and issuance costs for proprietary fund types are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable whereas issuance costs are recorded as deferred charges.

5. Fund Equity

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54), which has been adopted by the Town. This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

Nonspendable, such as fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Town Council (the Town's highest level of decision-making authority),

Assigned fund balances are intended to be used for specific purposes but do not meet the criteria to be classified as restricted or committed, and

**TOWN OF BUTTE FALLS
JACKSON COUNTY, OREGON**

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications.

6. Net Position

In the government-wide financial statements, net position represents the difference between the assets and liabilities and is classified into three components.

Net investment in capital assets – This balance reflects the net position of the Town that is invested in capital assets. This amount is generally not accessible for other purposes.

Restricted net position – This balance represents the net amount of assets and liabilities that are restricted by third parties.

Unrestricted net position – This balance represents the net amount of assets and liabilities that are available for general use.

E. CHANGE IN ACCOUNTING PRINCIPLE

In prior years, the Town defined capital assets as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. During the fiscal year ended June 30, 2023, the Town Council passed a resolution to increase the initial, individual cost of an asset from \$500 to \$5,000. Assets that did not meet the requirement to be capitalized were removed from the capital asset balance.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Budgets are prepared and adopted, and expenditures are appropriated, in accordance with Oregon Local Budget Law. Budgets are adopted on the cash-basis of accounting, which is not in conformity with generally accepted accounting principles, but is an acceptable method for Oregon Municipal Corporations under Oregon Local Budget Law. All annual appropriations lapse at fiscal year end. The Town does not use encumbrance accounting.

On or before June 30 of each year, the Town enacts a resolution approving the budget, appropriating the expenditures, and levying the property taxes. Prior to enacting this resolution, the proposed budget is presented to the Town Council for a budget hearing by a budget committee.

The budget is prepared by fund, department, activity and line item, and includes information of the past year, current year estimates, and requested appropriations for the next fiscal year. Expenditures may not exceed budgeted appropriations at the level of Personal Services, Material and Services, Capital Outlay, Debt Service, Contingency, or other expenditures for each fund, or for each department of the General Fund, at the level of Administration, Police, Parks and Grounds, and Non-Departmental.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

During the fiscal year, there were no expenditures that exceeded appropriations.

**TOWN OF BUTTE FALLS
JACKSON COUNTY, OREGON**

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2023

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Cont'd)

C. DEFICIT FUND BALANCES

No funds had a deficit fund balance as of June 30, 2023.

NOTE 3 – DETAILED NOTES ON ALL FUNDS

A. CASH, CASH EQUIVALENTS AND INVESTMENTS

The cash, cash equivalents and investments as of June 30, 2023 was as follows:

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Deposits with Financial Institutions

Deposits with financial institutions are comprised of bank demand deposits. Total bank balances, as shown on the bank's records at year-end were \$492,566. Federal Deposit Insurance Corporation (FDIC) insurance covers up to \$250,000 for all demand deposits owned by a public unit.

Effective July 1, 2008, the Oregon State Treasurer became responsible for monitoring public funds held by bank depositories in excess of FDIC insured amounts, and for assuring that public funds on deposit are collateralized to the extent required by Oregon Revised Statutes (ORS) Chapter 295. ORS Chapter 295 requires depository banks to place and maintain on deposit with a third-party custodian bank securities having a value of 10%, 25% or 110% of public funds on deposit depending primary on the capitalization level of the depository bank.

Investments

The Town's investments consist of investment in the LGIP, which managed by the State Treasurer in accordance with the "prudent person rule" and administrative rules that, may be subject to change. ORS and the Oregon Investment Council establish investment policies for the State Treasurer and OSTF. In addition, the Oregon Short-Term Fund Board establishes OSTF portfolio guidelines. Members of the Investment Council and the Oregon Short-Term Fund Board are appointed by the governor. The investments that make up the State Local Government Pool are those allowed by ORS and the reported fair value of the investment is the same as the value of the pool shares. The Town's investments are internally pooled. LGIP was created to offer a short-term investment alternative to Oregon local governments and it is not registered with the U.S. Securities and Exchange Commission. The investments are regulated by the OSTF and approved by the Oregon Investment Council (ORS 294.805 to 294.895). At June 30, 2023, the fair value of the Town's deposits with the LGIP approximates cost. The OSTF financial statements are available at <http://www.ost.state.or.us/>.

Credit risk: State law limits investments in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements and State Treasurer's Investment Pool, along with certain commercial paper and the corporate bonds which have top two ratings issued by nationally recognized statistical rating organizations. LGIP was unrated.

Interest rate risk: The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposures to fair value losses arising from increasing interest rates. Throughout the year, all investments were either in the State Treasurer's Investment Pool, or a bank money market account. Both mature daily.

**TOWN OF BUTTE FALLS
JACKSON COUNTY, OREGON**

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2023

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Cont'd)

B. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

	<u>Beginning</u>				<u>Ending</u>
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Balance</u>
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 504,209	\$ -	\$ -	\$ -	504,209
Capital assets, being depreciated:					
Infrastructure	131,745	-	-	-	131,745
Buildings	480,533	17,994	-	-	498,527
Equipment	217,156	-	-	(83,564)	133,592
Vehicles	194,300	-	-	(4,900)	189,400
Total capital assets being depreciated	<u>1,023,733</u>	<u>17,994</u>	<u>-</u>	<u>(88,464)</u>	<u>953,264</u>
Less accumulated depreciation for:					
Infrastructure	(12,731)	(4,091)	-	-	(16,822)
Buildings	(111,989)	(15,417)	-	-	(127,406)
Equipment	(212,655)	-	-	79,063	(133,592)
Vehicles	(150,879)	(6,129)	-	4,900	(152,107)
Total accumulated depreciation	<u>(488,253)</u>	<u>(25,636)</u>	<u>-</u>	<u>83,963</u>	<u>(429,927)</u>
Total capital assets being depreciated, net	<u>535,480</u>	<u>(7,642)</u>	<u>-</u>	<u>(4,501)</u>	<u>523,336</u>
Governmental activities, capital assets, net	<u>\$ 1,039,689</u>	<u>\$ (7,642)</u>	<u>\$ -</u>	<u>\$ (4,501)</u>	<u>\$ 1,027,545</u>

Depreciation expense was charged to the governmental activities as follows:

Governmental activities:	
General government	\$ 2,521
Highways and streets	4,090
Public safety	19,025
Total	<u>\$ 25,636</u>

**TOWN OF BUTTE FALLS
JACKSON COUNTY, OREGON**

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2023

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Cont'd)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Business-type Activities					
Capital assets, not being depreciated:					
Land	\$ 40,186	\$ -	\$ -	\$ -	\$ 40,186
Capital assets, being depreciated:					
Buildings & improvements	77,011	-	-	(7,020)	69,991
Water & sewer systems	4,470,115	-	-	-	4,470,115
Equipment	80,016	-	-	(63,468)	16,548
Vehicles	17,258	-	-	(4,958)	12,300
Total capital assets being depreciated	<u>4,644,400</u>	<u>-</u>	<u>-</u>	<u>(75,446)</u>	<u>4,568,954</u>
Less accumulated depreciation for:					
Buildings & improvements	(75,528)	(1,483)	-	7,020	(69,991)
Water & sewer systems	(3,040,225)	(108,477)	-	-	(3,148,702)
Equipment	(68,550)	(1,721)	-	61,325	(8,946)
Vehicles	(17,080)	-	-	4,781	(12,299)
Total accumulated depreciation	<u>(3,201,383)</u>	<u>(111,681)</u>	<u>-</u>	<u>73,126</u>	<u>(3,239,937)</u>
Total capital assets being depreciated, net	<u>1,443,016</u>	<u>(111,681)</u>	<u>-</u>	<u>(2,320)</u>	<u>1,329,016</u>
Business-type activities, capital assets, net	<u>\$ 1,483,202</u>	<u>\$ (111,681)</u>	<u>\$ -</u>	<u>\$ (2,320)</u>	<u>\$ 1,369,202</u>

C. LONG-TERM DEBT

Long-term debt outstanding at June 30, 2023 is as follows:

<u>Purpose</u>	<u>Borrowed From</u>	<u>Loan #</u>	<u>Loan Date</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Balance at 6/30/2023</u>
Water System	USDA	91-03	7/3/2000	7/3/2040	4.50%	526,208
Sewer System	DEQ	R19810	10/10/2006	6/1/2029	2.88%	184,495
Total						<u>\$ 710,703</u>

Water System Bond (#91-03)

The Town issued water general obligation bonds to finance the water system construction in July 2000. The bond requires a debt service reserve to be set aside in the amount of \$45,057. As of June 30, 2023, the Town had set aside the total reserve amount required.

**TOWN OF BUTTE FALLS
JACKSON COUNTY, OREGON**

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2023

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Cont'd)

Schedule of future debt service requirements on the bonds payable
Water System Bond (#91-03)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 21,378	\$ 23,679	\$ 45,057
2025	22,340	22,717	45,057
2026	23,345	21,712	45,057
2027	24,395	20,662	45,057
2028	25,493	19,564	45,057
2029-2033	145,742	79,543	225,285
2034-2038	181,621	43,664	225,285
2039-2041	81,893	5,509	87,402
	<u>\$ 526,208</u>	<u>\$ 237,049</u>	<u>\$ 763,257</u>

Sewer System Reconstruction Loan (#R19810)

The Town entered into a loan with the State of Oregon Department of Environmental Quality for a reconstruction project of the sewer system. The original amount of the loan was \$500,500 with an interest rate of 2.98 percent. The loan will be due in full on June 1, 2029. The loan requires a debt service reserve to be set aside in the amount of \$16,853. As of June 30, 2023, the Town had set aside the total reserve amount required.

Schedule of future debt service requirements on the loan payable
Sewer System Reconstruction Loan (#R19810)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 28,597	\$ 5,109	\$ 33,706
2025	29,426	4,280	33,706
2026	30,280	3,426	33,706
2027	31,159	2,547	33,706
2028	32,063	1,643	33,706
2029	32,970	714	33,684
	<u>\$ 184,495</u>	<u>\$ 17,719</u>	<u>\$ 202,214</u>

**TOWN OF BUTTE FALLS
JACKSON COUNTY, OREGON**

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2023

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Cont'd)

Changes in Long-term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Business-type activities:					
Water system bond (#91-03)	546,665	-	20,457	526,208	21,378
Sewer system loan (#R19810)	212,286	-	27,791	184,495	28,597
Totals	<u>\$ 758,951</u>	<u>\$ -</u>	<u>\$ 48,248</u>	<u>\$ 710,703</u>	<u>\$ 49,975</u>

D. INTERFUND TRANSFERS

Major interfund transfers for the year ended June 30, 2023, consisted of the following:

Transfer from	Transfer to		
	General Fund	Nonmajor Governmental Funds	Total
Street Tax Fund	\$ 1,500	\$ -	\$ 1,500
Nonmajor Governmental Funds	1,000	-	1,000
Water Fund	8,000	-	8,000
Sewer Fund	10,000	-	10,000
Nonmajor Proprietary Funds	-	8,000	8,000
	<u>\$ 20,500</u>	<u>\$ 8,000</u>	<u>\$ 28,500</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 receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (4) transfer funds from funds that are not longer necessary.

E. INTERFUND BALANCES

In the fiscal year ended June 30, 2021, the Capital Project Fund loaned \$12,040 to the Sewer Fund to replace a generator. The loan will be paid back over 10 years at no interest. As of June 30, 2023, the balance was \$9,632.

F. PRIOR PERIOD ADJUSTMENT

During the fiscal year ended June 30, 2023, the City changed the capitalization policy to increase the threshold from \$500 to \$5,000. Assets that did not meet the capitalization threshold were removed from the financial statements. Beginning net position was restated to adjust for the change in the policy as follows:

**TOWN OF BUTTE FALLS
JACKSON COUNTY, OREGON**

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2023

NOTE 3 – DETAILED NOTES ON ALL FUNDS (Cont'd)

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Sewer Fund</u>
Beginning net position, as previously stated	\$ 1,723,265	\$ 901,612	\$ 757,599
Prior period adjustments:			
Change in accounting policy	<u>(4,501)</u>	<u>(2,320)</u>	<u>(2,320)</u>
Beginning net position, as restated	<u>\$ 1,718,764</u>	<u>\$ 899,292</u>	<u>\$ 755,279</u>

NOTE 4 – OTHER INFORMATION

A. PENSION PLAN

GENERAL INFORMATION ABOUT THE PENSION PLAN

Plan Description

Employees of the Town are provided with pensions through Oregon Public Employees Retirement System (OPERS) a cost-sharing multiple-employee defined benefit plan, the Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the system. All benefits of the system are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The Pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. OPERS issues an independently audited Comprehensive Annual Financial Report which can be obtained at:

http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx.

If the link is expired, please contact Oregon PERS by writing to the Fiscal Services Division, Public Employees Retirement System, 11410 SW 68th Parkway, PO BOX 23700, Tigard, Oregon, 97281.

Benefits Provided

Tier One/Tier Two Retirement Benefit (ORS Chapter 238)

1. *Pension Benefits* – The OPERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.00 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results. Monthly payments must be a minimum of \$200 per month or the member will receive a lump-sum payment of the actuarial equivalent of benefits to which he or she is entitled.

**TOWN OF BUTTE FALLS
JACKSON COUNTY, OREGON**

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2023

NOTE 4 – OTHER INFORMATION (Cont'd)

Under Senate Bill 1049, passed during the 2019 legislative session, the salary included in the determination of Final Average Salary will be limited for all members beginning in 2021. The limit will be equal to \$197,730 in 2021 and will be indexed with inflation in later years.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

2. *Death Benefits* – Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:
 - Member was employed by a PERS employer at the time of death,
 - Member died within 120 days after termination of PERS-covered employment,
 - Member died as a result of injury sustained while employed in a PERS-covered job, or
 - Member was on an official leave of absence from a PERS-covered job at the time of death.
3. *Disability Benefits* – A member with 10 or more years of creditable service who become disabled from other than duty connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.
4. *Benefit Changes After Retirement* – Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living (COLA) changes. The COLA is capped at 2.0 percent.

OPSRP Pension Program (OPSRP DB)

1. *Pension Benefits* – The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.

This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

- Police and fire - 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement

**TOWN OF BUTTE FALLS
JACKSON COUNTY, OREGON**

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2023

NOTE 4 – OTHER INFORMATION (Cont'd)

credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

- General service - 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

Under Senate Bill 1049, passed during the 2019 legislative session, the salary included in the determination of final salary will be limited for all members beginning in 2021. The limit will be equal to \$197,730 in 2021 and will be indexed with inflation in later years.

A member of the OPSRP pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

2. *Death Benefits* – Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.
3. *Disability Benefits* – A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.
4. *Benefit Changes after Retirement* – Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

OPSRP Individual Account Program (OPSRP IAP)

1. *Pension Benefits* – The Individual Account Program (IAP) is a defined contribution pension plan. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

2. *Death Benefits* - Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account

**TOWN OF BUTTE FALLS
JACKSON COUNTY, OREGON**

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2023

NOTE 4 – OTHER INFORMATION (Cont'd)

balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

3. *Recordkeeping* – OPERS contracts with VOYA Financial to maintain IAP participant records.

Contributions

1. *Employer Contributions* - PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2019 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2021. Employer contributions for the year ended June 30, 2023 were \$8,935, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2023 were 16.70 percent for Tier One/Tier Two General Service Member, 16.70 percent for Tier One/Tier Two Police and Fire, 10.17 percent for OPSRP Pension Program General Service Members, 14.53 percent for OPSRP Pension Program Police and Fire Members.
2. *Employee Contributions* - Beginning January 1, 2004, all employee contributions were placed in the OPSRP Individual Account Program (IAP), a defined contribution pension plan established by the Oregon Legislature. Prior to that date, all member contributions were credited to the Defined Benefit Pension Plan. Member contributions are set by statute at 6.0 percent of salary and are remitted by participating employers. The contributions are either deducted from member salaries or paid by the employers on the members behalf. The IAP member accounts represent member contributions made on or after January 1, 2004, plus earnings allocations less disbursements for refunds, death benefits, and retirements.

Starting July 1, 2020, Senate Bill 1049 required a portion of member contributions to their IAP accounts to be redirected to the Defined Benefit fund. If the member earns more than \$2,500 per month (increased to \$2,535 per month on January 1, 2021) 0.75 percent (if OPSRP member) or 2.5 percent (if Tier One/Tier Two member) of the member's contributions that were previously contributed to the member's IAP now fund the new Employee Pension Stability Accounts (EPSA). The EPSA accounts will be used to fund the cost of future pension benefits without changing those benefits, which means reduced contributions to the member's IAP account. Members may elect to make voluntary IAP contributions equal to the amount redirected.

Pension Assets/Liabilities, Pension Expense, and Pension-Related Deferrals

At June 30, 2023, the Town reported a net pension liability of \$177,336 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, 2021 actuarial valuation, rolled forward to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to PERS relative to the projected contributions of all participating employers, as actuarially determined. The Town's proportion was 0.00115815% as of the June 30, 2022 measurement date, compared to 0.00088536% as of June 30, 2021.

**TOWN OF BUTTE FALLS
JACKSON COUNTY, OREGON**

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2023

NOTE 4 – OTHER INFORMATION (Cont'd)

Actuarial Assumptions

The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions

Valuation Date	December 31, 2020
Measurement Date	June 30, 2022
Experience Study Report	2020, published July 20, 2021
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.40 percent
Long-Term Expected Rate of Return	6.90 percent
Discount Rate	6.90 percent
Projected Salary Increases	3.40 percent overall payroll growth
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and grade COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision, blend based on service.
Mortality	<p>Healthy retirees and beneficiaries: Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Active members: Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees: Pub-2010 Disable Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p>

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

**TOWN OF BUTTE FALLS
JACKSON COUNTY, OREGON**

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2023

NOTE 4 – OTHER INFORMATION (Cont'd)

Long-term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in May 2019 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class/Strategy	Assumed Asset Allocation		
	Low Range	High Range	Target
Debt Securities	15.0%	25.0%	20.0%
Public Equity	25.0%	35.0%	30.0%
Real Estate	7.5%	17.5%	12.5%
Private Equity	15.0%	27.5%	20.0%
Risk Parity	0.0%	3.5%	2.5%
Real Assets	2.5%	10.0%	7.5%
Diversifying Strategies	2.5%	10.0%	7.5%
Opportunity Portfolio	0.0%	5.0%	0.0%
Total			100.0%

Asset Class	Target Allocation	Component Annual Return (Geometric)
Global Equity	30.62 %	5.85 %
Private Equity	25.50	7.71
Core Fixed Income	23.75	2.73
Real Estate	12.25	5.66
Master Limited Partnerships	0.75	5.71
Infrastructure	1.50	6.26
Commodities	0.63	3.10
Hedge Fund of Funds – Multistrategy	1.25	5.11
Hedge Fund Equity – Hedge	0.63	5.31
Hedge Fund – Macro	5.62	5.06
US Cash	-2.50	1.76
	<u>100.00</u> %	
Assumed Inflation - Mean		2.40 %

**TOWN OF BUTTE FALLS
JACKSON COUNTY, OREGON**

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2023

NOTE 4 – OTHER INFORMATION (Cont'd)

Depletion Date Projection

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

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

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

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

Discount Rate

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

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the Town's proportionate share of the net pension liability would be if it

**TOWN OF BUTTE FALLS
JACKSON COUNTY, OREGON**

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2023

NOTE 4 – OTHER INFORMATION (Cont'd)

were calculated using a discount rate that is 1-percentage-point lower (5.90 percent) or 1-percentage-point higher (7.90 percent) than the current rate:

	1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
Proportionate share of the net pension liability	\$314,490	\$177,336	\$62,544

Pension Plan Fiduciary Net Position

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

Changes in Plan Provisions Subsequent to Measurement Date

There were no changes subsequent to the June 30, 2021 measurement period that require disclosure.

B. CONTINGENT LIABILITIES

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

Management has represented that there are no other contingent liabilities which were understood to include among other things: notes or accounts receivable which have been discounted; pending suits, proceedings, hearings, or negotiations possibly involving retroactive judgments or claims; taxes in dispute; endorsements or guarantees; and options given that would require disclosure or recognition under generally accepted accounting principles.

C. RISK MANAGEMENT

The Town is operated under various risks and the Town participates in various insurance programs to hedge against those risks. The insurance coverage includes property, general, auto and other liabilities. There were no losses in excess of coverage for the past three years.

SUPPLEMENTARY INFORMATION

TOWN OF BUTTE FALLS

COMBINING BALANCE SHEET - MODIFIED CASH BASIS

NONMAJOR GOVERNMENTAL FUNDS

June 30, 2023

	Special Revenue Funds				Capital Project Fund	Totals
	Planning Commission Fund	Police Department Reserve Fund	Disaster Recovery Fund	Fire and Rescue Fund	Capital Projects & Equipment Fund	
ASSETS						
Cash and cash equivalents	\$ 1,502	\$ 52,553	\$ 9,674	\$ 66,743	\$ 60,330	\$ 190,802
Due from other funds	-	-	-	-	9,632	9,632
Total assets	<u>\$ 1,502</u>	<u>\$ 52,553</u>	<u>\$ 9,674</u>	<u>\$ 66,743</u>	<u>\$ 69,962</u>	<u>\$ 200,434</u>
LIABILITIES	-	-	-	-	-	-
FUND BALANCES						
Assigned for:						
Planning	1,502	-	-	-	-	1,502
Public safety	-	52,553	9,674	66,743	-	128,970
Capital Projects	-	-	-	-	69,962	69,962
Total fund balances	<u>1,502</u>	<u>52,553</u>	<u>9,674</u>	<u>66,743</u>	<u>69,962</u>	<u>200,434</u>
Total liabilities and fund balances	<u>\$ 1,502</u>	<u>\$ 52,553</u>	<u>\$ 9,674</u>	<u>\$ 66,743</u>	<u>\$ 69,962</u>	<u>\$ 200,434</u>

TOWN OF BUTTE FALLS

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

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2023

	Special Revenue Funds				Capital Project Fund	Totals
	Planning Commission Fund	Police Department Reserve Fund	Disaster Recovery Fund	Fire and Rescue Fund	Capital Projects & Equipment Fund	
REVENUES:						
Capital grants	\$ -	\$ -	\$ -	\$ 13,700	\$ -	\$ 13,700
Licenses, fees and permits	370	-	-	-	-	370
Charges for services	-	-	3,498	-	-	3,498
Fundraisers/Donations	-	-	-	18,457	-	18,457
Total revenues	<u>370</u>	<u>-</u>	<u>3,498</u>	<u>32,157</u>	<u>-</u>	<u>36,025</u>
EXPENDITURES:						
Current:						
General government	1,006	-	-	-	-	1,006
Public safety	-	-	12,220	25,635	-	37,855
Total expenditures	<u>1,006</u>	<u>-</u>	<u>12,220</u>	<u>25,635</u>	<u>-</u>	<u>38,861</u>
Excess (deficiency) of revenues over expenditures	<u>(636)</u>	<u>-</u>	<u>(8,722)</u>	<u>6,522</u>	<u>-</u>	<u>(2,836)</u>
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	-	8,000	8,000
Transfers out	(1,000)	-	-	-	-	(1,000)
Total other financing sources	<u>(1,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,000</u>	<u>7,000</u>
SPECIAL ITEM						
Proceeds from sale of assets	-	-	-	5,918	-	5,918
Net change in fund balances	(1,636)	-	(8,722)	12,440	8,000	10,082
FUND BALANCES - July 1	<u>3,138</u>	<u>52,553</u>	<u>18,396</u>	<u>54,303</u>	<u>61,962</u>	<u>190,352</u>
FUND BALANCES - June 30	<u>\$ 1,502</u>	<u>\$ 52,553</u>	<u>\$ 9,674</u>	<u>\$ 66,743</u>	<u>\$ 69,962</u>	<u>\$ 200,434</u>

**TOWN OF BUTTE FALLS
JACKSON COUNTY, OREGON**

**COMBINING STATEMENT OF NET POSITION -
MODIFIED CASH BASIS**

NONMAJOR PROPRIETARY FUNDS

June 30, 2023

	<u>Water/Sewer Reserve Fund</u>	<u>Water Bottle Fund</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 22,957	\$ 7,581	\$ 30,538
Restricted cash	<u>61,910</u>	<u>-</u>	<u>\$ 61,910</u>
Total current assets	<u>84,867</u>	<u>7,581</u>	<u>92,448</u>
 Total assets	 <u>\$ 84,867</u>	 <u>\$ 7,581</u>	 <u>\$ 92,448</u>
LIABILITIES			
	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Restricted for:			
Water bond reserve	45,057	-	45,057
Sewer loan reserve	16,853	-	16,853
Unrestricted	<u>22,957</u>	<u>7,581</u>	<u>30,538</u>
Total net position	<u>84,867</u>	<u>7,581</u>	<u>92,448</u>
 Total liabilities and net position	 <u>\$ 84,867</u>	 <u>\$ 7,581</u>	 <u>\$ 92,448</u>

**TOWN OF BUTTE FALLS
JACKSON COUNTY, OREGON**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION -
MODIFIED CASH BASIS**

NONMAJOR PROPRIETARY FUNDS

For the Year Ended June 30, 2023

	<u>Water/Sewer Reserve Fund</u>	<u>Water Bottle Fund</u>	<u>Totals</u>
Operating revenues:			
Charges for services	\$ -	\$ 11,823	\$ 11,823
Other revenues	2,370	-	2,370
Total operating revenues	<u>2,370</u>	<u>11,823</u>	<u>14,193</u>
Operating expenses:			
Contractual services	<u>260</u>	<u>-</u>	<u>260</u>
Operating income (loss)	2,110	11,823	13,933
Transfer out	<u>-</u>	<u>(8,000)</u>	<u>(8,000)</u>
Changes in net position	2,110	3,823	5,933
NET POSITION - July 1, 2022	<u>82,757</u>	<u>3,758</u>	<u>86,515</u>
NET POSITION - June 30, 2023	<u>\$ 84,867</u>	<u>\$ 7,581</u>	<u>\$ 92,448</u>

**TOWN OF BUTTE FALLS
JACKSON COUNTY, OREGON**

**STATEMENT OF CASH FLOWS
MODIFIED CASH BASIS**

PROPRIETARY FUNDS

For the Year Ended June 30, 2023

	Water Fund	Sewer Fund	Nonmajor Proprietary Funds	Totals
Cash Flows from operating activities:				
Receipts from customers	\$ 51,987	\$ 113,366	\$ 14,193	\$ 179,546
Payments to suppliers	(16,379)	(53,859)	(260)	(70,498)
Payments to employees	(24,763)	(38,418)	-	(63,181)
Net cash provided (used) by operating activities	<u>10,845</u>	<u>21,089</u>	<u>13,933</u>	<u>45,867</u>
Cash flows from noncapital financing activities:				
Non-operating receipts (payments)	46,207	34,810	-	81,017
Transfers from (to) other funds	(8,000)	(10,000)	(8,000)	(26,000)
Net cash provided by noncapital financing activities	<u>38,207</u>	<u>24,810</u>	<u>(8,000)</u>	<u>55,017</u>
Cash flows from capital and related financing activities:				
Principal paid on capital debt	(20,457)	(28,995)	-	(49,452)
Interest paid on capital debt	(24,600)	(6,907)	-	(31,507)
Net cash provided by capital and related financing activities:	<u>(45,057)</u>	<u>(35,902)</u>	<u>-</u>	<u>(80,959)</u>
Net increase (decrease) in cash and cash equivalents	3,995	9,997	5,933	19,925
Cash and cash equivalents - July 1, 2022	<u>34,114</u>	<u>67,567</u>	<u>86,515</u>	<u>188,196</u>
Cash and cash equivalents - June 30, 2023	<u>\$ 38,109</u>	<u>\$ 77,564</u>	<u>\$ 92,448</u>	<u>\$ 208,121</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (46,864)	\$ (32,883)	\$ 13,933	\$ (65,814)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	<u>57,709</u>	<u>53,972</u>	<u>-</u>	<u>111,681</u>
Net cash provided (used) by operating activities	<u>\$ 10,845</u>	<u>\$ 21,089</u>	<u>\$ 13,933</u>	<u>\$ 45,867</u>

TOWN OF BUTTE FALLS

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

GENERAL FUND

For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Property taxes	\$ 134,258	\$ 134,258	\$ 142,338	\$ 8,080
Licenses, fees and permits	42,921	42,921	42,650	(271)
Grants and Intergovernmental	87,704	87,704	73,665	(14,039)
Fines and forfeitures	2,000	2,000	1,038	(962)
Interest revenue	1,500	1,500	16,022	14,522
Miscellaneous	1,500	1,500	2,267	767
Total revenues	<u>269,883</u>	<u>269,883</u>	<u>277,980</u>	<u>8,097</u>
EXPENDITURES:				
Administration	200,309	200,309	139,606	60,703
Fire Department	80,930	80,930	37,494	43,436
Police Department	148,880	148,880	20,906	127,974
Parks and Recreation	43,260	43,260	30,590	12,670
Forest Management	-	-	-	-
Total expenditures	<u>473,379</u>	<u>473,379</u>	<u>228,596</u>	<u>244,783</u>
Excess (deficiency) of revenues over expenditures	(203,496)	(203,496)	49,384	252,880
OTHER FINANCING SOURCES (USES):				
Transfers in	<u>23,000</u>	<u>23,000</u>	<u>20,500</u>	<u>(2,500)</u>
Excess of revenues and other sources over (under) expenditures and other uses	(180,496)	(180,496)	69,884	250,380
FUND BALANCES - July 1, 2022	<u>220,000</u>	<u>220,000</u>	<u>301,122</u>	<u>81,122</u>
FUND BALANCES - June 30, 2023	<u>\$ 39,504</u>	<u>\$ 39,504</u>	<u>\$ 371,006</u>	<u>\$ 331,502</u>

TOWN OF BUTTE FALLS

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

STREET TAX FUND

For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Highway taxes	\$ 30,000	\$ 30,000	\$ 35,048	\$ 5,048
PP&L franchise fees	<u>16,000</u>	<u>16,000</u>	<u>17,632</u>	<u>1,632</u>
Total revenues	<u>46,000</u>	<u>46,000</u>	<u>52,680</u>	<u>6,680</u>
EXPENDITURES:				
Personal services	8,400	8,400	7,926	474
Materials and services	<u>156,100</u>	<u>156,100</u>	<u>19,041</u>	<u>137,059</u>
Total expenditures	<u>164,500</u>	<u>164,500</u>	<u>26,967</u>	<u>137,533</u>
Excess of revenues over (under) expenditures	(118,500)	(118,500)	25,713	144,213
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(1,500)</u>	<u>(1,500)</u>	<u>(1,500)</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	(120,000)	(120,000)	24,213	144,213
FUND BALANCES - July 1, 2022	<u>120,000</u>	<u>120,000</u>	<u>168,149</u>	<u>48,149</u>
FUND BALANCES - June 30, 2023	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 192,362</u>	<u>\$ 192,362</u>

TOWN OF BUTTE FALLS

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

FOREST MANAGEMENT FUND

For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Grants, Fundraisers, & Donations	\$ 540,000	\$ 540,000	\$ 180,621	\$ (359,379)
EXPENDITURES				
Personal services	16,040	16,040	17,082	(1,042)
Materials & services	508,000	508,000	85,009	422,991
Capital outlay	10,000	10,000	-	10,000
Total expenditures	<u>534,040</u>	<u>534,040</u>	<u>102,091</u>	<u>431,949</u>
Excess of revenues over expenditures	5,960	5,960	78,530	72,570
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>20,000</u>	<u>20,000</u>	<u>12,125</u>	<u>(7,875)</u>
Excess of revenues and other sources over expenditures and other uses	25,960	25,960	90,655	64,695
FUND BALANCES - July 1, 2022	<u>-</u>	<u>-</u>	<u>23,954</u>	<u>23,954</u>
FUND BALANCES - June 30, 2023	<u>\$ 25,960</u>	<u>\$ 25,960</u>	<u>\$ 114,609</u>	<u>\$ 88,649</u>

TOWN OF BUTTE FALLS

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

PLANNING COMMISSION FUND

For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Licenses, fees and permits	\$ 1,000	\$ 1,000	\$ 370	\$ (630)
EXPENDITURES				
Materials & services	3,000	3,000	1,006	1,994
Excess of revenues over expenditures	(2,000)	(2,000)	(636)	1,364
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,000)	(1,000)	(1,000)	-
Excess of revenues and other sources over expenditures and other uses	(3,000)	(3,000)	(1,636)	1,364
FUND BALANCES - July 1, 2022	3,000	3,000	3,138	138
FUND BALANCES - June 30, 2023	\$ -	\$ -	\$ 1,502	\$ 1,502

TOWN OF BUTTE FALLS

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

FIRE & RESCUE FUND

For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Grants, Fundraisers, & Donations	\$ 45,000	\$ 45,000	\$ 32,157	\$ (12,843)
Proceeds for sale of asset	-	-	5,918	5,918
Total revenues	<u>45,000</u>	<u>45,000</u>	<u>38,075</u>	<u>(6,925)</u>
EXPENDITURES				
Materials & services	45,000	45,000	3,937	41,063
Capital outlay	<u>50,000</u>	<u>50,000</u>	<u>21,698</u>	<u>28,302</u>
Total expenditures	<u>95,000</u>	<u>95,000</u>	<u>25,635</u>	<u>69,365</u>
Excess of revenues over expenditures	(50,000)	(50,000)	12,440	62,440
FUND BALANCES - July 1, 2022	<u>50,000</u>	<u>50,000</u>	<u>54,303</u>	<u>4,303</u>
FUND BALANCES - June 30, 2023	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,743</u>	<u>\$ 66,743</u>

TOWN OF BUTTE FALLS

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

POLICE DEPARTMENT FUND

For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Miscellaneous revenues	\$ 200	\$ 200	\$ -	\$ (200)
EXPENDITURES:				
Materials and services	12,000	12,000	-	12,000
Capital outlay	<u>14,000</u>	<u>14,000</u>	<u>-</u>	<u>14,000</u>
Total expenditures	<u>26,000</u>	<u>26,000</u>	<u>-</u>	<u>26,000</u>
Excess of revenues over expenditures	(25,800)	(25,800)	-	25,800
FUND BALANCES - July 1, 2022	<u>52,500</u>	<u>52,500</u>	<u>52,553</u>	<u>53</u>
FUND BALANCES - June 30, 2023	<u>\$ 26,700</u>	<u>\$ 26,700</u>	<u>\$ 52,553</u>	<u>\$ 25,853</u>

TOWN OF BUTTE FALLS

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

DISASTER RECOVERY FUND

For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Charge for services	\$ 3,300	\$ 3,300	\$ 3,498	\$ 198
EXPENDITURES:				
Materials and services	18,300	18,300	12,220	6,080
Excess of revenues over expenditures	(15,000)	(15,000)	(8,722)	6,278
FUND BALANCES - July 1, 2022	15,000	15,000	18,396	3,396
FUND BALANCES - June 30, 2023	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,674</u>	<u>\$ 9,674</u>

TOWN OF BUTTE FALLS

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

CAPITAL PROJECTS & EQUIPMENT FUND

For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Capital outlay	60,000	60,000	-	60,000
Excess of revenues over expenditures	(60,000)	(60,000)	-	60,000
OTHER FINANCING SOURCES (USES)				
Interfund loan repayment	1,204	1,204	1,204	-
Transfers in	8,000	8,000	8,000	-
Total other financing sources (uses)	9,204	9,204	9,204	-
Excess of revenues and other sources over expenditures and other uses	(50,796)	(50,796)	9,204	60,000
FUND BALANCES - July 1, 2022	51,000	51,000	51,126	126
FUND BALANCES - June 30, 2023	<u>\$ 204</u>	<u>\$ 204</u>	\$ 60,330	<u>\$ 60,126</u>

Reconciliation to fund financial statement (modified cash basis):

Interfund receivable	9,632
Fund Balance - modified cash basis - June 30, 2023	<u>\$ 69,962</u>

TOWN OF BUTTE FALLS

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

WATER FUND

For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>Budgetary Basis</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 50,978	\$ 50,978	\$ 50,510	\$ (468)
Miscellaneous late charges	1,000	1,000	1,477	477
Total Revenues	<u>51,978</u>	<u>51,978</u>	<u>51,987</u>	<u>9</u>
EXPENDITURES				
Personal services	24,035	24,035	24,763	(728)
Materials and services	31,793	31,793	16,379	15,414
Capital outlay	1,000	1,000	-	1,000
Total Expenditures	<u>56,828</u>	<u>56,828</u>	<u>41,142</u>	<u>15,686</u>
Excess of revenues over expenditures	(4,850)	(4,850)	10,845	15,695
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(8,000)</u>	<u>(8,000)</u>	<u>(8,000)</u>	<u>-</u>
Excess of revenues and other sources over expenditures and other uses	(12,850)	(12,850)	2,845	15,695
FUND BALANCES - July 1, 2022	<u>13,000</u>	<u>13,000</u>	<u>24,107</u>	<u>11,107</u>
FUND BALANCES - June 30, 2023	<u>\$ 150</u>	<u>\$ 150</u>	<u>\$ 26,952</u>	<u>\$ 26,802</u>

TOWN OF BUTTE FALLS

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

SEWER DEPARTMENT FUND

For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 112,665	\$ 112,665	\$ 111,126	\$ (1,539)
Late charges	2,000	2,000	2,240	240
Total Revenues	<u>114,665</u>	<u>114,665</u>	<u>113,366</u>	<u>(1,299)</u>
EXPENDITURES				
Personal services	41,239	41,239	38,418	2,821
Materials and services	83,222	83,222	53,859	29,363
Capital outlay	4,000	4,000	-	4,000
Debt Service	1,204	1,204	1,204	-
Contingency	-	-	-	-
Total Expenditures	<u>129,665</u>	<u>129,665</u>	<u>93,481</u>	<u>36,184</u>
Excess of revenues over expenditures	(15,000)	(15,000)	19,885	34,885
OTHER FINANCING SOURCES (USES)				
Transfers out	(10,000)	(10,000)	(10,000)	-
Excess of revenues and other sources over expenditures and other uses	(25,000)	(25,000)	9,885	34,885
FUND BALANCES - July 1, 2022	<u>25,000</u>	<u>25,000</u>	<u>27,095</u>	<u>2,095</u>
FUND BALANCES - June 30, 2023	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,980</u>	<u>\$ 36,980</u>

TOWN OF BUTTE FALLS

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

WATER AND SEWER RESERVE FUND

For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous revenues	\$ 1,000	\$ 1,000	\$ 2,370	\$ 1,370
EXPENDITURES				
Materials and services	1,000	1,000	261	739
Excess of revenues over expenditures	-	-	2,109	2,109
FUND BALANCES - July 1, 2022	80,000	80,000	82,757	2,757
FUND BALANCES - June 30, 2023	<u>\$ 80,000</u>	<u>\$ 80,000</u>	<u>\$ 84,866</u>	<u>\$ 4,866</u>

TOWN OF BUTTE FALLS

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

DEBT SERVICE FUND

For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Assessment revenue	\$ 78,763	\$ 78,763	\$ 81,017	\$ 2,254
EXPENDITURES				
Debt service				
Principal	48,248	48,248	48,248	-
Interest	31,507	31,507	31,507	-
Total expenditures	<u>79,755</u>	<u>79,755</u>	<u>79,755</u>	<u>-</u>
Excess of revenues over expenditures	(992)	(992)	1,262	2,254
FUND BALANCES -July 1, 2022	<u>48,000</u>	<u>48,000</u>	<u>50,478</u>	<u>2,478</u>
FUND BALANCES -June 30, 2023	<u>\$ 47,008</u>	<u>\$ 47,008</u>	<u>\$ 51,740</u>	<u>\$ 4,732</u>

TOWN OF BUTTE FALLS

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

WATER BOTTLE FUND

For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 8,000	\$ 8,000	\$ 11,824	\$ 3,824
EXPENDITURES				
	-	-	-	-
Excess of revenues over expenditures	8,000	8,000	11,824	3,824
OTHER FINANCING SOURCES (USES)				
Transfers out	(8,000)	(8,000)	(8,000)	-
Excess of revenues and other sources over expenditures and other uses	-	-	3,824	3,824
FUND BALANCES - July 1, 2022	-	-	3,758	3,758
FUND BALANCES - June 30, 2023	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,582</u>	<u>\$ 7,582</u>

TOWN OF BUTTE FALLS

**BALANCE SHEET -
ALLOCATION OF DEBT SERVICE FUND (BUDGETARY FUND)
TO WATER AND SEWER FUND (PROPRIETARY FUNDS)**

For the Year Ended June 30, 2023

	<u>Debt Service Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>
ASSETS			
Current assets:			
Restricted cash	<u>\$ 51,740</u>	<u>\$ 11,156</u>	<u>\$ 40,584</u>
LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Restricted	<u>51,740</u>	<u>11,156</u>	<u>40,584</u>
Total liabilities and net position	<u>\$ 51,740</u>	<u>\$ 11,156</u>	<u>\$ 40,584</u>

TOWN OF BUTTE FALLS

**STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION -
ALLOCATION OF DEBT SERVICE FUND (BUDGETARY FUND)
TO WATER AND SEWER FUNDS (PROPRIETARY FUNDS)**

For the Year Ended June 30, 2023

	Debt Service Fund	Water Fund	Sewer Fund
Non-operating revenues (expenses):			
Debt service assessments	\$ 81,017	\$ 46,207	\$ 34,810
Debt service:			
Principal	(48,248)	(20,457)	(27,791)
Interest	<u>(31,507)</u>	<u>(24,600)</u>	<u>(6,907)</u>
Total non-operating revenues(expenses)	<u>1,262</u>	<u>1,150</u>	<u>112</u>
Changes in net position	1,262	1,150	112
NET POSITION - July 1, 2022	<u>50,478</u>	<u>10,006</u>	<u>40,472</u>
NET POSITION - June 30, 2023	<u>\$ 51,740</u>	<u>\$ 11,156</u>	<u>\$ 40,584</u>

*REPORT OF INDEPENDENT AUDITOR REQUIRED BY
MINIMUM STANDARDS FOR AUDITS OF OREGON
MUNICIPAL CORPORATIONS*



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REPORT OF INDEPENDENT AUDITOR REQUIRED BY MINIMUM STANDARDS FOR
AUDITS OF OREGON MUNICIPAL CORPORATIONS

Mayor and Town Council
Town of Butte Falls
Butte Falls, Oregon

I have audited the basic financial statements of the Town of Butte Falls, Oregon, as of and for the year ended June 30, 2023, and have issued my report thereon dated November 27, 2023.

Compliance

As part of obtaining reasonable assurance about whether the Town of Butte Falls's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion.

I performed procedures to the extent I 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 my testing, nothing came to my attention that caused me to believe the Town 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.

OAR 162-10-0230 Internal Control

In planning and performing my audit, I considered the Town's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town's internal control.

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

My audit was also not designed to identify deficiencies in internal control that might be significant deficiencies. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the following deficiency in the Town's internal control to be a significant deficiency:

PROVIDE OVERSIGHT OF THE PREPARATION OF FINANCIAL STATEMENTS

Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial position, results of operations and disclosures in the financial statements, in conformity with generally accepted accounting principles. The Town does not have a system of internal controls that would enable management to conclude the financial statements and related disclosures are complete and presented in accordance with the modified cash basis of accounting which could lead to material errors that may not be identified and corrected by the Town. As such, management requested us to prepare a draft of the financial statements, including the related footnote disclosures. The outsourcing of these services is not unusual in entities of your size and is a result of management's cost benefit decision to rely on our accounting expertise rather than incurring this internal resource cost.

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

REBECCA PRICE, CPA

Rebecca Price

Gilroy, California
November 27, 2023