

City of Independence

FINANCIAL STATEMENTS

Year Ended June 30, 2025



CITY OF INDEPENDENCE

Financial Statements

Year Ended June 30, 2025

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CITY OF INDEPENDENCE

Council Members and Principal Administrative Staff

Year Ended June 30, 2025

City Officials

Kate Schwarzler, Mayor

Kathy Martin-Willis, Council President

Shannon Corr, Councilor

Marilyn Morton, Councilor

Dawn Roden, Councilor

Bill Boisvert, Councilor

Evan Sorce, Councilor

Kenna West, City Manager

Amanda Carey, Finance Director

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Independence
Independence, Oregon

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Independence (the City), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT, CONTINUED

Auditor's Responsibilities for the Audit of the Financial Statements, continued

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, General and major Special Revenue Funds budgetary comparison schedules, schedule of the proportionate share of the net pension liability, schedule of contributions - pension, schedule of proportionate share - RHIA, schedule of contributions - RHIA, and schedule of changes in total OPEB liability and related ratios be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the management's discussion and analysis, schedule of proportionate share of the net pension liability, schedule of contributions - pension, schedule of proportionate share - RHIA, schedule of contributions - RHIA, and schedule of changes in total OPEB liability and related ratios in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The General and major Special Revenue Funds budgetary comparison schedules, as listed in the table of contents under required supplementary information, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, 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 GAAS. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT, CONTINUED

Supplementary Information

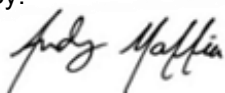
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining financial statements and individual fund schedules are presented for purposes of additional analysis and are not a required part of the 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 GAAS. In our opinion, the combining financial statements and individual fund schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Oregon State Regulations

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated February 25, 2026, on our consideration of the City's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Aldrich CPAs + Advisors LLP

By:



Andrew Maffia, CPA, Partner
Salem, Oregon
February 25, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CITY OF INDEPENDENCE, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

As management of the City of Independence, we offer readers of the financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2025. Overall highlights of the City's financial position are offered in the following table for the current and prior fiscal year.

	June 30		Change
	2025	2024	
Net Position	\$ 40,483,285	\$ 33,238,049	\$ 7,245,236
Change in Net Position	7,102,855	2,311,364	4,791,491
Governmental Net Position	17,933,809	13,163,931	4,769,878
Proprietary Net Position	22,549,476	20,074,118	2,475,358
Change in Governmental Net Position	4,662,624	(778,971)	5,441,595
Change in Proprietary Net Position	2,440,231	3,090,605	(650,374)

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

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

The *Statement of Net Position.* The statement of net position presents information on all the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the City as of the date on the statement, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities.* The statement of activities presents information showing how the net position of the City changed over the most recent fiscal year by tracking revenues, expenses and other transactions that increase or reduce net position. All changes in net position are reported as soon as earned or incurred without regard to actual cash flows.

Fund Financial Statements. The fund financial statements provide more detailed information about the City's funds, focusing on its most significant or "major" funds. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

**CITY OF INDEPENDENCE, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

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

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

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required and other supplementary information including combining statements, schedules of revenues, expenditures, and changes in fund balance-budget and actual for all funds, and other schedules to assist the reader in understanding the City's finances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position. The statement of net position is provided in this discussion and analysis on a comparative basis. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, total assets and deferred outflows exceeded liabilities and deferred inflows by \$40 million as of June 30, 2025. Current liabilities consist of accounts payable, unearned revenue and deposits. Long-term liabilities are comprised of amounts related to pensions, other postemployment benefits, and debt. These amounts are further detailed in the notes to the basic financial statements. Restricted net position represents resources that are subject to external restrictions on their use, such as debt service or construction of capital assets. Unrestricted net position is available for general operations of the City. The following summarizes the City's Statement of Net Position for the current and prior years.

**CITY OF INDEPENDENCE, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

**Statement of Net Position
(Amounts presented in thousands)
As of June 30,**

	2025			2024		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	\$ 11,695	\$ 9,483	\$ 21,178	\$ 8,567	\$ 9,834	\$ 18,401
Other assets	9,743	1,654	11,397	4,322	1,504	5,826
Non-depreciable capital assets	1,961	4,787	6,748	1,506	9,463	10,969
Depreciable capital assets, net	23,926	19,371	43,297	24,576	11,854	36,430
Total Assets	47,325	35,295	82,620	38,971	32,655	71,626
Deferred Outflows of Resources	3,450	826	4,276	3,187	563	3,750
Current liabilities	1,811	852	2,663	1,983	1,181	3,164
Deposits	187	21	208	211	65	276
Long-term liabilities						
Portion due within one year	1,785	504	2,289	1,606	376	1,982
Portion due in more than one year	28,214	11,872	40,086	24,521	11,319	35,840
Total Liabilities	31,997	13,249	45,246	28,321	12,941	41,262
Deferred Inflows of Resources	844	322	1,166	673	202	875
Net investment in capital assets	10,532	13,129	23,661	10,219	11,357	21,576
Restricted	8,605	1,726	10,331	7,018	2,324	9,342
Unrestricted	(1,203)	7,694	6,491	(4,073)	6,393	2,320
Total Net Position	\$ 17,934	\$ 22,549	\$ 40,483	\$ 13,164	\$ 20,074	\$ 33,238

Statement of Activities. The City's net position increased by \$7.1 million during the current fiscal year, largely due to grant revenue, decreased spending, and investment in capital infrastructure. The key elements of the change in the City's net position for the year ended June 30, 2025, relative to the prior year are as follows:

- Capital grant revenue for government services increased by \$3.75 million over the previous fiscal year, and the newly implemented Public Safety fee generated \$480k of revenue during the fiscal year.
- Expenses for business activities increased only slightly due to increased operational costs. Expenses in governmental activities decreased by \$1.1 million, primarily reflecting decreases in interest paid on long-term debt.

**CITY OF INDEPENDENCE, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

**Statement of Activities
(Amounts presented in thousands)
For the Fiscal Year Ended June 30,**

	2025			2024		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues						
Program Revenues						
Charges for Services	\$ 1,166	\$ 6,760	\$ 7,926	\$ 738	\$ 6,145	\$ 6,883
Operating Grants	1,677	-	1,677	1,984	-	1,984
Capital Grants	4,652	161	4,813	897	922	1,819
General Receipts						
Property Taxes & Assessments	4,239	-	4,239	3,930	-	3,930
Other general receipts	2,451	634	3,085	2,643	560	3,204
Total Revenues	14,185	7,555	21,740	10,192	7,627	17,820
Expenses						
General Government	2,019	-	2,019	2,414	-	2,414
Public Safety	3,551	-	3,551	3,380	-	3,380
Transportation	814	-	814	1,134	-	1,134
Community Development	284	-	284	322	-	322
Culture and Recreation	2,624	-	2,624	2,073	-	2,073
Interest on Long-term Debt	993	-	993	2,061	-	2,061
Water	-	1,870	1,870	-	1,711	1,711
Sewer	-	1,785	1,785	-	1,833	1,833
Storm	-	697	697	-	578	578
Total Disbursements	10,285	4,352	14,637	11,384	4,122	15,506
Transfers	764	(764)	-	414	(414)	-
Change in Net Position	4,663	2,440	7,103	(779)	3,090	2,311
Net Position, beginning, as previously presented	13,164	20,074				
Restatement	107	35				
Net Position, beginning of year	13,271	20,109	33,380	13,943	16,984	30,927
Net Position, end of year	\$ 17,934	\$ 22,549	\$ 40,483	\$ 13,164	\$ 20,074	\$ 33,238

Governmental activities

The combined expenses of all governmental activities was \$10.3 million for the year ended June 30, 2025. Property taxes, transient lodging taxes, and franchise fees provided \$4.2 million of revenue to support governmental activities and operations. Those who directly benefited from programs (charges for services, including fines and fees) paid \$1.17 million, or 8% of total governmental revenue. Transfers from proprietary funds for services provided account for \$764 thousand in support of governmental activities.

Net position of governmental-type activities increased by \$4.7 million during the fiscal year ended June 30, 2025, driven primarily by the increase in capital grant revenue and investments in infrastructure.

Business-type activities

As shown in the Statement of Activities, the City's net position for the business-type activities increased by \$2.4 million during the year. Utility revenues, higher interest rates,

**CITY OF INDEPENDENCE, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

increases in SDC rates, and intergovernmental revenues all contributed to the growth in net position.

Charges for services arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services. Revenues primarily consist of fees charged for water, sewer, and storm drain utilities.

Grants and contributions receipts result from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are generally restricted for use in a particular program. Receipts primarily consist of federal and state grants, system development charges (e.g. water, sewer), and developer infrastructure contributions (e.g. fair market value of subdivisions' infrastructure such as water, sewer, storm drain and right-of-way/easements).

Transfers represent resources moved between business-type activities and governmental activities. In the current year these transfers were limited to payment of internal franchise fees similar to other utilities doing business in the community, offset by the transfer of capital assets from the governmental activities to the Water Fund.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

The City's governmental funds reported combined fund balances of \$12.2 million at June 30, 2025, an increase of \$4 million from the previous year.

General Fund. The General Fund accounts for all the financial resources of the City, which are not accounted for in any other fund. Unassigned fund balance was \$5.17 million at the end of the current fiscal year. The General Fund saw a decrease of \$381 thousand during the year indicating expenditures greater than revenues for the year and a resultant spending down of fund balance.

Transportation Fund. The Transportation Fund accounts for street maintenance and improvements. Fund balance in the Transportation Fund decreased by \$6 thousand.

MINET Debt Service Fund. The MINET Debt Service Fund receives payments from MINET for the payment of principal and interest on MINET-related, long-term debt. This

**CITY OF INDEPENDENCE, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

fund typically has no fund balance, as the loan receipts coming in are equal to the debt service payments going out.

Urban Renewal Projects Fund. The Urban Renewal Projects Fund accounts for the acquisition and construction of facilities within the Urban Renewal District and financed by grants and the issuance of bonds. The fund balance in the Urban Renewal Projects Fund increased by \$439 thousand as revenues from tax increment exceeded expenditures to repay loans to the City during the year.

Grants Program Fund. The Grants Program Fund accounts for local, state, and federal grants received for operating purposes, and the associated expenditures. Fund balance in the Grants Program Fund increased by \$4.2 million.

Other Governmental Funds (non-major). These funds are comprised of the Economic Development Loan Fund, the Tourism & Events Fund, Transportation SDC Fund, Parks SDC Fund, Capital Projects Fund, Building Repair & Replacement Reserve Fund, the General Obligation Bond Fund, Urban Renewal Debt Service Fund, and the Special Assessment Loan Fund. The combined fund balances for these funds decreased by \$233 thousand.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in greater detail.

Water, Sewer, Storm Drain. The Water and Water SDC, Sewer and Sewer SDC, and Storm Drain and Storm Drain SDC funds account for the operations, maintenance, debt service, and capital construction related to water treatment and distribution, sewer collection and treatment, and storm drain collection for the City. The primary sources of revenue are user fees, system development charges, borrowings, and interest earnings.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Independence's capital assets related to governmental and business-type activities as of June 30, 2025, totals \$50 million (net of accumulated depreciation), a net increase of \$2.6 million versus the prior year. Capital assets include land, buildings, distribution and collection systems (water, sanitary sewer, and storm drain), major improvements, machinery and equipment, park facilities, roads, bridges, and sidewalks. The City's investment in capital assets increased with capital outlays during the year and decreased with annual depreciation of assets.

**CITY OF INDEPENDENCE, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

(Amounts presented in thousands)

	Governmental Activities		Business-Type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Land	\$ 1,475	\$ 1,475	\$ 167	\$ 167	\$ 1,642	\$ 1,642
Work in progress	486	30	3,724	8,400	4,210	8,430
Intangibles	181	181	895	895	1,076	1,076
Buildings	15,612	15,612	1,026	1,136	16,638	16,748
Equipment & vehicles	1,149	1,068	1,153	1,323	2,302	2,391
Infrastructure	27,687	27,367	-	-	27,687	27,367
Right-to-use leased asset	109	109	42	42	151	151
SBITA assets	89	149	-	-	89	149
Water and sewer systems	-	-	29,866	21,663	29,866	21,663
	<u>46,788</u>	<u>45,991</u>	<u>36,873</u>	<u>33,626</u>	<u>83,661</u>	<u>79,617</u>
Less:						
Accumulated Depreciation/Amortization	<u>(20,901)</u>	<u>(19,910)</u>	<u>(12,716)</u>	<u>(12,309)</u>	<u>(33,617)</u>	<u>(32,219)</u>
	<u>\$ 25,887</u>	<u>\$ 26,081</u>	<u>\$ 24,157</u>	<u>\$ 21,317</u>	<u>\$ 50,044</u>	<u>\$ 47,398</u>

The City depreciates all capital assets except for land and construction in progress.

For more detailed information regarding Capital Assets, see Note 4 – Capital Assets in the notes to the basic financial statements.

Debt Administration

The City had total debt outstanding of \$33 million at the end of the current fiscal year, a decrease of \$1.2 million from the prior year balance. The decrease is a result of scheduled principal payments on outstanding obligations of the City and amortization of related discounts and premiums on those obligations.

State statutes limit the amount of general obligation debt a governmental entity may carry to 3 percent of its total real market value. The real market valuation of the City of Independence is \$1.42 billion resulting in the current general obligation debt limitation of \$42.7 million. Total general obligation indebtedness subject to the limitation is \$2.66 million at June 30, 2025.

(Amounts are presented in thousands)

	Governmental Activities		Business-Type Activities		Totals	
	2025	2024	2025	2024	2025	2024
General Obligation Bonds	\$ 2,660	\$ 2,935	\$ -	\$ -	\$ 2,660	\$ 2,935
Full Faith & Credit Obligations	17,185	18,185	835	900	18,020	19,085
Notes	3,067	3,226	7,563	7,237	10,630	10,463
Sewer Revenue Bonds	-	-	1,685	1,775	1,685	1,775
	<u>\$ 22,912</u>	<u>\$ 24,346</u>	<u>\$ 10,083</u>	<u>\$ 9,912</u>	<u>\$ 32,995</u>	<u>\$ 34,258</u>

Additional information on the City's long-term debt can be found in the notes to the basic financial statements Note 6 – Long Term Debt.

BUDGETARY HIGHLIGHTS

Budget amendments included approved adjustments to the General Fund for

**CITY OF INDEPENDENCE, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

unanticipated increases in personnel services and materials and services during the year.

Significant variances in the General Fund between the final amended budget and actual results are primarily in revenue, and most notably in interest income as higher rates than anticipated continue to drive earnings. The General Fund also reported budget over-expenditures in several departments as a result of unanticipated costs of operations.

Economic Factors and Next Year's Budget

The top factors in preparation of the FY 2025-26 budget included the continued reliance on limited governmental revenues in the form of property taxes and state-provided revenues in support of General Fund operations. The budget for FY 2025-26 included a public safety fee as a means to stabilize the City's Police Department, as well as combining the Library and Museum into one Community Services department to further reduce operational expenses in the General Fund.

The primary projects in the Capital Improvement Plan (CIP) continue to be focused on sewer upgrades, planning and design for a surface water treatment plant, and transportation planning, bridge repairs, and improvements to meet the needs of the substantial growth over the past 8 years.

The City's Budget Committee considered all the following factors while preparing the budget for the 2025-2026 fiscal year.

- Expected rates and consumption for business-type funds
- Staffing requirements and the desired level of service
- Capital outlay, infrastructure maintenance, and improvements to sewer, water, parks, and transportation facilities

**CITY OF INDEPENDENCE, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

Requests for Information

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

City of Independence
Attn: Finance Director
555 Main St.
PO Box 7
Independence, Oregon 97351

BASIC FINANCIAL STATEMENTS

CITY OF INDEPENDENCE

Statement of Net Position

June 30, 2025

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 11,695,197	\$ 9,483,105	\$ 21,178,302
Receivables:			
Accounts, net	638,943	808,799	1,447,742
Taxes	169,371	-	169,371
Loans, net	7,553,712	158,665	7,712,377
Internal Balances	(647,779)	647,779	-
Prepaid Expenses	540,990	8,686	549,676
Lease Receivables	1,825	-	1,825
Property Held for Resale	1,404,051	-	1,404,051
Net Other Postemployment Benefits Asset	80,728	30,881	111,609
Capital Assets:			
Land and construction in progress	1,961,252	4,786,823	6,748,075
Other capital assets, net of depreciation	23,926,225	19,370,459	43,296,684
Total Assets	<u>47,324,515</u>	<u>35,295,197</u>	<u>82,619,712</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Items	2,122,974	812,128	2,935,102
Other Postemployment Benefits Related Items	13,233	5,064	18,297
Debt Refunding Excess	1,313,731	8,651	1,322,382
Total Deferred Outflows of Resources	<u>3,449,938</u>	<u>825,843</u>	<u>4,275,781</u>
LIABILITIES			
Accounts Payable	246,535	747,744	994,279
Payroll and Related Liabilities	145,333	58,216	203,549
Customer Deposits	187,396	20,719	208,115
Unearned Revenue	637,688	-	637,688
Accrued Interest	781,168	46,134	827,302
Long-Term Liabilities:			
Due within one year	1,784,650	504,204	2,288,854
Due in more than one year	28,213,879	11,872,188	40,086,067
Total Liabilities	<u>31,996,649</u>	<u>13,249,205</u>	<u>45,245,854</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Related Items	720,656	275,682	996,338
Other Postemployment Benefits Related Items	122,021	46,677	168,698
Deferred Lease Resources	1,318	-	1,318
Total Deferred Inflows of Resources	<u>843,995</u>	<u>322,359</u>	<u>1,166,354</u>
NET POSITION			
Net Investment in Capital Assets	10,532,233	13,128,948	23,661,181
Restricted for:			
Highways and streets	785,161	-	785,161
Capital projects	2,481,604	1,696,997	4,178,601
Debt service	392,547	-	392,547
Grants	4,869,205	-	4,869,205
Other postemployment benefits	76,154	29,132	105,286
Unrestricted	(1,203,095)	7,694,399	6,491,304
Total Net Position	<u>\$ 17,933,809</u>	<u>\$ 22,549,476</u>	<u>\$ 40,483,285</u>

See accompanying notes to basic financial statements.

CITY OF INDEPENDENCE

Statement of Activities

Year Ended June 30, 2025

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 2,018,705	\$ 118,736	\$ 147,064	\$ -	\$ (1,752,905)	\$ -	\$ (1,752,905)
Public safety	3,551,134	767,160	65,200	-	(2,718,774)	-	(2,718,774)
Highways and streets	814,445	141,616	895,404	4,619,265	4,841,840	-	4,841,840
Community development	284,185	108,810	127,889	-	(47,486)	-	(47,486)
Culture and recreation	2,623,862	29,574	441,246	32,465	(2,120,577)	-	(2,120,577)
Interest on long-term debt	993,385	-	-	-	(993,385)	-	(993,385)
Total Governmental Activities	<u>10,285,716</u>	<u>1,165,896</u>	<u>1,676,803</u>	<u>4,651,730</u>	<u>(2,791,287)</u>	<u>-</u>	<u>(2,791,287)</u>
Business-Type Activities:							
Water	1,870,323	3,103,670	-	53,852	-	1,287,199	1,287,199
Wastewater	1,784,479	2,900,294	-	74,817	-	1,190,632	1,190,632
Storm drain	696,621	756,438	-	32,355	-	92,172	92,172
Total Business-Type Activities	<u>4,351,423</u>	<u>6,760,402</u>	<u>-</u>	<u>161,024</u>	<u>-</u>	<u>2,570,003</u>	<u>2,570,003</u>
Totals	<u>\$ 14,637,139</u>	<u>\$ 7,926,298</u>	<u>\$ 1,676,803</u>	<u>\$ 4,812,754</u>	<u>(2,791,287)</u>	<u>2,570,003</u>	<u>(221,284)</u>
General Revenues:							
Property taxes					4,239,021	-	4,239,021
Transient room taxes					240,782	-	240,782
Franchise fees					990,652	-	990,652
Other taxes					87,125	-	87,125
Unrestricted grants and contributions					318,949	-	318,949
Interest earnings					682,654	567,858	1,250,512
Other revenue					131,019	66,079	197,098
Transfers					763,709	(763,709)	-
Total General Revenues and Transfers					<u>7,453,911</u>	<u>(129,772)</u>	<u>7,324,139</u>
Change in Net Position					<u>4,662,624</u>	<u>2,440,231</u>	<u>7,102,855</u>
Net Position, beginning, as previously presented					13,163,933	20,074,116	33,238,049
Restatement					<u>107,252</u>	<u>35,129</u>	<u>142,381</u>
Net Position, beginning, as restated					<u>13,271,185</u>	<u>20,109,245</u>	<u>33,380,430</u>
Net Position, ending					<u>\$ 17,933,809</u>	<u>\$ 22,549,476</u>	<u>\$ 40,483,285</u>

See accompanying notes to basic financial statements.

CITY OF INDEPENDENCE**Governmental Funds****Balance Sheet**

June 30, 2025

	<u>General</u>	<u>Transportation</u>	<u>Grants</u>
ASSETS			
Cash and Cash Equivalents	\$ 687,387	\$ 774,351	\$ 5,523,393
Receivables:			
Accounts	512,611	72,810	-
Taxes	113,586	-	-
Leases	1,825	-	-
Loans, net	-	-	-
Due from Other Funds	3,873,780	-	-
Prepaid Items	46,607	2,710	462,712
Property Held for Resale	-	-	-
Advances from Other Funds	749,449	-	-
Total Assets	<u>\$ 5,985,245</u>	<u>\$ 849,871</u>	<u>\$ 5,986,105</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 113,162	\$ 43,144	\$ 16,500
Payroll and related liabilities	113,035	18,856	-
Deposits	186,996	-	-
Unearned revenue	-	-	637,688
Due to other funds	-	-	-
Advances from other funds	-	-	-
Total Liabilities	<u>413,193</u>	<u>62,000</u>	<u>654,188</u>
Deferred Inflows of Resources:			
Unavailable revenues	315,928	-	-
Deferred lease resources	1,318	-	-
Total Deferred Inflows of Resources	<u>317,246</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Nonspendable	46,607	2,710	462,712
Restricted	-	785,161	4,869,205
Committed	-	-	-
Assigned	37,582	-	-
Unassigned	5,170,617	-	-
Total Fund Balances	<u>5,254,806</u>	<u>787,871</u>	<u>5,331,917</u>
Total Liabilities and Fund Balances	<u>\$ 5,985,245</u>	<u>\$ 849,871</u>	<u>\$ 5,986,105</u>

See accompanying notes to basic financial statements.

	Urban Renewal Projects	MINET Debt Service	Nonmajor Governmental	Total Governmental Funds
\$	-	\$ 3,187	\$ 4,706,879	\$ 11,695,197
	-	-	53,522	638,943
	25,522	-	30,263	169,371
	-	-	-	1,825
	-	7,320,000	233,712	7,553,712
	-	-	937,214	4,810,994
	-	-	28,961	540,990
	1,404,051	-	-	1,404,051
	-	-	-	749,449
\$	<u>1,429,573</u>	<u>\$ 7,323,187</u>	<u>\$ 5,990,551</u>	<u>\$ 27,564,532</u>
\$	-	\$ -	\$ 73,729	\$ 246,535
	-	-	13,442	145,333
	-	-	400	187,396
	-	-	-	637,688
	5,458,773	-	-	5,458,773
	657,222	-	92,227	749,449
	<u>6,115,995</u>	<u>-</u>	<u>179,798</u>	<u>7,425,174</u>
	21,772	7,320,000	260,376	7,918,076
	-	-	-	1,318
	<u>21,772</u>	<u>7,320,000</u>	<u>260,376</u>	<u>7,919,394</u>
	-	-	28,961	540,990
	-	3,187	2,660,237	8,317,790
	-	-	829,752	829,752
	-	-	2,090,818	2,128,400
	<u>(4,708,194)</u>	<u>-</u>	<u>(59,391)</u>	<u>403,032</u>
	<u>(4,708,194)</u>	<u>3,187</u>	<u>5,550,377</u>	<u>12,219,964</u>
\$	<u>1,429,573</u>	<u>\$ 7,323,187</u>	<u>\$ 5,990,551</u>	<u>\$ 27,564,532</u>

CITY OF INDEPENDENCE

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

June 30, 2025

Total Fund Balances for Governmental Funds		\$	12,219,964
Total Net Position Reported for the Governmental Activities in the Statement of Net Position is Different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets and related accumulated depreciation are reported as follows:			
Land and construction in progress	\$	1,961,252	
Other capital assets, net of depreciation, net of internal service funds		<u>23,926,225</u>	
Total Capital Assets			25,887,477
The net other postemployment benefit asset is reported in the statement of net position but is not reported in the funds			
			80,728
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds			
			7,918,076
The excess of the reacquisition price over the carrying amount of refunded long-term obligations is recognized as an asset and amortized over the term of the loan			
			1,313,731
Long-term liabilities are not due and payable in the current period and therefore are not reported as fund liabilities:			
Long-term debt		(23,840,420)	
Lease liability		(22,917)	
Subscription liability		(58,540)	
Compensated absences		(740,849)	
Interest payable on long-term debt		(781,168)	
Other postemployment benefit liability		(144,767)	
Net pension liability		<u>(5,191,036)</u>	
Total Long-Term Liabilities			<u>(30,779,697)</u>
Certain changes in net pension and other postemployment benefit liabilities are deferred rather than recognized immediately. These items are amortized over time:			
Deferred outflows of resources - pension related		2,122,974	
Deferred inflows of resources - pension related		(720,656)	
Deferred outflows of resources - OPEB related		13,233	
Deferred inflows of resources - OPEB related		<u>(122,021)</u>	
			<u>1,293,530</u>
Total Net Position of Governmental Activities		\$	<u><u>17,933,809</u></u>

See accompanying notes to basic financial statements.

CITY OF INDEPENDENCE

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2025

	<u>General</u>	<u>Transportation</u>	<u>Grants</u>
Revenues:			
Taxes:			
Property	\$ 2,696,537	\$ -	\$ -
Transient room	-	-	-
Other	87,125	-	-
Franchise fees, privilege taxes, licenses and permits	1,131,481	3,150	-
Intergovernmental	378,919	823,404	4,492,714
Charges for services	758,239	138,466	-
Fines and forfeitures	106,694	-	-
System development charges	-	-	-
Assessments	-	-	-
Interest earnings	248,916	32,280	121,859
Other revenue	127,529	123	33,500
Total Revenues	<u>5,535,440</u>	<u>997,423</u>	<u>4,648,073</u>
Expenditures:			
Current:			
General government	1,218,495	-	259,330
Public safety	3,349,649	-	-
Highways and streets	-	980,524	-
Community development	277,193	-	3,835
Culture and recreation	1,062,432	-	9,845
Capital outlay	148,445	2,704	174,344
Debt service:			
Principal	65,384	-	-
Interest	7,855	-	-
Total Expenditures	<u>6,129,453</u>	<u>983,228</u>	<u>447,354</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(594,013)</u>	<u>14,195</u>	<u>4,200,719</u>
Other Financing Sources (Uses):			
Transfers in	544,844	-	-
Transfers out	(331,882)	(20,000)	-
Total Other Financing Sources (Uses)	<u>212,962</u>	<u>(20,000)</u>	<u>-</u>
Net Change in Fund Balances	<u>(381,051)</u>	<u>(5,805)</u>	<u>4,200,719</u>
Fund Balances, Beginning, as Previously Presented	5,601,421	793,676	911,501
Restatement	34,436	-	219,697
Fund Balances, Beginning, as Restated	<u>5,635,857</u>	<u>793,676</u>	<u>1,131,198</u>
Fund Balances, Ending	<u>\$ 5,254,806</u>	<u>\$ 787,871</u>	<u>\$ 5,331,917</u>

Urban Renewal Projects	MINET Debt	Nonmajor Governmental	Total Governmental Funds
\$ 683,978	\$ -	\$ 815,451	\$ 4,195,966
-	-	240,782	240,782
-	-	-	87,125
-	-	-	1,134,631
-	545,000	-	6,240,037
-	-	-	896,705
-	-	-	106,694
-	-	78,272	78,272
-	-	1,346	1,346
-	254,527	266,743	924,325
-	-	764,384	925,536
<u>683,978</u>	<u>799,527</u>	<u>2,166,978</u>	<u>14,831,419</u>
2,466	-	255,331	1,735,622
-	-	-	3,349,649
-	-	-	980,524
-	-	-	281,028
-	-	722,628	1,794,905
-	-	582,005	907,498
-	545,000	823,916	1,434,300
<u>242,164</u>	<u>251,505</u>	<u>599,541</u>	<u>1,101,065</u>
<u>244,630</u>	<u>796,505</u>	<u>2,983,421</u>	<u>11,584,591</u>
<u>439,348</u>	<u>3,022</u>	<u>(816,443)</u>	<u>3,246,828</u>
-	-	583,182	1,128,026
-	-	-	(351,882)
-	-	583,182	776,144
<u>439,348</u>	<u>3,022</u>	<u>(233,261)</u>	<u>4,022,972</u>
(5,147,542)	165	5,783,638	7,942,859
-	-	-	254,133
<u>(5,147,542)</u>	<u>165</u>	<u>5,783,638</u>	<u>8,196,992</u>
\$ <u>(4,708,194)</u>	\$ <u>3,187</u>	\$ <u>5,550,377</u>	\$ <u>12,219,964</u>

CITY OF INDEPENDENCE

Reconciliation of Change in Fund Balances of Governmental Funds to Statement of Activities

Year Ended June 30, 2025

Net Change in Fund Balances - Total Governmental Funds	\$	4,022,972
The Change in Net Position Reported for Governmental Activities in the Statement of Activities is Different because:		
Governmental funds report capital outlays as expenditures. However, on the Statement of Activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay	\$	898,043
Depreciation and amortization		<u>(1,079,819)</u>
		(181,776)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds and other revenues reported in the funds are not revenues reported in the statement of activities		
Property taxes		20,315
System development charges		129,246
Miscellaneous		<u>(554,185)</u>
		(404,624)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position		
Amortization of bond premium		67,098
Amortization of debt refunding		(61,857)
Accrued interest		(139,725)
Change in leases payable		22,512
Change in subscription payable		44,899
Principal payments		<u>1,434,300</u>
		1,367,227
The amount contributed to defined benefit pension plans is reported as an expenditure in the funds while governmental activities report pension expense as the change in net pension asset or liability, pension related deferred outflows of resources and deferred inflows of resources, net of the internal service funds		
Change in deferred outflows of resources - pension related		329,886
Change in net pension liability		(40,176)
Change in deferred inflows of resources - pension related		<u>(162,162)</u>
		127,548
The amount contributed to defined benefit other postemployment benefit plans is reported as an expenditure in the funds while governmental activities report other postemployment benefit expense as the change in other postemployment benefit (OPEB) asset or liability, OPEB related deferred outflows of resources and deferred inflows of resources, net of the internal service funds		
Change in deferred outflows of resources - OPEB related		(5,424)
Change in net OPEB asset		9,100
Change in OPEB liability		44,092
Change in deferred inflows of resources - OPEB related		<u>(29,086)</u>
		18,682
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		
Compensated absences		(274,970)
The transfer of capital assets from the business-type activities is reported as an additional transfer in the governmental funds		
		<u>(12,435)</u>
Change in Net Position of Governmental Activities	\$	<u><u>4,662,624</u></u>

CITY OF INDEPENDENCE
Proprietary Funds
Statement of Net Position
June 30, 2025

	Business-Type Activities - Enterprise Funds			Total
	Water Operations	Sewer Operations	Storm Drain Operations	
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 3,850,218	\$ 4,834,796	\$ 798,091	\$ 9,483,105
Accounts receivable, net	391,268	321,798	95,733	808,799
Prepaid expenses	2,805	3,159	2,722	8,686
Due from other funds	205,945	425,058	16,776	647,779
Total Current Assets	4,450,236	5,584,811	913,322	10,948,369
Noncurrent Assets:				
Loans receivable	61,369	70,522	26,774	158,665
Net other postemployment benefits asset	12,332	12,270	6,279	30,881
Capital assets:				
Land and construction in progress	2,869,920	1,828,048	88,855	4,786,823
Other capital assets, net	5,342,249	13,113,663	914,547	19,370,459
Total Capital Assets	8,212,169	14,941,711	1,003,402	24,157,282
Total Noncurrent Assets	8,285,870	15,024,503	1,036,455	24,346,828
Total Assets	12,736,106	20,609,314	1,949,777	35,295,197
DEFERRED OUTFLOWS OF RESOURCES				
Refunded Debt Charges	-	8,651	-	8,651
Pension Related Items	324,319	322,687	165,122	812,128
Other Postemployment Benefits Related Items	2,022	2,012	1,030	5,064
Total Deferred Outflows of Resources	326,341	333,350	166,152	825,843
LIABILITIES				
Current Liabilities:				
Accounts payable	71,668	655,629	20,447	747,744
Payroll and related liabilities	20,909	21,585	15,722	58,216
Customer deposits	20,719	-	-	20,719
Accrued interest	2,521	43,613	-	46,134
Long-term obligations due within one year	178,799	309,061	16,344	504,204
Total Current Liabilities	294,616	1,029,888	52,513	1,377,017
Long-Term Obligations Due in More than One Year	2,439,501	8,990,104	442,583	11,872,188
Total Liabilities	2,734,117	10,019,992	495,096	13,249,205
DEFERRED INFLOWS OF RESOURCES				
Pension Related Items	110,092	109,538	56,052	275,682
Other Postemployment Benefits Related Items	18,641	18,546	9,490	46,677
Total Deferred Inflows of Resources	128,733	128,084	65,542	322,359
NET POSITION				
Net Investment in Capital Assets	6,492,645	6,536,262	1,000,041	14,028,948
Restricted for:				
Other postemployment benefits	11,633	11,575	5,924	29,132
Capital projects	452,178	834,572	410,247	1,696,997
Unrestricted	3,243,141	3,412,179	139,079	6,794,399
Total Net Position	\$ 10,199,597	\$ 10,794,588	\$ 1,555,291	\$ 22,549,476

CITY OF INDEPENDENCE

Proprietary Funds

Statement of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2025

	Business-Type Activities - Enterprise Funds			
	Water Operations	Sewer Operations	Storm Drain Operations	Total
Operating Revenues:				
Service charges and fees	\$ 3,103,670	\$ 2,900,294	\$ 756,438	\$ 6,760,402
Miscellaneous	1,875	64,204	-	66,079
Total Operating Revenues	<u>3,105,545</u>	<u>2,964,498</u>	<u>756,438</u>	<u>6,826,481</u>
Operating Expenses:				
Personnel services	945,692	958,450	469,895	2,374,037
Materials and services	655,077	460,761	175,395	1,291,233
Depreciation and amortization	221,570	219,575	51,263	492,408
Total Operating Expenses	<u>1,822,339</u>	<u>1,638,786</u>	<u>696,553</u>	<u>4,157,678</u>
Operating Income (Loss)	<u>1,283,206</u>	<u>1,325,712</u>	<u>59,885</u>	<u>2,668,803</u>
Nonoperating Revenues (Expenses):				
Interest income	302,112	233,776	31,970	567,858
Interest expense	(47,984)	(145,693)	(68)	(193,745)
Total Nonoperating Revenues (Expenses)	<u>254,128</u>	<u>88,083</u>	<u>31,902</u>	<u>374,113</u>
Income (Loss) Before Capital Contributions and Transfers	1,537,334	1,413,795	91,787	3,042,916
Capital Contributions	53,852	74,817	32,355	161,024
Transfers In	12,435	-	-	12,435
Transfers Out	(329,214)	(319,573)	(127,357)	(776,144)
Change in Net Position	<u>1,274,407</u>	<u>1,169,039</u>	<u>(3,215)</u>	<u>2,440,231</u>
Net Position, beginning, as previously presented	8,948,089	9,644,515	1,481,512	20,074,116
Restatement	(22,899)	(18,966)	76,994	35,129
Net Position, beginning, as adjusted or restated	<u>8,925,190</u>	<u>9,625,549</u>	<u>1,558,506</u>	<u>20,109,245</u>
Net Position, ending	<u>\$ 10,199,597</u>	<u>\$ 10,794,588</u>	<u>\$ 1,555,291</u>	<u>\$ 22,549,476</u>

CITY OF INDEPENDENCE
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2025

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Water Operations</u>	<u>Sewer Operations</u>	<u>Storm Drain Operations</u>	<u>Total</u>
Cash Flows from Operating Activities:				
Receipts from customers and users	\$ 2,938,542	\$ 2,834,298	\$ 743,391	\$ 6,516,231
Payments to suppliers	(1,028,200)	(96,591)	(187,041)	(1,311,832)
Payments to employees	(815,928)	(811,164)	(415,106)	(2,042,198)
Other revenues	1,875	64,204	-	66,079
Net Cash provided by (used in) Operating Activities	<u>1,096,289</u>	<u>1,990,747</u>	<u>141,244</u>	<u>3,228,280</u>
Cash Flows from Noncapital and Related Financing Activities:				
Transfer out	(329,214)	(319,573)	(127,357)	(776,144)
Interfund loan payments	34,420	94,510	4,583	133,513
Net Cash Flows provided by (used in) Noncapital and Related Financing Activities	<u>(294,794)</u>	<u>(225,063)</u>	<u>(122,774)</u>	<u>(642,631)</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition of capital assets	(1,246,373)	(1,986,633)	(2,514)	(3,235,520)
Proceeds from issuance of debt	500,000	-	-	500,000
Capital contributions	25,707	55,205	8,349	89,261
Principal paid	(148,736)	(186,129)	(2,789)	(337,654)
Interest paid	(51,586)	(469,291)	(68)	(520,945)
Net Cash Flows provided by (used in) Capital and Related Financing Activities	<u>(920,988)</u>	<u>(2,586,848)</u>	<u>2,978</u>	<u>(3,504,858)</u>
Cash Flows from Investing Activities:				
Investment income received	302,112	233,776	31,970	567,858
Net Increase (Decrease) in Cash and Cash Equivalents	<u>182,619</u>	<u>(587,388)</u>	<u>53,418</u>	<u>(351,351)</u>
Cash and Cash Equivalents, beginning	<u>3,667,599</u>	<u>5,422,184</u>	<u>744,673</u>	<u>9,834,456</u>
Cash and Cash Equivalents, ending	<u>\$ 3,850,218</u>	<u>\$ 4,834,796</u>	<u>\$ 798,091</u>	<u>\$ 9,483,105</u>

CITY OF INDEPENDENCE
Proprietary Funds
Statement of Cash Flows, continued
Year Ended June 30, 2025

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Water Operations</u>	<u>Sewer Operations</u>	<u>Storm Drain Operations</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:				
Operating income (loss)	\$ 1,283,206	\$ 1,325,712	\$ 59,885	\$ 2,668,803
Adjustments to reconcile operating income (loss) to net cash flows provided by (used in) operating activities:				
Depreciation and amortization	221,570	219,575	51,263	492,408
(Increase) decrease in assets and deferred outflows of resources:				
Accounts receivable	(120,432)	(65,996)	(13,047)	(199,475)
Prepaid expenses	(1,320)	(1,674)	(1,237)	(4,231)
Net other postemployment benefit asset	(3,414)	(3,647)	(1,574)	(8,635)
Deferred outflows of resources - pension related	(101,082)	(106,829)	(47,351)	(255,262)
Deferred outflows of resources - other postemployment benefits related	301	234	195	730
Increase (decrease) in liabilities and deferred inflows of resources:				
Accounts payable	(371,803)	365,844	(10,409)	(16,368)
Accrued liabilities	4,857	4,870	2,560	12,287
Accrued leave	31,128	34,778	13,908	79,814
Customer deposits	(44,696)	-	-	(44,696)
Net pension liability	151,741	168,948	65,439	386,128
Other postemployment benefits liability	(1,398)	(731)	(1,144)	(3,273)
Deferred inflows of resources - pension related	40,560	42,305	19,370	102,235
Deferred inflows of resources - other postemployment benefits related	7,071	7,358	3,386	17,815
Net Cash Flows provided by (used in) Operating Activities	<u>\$ 1,096,289</u>	<u>\$ 1,990,747</u>	<u>\$ 141,244</u>	<u>\$ 3,228,280</u>
Noncash Capital and Related Financing Activities:				
Transfers in	<u>\$ 12,435</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,435</u>

CITY OF INDEPENDENCE

Notes to Financial Statements

Year Ended June 30, 2025

Note 1 - Summary of Significant Accounting Policies

The financial statements of the City of Independence, Oregon (the City) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Description of Reporting Entity

The City is governed by an elected mayor and six council members who comprise the City Council. Individual departments are under the direction of the City Manager, who is appointed by City Council.

As defined by GAAP, the financial reporting entity consists of the primary government, as well as its component unit, which is a legally separate organization for which the elected officials of the primary government are financially accountable. The activities of the Independence Urban Renewal Agency (the Agency) are included in the City's financial statements as a blended component unit. The primary government has the ability to impose its will on the Agency and the City's management has operational responsibility for the Agency as it manages the activities of the Agency in the same manner in which it manages the City's operations. Furthermore, the Agency provides a financial benefit or imposes a financial burden on the primary government. The City Council and Board of Directors of the Independence Urban Renewal Agency are composed of the same individuals.

The Independence Urban Renewal Agency was formed to provide for rehabilitation of blighted and deteriorated areas within the City's designated urban renewal areas. Complete financial statements for the Agency may be obtained from the City's administrative offices: 555 Main Street, Independence, OR 97351.

Basic Financial Statements

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

Government-wide statements

The statement of net position and the statement of activities display information about the City as a whole. These statements include all the financial activities of the City. Eliminations have been made to minimize the double-counting of internal activities. Interfund services provided and used are not eliminated in the process of consolidation.

The statement of activities presents a comparison between direct expenses and program revenues for each City function. Direct expenses are those specifically associated with and clearly identifiable to a particular function or program. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements

These statements display information at the individual fund level. Each fund is considered a separate accounting entity. Funds are classified and summarized as governmental or proprietary. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. Nonmajor funds are consolidated into a single column in the fund financial statements and are detailed in the supplemental information.

CITY OF INDEPENDENCE

Notes to Financial Statements

Year Ended June 30, 2025

Note 1 - Summary of Significant Accounting Policies, continued

Basis of Presentation

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts. The various funds are reported by generic classification within the financial statements.

GAAP sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and proprietary combined) for the determination of major funds. Nonmajor funds are combined in a column in the fund financial statements and detailed in the combining section.

The City reports the following major governmental funds:

- The General Fund is the City's primary operating fund. It accounts for all the financial operations of the City except those required to be accounted for in another fund. Principal sources of revenues are property taxes, franchise fees, charges for services, licenses and permits, and state shared revenue.
- The Transportation Fund accounts for street maintenance and improvements, funded with State of Oregon gas tax monies.
- The Grants Program Fund accounts for local, state, and federal grants received for operating and capital purposes, and the associated expenditures.
- The Urban Renewal Projects Fund accounts for the acquisition and construction of facilities financed through long-term borrowing.
- The MINET Debt Fund accounts for revenue from MINET for the servicing of MINET related debt incurred by the City to fund MINET infrastructure and capital projects.

The City reports each of its three proprietary funds as major funds. These funds are used to account for operations that are financed in a manner similar to private business enterprises. The intent of the governing body is that the costs of providing the services to community members on a continuing basis be financed primarily through user charges. These funds represent three segments of operations: Water, Sewer, and Storm Drain.

The City reports the following proprietary funds:

- Water Operations
- Sewer Operations
- Storm Drain Operations

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, long-term compensated absences are recorded only when payment is due.

CITY OF INDEPENDENCE

Notes to Financial Statements

Year Ended June 30, 2025

Note 1 - Summary of Significant Accounting Policies, continued

Measurement Focus and Basis of Accounting, continued

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period are considered susceptible to accrual as revenue of the current period. All other revenue items are considered measurable and available only when payment is received by the City.

Unavailable revenue arises in the Governmental Funds Balance Sheet when potential revenue does not meet both the measurable and available criteria for recognition in the current period. This unavailable revenue consists primarily of uncollected property taxes, long-term loans receivable, and assessments not deemed available to finance operations of the current period. In the government-wide Statement of Net Position, with a full accrual basis of accounting revenue must be recognized as soon as it is earned regardless of its availability. Thus, the liability created on the Governmental Fund Balance Sheet for unavailable revenue is eliminated. Note that unavailable revenues also arise outside the scope of measurement focus and basis of accounting, such as when the City receives resources before it has a legal claim to them.

Similar to how revenues are recorded, governmental funds only record those expenditures that affect current financial resources. Principal and interest on general long-term debt are recorded as fund liabilities only when due, or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Vested compensated absences are recorded as expenditures only to the extent that they are expected to be liquidated with expendable financial resources. In the government-wide financial statements, with a full accrual basis of accounting, all expenditures affecting the economic resources of the government must be recognized, thus, the expense and related accrued liability for long-term portions of debt and compensated absences must be included.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund-based financial statements into the governmental column of the government-wide presentation. This reconciliation is part of the basic financial statements.

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 principle ongoing operations. The principle operating revenues of the City's Water, Sewer, and Storm Drain Funds are charges to customers for sales and services. These funds also recognize fees intended to recover the cost of connecting new customers to the City's utility systems as non-operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and overheads, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash and Cash Equivalents

For the purposes of the statement of cash flows the City considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments included in cash and cash equivalents are reported at fair value. The City invests in the State of Oregon Local Government Investment Pool, which is authorized by Oregon Revised Statutes. Interest earned from pooled investments is allocated based on each fund's portion of the total investment balance. The City maintains depository insurance under federal depository insurance funds and state and financial institution collateral pools for its cash deposits and investments, except the Local Government Investment Pool, which is exempt from statutes requiring such insurance.

CITY OF INDEPENDENCE
Notes to Financial Statements
Year Ended June 30, 2025

Note 1 - Summary of Significant Accounting Policies, continued

Receivables

Property taxes receivable, which have been collected within sixty days subsequent to year-end are considered measurable and available and are therefore recognized as revenue.

All other property taxes receivable are offset by deferred inflows and, accordingly, have not been recorded as revenue. Property taxes are levied as of July 1 of each fiscal year on values assessed as of that date. Property taxes attach as an enforceable lien on both real and personal property as of July 1 and are due and payable in three installments on November 15, February 15, and May 15. All property taxes are billed and collected by Polk County and remitted to the City.

Assessments receivable are recognized at the time property owners are assessed for property improvements. Assessments receivable expected to be collected within thirty days following year end are considered measurable and available and are recognized as revenue. All other assessments receivable are offset by unavailable revenue and, accordingly, have not been recorded as revenue.

Receivables for grants and state shared revenues, included in accounts receivable are recorded as revenues in governmental fund types as earned. Receivables of the proprietary fund types are recorded as revenues when earned, including services provided but not billed.

Interfund Loans Receivable/Payable

Short-term interfund loans are classified as "due to and due from other funds." Long-term interfund loans are classified as "interfund loan receivable" and "interfund loan payable."

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, streetlights, etc.) are reported in the applicable governmental or business-type activities column in the governmental-wide financial statements and in the proprietary fund statements. Capital assets are charged to expenditures as purchased in the governmental fund statements and capitalized in the proprietary fund statements. Capital assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated capital assets, donated works of art and similar items are reported at acquisition value.

Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more, and having useful lives extending beyond a single reporting period. Additions or improvements and other capital outlays that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities and proprietary fund statements with accumulated depreciation reflected in the Statement of Net Position, and is provided for on the straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings and improvements	40
Distribution systems	20-50
Infrastructure	40
Vehicles	5-10
Furniture and equipment	5-10
Intangibles	5-50

Monthly depreciation is taken in the year the assets are acquired or retired. Gains or losses from sales or retirements of capital assets are included in operations of the current period.

CITY OF INDEPENDENCE

Notes to Financial Statements

Year Ended June 30, 2025

Note 1 - Summary of Significant Accounting Policies, continued

Lease and Subscription-Based Information Technology Arrangement Assets

Lease and subscription-based information technology arrangement assets are assets which the City has the right to use for a term of more than one year. The value of these assets is determined by the net present value of the asset's payback at the City's incremental borrowing rate at the time of the agreement, amortized over the term of that agreement.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until then. The City has three items that qualify for reporting in this category. The deferred amounts relating to pensions and other post-employment benefits (OPEB) are deferred and recognized as outflows of resources in the period when the City's recognizes pension and OPEB expenses/expenditures. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or the term of the new debt. Deferred outflows are included in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has several items that qualify for reporting in this category. Unavailable revenue from property taxes, receivables, and special assessments is reported in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that amount becomes available. The City reports deferred amounts related to pensions and OPEB in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position. These amounts are deferred and recognized as an inflow of resources in the period when the City recognizes pension and OPEB income. The City also reports deferred amounts related to leases receivable in both the governmental funds balance sheet and the government-wide Statement of Net Position. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as income over the lease term.

Leases Payable

In the government-wide financial statements, leases payable is reported as a liability in the statement of net position. In the governmental fund financial statements, the lease payments are reported as debt service expenditures.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (OPERS) and additions to/deductions from OPERS fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Post-employment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's two separate plans --the Implicit Rate Subsidy and Oregon Public Employees Retirement Systems (OPERS)--and additions to/deductions from Implicit Rate Subsidy and OPERS fiduciary net position have been determined on the same basis as they are reported by the Implicit Rate Subsidy and OPERS. For this purpose, the Implicit Rate Subsidy and OPERS recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

CITY OF INDEPENDENCE
Notes to Financial Statements
Year Ended June 30, 2025

Note 1 - Summary of Significant Accounting Policies, continued

Compensated Absences

The City recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example, paid in cash to the employee or payment to an employee flex spending account) during or upon separation from employment. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences – *vacation* and *sick leave*. The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Vacation

The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment at the employee's current pay rate upon separation from employment.

Sick Leave

The City's policy permits employees to accumulate earned but unused sick leave. All sick leave lapses when employees leave the employ of the City and, upon separation from service, no monetary obligation exists. However, a liability for estimated value of sick leave that will be used by employees as time off is included in the liability for compensated absences.

Net Position

In the government-wide financial statements and proprietary funds financial statements, net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets represents capital assets less accumulated depreciation less outstanding principal of related debt. Net investment in capital assets does not include the unspent proceeds of capital borrowing. Restricted net position represents net position restricted by parties outside of the City (such as creditors, granters, contributors, laws, and regulations of other governments) and includes unspent proceeds of borrowing used to acquire or construct capital assets. All other net position is considered unrestricted.

Fund Balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components: nonspendable, restricted, committed, assigned, and unassigned.

Nonspendable - Includes amounts not immediately convertible to cash, such as prepaid items and long-term advances.

Restricted - Includes amounts that are restricted by external creditors, granters, or contributors, or by enabling legislation.

Committed - Includes amounts that have been committed by resolution by the City Council which is the City's "highest level of decision-making authority." Committed amounts may not be used for any other purpose unless the City Council removes the constraint by similar council action. Commitments of fund balance must be made prior to the end of the fiscal year.

Assigned - Includes amounts assigned for specific purposes by council action who authorizes, by resolution, the City Manager or Finance Director to assign fund balance. Assigned fund balance is also established by the Council through adoption or amendment of the budget as intended for specific purpose.

CITY OF INDEPENDENCE
Notes to Financial Statements
Year Ended June 30, 2025

Note 1 - Summary of Significant Accounting Policies, continued

Fund Balance, continued

Unassigned - This is the residual classification used for those balances not assigned to another category. Deficit fund balance in funds other than the General Fund would be reported as unassigned.

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the City's policy to use committed resources first, then assigned, and then unassigned as they are needed.

Accounting Estimates

The preparation of financial statements in conformity with GAAP requires that management make estimates and assumptions which affect the reporting amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Implementation of a New Accounting Standard

The City of Independence adopted the provisions of GASB Statement No. 101, *Compensated Absences*. This statement was issued in June 2022 to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. Other requirements include that a liability for certain types of compensated absences not be recognized until the leave commences, and that a liability for specific types of compensated absences not be recognized until the leave is used.

The City of Independence also adopted the provisions of GASB Statement No. 102, *Certain Risk Disclosures*. This statement was issued in December 2023 to improve financial reporting by providing users of financial statements with essential information that currently is not often provided. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. As a result, users will have better information with which to understand and anticipate certain risks to the City of Independence's financial condition.

Note 2 - Cash and Cash Equivalents

The City's cash, cash equivalents, and investments at June 30, 2025, are as follows:

Cash and cash equivalents:	
Deposits with financial institutions	\$ 2,215,569
Cash on hand	806
State of Oregon Treasurer's short-term investment pool	<u>18,961,927</u>
Total cash and cash equivalents	<u>\$ 21,178,302</u>

Interest Rate Risk

The City does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Currently, the City maintains excess cash in the Local Government Investment Pool.

CITY OF INDEPENDENCE

Notes to Financial Statements

Year Ended June 30, 2025

Note 2 - Cash and Cash Equivalents, continued

Credit Risk

State statutes authorize the City to invest in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, and the Oregon State Treasurer's Local Government Investment Pool, among others. The City has no investment policy that would further limit its investment choices. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations, but is not regulated by other laws, organizations or regulations. The reported value of the Pool is the same as the fair value of Pool shares. Investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). The Oregon State Treasurer's Local Government Investment Pool is not registered with the SEC as an investment company and is unrated.

The City's investment in the Local Government Investment Pool is considered unclassified as to credit risk because it is not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk

All investments of the City shall be made in accordance with Oregon Revised Statutes: ORS 294.035 (Investment of surplus funds of political subdivisions; approved investments), ORS 294.040 (Restriction on investments under ORS 294.035), ORS 294.135 (Investment maturity dates), ORS 294.145 (Prohibited conduct for custodial officer), ORS 294.805 to 294.895 (Local Government Investment Pool). Any revisions or extensions of these sections of the ORS shall be assumed to be immediately enacted.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The City does not have a deposit policy for custodial credit risk. As of June 30, 2025, the book value of the City's deposits was \$2,602,960 and the bank balance was \$2,230,071. \$1,740,399 of the City's bank balances were exposed to custodial credit risk as they were collateralized under Public Funds Collateralization program (PFCP). The Federal Depository Insurance Corporation (FDIC) and National Credit Union Administration (NCUA) provides insurance for the City's deposits up to \$250,000 for the combined total of all deposit accounts at each financial institution. The remaining deposits are covered by the PFCP of the State of Oregon in accordance with ORS 295. Depositories qualified under this program are required to pledge collateral against any public funds' deposits in excess of deposit insurance amounts. This provides additional protection for public funds in the event of a bank failure or loss. ORS 295 sets the specific value of the collateral, as well as the types of collateral that are acceptable. ORS 295 creates a shared liability structure for participating depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected.

Note 3 - Receivables

The City makes loans for several purposes, including financing of system development charges, economic development loans to local businesses, and loans to MINET for infrastructure financing.

System Development Charges

The City offers financing of system development charges to customers. All loans carry an interest rate of 7% per annum over 10 years. Annual repayments are required.

Economic Development Loans

The City operates a loan program through its Economic Development Loan Fund. Twenty-year loans are made to local businesses at below-market rates for the purpose of stimulating economic growth. The screening and approval process is contracted through the Mid-Willamette Valley Council of Governments. As of June 30, 2025, there were two loans outstanding totaling \$214,815 with interest rates ranging between 3-5%. Monthly repayments are required.

CITY OF INDEPENDENCE
Notes to Financial Statements
Year Ended June 30, 2025

Note 3 - Receivables, continued

Special Assessment Loans

Special assessment loans financed by the Oregon Economic and Community Development Special Public Works Fund are for public improvements made by the City that benefitted industrial properties in the project area of Hoffman and Ash Creek. The benefiting properties pay a corresponding share of the outstanding loan.

MINET

The City incurred debt for the purpose of providing MINET necessary capital to provide internet services to the community. The City has recorded loans to MINET for debt service the City paid on their behalf. As of June 30, 2025, the loan receivable balance from MINET totaled \$11,494,871. The City has estimated the collectability of the loan receivable and has recorded an allowance for doubtful accounts in the amount of \$4,174,871. The loan receivable is as follows:

	<u>MINET Debt</u> <u>Service Fund</u>	<u>Water Fund</u>	<u>Total</u>
Loan receivable balance	\$ 7,320,000	\$ 4,174,871	\$ 11,494,871
Allowance for doubtful accounts	<u>-</u>	<u>(4,174,871)</u>	<u>(4,174,871)</u>
	<u>\$ 7,320,000</u>	<u>\$ -</u>	<u>\$ 7,320,000</u>

Water Tower Leases Receivable

On July 24, 2015, the City entered into a 48-month lease as Lessor for the use of Verizon Water Tower. On July 1, 2021, an initial lease receivable was recorded in the amount of \$83,807. As of June 30, 2025, the value of the lease receivable is \$1,825. The lessee is required to make monthly fixed payments of \$1,773. The lease has an interest rate of 1.0110%. The value of the deferred inflow of resources as of June 30, 2025 was \$1,318, and the City recognized lease revenue of \$21,867 during the fiscal year. The lessee has three extension options, each for 60 months.

Allowance for Doubtful Accounts

Accounts receivable in the water operations, sewer operations, and storm drain operations funds has been reduced by the City for an estimate of uncollectible receivables at year-end. At June 30, 2025, the Water Operations, Sewer Operations, and Storm Drain Operations Funds report an allowance for doubtful accounts of \$68,826, \$52,276, and \$16,298, respectively.

CITY OF INDEPENDENCE
Notes to Financial Statements
Year Ended June 30, 2025

Note 4 - Capital Assets

Capital asset activity for the governmental activities for the year ended June 30, 2025, was as follows:

	June 30, 2024	Additions	Deletions and Reclassifications	June 30, 2025
Capital assets not being depreciated:				
Land	\$ 1,475,473	\$ -	\$ -	\$ 1,475,473
Construction in progress	30,361	455,418	-	485,779
Total capital assets not being depreciated	<u>1,505,834</u>	<u>455,418</u>	<u>-</u>	<u>1,961,252</u>
Capital assets being depreciated:				
Building and structures	15,612,007	-	-	15,612,007
Equipment	467,401	24,631	-	492,032
Vehicles	601,001	85,664	(29,093)	657,572
Infrastructure	27,366,828	319,895	-	27,686,723
Intangibles	180,747	-	-	180,747
Right-to-use assets:				
Equipment	108,785	-	-	108,785
SBITA	149,296	-	(60,177)	89,119
Total capital assets being depreciated	<u>44,486,065</u>	<u>430,190</u>	<u>(89,270)</u>	<u>44,826,985</u>
Less accumulated depreciation:				
Building and structures	(5,789,289)	(389,648)	-	(6,178,937)
Equipment	(297,937)	(43,220)	-	(341,157)
Vehicles	(329,722)	(64,568)	29,093	(365,197)
Infrastructure	(13,235,250)	(488,900)	-	(13,724,150)
Intangibles	(168,110)	(3,159)	-	(171,269)
Right-to-use assets:				
Equipment	(63,042)	(22,350)	-	(85,392)
Subscription assets	(26,861)	(67,974)	60,177	(34,658)
Total accumulated depreciation	<u>(19,910,211)</u>	<u>(1,079,819)</u>	<u>89,270</u>	<u>(20,900,760)</u>
Total capital assets being depreciated, net	<u>24,575,854</u>	<u>(649,629)</u>	<u>-</u>	<u>23,926,225</u>
Total capital asset, net	<u>\$ 26,081,688</u>	<u>\$ (194,211)</u>	<u>\$ -</u>	<u>\$ 25,887,477</u>

Depreciation for the governmental activities were charged as follows:

General government	\$ 408,277
Public safety	58,019
Highways and streets	269,601
Culture and recreation	<u>343,922</u>
	<u>\$ 1,079,819</u>

CITY OF INDEPENDENCE
Notes to Financial Statements
Year Ended June 30, 2025

Note 4 - Capital Assets, continued

Capital asset activity for the business-type activities for the year ended June 30, 2025, was as follows:

	<u>June 30, 2024</u>	<u>Additions</u>	<u>Deletions and Reclassifications</u>	<u>June 30, 2025</u>
Capital assets not being depreciated:				
Land	\$ 167,354	\$ -	\$ -	\$ 167,354
Construction in progress	8,400,022	3,208,961	(7,884,857)	3,724,126
Intangibles	895,343	-	-	895,343
	<u>9,462,719</u>	<u>3,208,961</u>	<u>(7,884,857)</u>	<u>4,786,823</u>
Total capital assets not being depreciated				
Capital assets being depreciated:				
Building and structures	1,135,701	-	(110,108)	1,025,593
Distribution & collections systems	21,662,936	31,452	8,171,747	29,866,135
Equipment	1,323,555	7,542	(178,004)	1,153,093
Right-to-use lease assets:				
Equipment	41,712	-	-	41,712
	<u>24,163,904</u>	<u>38,994</u>	<u>7,883,635</u>	<u>32,086,533</u>
Total capital assets being depreciated				
Less accumulated depreciation:				
Building and structures	(558,808)	(15,184)	115,293	(458,699)
Distribution & collections systems	(10,760,123)	(423,363)	(203,226)	(11,386,712)
Equipment	(967,538)	(45,554)	173,800	(839,292)
Right-to-use lease assets:				
Equipment	(23,064)	(8,307)	-	(31,371)
	<u>(12,309,533)</u>	<u>(492,408)</u>	<u>85,867</u>	<u>(12,716,074)</u>
Total accumulated depreciation				
Total capital assets being depreciated, net	<u>11,854,371</u>	<u>(453,414)</u>	<u>7,969,502</u>	<u>19,370,459</u>
Total capital asset, net	<u>\$ 21,317,090</u>	<u>\$ 2,755,547</u>	<u>\$ 84,645</u>	<u>\$ 24,157,282</u>

Depreciation for the business-type activities was as follows:

Water	\$ 221,570
Sewer	219,575
Storm Drain	<u>51,263</u>
	<u>\$ 492,408</u>

CITY OF INDEPENDENCE
Notes to Financial Statements
Year Ended June 30, 2025

Note 5 - Unavailable Revenues

Governmental funds report unavailable revenue in connection with revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the unavailable revenue reported in the governmental funds was as follows:

	General	Urban Renewal Projects	MINET Debt Service	Nonmajor Governmental	Totals
Property taxes	\$ 97,124	\$ 21,772	\$ -	\$ 30,698	\$ 149,594
Settlements	181,725	-	-	-	181,725
Loans	-	-	7,320,000	46,462	7,366,462
System development charges	-	-	-	164,319	164,319
Assessments	-	-	-	18,897	18,897
Court fines	37,079	-	-	-	37,079
Total unavailable revenue	\$ 315,928	\$ 21,772	\$ 7,320,000	\$ 260,376	\$ 7,918,076

Note 6 - Interfund Transfers, Loans, and Advances

Interfund Transfers

Transfers are used to (1) move receipts 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, and (3) use unrestricted receipts collected in certain funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Fund	Transfers	
	In	Out
General	\$ 544,844	\$ 331,882
Transportation	-	20,000
Nonmajor governmental	583,182	-
Governmental activities - noncash	-	12,435
Water Operations	-	329,214
Water Operations - noncash	12,435	-
Sewer Operations	-	319,573
Storm Drain Operations	-	127,357
	\$ 1,140,461	\$ 1,140,461

Interfund Capital Loans Receivables and Payables

Urban Renewal

The City incurred debt on behalf of the Independence Urban Renewal Agency (URA) for construction of the Independence Civic Center and assisted in servicing the debt. The URA began repaying the City in 2023. The principal balance of this loan receivable is \$3,867,233. This loan receivable is reported in the General Fund.

In 2017, the URA finalized a development & disposition agreement for the development of a hotel, apartments, and townhomes at Independence Landing. As part of the agreement, the URA agreed to pay construction costs imposed by the City of Independence up to \$2,082,110. As a result, there has been created a loan receivable between the City and the URA. As of June 30, 2025, the balance of this loan is \$1,404,900. This loan receivable is reported as interfund loans in the General Fund, Transportation SDC Fund, Parks SDC, Sewer Fund, Water Fund, and Storm Drain Fund.

CITY OF INDEPENDENCE
Notes to Financial Statements
Year Ended June 30, 2025

Note 6 - Interfund Transfers, Loans, and Advances, continued

The URA incurred other loans with the City in prior years to supplement project-related cash flows. The balance of these loans at June 30, 2025, totaled \$186,640.

The interfund capital loans are scheduled to be repaid over a five- or ten-year period.

Balances at June 30, 2025, are as follows:

<u>Loan From (Receivable)</u>	<u>Loan To (Payable)</u>	<u>June 30, 2025 Balance</u>
General	Urban Renewal Projects	\$ 3,873,780
Nonmajor Governmental	Urban Renewal Projects	937,214
Water	Urban Renewal Projects	205,945
Sewer	Urban Renewal Projects	425,058
Storm Drain	Urban Renewal Projects	<u>16,776</u>
		<u>\$ 5,458,773</u>

Interfund Advances

The URA owes the City \$657,222 related to deficit cash balances in the Urban Renewal Projects Fund at June 30, 2025.

The Tourism and Events Fund owes the General Fund \$92,227 related to deficit cash balances at June 30, 2025.

Franchise Fee Payments

The Proprietary funds paid franchise fees to the General Fund for fiscal year ended June 30, 2025, are as follows:

<u>Fund</u>	<u>Amount</u>
Water Fund	\$ 367,688
Sewer Fund	217,097
Storm Drain Fund	<u>50,357</u>
	<u>\$ 635,142</u>

CITY OF INDEPENDENCE
Notes to Financial Statements
Year Ended June 30, 2025

Note 7 - Long-Term Obligations

During the year ended June 30, 2025, transactions for the governmental activities' long-term obligations were as follows:

	June 30, 2024 Balance (as Restated)	Additions	Reduction	June 30, 2025 Balance	Due Within One Year
Long-Term Debt:					
Bonds					
2013 GO Refunding	\$ 2,935,000	\$ -	\$ 275,000	\$ 2,660,000	\$ 290,000
2015 FF&C MINET	2,190,000		240,000	1,950,000	250,000
2016A FF&C Refunding Obligation	7,800,000	-	40,000	7,760,000	40,000
2017A FF&C Refunding Obligation	2,520,000		415,000	2,105,000	430,000
2017C FF&C MINET	895,000	-	305,000	590,000	315,000
2020 FF&C MINET Refunding	4,780,000	-	-	4,780,000	-
Direct Borrowings and Placements					
2020 Chase Bank (Museum)	412,760	-	65,384	347,376	66,711
2021 IFA Loan - Indy Landing	2,813,248	-	93,916	2,719,332	96,574
	<u>24,346,008</u>	<u>-</u>	<u>1,434,300</u>	<u>22,911,708</u>	<u>1,488,285</u>
Total Long-Term Debt					
Other Long-Term Obligations:					
Unamortized premium	995,810	-	67,098	928,712	-
Net pension liability	5,150,860	40,176	-	5,191,036	-
Compensated absences	465,879	274,970	-	740,849	246,950
Other postemployment benefits liability	188,859	-	44,092	144,767	-
Lease payable	45,429	-	22,512	22,917	19,606
Subscription payable	103,439	-	44,899	58,540	29,809
	<u>6,950,276</u>	<u>315,146</u>	<u>178,601</u>	<u>7,086,821</u>	<u>296,365</u>
Total Other Long-Term Obligations					
Total	<u>\$ 31,296,284</u>	<u>\$ 315,146</u>	<u>\$ 1,612,901</u>	<u>\$ 29,998,529</u>	<u>\$ 1,784,650</u>

Bonds

The City issued \$3,468,000 of general obligation bonds at rates varying from 2% and 4.375% in July 2013. The bonds were issued to retire other debt of the City. Interest is payable semiannually on December 15 and June 15 of each year. The bonds mature in fiscal year 2033. The balance outstanding at June 30, 2025, is \$2,660,000. Annual debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest
2026	\$ 290,000	\$ 111,719
2027	300,000	100,119
2028	315,000	88,119
2029	325,000	75,519
2030	335,000	61,706
2031-2035	<u>1,095,000</u>	<u>96,688</u>
	<u>\$ 2,660,000</u>	<u>\$ 533,870</u>

CITY OF INDEPENDENCE
Notes to Financial Statements
Year Ended June 30, 2025

Note 7 - Long-Term Obligations, continued

Bonds, continued

In May 2015, the City issued \$4,145,000 of full faith and credit obligation bonds at interest rates varying from 0.65% to 4.05% to retire a portion of the 2010 MINET bonds. Semi-annual principal and interest payments are due on December 1 and June 1 of each year. The bonds mature in 2032. At June 30, 2025, the balance outstanding is \$1,950,000. Annual debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest
2026	\$ 250,000	\$ 71,150
2027	255,000	62,185
2028	265,000	52,693
2029	275,000	42,221
2030	290,000	30,780
2031-2035	<u>615,000</u>	<u>25,211</u>
	<u>\$ 1,950,000</u>	<u>\$ 284,240</u>

The City issued \$8,070,000 of full faith and credit obligation refunding bonds to retire existing debt of the City in April 2016. Interest rates range from 3% to 4%. Annual principal payments are due June 15 and semi-annual interest payments are due June 15 and December 15. The bonds mature in 2040. At June 30, 2025, the balance outstanding is \$7,760,000. Annual debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest
2026	\$ 40,000	\$ 294,806
2027	40,000	293,206
2028	45,000	291,606
2029	45,000	289,806
2030	265,000	288,006
2031-2035	3,310,000	1,132,230
2036-2040	<u>4,015,000</u>	<u>430,481</u>
	<u>\$ 7,760,000</u>	<u>\$ 3,020,141</u>

CITY OF INDEPENDENCE
Notes to Financial Statements
Year Ended June 30, 2025

Note 7 - Long-Term Obligations, continued

Bonds, continued

In December 2017, the City issued three series of full faith and credit bonds in the amounts of \$4,035,000 (2017A), \$4,570,000 (2017B), and \$2,160,000 (2017C) to refund existing debt. Interest rates range from 2.2% to 4%. The bond principal is payable annually on June 1 and interest is payable semi-annually on June 1 and December 1. The bonds mature in 2030, 2040, and 2027, respectively. In June 2020, the City refunded the 2017B bonds. At June 30, 2025, the balance outstanding is \$2,105,000 for the 2017A bonds and \$590,000 for the 2017C bonds.

Annual debt service requirements to maturity for the 2017A bonds are as follows:

Year Ending June 30,	Principal	Interest
2026	\$ 430,000	\$ 84,200
2027	450,000	67,000
2028	465,000	49,000
2029	485,000	30,400
2030	<u>275,000</u>	<u>11,000</u>
	<u>\$ 2,105,000</u>	<u>\$ 241,600</u>

Annual debt service requirements to maturity for the 2017C bonds are as follows:

Year Ending June 30,	Principal	Interest
2026	\$ 315,000	\$ 19,450
2027	<u>275,000</u>	<u>9,212</u>
	<u>\$ 590,000</u>	<u>\$ 28,662</u>

In June 2020, the city issued full faith and credit bonds in the amount of \$4,780,000 to refund existing MINET debt. Interest rates range from 2% to 3%. Annual bond principal payments are due June 1 and semi-annual interest payments are due June 1 and December 1. The bonds mature in 2040. At June 30, 2025, the balance outstanding is \$4,780,000. Annual debt service requirements to maturity for bonds are as follows:

Year Ending June 30,	Principal	Interest
2026	\$ -	\$ 143,050
2027	35,000	143,050
2028	315,000	142,350
2029	315,000	132,900
2030	330,000	123,450
2031-2035	1,820,000	461,850
2036-2040	<u>1,965,000</u>	<u>173,400</u>
	<u>\$ 4,780,000</u>	<u>\$ 1,320,050</u>

CITY OF INDEPENDENCE
Notes to Financial Statements
Year Ended June 30, 2025

Note 7 - Long-Term Obligations, continued

Direct Borrowings and Placements

In February 2020, the City entered into a loan agreement with JP Morgan Chase Bank N.A., borrowing \$650,000 for the purchase and improvements of the museum. The interest rate is 2.03% and the loan matures December 2029. Annual principal payments are due December 1 and semi-annual interest payments are due June 1 and December 1. The balance outstanding at June 30, 2025 is \$347,376. Annual debt service requirements to maturity for the loan are as follows:

Year Ending June 30,	Principal	Interest
2026	\$ 66,711	\$ 6,375
2027	68,066	5,007
2028	69,447	3,611
2029	70,857	2,187
2030	<u>72,295</u>	<u>733</u>
	<u>\$ 347,376</u>	<u>\$ 17,913</u>

In December 2016, the City entered into an agreement with the Business Oregon Infrastructure Finance Authority to borrow \$3,250,000 to finance infrastructure projects. The interest rate is 2.83% and the loan matures in December 2045. Annual principal and interest payments are due December 1. The City has pledged incremental property tax revenues for payment of the loan and in the event of a default, the outstanding amounts become immediately due. The balance outstanding at June 30, 2025 is \$2,719,332. Annual debt service requirements to maturity for the loan are as follows:

Year Ending June 30,	Principal	Interest
2026	\$ 96,574	\$ 76,957
2027	99,307	71,224
2028	102,118	71,414
2029	105,008	68,524
2030	107,979	65,552
2031-2035	587,500	280,156
2036-2040	675,472	192,184
2041-2045	776,616	91,040
2046-2050	<u>168,758</u>	<u>4,776</u>
	<u>\$ 2,719,332</u>	<u>\$ 921,827</u>

CITY OF INDEPENDENCE
Notes to Financial Statements
Year Ended June 30, 2025

Note 7 - Long-Term Obligations, continued

During the year ended June 30, 2025, transactions for the business-type activities' long-term obligations were as follows:

	June 30, 2024 Balance (as Restated)	Additions	Reduction	June 30, 2025 Balance	Due Within One Year
Long-Term Debt:					
Bonds					
2013 Sewer	\$ 1,775,000	\$ -	\$ 90,000	\$ 1,685,000	\$ 90,000
2016A FF&C Water	900,000	-	65,000	835,000	65,000
Direct Borrowings and Placements					
CWSRF Loan	6,810,429	-	93,340	6,717,089	188,673
2019 Chase Bank Loan	426,909	-	80,947	345,962	83,092
Umpqua Bank Water Loan	-	500,000	-	500,000	-
Total Long-Term Debt	<u>9,912,338</u>	<u>500,000</u>	<u>329,287</u>	<u>10,083,051</u>	<u>426,765</u>
Other Long-Term Obligations:					
Unamortized premium	38,416	-	3,214	35,202	-
Net pension liability	1,599,668	386,128	-	1,985,796	-
Compensated absences	127,068	79,815	-	206,883	68,961
Other postemployment benefits liability	58,652	-	3,273	55,379	-
Lease payable	18,448	-	8,367	10,081	8,478
Total Other Long-Term Obligations	<u>1,842,252</u>	<u>465,943</u>	<u>14,854</u>	<u>2,293,341</u>	<u>77,439</u>
Total	<u>\$ 11,754,590</u>	<u>\$ 965,943</u>	<u>\$ 344,141</u>	<u>\$ 12,376,392</u>	<u>\$ 504,204</u>

Bonds

In 2013, the City issued \$2,900,000 in sewer system revenue bonds to refund the City's loan with the State of Oregon Department of Environmental Quality (DEQ) and its sewer revenue bond issued to the US Department of Agriculture Rural Utilities Service. The City pledged income derived from net revenue of the City's sewer systems to pay debt service. Principal payments are due annually on June 1 and interest payments are due semi-annually on June 1 and December 1. Interest rates range from 2% to 3.5%. The balance outstanding at June 30, 2025 is \$1,685,000. Annual debt service requirements to maturity for the bonds are as follows:

Year Ending June 30,	Principal	Interest
2026	\$ 90,000	\$ 54,950
2027	95,000	52,250
2028	95,000	49,400
2029	100,000	46,550
2030	100,000	43,550
2031-2035	560,000	169,625
2036-2040	<u>645,000</u>	<u>69,125</u>
	<u>\$ 1,685,000</u>	<u>\$ 485,450</u>

CITY OF INDEPENDENCE
Notes to Financial Statements
Year Ended June 30, 2025

Note 7 - Long-Term Obligations, continued

Bonds, continued

In October 2016, the City issued \$1,335,000 in full faith and credit bonds to finance capital improvements to the City's water system and to pay the costs of issuance of the bonds. The City has pledged the full faith and credit of the City as payment for the bonds. Interest rates range from 1.65% to 3%. Annual principal payments are due June 15 and semi-annual interest payments are due June 15 and December 15. The balance outstanding at June 30, 2025 is \$835,000. Annual debt service requirements to maturity for the bonds are as follows:

Year Ending June 30,	Principal	Interest
2026	\$ 65,000	\$ 25,050
2027	65,000	23,100
2028	70,000	21,150
2029	70,000	19,050
2030	75,000	16,950
2031-2035	405,000	49,950
2036-2040	85,000	2,550
	<u>\$ 835,000</u>	<u>\$ 157,800</u>

Direct Borrowings and Placements

In November 2017, the City entered into a Clean Water State Revolving Fund (CWSRF) Loan agreement with the State of Oregon Department of Environmental Quality for \$7,310,429 to finance sewer treatment facility improvements. The interest rate is 1.42% and semi-annual principal and interest payments are due February 1 and August 1. The balance outstanding at June 30, 2025 is \$6,717,089. Annual debt service requirements to maturity for the loan are as follows:

Year Ending June 30,	Principal	Interest
2026	\$ 188,673	\$ 94,715
2027	191,361	92,027
2028	194,088	89,300
2029	196,854	86,534
2030	199,660	83,728
2031-2035	1,259,146	375,145
2036-2040	1,134,106	298,768
2041-2045	1,217,248	216,795
2046-2050	1,306,489	128,807
2051-2055	829,464	35,378
	<u>\$ 6,717,089</u>	<u>\$ 1,501,197</u>

CITY OF INDEPENDENCE

Notes to Financial Statements

Year Ended June 30, 2025

Note 7 - Long-Term Obligations, continued

Direct Borrowings and Placements, continued

In April 2019, the City entered into a loan agreement with Chase Bank to finance the purchase of water rights on the Willamette River. The note payable is secured by the City's full faith and credit and taxing power. The interest rate on the loan is 2.9%. Annual principal payments are due May 1 and semi-annual interest payments are due May 1 and November 1. The balance outstanding at June 30, 2025 is \$345,962. Annual debt service requirements to maturity for the loan are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 83,224	\$ 9,164
2027	85,638	6,962
2028	88,121	4,702
2029	<u>88,979</u>	<u>2,382</u>
	<u>\$ 345,962</u>	<u>\$ 23,210</u>

On January 30, 2025, the City entered into a non-revolving credit facility and financing agreement with Umpqua Bank for \$7,500,000 to fund water projects. The loan is secured by the full faith and credit of the City. The interest rate on the loan is 6.75% and the loan matures January 30, 2030. Interest-only payments are due semi-annually on June 1 and December 1 commencing June 1, 2025. The balance outstanding at June 30, 2025, is \$500,000.

Note 8 - Leases Payable

During the year ended June 30, 2025, leases payable activity was as follows:

	<u>June 30, 2024 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2025 Balance</u>
<i>Governmental activities:</i>				
Office copier, postage, and plotting machines; interest ranges between 0.74-2.36%, monthly payments of principal and interest of \$1,854, due 2027	\$ <u>45,429</u>	\$ <u>-</u>	\$ <u>22,512</u>	\$ <u>22,917</u>
<i>Business-type activities:</i>				
Office copier, postage, and plotting machines; interest ranges between 0.74-2.36%, monthly payments of principal and interest of \$226, due 2027	\$ <u>18,448</u>	\$ <u>-</u>	\$ <u>8,367</u>	\$ <u>10,081</u>

CITY OF INDEPENDENCE
Notes to Financial Statements
Year Ended June 30, 2025

Note 8 - Leases Payable, continued

Future maturities are as follows:

Year Ending June 30,	Governmental activities		Business-type activities	
	Principal	Interest	Principal	Interest
2026	\$ 19,606	\$ 204	\$ 8,478	\$ 94
2027	3,311	27	1,603	14
	<u>\$ 22,917</u>	<u>\$ 231</u>	<u>\$ 10,081</u>	<u>\$ 108</u>

Note 9 - Subscription-Based Information Technology Arrangements

The City has entered into subscription-based information technology arrangements (SBITAs) involving:

- Network detection and response system-interest calculated at 4.75%, principal and interest payments totaling a combined \$15,000 annually through the 2025 fiscal year. On June 30, 2025, the principal balance outstanding totaled \$0.
- A VOiP telephone solution - interest calculated at 5.25% per year, combined principal and interest payments totaling \$32,172 per year through the 2027 fiscal year. The principal balance outstanding on June 30, 2025, totals \$58,540.

Subscription-based information technology arrangements payable activity for the year was as follows:

	June 30, 2024				June 30, 2025
	Balance	Additions	Reductions		Balance
<i>Governmental activities:</i>					
Network detection and response system	\$ 14,320	\$ -	\$ 14,320	\$	-
VOiP telephone solution	89,119	-	30,579		58,540
	<u>\$ 103,439</u>	<u>\$ -</u>	<u>\$ 44,899</u>	<u>\$</u>	<u>58,540</u>

The future subscription payments under subscription-based information technology arrangements are as follows:

Year Ending June 30,	Governmental activities	
	Principal	Interest
2026	\$ 29,809	\$ 760
2027	28,731	-
	<u>\$ 58,540</u>	<u>\$ 760</u>

CITY OF INDEPENDENCE
Notes to Financial Statements
Year Ended June 30, 2025

Note 10 - Deficit Fund Balances

The following funds had deficit fund balances at June 30, 2025. These deficits will be financed through future revenues.

Fund	Amount
Urban Renewal Projects Fund	\$ (4,708,194)
Tourism and Events	(31,345)
	\$ (4,739,539)

Note 11 - Fund Balances and Net Position

Governmental Fund Balances

The fund balance amounts for governmental funds have been reported in the categories listed below with each specific purpose:

Fund Balance Categories	General	Transportation	Grants	Urban Renewal Projects	MINET Debt Service	Nonmajor Governmental	Total Governmental
Nonspendable:							
Prepaid expenses	\$ 46,607	\$ 2,710	\$ 462,712	\$ -	\$ -	\$ 28,961	\$ 540,990
Restricted for:							
Highways and streets	-	785,161	-	-	-	-	785,161
Grants	-	-	4,869,205	-	-	-	4,869,205
Debt service	-	-	-	-	3,187	342,952	346,139
Committed for:							
Economic development	-	-	-	-	-	829,752	829,752
Capital projects	-	-	-	-	-	2,317,285	2,317,285
Assigned for:							
Capital projects	-	-	-	-	-	2,090,818	2,090,818
Parks and recreation	37,582	-	-	-	-	-	37,582
Unassigned	5,170,617	-	-	(4,708,194)	-	(59,391)	403,032
	\$ 5,254,806	\$ 787,871	\$ 5,331,917	\$ (4,708,194)	\$ 3,187	\$ 5,550,377	\$ 12,219,964

Net Position Through Enabling Legislation

The government-wide statement of net position reports \$8,604,671 of restricted net position of which \$2,481,604 is restricted through enabling legislation.

Note 12 - Pension Plan

Plan description

Employees of the City are provided with pensions through OPERS.

OPERS consists of a single cost-sharing multiple-employer defined benefit pension plan. The Oregon Legislature has delegated the authority to the Public Employees Retirement Board to administer and manage the system.

OPERS produces an independently audited Annual Comprehensive Financial Report which includes detailed information about the pension plan's fiduciary net position. The report can be found at:

<https://www.oregon.gov/pers/Documents/Financials/ACFR/2024-ACFR.pdf>

CITY OF INDEPENDENCE

Notes to Financial Statements

Year Ended June 30, 2025

Note 12 - Pension Plan, continued

Description of benefit terms

All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A.

Tier One / Tier Two retirement benefit (Chapter 238)

Tier One / Tier Two Retirement Benefit plan is closed to new members hired on or after August 29, 2003.

Pension benefits

The OPERS retirement allowance is payable monthly for life. It may be selected from thirteen 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 (1.67% 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.

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 2020. The limit is equal to \$232,976 as of January 1, 2024, 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. General service employees may retire after reaching age 55. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two members are eligible for full benefits at age 60.

Death benefits

Upon the death of a nonretired 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:

- The member was employed by a OPERS employer at the time of death,
- The member died within 120 days after termination of OPERS-covered employment,
- The member died as a result of injury sustained while employed in an OPERS-covered job, or
- The member was on an official leave of absence from an OPERS-covered job at the time of death.

A member's beneficiary may choose a monthly payment for life instead of the lump-sum or a combination of lump-sum and monthly payments, if eligible. The monthly payment must be a minimum of \$30 per month for deaths that occurred July 30, 2003, and earlier, and \$200 per month for deaths that occur after July 30, 2003.

Disability benefits

A member with 10 or more years of creditable service who becomes 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 OPERS judge members) for disability benefits regardless of the length of OPERS-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.

CITY OF INDEPENDENCE

Notes to Financial Statements

Year Ended June 30, 2025

Note 12 - Pension Plan, continued

Description of benefit terms, continued

Benefit changes after retirement

Members may choose to continue participation in their variable account after retiring and may experience annual benefit fluctuations caused by changes in the fair value of the underlying global equity investments of that account.

Under ORS 238.360, monthly benefits are adjusted annually through cost-of-living adjustments (COLA), starting with the monthly benefits received or entitled to be received on August 1. The COLA is capped at 2.0%.

Oregon Public Service Retirement Plan (Chapter 238A) (OPSRP)

Pension benefits

The OPSRP 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:

General service: 1.5% 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.

Police and fire: 1.8% is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 60, or age 53 with 25 years of retirement credit.

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 2020. The limit is equal to \$232,976 as of January 1, 2024, 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 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.

Death benefits

Upon the death of a nonretired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse receives for life 50% of the pension that would otherwise have been paid to the deceased member. The surviving spouse or other person may elect to delay payment of the death benefit, but payment must commence no later than December 31 of the calendar year in which the member would have reached 70 1/2 years.

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% of the member's salary determined as of the last full month of employment before the disability occurred.

Benefit changes after retirement

Under ORS 238A.210, monthly benefits are adjusted annually through cost-of-living adjustments (COLA), starting with the monthly benefits received or entitled to be received on August 1. The COLA is capped at 2.0%.

Contributions

OPERS funding policy provides for monthly member and employer contributions at actuarially determined rates, subject to limits set in statute. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due.

Employer contribution rates during the period were based on the December 31, 2021, actuarial valuation, which became effective July 1, 2023. Tier One/Tier Two employer contribution rates are 26.69%. The OPSRP employer contribution rates are 20.17% for general service employees and 24.96% for police and fire employees. Employer contributions to OPERS for the year ended June 30, 2025, were \$1,027,136.

CITY OF INDEPENDENCE
Notes to Financial Statements
Year Ended June 30, 2025

Note 12 - Pension Plan, continued

Net pension liability, pension expense, deferred outflows of resources, and deferred inflows of resources related to pensions

Net pension liability

At June 30, 2025, the City reported a liability of \$7,176,832 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The projected long-term contribution effort is equal to the sum of the present value of future normal costs (PVFNC) and the unfunded actuarial liabilities (UAL).

Normal Cost Rate: The economic value, stated as a percent of payroll, for the portion of each active member's total projected retirement benefit that is allocated to the upcoming year of service. The rate is in effect for as long as each member continues in OPERS-covered employment. The current value of all projected future Normal Cost Rate contributions is the Present Value of Future Normal Costs (PVFNC). The PVFNC represents the portion of the projected long-term contribution effort related to future service.

An employer's PVFNC depends on both the normal cost rates charged on the employer's payrolls, and on the underlying demographics of the respective payrolls. For OPERS funding, employers have up to three different payrolls, each with a different normal cost rate: (1) Tier One/Tier Two payroll, (2) OPSRP general service payroll, and (3) OPSRP police and fire payroll.

The employer's Normal Cost Rates for each payroll are combined with system-wide present value factors for each payroll to develop an estimated PVFNC. The present value factors are actuarially determined at a system level for simplicity and to allow for the PVFNC calculations to be audited in a timely, cost-effective manner.

UAL Rate: If system assets are less than the actuarial liability, a UAL exists. UAL can arise when an event such as experience differing from the assumptions used in the actuarial valuation occurs. An amortization schedule is established to eliminate the UAL that arises over a fixed period of time if future experience follows assumption. The UAL Rate is the upcoming year's component of the cumulative amortization schedules, stated as a percent of payroll. The present value of all projected UAL Rate contributions is equal to the UAL. The UAL represents the portion of the projected long-term contribution effort related to past service.

The UAL has Tier One/Tier Two and OPSRP pieces. The Tier One/Tier Two piece is based on the employer's Tier One / Tier Two pooling arrangement. If an employer participates in one of the two large Tier One/Tier Two rate pools [State & Local Government Rate Pool (SLGRP) or School Districts Rate Pool], then the employer's Tier One/Tier Two UAL is their pro rata share of their pool's UAL. The pro rata calculation is based on the employer's payroll in proportion to the pool's total payroll. The OPSRP piece of the UAL follows a parallel pro rata approach, as OPSRP experience is mandatorily pooled at a state-wide level. Employers that do not participate in a Tier One/Tier Two pooling arrangement, who are referred to as "Independent Employers," have their Tier One/Tier Two UAL tracked separately in the actuarial valuation.

The projected long-term contribution effort is the sum of the PVFNC and the UAL. The PVFNC part of the contribution effort pays for the value of future service while the UAL part of the contribution effort pays for the value of past service not already funded by accumulated contributions and investment earnings. Each of the two contribution effort components are calculated at the employer-specific level. The sum of these components across all employers is the total projected long-term contribution effort.

At measurement date June 30, 2024, the City's proportion was 0.03228845%, which was a decrease of 0.00375149% from its proportion measured as of June 30, 2023.

CITY OF INDEPENDENCE
Notes to Financial Statements
Year Ended June 30, 2025

Note 12 - Pension Plan, continued

Net pension liability, pension expense, deferred outflows of resources, and deferred inflows of resources related to pensions, continued

Pension expense

For the year ended June 30, 2025, the City recognized pension expense of \$1,115,707.

Deferred inflows of resources and deferred outflows of resources

Deferred outflows of resources and deferred inflows of resources are calculated at the Plan level and are allocated to employers based on their proportionate share. For the measurement period ended June 30, 2024, employers will report the following deferred outflows of resources and/or deferred inflows of resources:

- Difference between expected and actual experience
- Changes in assumptions
- Changes in employer proportion since the prior measurement date
- Net differences between projected and actual investment earnings

Differences between expected and actual experience, changes in assumptions, and changes in employer proportion are amortized over the average remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period. Employers are required to recognize pension expense based on the balance of the closed period “layers” attributable to each measurement period.

The average remaining service lives determined as of the beginning of each measurement period are described below:

- Fiscal Year ended June 30, 2024 – 5.3 years
- Fiscal Year ended June 30, 2023 – 5.4 years
- Fiscal Year ended June 30, 2022 – 5.5 years
- Fiscal Year ended June 30, 2021 – 5.4 years
- Fiscal Year ended June 30, 2020 – 5.3 years
- Fiscal Year ended June 30, 2019 – 5.2 years

The net difference between projected and actual investment earnings attributable to each measurement period is amortized over a closed five-year period.

At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 425,161	\$ 17,129
Changes of assumptions	721,561	924
Net difference between projected and actual earnings on investments	455,930	-
Changes in proportionate share	202,624	622,302
Differences between employer contributions and employer's proportionate share of system contributions	102,690	355,983
Contributions subsequent to the measurement date	<u>1,027,136</u>	<u>-</u>
	<u>\$ 2,935,102</u>	<u>\$ 996,338</u>

CITY OF INDEPENDENCE
Notes to Financial Statements
Year Ended June 30, 2025

Note 12 - Pension Plan, continued

Net pension liability, pension expense, deferred outflows of resources, and deferred inflows of resources related to pensions, continued

Deferred inflows of resources and deferred outflows of resources

Deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement in the amount of \$1,027,136 will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,		
2026	\$	(104,957)
2027		644,667
2028		250,129
2029		104,717
2030		<u>17,072</u>
	\$	<u>911,628</u>

Actuarial methods and assumptions used in developing total pension liability

The total pension liability measured as of June 30, 2024, was based on an actuarial valuation as of December 31, 2022, using the following methods and assumptions:

Experience study	2022, published July 24, 2023
Actuarial cost method	Entry age normal
Inflation rate	2.40%
Long-term expected rate of return	6.90%
Discount rate	6.90%
Administrative expenses	\$64 million per year is added to the total system normal cost and allocated between Tier One/Tier Two and OPSRP based on valuation payroll.
Projected salary increases	3.40%
Cost of living adjustments (COLA)	Blend of 2% COLA and graded COLA (1.25%/-0.15%) in accordance with Moro decision; blend based on service.
Mortality	<p><i>Healthy retirees and beneficiaries:</i> 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><i>Active members:</i> 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><i>Disabled retirees:</i> Pub-2010 Disabled Retiree, sex-distinct, generational with Unisex Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p>

CITY OF INDEPENDENCE

Notes to Financial Statements

Year Ended June 30, 2025

Note 12 - Pension Plan, continued

Actuarial methods and assumptions used in developing total pension liability, continued

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 2022 Experience Study which reviewed experience for the four-year period ending on December 31, 2022.

Discount rate

The discount rate used to measure the total pension liability was 6.9%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

UAL amortization

The Tier 1/Tier 2 UAL amortization period was reset to 20 years as of December 31, 2013. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll (Tier 1/Tier 2 plus OPSRP payroll) over a closed 20-year period from the valuation in which they are first recognized.

Senate Bill 1049 was signed into law in June 2019 and requires a one-time reamortization of Tier 1/Tier 2 UAL over a closed 22-year period at the December 31, 2019, rate-setting actuarial valuation.

The OPSRP UAL amortization as of December 31, 2007, is amortized as a level percentage of projected combined valuation payroll (Tier 1/Tier 2 plus OPSRP payroll) over a closed 16-year period. Gains and losses between subsequent odd-year valuations are amortized as a level percentage of combined valuation payroll over 16 years from the valuation in which they are first recognized.

Long-term expected rate of return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in January 2023, the PERS Board reviewed long-term assumptions developed by both the actuary's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. 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 forward-looking capital market economic model. For more information on the Plan's portfolio, assumed asset allocation, and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see PERS' audited financial statements at <https://www.oregon.gov/pers/Documents/Financials/ACFR/2024-ACFR.pdf>.

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 (fair value of assets) 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 asset values. 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.

CITY OF INDEPENDENCE
Notes to Financial Statements
Year Ended June 30, 2025

Note 12 - Pension Plan, continued

Actuarial methods and assumptions used in developing total pension liability, continued

Depletion date projection

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

- OPERS 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 of 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 OPERS 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.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate.

The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.9%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.9%) or 1 percentage point higher (7.9%) than the current rate:

	<u>1 Percentage Point Lower</u>	<u>Current Discount Rate</u>	<u>1 Percentage Point Higher</u>
Proportionate share of the net pension liability	\$ <u>11,321,161</u>	\$ <u>7,176,832</u>	\$ <u>3,705,754</u>

Changes in Plan Provisions During the Measurement Period

A legislative change that occurred after the December 31, 2022, Actuarial Valuation date affected the plan provisions reflected for June 30, 2024, financial reporting liability calculations.

House Bill 4045, enacted in April 2024, lowered the normal retirement age for OPSRP Police & Fire members from age 60 to age 55 effective January 1, 2025. Members still qualify for earlier unreduced retirement if age 53 with 25 or more years of service. This plan change is reflected in the June 30, 2024, Total Pension Liability, including the revised retirement rates for OPSRP Police & Fire members to reflect the lower normal retirement age as disclosed in the December 31, 2023, Actuarial Valuation published on September 19, 2024.

House Bill 4045 also made the following changes which are not reflected in the June 30, 2024, Total Pension Liability since no data was available to measure their impact:

- Effective January 1, 2025, forensic scientists and elected District Attorneys are now included in the “Police & Fire” definition of membership.
- Effective January 1, 2030, a new “hazardous position” member classification was created for OPSRP members with benefit levels and retirement eligibilities that fall in between existing classifications for General Service and Police & Fire members. The hazardous position membership classification is statutorily limited to emergency telecommunicator employees at Oregon State Hospital with direct patient contact.

CITY OF INDEPENDENCE

Notes to Financial Statements

Year Ended June 30, 2025

Note 13 - Defined Contribution Plan

Plan description

Individual account program (IAP) - Participants in OPERS defined benefit pension plan also participate in the defined contribution plan.

Pension benefits

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 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-, or 20-year period, or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

Death benefits

Upon the death of a nonretired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account 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.

Contributions

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 \$2,535 per month, 0.75% (if OPSRP member) or 2.5% (if Tier 1/Tier 2 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.

The City makes the employee contributions of 6% of covered payroll to the plan. Contributions for the year ended June 30, 2025, were \$253,167.

Recordkeeping

PERS contracts with VOYA Financial to maintain IAP participant records.

Note 14 - Other Postemployment Benefit Plans

Other postemployment benefits (OPEB) for the City is comprised of two separate plans. The City provides an implicit rate subsidy for retiree health insurance premiums, and a contribution to the State of Oregon's PERS cost-sharing multiple-employer defined health insurance benefit plan.

CITY OF INDEPENDENCE
Notes to Financial Statements
Year Ended June 30, 2025

Note 14 - Other Postemployment Benefit Plans, continued

The City's two OPEB plans are presented in the aggregate on the Statement of Net Position. The amounts on the financial statements relate to the plans as follows:

	Oregon Public Employees Retirement System RHIA	City of Independence Other Postemployment Benefit Plan	Total
Net OPEB asset	\$ 111,609	\$ -	\$ 111,609
Deferred outflows of resources - OPEB related	3,175	15,122	18,297
Other postemployment benefits liability	-	(200,146)	(200,146)
Deferred inflows of resources - OPEB related	(9,499)	(159,199)	(168,698)
OPEB (income) expense	(21,848)	11,777	(10,071)

Oregon Public Employees Retirement System (PERS)

Plan description

The City contributes to the Oregon PERS Retirement Health Insurance Account (RHIA) for each of its eligible employees. The RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by PERS. Contributions are mandatory for each employer that is a member of PERS.

The Oregon Legislature has delegated the authority to the Public Employees Retirement Board to administer and manage the system.

OPERS produces an independently audited Annual Comprehensive Financial Report which includes detailed information about the plan's fiduciary net position.

The report can be found at: <https://www.oregon.gov/pers/Documents/Financials/ACFR/2024-ACFR.pdf>.

Description of benefit terms

All benefits of the System are established by the legislature pursuant to Oregon Revised Statutes Chapters 238 and 238A.

The RHIA is closed to new members hired on or after August 29, 2003.

Other Postemployment Healthcare Benefits

Eligible retired members receive a monthly healthcare benefit for life up to \$60 toward the monthly cost health insurance.

To be eligible, the member must:

1. Have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS.
2. Receive both Medicare Parts A and B coverage.
3. Enroll in a PERS-sponsored health plan.

CITY OF INDEPENDENCE

Notes to Financial Statements

Year Ended June 30, 2025

Note 14 - Other Postemployment Benefit Plans, continued

Description of benefit terms, continued

Surviving spouse or dependent benefits

A surviving spouse or dependent of a deceased retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she is receiving a retirement benefit or allowance from PERS or was insured at the time the member died and the member retired before May 1, 1991.

Contributions

OPERS funding policy provides for periodic member and employer contributions at the rates established by the Public Employees Retirement Board, subject to limits set in statute. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. Employer contribution rates during the period were based on the December 31, 2021, actuarial valuation.

The City contributed 0.05% of PERS-covered salaries for Tier One and Tier Two members to fund the normal cost portion of RHIA benefits. Since the funded status of the RHIA UAL is in excess of 100%, no contributions were required to fund the RHIA UAL. For the year ended June 30, 2025, the City made \$24 of contributions to the RHIA.

Net OPEB liability/(asset), pension expense and deferred outflows and deferred inflows of resources related to other postemployment benefits

Net OPEB liability (asset)

At June 30, 2025, the City reported an (asset) of \$(111,609) for its proportionate share of the net OPEB liability/(asset). The net OPEB liability/(asset) was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation as of December 31, 2022. The City's proportion of the net OPEB liability/(asset) was based on its actual, legally required contributions made during the fiscal year with the total actual contributions of all employers during the fiscal year.

At June 30, 2024, the City's proportion was 0.02763216%, which was an increase of 0.00199523% from its proportion measured as of June 30, 2023.

OPEB expense

For the year ended June 30, 2025, the City recognized OPEB revenue of \$21,848.

Deferred inflows of resources and deferred outflows of resources

Deferred inflows of resources and deferred outflows of resources are calculated at the plan level and are allocated to employers based on their proportionate share. For the measurement period ended June 30, 2024, employers will report the following deferred inflows or resources and/or deferred outflows of resources:

Difference between expected and actual experience

Changes in assumptions

Changes in employer proportion since the prior measurement date

Net difference between projected and actual investment earnings. One-year's amortization is recognized in the employer's total OPEB expense for the measurement period.

Differences between expected and actual experience, changes in assumptions and changes in employer proportionate are amortized over the average remaining service lives of all plan participants, including retirees, determined at the beginning of the respective measurement period. Employers are required to recognize OPEB expense based on the balance of the closed period "layers" attributable to each measurement period. The average remaining service lives determined as of the beginning of each measurement period are described below:

Fiscal Year ended June 30, 2024 – 2.1 years

Fiscal Year ended June 30, 2023 – 2.3 years

Fiscal Year ended June 30, 2022 – 2.5 years

CITY OF INDEPENDENCE
Notes to Financial Statements
Year Ended June 30, 2025

Note 14 - Other Postemployment Benefit Plans, continued

Net OPEB liability/(asset), pension expense and deferred outflows and deferred inflows of resources related to other postemployment benefits, continued

The net difference between projected and actual investment earnings attributable to each measurement period is amortized over a closed five-year period.

At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to other postemployment benefits from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 2,183
Changes of assumptions	-	1,412
Net difference between projected and actual earnings on investments	3,151	-
Changes in proportionate share	-	5,904
Contributions subsequent to the measurement date	<u>24</u>	<u>-</u>
	<u>\$ 3,175</u>	<u>\$ 9,499</u>

Deferred outflows of resources related to OPEB resulting from the City's contributions subsequent to the measurement date in the amount of \$24 will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2026	\$ (11,893)
2027	3,477
2028	1,705
2029	<u>363</u>
	<u>\$ (6,348)</u>

Actuarial methods and assumptions used in developing the total OPEB liability (asset)

Except as identified below, actuarial methods and assumptions used in developing the total OPEB liability are the same as those used to develop the total PERS pension liability as discussed in Note 11.

Retiree healthcare participation

Healthy retirees are assumed to participate 25% of the time, while disabled retirees are assumed to participate 15% of the time.

Healthcare cost trend rate

A healthcare cost trend rate is not utilized in the actuarial valuation as statute stipulates a \$60 monthly payment to retirees for health insurance.

CITY OF INDEPENDENCE
Notes to Financial Statements
Year Ended June 30, 2025

Note 14 - Other Postemployment Benefit Plans, continued

Actuarial methods and assumptions used in developing the total OPEB liability (asset), continued

Depletion date projection

GASB 75 generally requires that a blended discount rate be used to measure the Net OPEB 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 (fair value of assets) 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 75 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB 75 (paragraph 82) 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 Oregon PERS (OPERS):

- OPERS 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 75 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of 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 OPERS independent actuary’s opinion that the detailed depletion date projections outlined in GASB 75 would clearly indicate that the fiduciary net position is always projected to be sufficient to cover benefit payments and administrative expenses.

Sensitivity of the proportionate share of the net OPEB liability/(asset) to changes in the discount rate

The following presents the proportionate share of the net OPEB liability/(asset) calculated using the discount rate of 6.9%, as well as what the proportionate share of the net OPEB liability/(asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.9%) or 1-percentage-point higher (7.9%) than the current rate:

	<u>1 Percentage Point Lower</u>	<u>Current Discount Rate</u>	<u>1 Percentage Point Higher</u>
Net OPEB liability (asset)	\$ <u>(103,316)</u>	\$ <u>(111,609)</u>	\$ <u>(118,749)</u>

CITY OF INDEPENDENCE
Notes to Financial Statements
Year Ended June 30, 2025

Note 14 - Other Postemployment Benefit Plans, continued

City of Newport Other Postemployment Benefit Plan

Plan description and benefits provided

The City provides other postemployment benefits (OPEB) for employees, retirees, spouses, and dependents through a single-employer defined benefit plan in the form of group health insurance benefits. As required by ORS 243.303(2), retirees who were hired after July 1, 2003, are allowed to continue, at the retirees' expense, coverage under the group health insurance plan until age 65. The difference between the premium actually paid by the retirees under the group insurance plan and the premium that they would pay if they were not included in the plan is considered to be an implicit subsidy under the provisions of GASB 75. The plan does not issue a separate standalone financial report. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Plan membership

As of July 1, 2024, there were 41 active employees, 0 eligible retirees, and 0 spouses of ineligible retirees, for a total of 41 plan members.

Contributions

The City funds the plan only to the extent of current year insurance premium requirements on a pay-as-you-go basis. The average monthly premium requirements for the City are as follows:

For retirees	\$ 799
For spouses of retirees	900

Total OPEB liability, changes in OPEB liability, OPEB expense, deferred outflows of resources, and deferred inflows of resources related to OPEB

At June 30, 2025, the City reported a total OPEB liability of \$200,146. The total OPEB liability was measured as of June 30, 2024, and determined by an actuarial valuation as of that date.

Changes in the total OPEB liability is as follows:

	<u>OPEB Liability</u>
Balance as of June 30, 2024	\$ 247,511
Changes for the year:	
Service cost	22,403
Interest on total OPEB liability	9,748
Effect of economic/demographic gains or losses	(52,054)
Effect of assumptions changes or inputs	(21,737)
Benefit payments	<u>(5,725)</u>
Balance as of June 30, 2025	<u>\$ 200,146</u>

CITY OF INDEPENDENCE
Notes to Financial Statements
Year Ended June 30, 2025

Note 14 - Other Postemployment Benefit Plans, continued

Total OPEB liability, changes in OPEB liability, OPEB expense, deferred outflows of resources, and deferred inflows of resources related to OPEB, continued

For the year ended June 30, 2025, the City recognized OPEB expense of \$11,777. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,755	\$ 92,755
Changes of assumptions	8,929	66,444
Benefit payments	<u>2,438</u>	<u>-</u>
	<u>\$ 15,122</u>	<u>\$ 159,199</u>

Deferred outflows of resources related to OPEB resulting from benefit payments in the amount of \$2,438 will be recognized as an adjustment to the total OPEB liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2026	\$ (20,374)
2027	(19,833)
2028	(18,578)
2029	(17,172)
2030	(18,098)
Thereafter	<u>(52,460)</u>
	<u>\$ (146,515)</u>

Actuarial valuation

The City contributions are based on the accruing benefit costs measured using the individual entry age normal actuarial cost method. The present value of benefits is allocated over the service for each active employee from their date of hire to their expected retirement age, as a level percent of the employee's pay. This level percent times pay is referred to as the service cost and is that portion of the present value of benefits attributable to an employee's service in a current year. The service cost equals \$0 for retired members. The total OPEB liability is the present value of benefits less the actuarial present value of future normal costs and represents the liabilities allocated to service up to the valuation date. For retirees, the total OPEB liability is equal to the present value of benefits.

CITY OF INDEPENDENCE
Notes to Financial Statements
Year Ended June 30, 2025

Note 14 - Other Postemployment Benefit Plans, continued

Actuarial methods and assumptions used in developing the total OPEB liability

Valuation date	July 1, 2024
Actuarial cost method	Entry age normal
Inflation rate	2.4%
Projected salary increases	3.4%
Mortality	Pub-2010 General and Safety Employee and Healthy Retiree Table, sex distinct for members and dependents, with a one-year setback for male general service employees and female public safety employees
Withdrawal	Based on Oregon PERS assumptions. Annual rates are based on employment classification, gender and duration from hire date
Retirement	Based on Oregon PERS assumptions. Annual rates are based on age, Tier/OPSRP, duration of service, and employment classification
Election and lapse rates	30% of eligible employees. 60% of male members and 35% of female members will elect spouse coverage 5% annual lapse rate

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.

Discount rate

The discount rate used to measure the total OPEB liability was 3.93%. The discount rate is based on the Bond Buyer 20-year General Obligation Bond Index. The discount rate at the prior measurement date was 3.65%.

CITY OF INDEPENDENCE
Notes to Financial Statements
Year Ended June 30, 2025

Note 14 - Other Postemployment Benefit Plans, continued

Healthcare cost trend rate

The assumed healthcare cost trend for is as follows:

<u>Year</u>	<u>Pre-65 Trend</u>
2024	6.90%
2025	6.00%
2026	5.50%
2027 - 2028	5.00%
2029 - 2030	4.75%
2031 - 2032	4.50%
2033 - 2065	4.25%
2066 - 2071	4.00%
2072+	3.75%

Sensitivity of the City's OPEB liability to changes in the discount and healthcare cost trend rates

The following presents the City's OPEB liability calculated using the discount rate of 3.93%, as well as what the City's OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.93%) or 1 percentage point higher (4.93%) than the current rate. A similar sensitivity analysis is then presented for changes in the healthcare cost trend assumption.

	<u>1 Percentage Point Lower</u>	<u>Current Discount Rate</u>	<u>1 Percentage Point Higher</u>
City's total OPEB liability	\$ <u>221,832</u>	\$ <u>200,146</u>	\$ <u>180,449</u>
	<u>1 Percentage Point Lower</u>	<u>Current Trend Rate</u>	<u>1 Percentage Point Higher</u>
City's total OPEB liability	\$ <u>172,160</u>	\$ <u>200,146</u>	\$ <u>233,898</u>

Note 15 - Risk Management

The City is exposed to various risks of loss related to errors and omissions, automobile, damage to or destruction of assets, bodily injury, and worker's compensation for which the City carries commercial insurance. There has been no significant reduction in insurance coverage from the prior year and settled claims have not reached the level of commercial coverage in any of the past four fiscal years.

CITY OF INDEPENDENCE
Notes to Financial Statements
Year Ended June 30, 2025

Note 16 - Contingencies and Commitments

Management of the City believes that total amount of liability, if any, which may arise from claims and lawsuits pending against the City beyond that, which is covered by insurance, would not have a material effect on the City's financial condition. Federal and state grants are subject to audit by the grantor agencies and any adjustments may become a liability of the appropriate fund. Management believes that adjustments, if any, will not materially affect the City's financial position.

Below is a list of outstanding commitments the City has. These amounts are or will be included in future budgets:

Project No.	Project	Contract Amount	Paid through June 30, 2025	Remaining Commitment
2021-03	Water Rights	\$ 64,973	\$ 38,658	\$ 26,315
2022-09	Waste Water Treatment Plant Upgrade	2,204,344	1,072,846	1,131,498
2023-04	Surface Water Treatment Plant	12,586,260	425,930	12,160,330
2022-17	9th Street Pump Station Phases 2-3	786,800	331,690	455,110
2023-06	Stormwater Master Plan	380,900	87,420	293,480
2023-11	Parks Master Plan	244,300	120,416	123,884
2023-13	Corvallis Road Waterline	358,600	147,012	211,588

Note 17 - Concentration of Credit Risk

The City is exposed to risk of loss through loans made to MINET, an intergovernmental entity formed by the cities of Monmouth and Independence, Oregon to own and operate a fiber-optic internet video and telephone network in the cities. The City has incurred a concentration of credit risk for capital loans made to MINET. Terms of the debt are described in the Long-Term Debt footnote. Audited annual financial statements of MINET may be obtained by writing to MINET, 405 N. Hogan Road, Monmouth, OR 97361, or by calling (503) 837-0700.

The total amount loaned to MINET as of June 30, 2025, is shown below:

MINET Loan	Purpose	Amount	Interest Rate	Repayment Term
2015 Full Faith & Credit Obligation	Capital/Infrastructure	\$ 1,950,000	0.65%–4.05%	15 years
2017 Full Faith & Credit Obligation	Capital/Infrastructure	590,000	0.85%–5.84%	21 years
2020 Full Faith & Credit Obligation	Capital/Infrastructure	4,780,000	2%–3%	20 years
Advances to MINET	Cover prior year shortfalls	4,174,871	3%	12 years

CITY OF INDEPENDENCE
Notes to Financial Statements
Year Ended June 30, 2025

Note 17 - Concentration of Credit Risk, continued

Summarized financial data for MINET is as follows:

Description	June 30, 2025	June 30, 2024
Assets:		
Current assets	\$ 2,217,370	\$ 2,057,934
Capital assets, net of depreciation	12,506,872	12,278,358
Total assets	<u>14,724,242</u>	<u>14,336,292</u>
Deferred Outflows of Resources:		
Deferred charges for debt refunding	<u>557,119</u>	<u>651,973</u>
Liabilities:		
Current liabilities	1,988,214	1,559,904
Long-term liabilities	25,176,983	26,356,133
Total liabilities	<u>27,165,197</u>	<u>27,916,037</u>
Net Position:		
Net investment in capital assets	(4,073,905)	(4,230,226)
Unrestricted	<u>(7,809,931)</u>	<u>(8,697,546)</u>
Total net position	<u>\$ (11,883,836)</u>	<u>\$ (12,927,772)</u>

Note 18 - Restatements

Change in Accounting Principle – Restatement of Beginning Net Position

During the year, the City implemented GASB Statement No. 101, *Compensated Absences*. In addition to the value of unused vacation time owed to employees upon separation of employment, the City now recognizes an estimated amount of sick leave earned as of year-end that will be used by employees as time off in future years as part of the liability for compensated absences. The effects of the change in accounting principle are summarized below in the “Restatement – GASB 101 implementation” column.

Error Corrections

Previously, the City did not accrue accounts receivable at year end related to intergovernmental revenues from the State of Oregon. An adjustment to beginning fund balance was made in the current year to increase accounts receivable and equity \$46,318. In addition, the City improperly included \$11,882 in opioid settlement revenue in the General Fund’s fund financial statements. An additional correction was made to decrease beginning fund balance \$11,882 for this error.

The City identified an error in tracking the Grants Fund’s unearned revenue in the current year which resulted in an error correction in the Grants Fund of \$219,697. The error correction decreased unearned revenue and increased beginning fund balance.

The City identified errors in capital assets for the Water, Sewer, and Storm Drain Funds which resulted in adjustments to beginning net position. The errors identified decreased beginning net position in the Water and Sewer Funds \$1,672 and \$1,270, respectively and increased beginning net position in the Storm Drain Fund \$87,587.

CITY OF INDEPENDENCE
Notes to Financial Statements
Year Ended June 30, 2025

Note 18 - Restatements, continued

The summary of restatements and their impacts on beginning net position and fund balance is as follows:

	Net position/ fund balance June 30, 2024 as previously reported	Restatement - GASB 101 implementation	Error Corrections	Net position/ fund balance June 30, 2024 as previously reported
Government-wide				
Governmental activities	\$ 13,163,933	\$ (146,881)	\$ 254,133	\$ 13,271,185
Business-type activities	<u>20,074,116</u>	<u>(49,516)</u>	<u>84,645</u>	<u>20,109,245</u>
Total government-wide	<u>\$ 33,238,049</u>	<u>\$ (196,397)</u>	<u>\$ 338,778</u>	<u>\$ 33,380,430</u>
Governmental funds				
Major funds				
General	\$ 5,601,421	\$ -	\$ 34,436	\$ 5,635,857
Grants	<u>911,501</u>	<u>-</u>	<u>219,697</u>	<u>1,131,198</u>
Total governmental funds	<u>\$ 6,512,922</u>	<u>\$ -</u>	<u>\$ 254,133</u>	<u>\$ 6,767,055</u>
Proprietary funds				
Enterprise funds				
Water	\$ 8,948,089	\$ (21,227)	\$ (1,672)	\$ 8,925,190
Sewer	9,644,515	(17,696)	(1,270)	9,625,549
Storm Drain	<u>1,481,512</u>	<u>(10,593)</u>	<u>87,587</u>	<u>1,558,506</u>
Total proprietary funds	<u>\$ 20,074,116</u>	<u>\$ (49,516)</u>	<u>\$ 84,645</u>	<u>\$ 20,109,245</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF INDEPENDENCE

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2025

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ 2,698,000	\$ 2,698,000	\$ 2,719,277	\$ 21,277
Franchise fees	943,000	943,000	990,652	47,652
Licenses, permits, and fees	634,000	634,000	148,369	(485,631)
Intergovernmental	611,300	611,300	511,665	(99,635)
Charges for services	5,000	5,000	685,703	680,703
Fines and forfeitures	79,000	79,000	103,329	24,329
Rent	27,000	27,000	23,026	(3,974)
Loan repayments	-	-	2,160	2,160
Interest earnings	52,000	52,000	246,422	194,422
Other revenue	558,363	558,363	104,503	(453,860)
Total Revenues	<u>5,607,663</u>	<u>5,607,663</u>	<u>5,535,106</u>	<u>(72,557)</u>
Expenditures:				
Administration	403,882	440,882	437,271	3,611
Finance	170,607	155,607	155,801	(194)
Human resources	110,497	135,497	128,789	6,708
Building inspection	221,607	230,607	229,715	892
Information technology	198,627	204,627	188,980	15,647
Janitorial	69,172	72,172	73,757	(1,585)
Police	3,796,057	3,790,057	3,302,288	487,769
Court	50,619	50,619	47,361	3,258
Economic development	72,300	78,300	81,176	(2,876)
Community development	205,367	218,367	196,017	22,350
Library	559,112	593,112	556,451	36,661
Museum	210,162	161,162	163,588	(2,426)
Parks and recreation	384,247	384,247	341,279	42,968
Pool	2,460	2,460	1,303	1,157
Debt service	74,413	74,413	73,239	1,174
Contingency	699,663	412,590	-	412,590
Total Expenditures	<u>7,228,792</u>	<u>7,004,719</u>	<u>5,977,015</u>	<u>1,027,704</u>
Excess of Revenues Over Expenditures	<u>(1,621,129)</u>	<u>(1,397,056)</u>	<u>(441,909)</u>	<u>955,147</u>
Other Financing Sources (Uses):				
Transfers in	579,185	579,185	488,092	(91,093)
Transfers out	(290,409)	(514,482)	(331,882)	182,600
Total Other Financing Sources (Uses)	<u>288,776</u>	<u>64,703</u>	<u>156,210</u>	<u>91,507</u>
Net Change in Fund Balance	<u>(1,332,353)</u>	<u>(1,332,353)</u>	<u>(285,699)</u>	<u>1,046,654</u>
Fund Balances, beginning, as previously presented	1,332,353	1,332,353	1,582,825	250,472
Restatement	-	-	46,318	46,318
Fund Balances, beginning, as restated	<u>1,332,353</u>	<u>1,332,353</u>	<u>1,629,143</u>	<u>296,790</u>
Fund Balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,343,444</u>	<u>\$ 1,343,444</u>

CITY OF INDEPENDENCE

Transportation Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2025

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Licenses, permits, and fees	\$ -	\$ -	\$ 3,150	\$ 3,150
Intergovernmental	815,000	815,000	823,404	8,404
Charges for services	50,000	50,000	138,466	88,466
Interest earnings	7,000	7,000	32,280	25,280
Other revenue	2,500,000	2,500,000	123	(2,499,877)
Total Revenues	3,372,000	3,372,000	997,423	(2,374,577)
Expenditures:				
Personnel services	628,000	638,000	611,176	26,824
Materials and services	462,150	462,150	369,348	92,802
Capital outlay	2,503,000	2,503,000	2,704	2,500,296
Contingency	343,374	333,374	-	333,374
Total Expenditures	3,936,524	3,936,524	983,228	2,953,296
Excess of Revenues Over Expenditures	(564,524)	(564,524)	14,195	578,719
Other Financing Sources (Uses):				
Transfers out	(20,000)	(20,000)	(20,000)	-
Total Other Financing Sources (Uses)	(20,000)	(20,000)	(20,000)	-
Net Change in Fund Balance	(584,524)	(584,524)	(5,805)	578,719
Fund Balance, beginning	614,524	614,524	793,676	179,152
Fund Balance, ending	\$ 30,000	\$ 30,000	\$ 787,871	\$ 757,871

CITY OF INDEPENDENCE

Grants Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2025

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 1,505,000	\$ 3,505,000	\$ 4,492,714	\$ 987,714
Grants and donations	-	-	33,500	33,500
Interest earnings	30,000	30,000	121,859	91,859
Total Revenues	<u>1,535,000</u>	<u>3,535,000</u>	<u>4,648,073</u>	<u>1,113,073</u>
Expenditures:				
Materials and services	82,250	2,082,250	273,010	1,809,240
Capital outlay	1,500,000	1,590,000	174,344	1,415,656
Contingency	558,802	558,802	-	558,802
Total Expenditures	<u>2,141,052</u>	<u>4,231,052</u>	<u>447,354</u>	<u>3,783,698</u>
Net Change in Fund Balance	(606,052)	(696,052)	4,200,719	4,896,771
Fund Balance, beginning	<u>606,052</u>	<u>696,052</u>	<u>911,501</u>	<u>215,449</u>
Fund Balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,331,917</u>	<u>\$ 5,331,917</u>

CITY OF INDEPENDENCE

Schedule of Proportionate Share of the Net Pension Liability (Asset)

Oregon Public Employees Retirement System

Last 10 Plan Years

Year Ended June 30,	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2024	0.03228845%	\$ 7,176,832	\$ 4,184,973	171.49%	79.3%
2023	0.03603994%	6,750,528	3,608,313	187.08%	81.7%
2022	0.03750261%	5,742,402	3,379,700	169.91%	84.5%
2021	0.03592788%	4,299,303	3,793,030	113.35%	87.6%
2020	0.03422785%	7,469,694	3,665,402	203.79%	75.8%
2019	0.03335804%	5,770,142	3,437,258	167.87%	80.2%
2018	0.03086104%	4,675,041	3,211,306	145.58%	82.1%
2017	0.03078830%	4,150,279	2,965,410	139.96%	83.1%
2016	0.03134115%	4,705,034	2,661,504	176.78%	80.5%
2015	0.02869354%	1,647,429	2,374,283	69.39%	91.9%

Notes to Schedule

Changes in Benefit Terms:

A legislative change that occurred after the December 31, 2017 valuation date affected the plan provisions reflected for financial reporting purposes. Senate Bill 1049, signed into law in June 2019, introduced a limit on the amount of annual salary included for the calculation of benefits. Beginning in 2020, annual salary in excess of \$195,000 (as indexed in future years) will be excluded when determining member benefits. As a result, future Tier 1/Tier 2 and OPSRP benefits for certain active members are now projected to be lower than prior to the legislation.

Changes of Assumptions:

The PERS Board adopted impacting June 30, 2016 including the lowering of the long-term expected rate of return to 7.50 percent and lowering of the assumed inflation to 2.50 percent. For June 30, 2018, the long-term expected rate of return was lowered to 7.20 percent. In addition, the healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups, and assumptions were updated for merit increases, unused sick leave, and vacation pay were updated. In plan year 2021, the long-term expected rate of return was reduced to 6.90 percent and at the same time, the inflation and payroll growth assumptions were lowered to 2.40 percent and 3.40 percent, respectively.

CITY OF INDEPENDENCE
Schedule of Contributions - Pension
Oregon Public Employees Retirement System
Last 10 Fiscal Years

Year Ended June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percent of Covered Payroll
2025	\$ 1,027,136	\$ 1,027,136	\$ -	4,401,030	23.34%
2024	949,969	949,969	-	4,184,973	22.70%
2023	865,066	865,066	-	3,608,313	23.97%
2022	768,563	768,563	-	3,379,700	22.74%
2021	720,689	720,689	-	3,793,030	19.00%
2020	702,449	702,449	-	3,665,402	19.16%
2019	492,899	492,899	-	3,437,258	14.34%
2018	452,305	452,305	-	3,211,306	14.08%
2017	334,614	334,614	-	2,965,410	11.28%
2016	320,569	320,569	-	2,661,504	12.04%

Notes to schedule

Actuarial Assumptions and Methods Used to Set the Actuarially Determined Contributions:

Actuarial valuation	December 31, 2021	December 31, 2019	December 31, 2017	December 31, 2015	December 31, 2013	December 31, 2011
Effective	July 2023 - June 2025	July 2021 - June 2023	July 2019 - June 2021	July 2017 - June 2019	July 2015 - June 2017	July 2013 - June 2015
Actuarial cost method	Entry Age Normal					Projected Unit Cost
Amortization method	Level percentage of payroll					
Asset valuation method	Fair Value					
Remaining amortization periods	20 years					N/A
Actuarial assumptions:						
Inflation rate	2.4 percent		2.5 percent		2.75 percent	
Projected salary increases	3.4		3.5 percent			
Investment rate of return	6.9 percent		7.2 percent	7.5 percent	7.75 percent	8 percent

CITY OF INDEPENDENCE

Schedule of Proportionate Share of the Net Other Postemployment

Benefit Liability (Asset)

Oregon Public Employees Retirement System

Last 10 Plan Years*

<u>Year Ended June 30,</u>	<u>Proportion of the Net OPEB Liability (Asset)</u>	<u>Proportionate Share of the Net OPEB Liability (Asset)</u>	<u>Covered- Employee Payroll</u>	<u>Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered- Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</u>
2024	0.02763216% \$	(111,609) \$	4,184,973	-2.67%	220.60%
2023	0.00025637%	(93,874)	3,608,313	-2.60%	201.60%
2022	0.02018283%	(71,717)	3,379,700	-2.12%	194.60%
2021	0.02436595%	(83,673)	3,793,030	-2.21%	183.90%
2020	0.03021349%	(61,563)	3,665,402	-1.68%	150.09%
2019	0.02915515%	(56,338)	3,437,258	-1.64%	144.38%
2018	0.02776841%	(30,997)	3,211,306	-0.97%	123.99%
2017	0.02714883%	(11,330)	2,965,410	-0.38%	108.88%

*Information will be accumulated annually until 10 years is presented

Notes to Schedule

Changes of Assumptions:

The PERS Board adopted assumption changes that were used to measure the June 30, 2018 total OPEB liability. The changes include lowering of the long-term expected rate of return to 7.20 percent. In addition, healthy retiree participation and healthy mortality assumptions were changes to reflect an updated trends and mortality improvement scale for all groups. In plan year 2021, the long-term expected rate of return was reduced to 6.90 percent and at the same time, the inflation and payroll growth assumptions were lowered to 2.40 percent and 3.40 percent, respectively

CITY OF INDEPENDENCE
Schedule of Contributions to OPEB - RHIA
Oregon Public Employees Retirement System
Last 10 Fiscal Years*

<u>Year Ended June 30,</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered- Employee Payroll</u>	<u>Contributions as a Percent of Covered Payroll</u>
2025	\$ 24	\$ 24	\$ -	4,401,030	0.00%
2024	548	548	-	4,184,973	0.01%
2023	505	505	-	3,608,313	0.01%
2022	497	497	-	3,379,700	0.01%
2021	6,846	6,846	-	3,793,030	0.18%
2020	2,158	2,158	-	3,665,402	0.06%
2019	14,450	14,450	-	3,437,258	0.42%
2018	13,446	13,446	-	3,211,306	0.42%
2017	13,516	13,516	-	2,965,410	0.46%

*Information will be accumulated annually until 10 years is presented

Notes to Schedule

Actuarial assumptions and methods used to set the actuarially determined contribution rates are the same as those used to set the Oregon Public Employees Retirement Systems' pension contribution rates. See PERS' pension contribution required supplementary information for additional information.

CITY OF INDEPENDENCE

Schedule of Changes in Total OPEB Liability and Related Ratios

Last 10 Plan Years*

	2024	2023	2022	2021	2020	2019	2018	2017
Service Cost	\$ 22,403	\$ 21,986	\$ 26,202	\$ 25,411	\$ 18,835	\$ 16,637	\$ 18,322	\$ 19,773
Interest	9,748	8,587	6,736	6,285	9,593	9,642	9,095	7,422
Effect of economic/demographic gains or losses	(52,054)	-	(47,651)	-	(23,396)	-	12,511	-
Changes of Assumptions or Other Inputs	(21,737)	(2,695)	(47,960)	1,453	8,242	9,285	(26,636)	(17,378)
Benefit Payments	(5,725)	(1,868)	(2,974)	(9,862)	(9,256)	(16,293)	(16,737)	(12,793)
Net Change in Total OPEB Liability	(47,365)	26,010	(65,647)	23,287	4,018	19,271	(3,445)	(2,976)
Total OPEB liability - beginning	247,511	221,501	287,148	263,861	259,843	240,572	244,017	246,993
Total OPEB Liability - ending	<u>\$ 200,146</u>	<u>\$ 247,511</u>	<u>\$ 221,501</u>	<u>\$ 287,148</u>	<u>\$ 263,861</u>	<u>\$ 259,843</u>	<u>\$ 240,572</u>	<u>\$ 244,017</u>
Covered-Employee Payroll	\$ 4,184,973	\$ 3,608,313	\$ 3,379,700	\$ 3,793,030	\$ 3,665,402	\$ 3,437,258	\$ 3,211,306	\$ 2,965,410
Total OPEB Liability as a Percentage of Covered-Employee Payroll	4.78%	6.86%	6.55%	7.57%	7.20%	7.56%	7.49%	8.23%

No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

*Information will be accumulated annually until 10 years is presented

CITY OF INDEPENDENCE

Notes to the Required Supplemental Information

Year Ended June 30, 2025

Note 1 - Stewardship, Compliance, and Accountability

Budgetary Information

On or before June 30 of each year, the City enacts a resolution adopting the budget, appropriating the expenditures, and levying the property taxes. The City's budget is presented on the modified accrual basis of accounting. Prior to enacting this resolution, the proposed budget is presented to a Budget Committee that takes public testimony and ultimately approves the budget. The Budget Committee presents the budget to the City Council for budget hearings prior to enactment of the resolution. The City budgets all funds as required by Oregon Local Budget Law (ORS 294).

The resolution authorizing appropriations for each fund sets the legal level of control by which expenditures cannot legally exceed appropriations. Total expenditures by department as established by the resolution are the legal level of control for the General Fund. Expenditure categories of personnel services, materials and services, capital outlay, debt service, transfers, and contingency are the legal level of control for all other funds. The detailed budget document, however, is required to contain more specific information for the above-mentioned expenditure categories. Unexpected additional resources may be added to the budget with a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers, and adoption by the City Council. Management may modify original and supplemental budgets by the use of appropriations transfers between the legal levels of control within a fund. Such transfers require approval by the City Council. The Council approved appropriation transfers and supplemental budget resolutions during the fiscal year ended June 30, 2025.

Expenditures in the following funds/departments/categories exceeded appropriations for the fiscal year ended June 30, 2025:

<u>Fund</u>	<u>Department/Category</u>	<u>Amount</u>
General	Finance	\$ (194)
General	Janitorial	(1,585)
General	Economic development	(2,876)
General	Museum	(2,426)

CITY OF INDEPENDENCE

Notes to the Required Supplemental Information

Year Ended June 30, 2025

Note 2 - Budgetary Perspective Differences, continued

	<u>General</u>	<u>Urban Renewal Projects</u>
Other Financing Sources (Uses)		
Total other financing sources		
(uses) - budgetary basis	\$ 156,210	\$ -
Other financing sources (uses) of separately budgeted fund which is included in the fund on the governmental fund financial statements:		
Information Services Equipment	54,752	
Parks Capital Reserve	<u>2,000</u>	<u>-</u>
Total other financing sources (uses) reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	<u>\$ 212,962</u>	<u>\$ -</u>
Beginning Fund Balance		
Total beginning fund balance - budgetary basis	\$ 1,629,143	\$ 656,281
Beginning fund balance of separately budgeted fund which is included in the fund on the governmental fund financial statements:		
Information Services Equipment	(50,570)	
Parks Capital Reserve	181,344	-
Interfund loan	<u>3,875,940</u>	<u>(5,803,823)</u>
Total beginning fund balance reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	<u>\$ 5,635,857</u>	<u>\$ (5,147,542)</u>
Ending Fund Balance		
Total ending fund balance - budgetary basis	\$ 1,343,444	\$ 750,579
Ending fund balance of separately budgeted fund which is included in the fund on the governmental fund financial statements:		
Parks Capital Reserve	37,582	-
Interfund loan	<u>3,873,780</u>	<u>(5,458,773)</u>
Total ending fund balance reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	<u>\$ 5,254,806</u>	<u>\$ (4,708,194)</u>

CITY OF INDEPENDENCE

Notes to the Required Supplemental Information

Year Ended June 30, 2025

Note 2 - Budgetary Perspective Differences, continued

	<u>General</u>	<u>Urban Renewal Projects</u>
Other Financing Sources (Uses)		
Total other financing sources (uses) - budgetary basis	\$ 156,210	\$ -
Other financing sources (uses) of separately budgeted fund which is included in the fund on the governmental fund financial statements:		
Information Services Equipment	54,752	
Parks Capital Reserve	<u>2,000</u>	<u>-</u>
Total other financing sources (uses) reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	\$ <u>212,962</u>	\$ <u>-</u>
	<u>General</u>	<u>Urban Renewal Projects</u>
Beginning Fund Balance		
Total beginning fund balance - budgetary basis	\$ 1,629,143	\$ 656,281
Beginning fund balance of separately budgeted fund which is included in the fund on the governmental fund financial statements:		
Information Services Equipment	(50,570)	
Parks Capital Reserve	181,344	-
Interfund loan	<u>3,875,940</u>	<u>(5,803,823)</u>
Total beginning fund balance reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	\$ <u>5,635,857</u>	\$ <u>(5,147,542)</u>
	<u>General</u>	<u>Urban Renewal Projects</u>
Ending Fund Balance		
Total ending fund balance - budgetary basis	\$ 1,343,444	\$ 750,579
Ending fund balance of separately budgeted fund which is included in the fund on the governmental fund financial statements:		
Parks Capital Reserve	37,582	-
Interfund loan	<u>3,873,780</u>	<u>(5,458,773)</u>
Total ending fund balance reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	\$ <u>5,254,806</u>	\$ <u>(4,708,194)</u>

SUPPLEMENTARY INFORMATION

CITY OF INDEPENDENCE

General Fund

Combining Balance Sheet

June 30, 2025

	General	Information Services Equipment	Parks Capital Reserve	Total
ASSETS				
Cash and Cash Equivalents	\$ 649,805	\$ -	\$ 37,582	\$ 687,387
Receivables:				
Accounts	512,611	-	-	512,611
Taxes	113,586	-	-	113,586
Leases	1,825	-	-	1,825
Due from Other Funds	3,873,780	-	-	3,873,780
Prepaid Items	46,607	-	-	46,607
Advances from Other Funds	749,449	-	-	749,449
Total Assets	\$ 5,947,663	\$ -	\$ 37,582	\$ 5,985,245
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 113,162	\$ -	\$ -	\$ 113,162
Payroll and related liabilities	113,035	-	-	113,035
Customer deposits	186,996	-	-	186,996
Total Liabilities	413,193	-	-	413,193
Deferred Inflows of Resources:				
Unavailable revenues	315,928	-	-	315,928
Deferred lease resources	1,318	-	-	1,318
Total Deferred Inflows of Resources	317,246	-	-	317,246
Fund Balances:				
Nonspendable	46,607	-	-	46,607
Assigned	-	-	37,582	37,582
Unassigned	5,170,617	-	-	5,170,617
Total Fund Balances	5,217,224	-	37,582	5,254,806
Total Liabilities and Fund Balances	\$ 5,947,663	\$ -	\$ 37,582	\$ 5,985,245

CITY OF INDEPENDENCE

General Fund

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance

Year Ended June 30, 2025

	General	Information Services Equipment	Parks Capital Reserve	Total
Revenues:				
Taxes:				
Property	\$ 2,696,537	\$ -	\$ -	\$ 2,696,537
Other	87,125	-	-	87,125
Franchise fees, privilege taxes, licenses, and permits	1,131,481	-	-	1,131,481
Intergovernmental	378,919	-	-	378,919
Charges for services	758,239	-	-	758,239
Fines and forfeitures	106,694	-	-	106,694
Interest earnings	246,422	-	2,494	248,916
Other revenue	127,529	-	-	127,529
Total Revenues	5,532,946	-	2,494	5,535,440
Expenditures:				
Current:				
General government	1,214,313	4,182	-	1,218,495
Public safety	3,349,649	-	-	3,349,649
Community development	277,193	-	-	277,193
Culture and recreation	1,062,432	-	-	1,062,432
Capital outlay	189	-	148,256	148,445
Debt service:				
Principal	65,384	-	-	65,384
Interest	7,855	-	-	7,855
Total Expenditures	5,977,015	4,182	148,256	6,129,453
Excess (Deficiency) of Revenues over Expenditures	(444,069)	(4,182)	(145,762)	(594,013)
Other Financing Sources (Uses):				
Transfers in	488,092	54,752	2,000	544,844
Transfers out	(331,882)	-	-	(331,882)
Total Other Financing Sources (Uses)	156,210	54,752	2,000	212,962
Net Change in Fund Balances	(287,859)	50,570	(143,762)	(381,051)
Fund Balances, Beginning, as Previously Presented	5,470,647	(50,570)	181,344	5,601,421
Restatement	34,436	-	-	34,436
Fund Balances, beginning, as restated	5,505,083	(50,570)	181,344	5,635,857
Fund Balances, ending	\$ 5,217,224	\$ -	\$ 37,582	\$ 5,254,806

CITY OF INDEPENDENCE

Information Services Equipment Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Expenditures:			
Materials and services	\$ -	\$ 4,182	\$ (4,182)
Total Expenditures	<u>-</u>	<u>4,182</u>	<u>(4,182)</u>
Excess of Revenues Over Expenditures	<u>-</u>	<u>(4,182)</u>	<u>(4,182)</u>
Other Financing Sources (Uses):			
Transfers in	<u>13,279</u>	<u>54,752</u>	<u>41,473</u>
Total Other Financing Sources (Uses)	<u>13,279</u>	<u>54,752</u>	<u>41,473</u>
Net Change in Fund Balance	13,279	50,570	37,291
Fund Balance, beginning	<u>(13,279)</u>	<u>(50,570)</u>	<u>(37,291)</u>
Fund Balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF INDEPENDENCE**Parks Capital Reserve Fund****Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**

Year Ended June 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Intergovernmental	\$ 75,000	\$ -	\$ (75,000)
Interest earnings	<u>600</u>	<u>2,494</u>	<u>1,894</u>
Total Revenues	<u>75,600</u>	<u>2,494</u>	<u>(73,106)</u>
Expenditures:			
Capital outlay	302,550	148,256	154,294
Contingency	<u>7,599</u>	<u>-</u>	<u>7,599</u>
Total Expenditures	<u>310,149</u>	<u>148,256</u>	<u>161,893</u>
Excess of Revenues Over Expenditures	<u>(234,549)</u>	<u>(145,762)</u>	<u>88,787</u>
Other Financing Sources (Uses):			
Transfers in	<u>2,000</u>	<u>2,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>2,000</u>	<u>2,000</u>	<u>-</u>
Net Change in Fund Balance	(232,549)	(143,762)	88,787
Fund Balance, beginning	<u>232,549</u>	<u>181,344</u>	<u>(51,205)</u>
Fund Balance, ending	<u>\$ -</u>	<u>\$ 37,582</u>	<u>\$ 37,582</u>

CITY OF INDEPENDENCE
Urban Renewal Projects Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Property taxes	\$ 300,000	\$ 683,978	\$ 383,978
Interest earnings	<u>500</u>	<u>-</u>	<u>(500)</u>
Total Revenues	<u>300,500</u>	<u>683,978</u>	<u>383,478</u>
Expenditures:			
Materials and services	-	2,466	(2,466)
Debt service	889,000	587,214	301,786
Contingency	<u>6,567</u>	<u>-</u>	<u>6,567</u>
Total Expenditures	<u>895,567</u>	<u>589,680</u>	<u>305,887</u>
Net Change in Fund Balance	(595,067)	94,298	689,365
Fund Balance, beginning	<u>595,067</u>	<u>656,281</u>	<u>61,214</u>
Fund Balance, ending	<u>\$ -</u>	<u>\$ 750,579</u>	<u>\$ 750,579</u>

CITY OF INDEPENDENCE

MINET Debt Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Intergovernmental	\$ 796,580	\$ 545,000	\$ (251,580)
Interest earnings	<u>-</u>	<u>254,527</u>	<u>254,527</u>
Total Revenues	<u>796,580</u>	<u>799,527</u>	<u>2,947</u>
Expenditures:			
Debt service	<u>796,593</u>	<u>796,505</u>	<u>88</u>
Total Expenditures	<u>796,593</u>	<u>796,505</u>	<u>88</u>
Net Change in Fund Balance	(13)	3,022	3,035
Fund Balance, beginning	<u>13</u>	<u>165</u>	<u>152</u>
Fund Balance, ending	<u>\$ -</u>	<u>\$ 3,187</u>	<u>\$ 3,187</u>

CITY OF INDEPENDENCE
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2025

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 2,235,283	\$ 343,387	\$ 2,128,209	\$ 4,706,879
Receivables:				
Accounts	53,522	-	-	53,522
Taxes	-	30,263	-	30,263
Loans, net	214,815	18,897	-	233,712
Due from Other Funds	937,214	-	-	937,214
Prepaid Items	28,046	-	915	28,961
Total Assets	\$ 3,468,880	\$ 392,547	\$ 2,129,124	\$ 5,990,551
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 39,116	\$ -	\$ 34,613	\$ 73,729
Payroll and related liabilities	10,664	-	2,778	13,442
Deposits	400	-	-	400
Advances from other funds	92,227	-	-	92,227
Total Liabilities	142,407	-	37,391	179,798
Deferred Inflows of Resources:				
Unavailable revenues	210,781	49,595	-	260,376
Total Deferred Inflows of Resources	210,781	49,595	-	260,376
Fund Balances:				
Nonspendable	28,046	-	915	28,961
Restricted	2,317,285	342,952	-	2,660,237
Committed	829,752	-	-	829,752
Assigned	-	-	2,090,818	2,090,818
Unassigned	(59,391)	-	-	(59,391)
Total Fund Balances	3,115,692	342,952	2,091,733	5,550,377
Total Liabilities and Fund Balances	\$ 3,468,880	\$ 392,547	\$ 2,129,124	\$ 5,990,551

CITY OF INDEPENDENCE
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Year Ended June 30, 2025

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
Revenues:				
Taxes:				
Property	\$ -	\$ 815,451	\$ -	\$ 815,451
Transient room	240,782	-	-	240,782
System development charges	78,272	-	-	78,272
Assessments	-	1,346	-	1,346
Interest earnings	127,133	47,402	92,208	266,743
Other revenue	298,316	-	466,068	764,384
	<u>744,503</u>	<u>864,199</u>	<u>558,276</u>	<u>2,166,978</u>
Total Revenues				
Expenditures:				
Current:				
General government	-	-	255,331	255,331
Culture and recreation	722,628	-	-	722,628
Capital outlay	482,512	-	99,493	582,005
Debt service:				
Principal	-	823,916	-	823,916
Interest	-	599,541	-	599,541
	<u>1,205,140</u>	<u>1,423,457</u>	<u>354,824</u>	<u>2,983,421</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over Expenditures	<u>(460,637)</u>	<u>(559,258)</u>	<u>203,452</u>	<u>(816,443)</u>
Other Financing Sources (Uses):				
Transfers in	-	213,052	370,130	583,182
	<u>-</u>	<u>213,052</u>	<u>370,130</u>	<u>583,182</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	(460,637)	(346,206)	573,582	(233,261)
Fund Balances, beginning	<u>3,576,329</u>	<u>689,158</u>	<u>1,518,151</u>	<u>5,783,638</u>
Fund Balances, ending	<u>\$ 3,115,692</u>	<u>\$ 342,952</u>	<u>\$ 2,091,733</u>	<u>\$ 5,550,377</u>

CITY OF INDEPENDENCE
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2025

	Economic Development Loan	Tourism and Events	Transportation SDC	Parks SDC	Total
ASSETS					
Cash and Cash Equivalents	\$ 757,969	\$ -	\$ 1,033,152	\$ 444,162	\$ 2,235,283
Receivables:					
Accounts	-	52,423	1,099	-	53,522
Loans, net	46,462	-	159,101	9,252	214,815
Due from Other Funds	71,783	-	529,438	335,993	937,214
Prepaid Items	-	28,046	-	-	28,046
	<u>-</u>	<u>28,046</u>	<u>-</u>	<u>-</u>	<u>28,046</u>
Total Assets	\$ 876,214	\$ 80,469	\$ 1,722,790	\$ 789,407	\$ 3,468,880
	<u><u>876,214</u></u>	<u><u>80,469</u></u>	<u><u>1,722,790</u></u>	<u><u>789,407</u></u>	<u><u>3,468,880</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 8,523	\$ -	\$ 30,593	\$ 39,116
Payroll and related liabilities	-	10,664	-	-	10,664
Customer deposits	-	400	-	-	400
Advances from other funds	-	92,227	-	-	92,227
	<u>-</u>	<u>92,227</u>	<u>-</u>	<u>-</u>	<u>92,227</u>
Total Liabilities	-	111,814	-	30,593	142,407
	<u>-</u>	<u>111,814</u>	<u>-</u>	<u>30,593</u>	<u>142,407</u>
Deferred Inflows of Resources:					
Unavailable revenues	46,462	-	159,101	5,218	210,781
	<u>46,462</u>	<u>-</u>	<u>159,101</u>	<u>5,218</u>	<u>210,781</u>
Total Deferred Inflows of Resources	46,462	-	159,101	5,218	210,781
	<u>46,462</u>	<u>-</u>	<u>159,101</u>	<u>5,218</u>	<u>210,781</u>
Fund Balances:					
Nonspendable	-	28,046	-	-	28,046
Restricted	-	-	1,563,689	753,596	2,317,285
Committed	829,752	-	-	-	829,752
Unassigned	-	(59,391)	-	-	(59,391)
	<u>-</u>	<u>(59,391)</u>	<u>-</u>	<u>-</u>	<u>(59,391)</u>
Total Fund Balances	829,752	(31,345)	1,563,689	753,596	3,115,692
	<u>829,752</u>	<u>(31,345)</u>	<u>1,563,689</u>	<u>753,596</u>	<u>3,115,692</u>
Total Liabilities and Fund Balances	\$ 876,214	\$ 80,469	\$ 1,722,790	\$ 789,407	\$ 3,468,880
	<u><u>876,214</u></u>	<u><u>80,469</u></u>	<u><u>1,722,790</u></u>	<u><u>789,407</u></u>	<u><u>3,468,880</u></u>

CITY OF INDEPENDENCE
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Year Ended June 30, 2025

	Economic Development Loan	Tourism and Events	Transportation	Parks SDC	Total
Revenues:					
Taxes:					
Transient room	\$ -	\$ 240,782	\$ -	\$ -	\$ 240,782
System development charges	-	-	51,023	27,249	78,272
Interest earnings	34,679	132	58,513	33,809	127,133
Other revenue	11,794	286,522	-	-	298,316
	<u>46,473</u>	<u>527,436</u>	<u>109,536</u>	<u>61,058</u>	<u>744,503</u>
Total Revenues					
Expenditures:					
Current:					
Culture and recreation	-	598,655	-	123,973	722,628
Capital outlay	-	-	287,222	195,290	482,512
	<u>-</u>	<u>598,655</u>	<u>287,222</u>	<u>319,263</u>	<u>1,205,140</u>
Total Expenditures					
Net Change in Fund Balances	46,473	(71,219)	(177,686)	(258,205)	(460,637)
Fund Balances, beginning	<u>783,279</u>	<u>39,874</u>	<u>1,741,375</u>	<u>1,011,801</u>	<u>3,576,329</u>
Fund Balances, ending	<u>\$ 829,752</u>	<u>\$ (31,345)</u>	<u>\$ 1,563,689</u>	<u>\$ 753,596</u>	<u>\$ 3,115,692</u>

CITY OF INDEPENDENCE
Nonmajor Debt Service Funds
Combining Balance Sheet
June 30, 2025

	General Obligation Bond	Special Assessment	Urban Renewal Debt	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and Cash Equivalents	\$ 80,609	\$ 20,824	\$ 241,954	\$ 343,387
Receivables:				
Taxes	9,382	-	20,881	30,263
Loans, net	<u>-</u>	<u>18,897</u>	<u>-</u>	<u>18,897</u>
Total Assets	<u>\$ 89,991</u>	<u>\$ 39,721</u>	<u>\$ 262,835</u>	<u>\$ 392,547</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Deferred Inflows of Resources:				
Unavailable revenues	<u>\$ 12,885</u>	<u>\$ 18,897</u>	<u>\$ 17,813</u>	<u>\$ 49,595</u>
Total Deferred Inflows of Resources	<u>12,885</u>	<u>18,897</u>	<u>17,813</u>	<u>49,595</u>
Fund Balances:				
Restricted	<u>77,106</u>	<u>20,824</u>	<u>245,022</u>	<u>342,952</u>
Total Fund Balances	<u>77,106</u>	<u>20,824</u>	<u>245,022</u>	<u>342,952</u>
Total Liabilities and Fund Balances	<u>\$ 89,991</u>	<u>\$ 39,721</u>	<u>\$ 262,835</u>	<u>\$ 392,547</u>

CITY OF INDEPENDENCE
Nonmajor Debt Service Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Year Ended June 30, 2025

	General Obligation Bond	Special Assessment	Urban Renewal Debt	Total
Revenues:				
Taxes:				
Property	\$ 371,696	\$ -	\$ 443,755	\$ 815,451
Assessments	-	1,346	-	1,346
Interest earnings	10,630	804	35,968	47,402
Total Revenues	<u>382,326</u>	<u>2,150</u>	<u>479,723</u>	<u>864,199</u>
Expenditures:				
Debt service:				
Principal	275,000	-	548,916	823,916
Interest	122,720	-	476,821	599,541
Total Expenditures	<u>397,720</u>	<u>-</u>	<u>1,025,737</u>	<u>1,423,457</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(15,394)</u>	<u>2,150</u>	<u>(546,014)</u>	<u>(559,258)</u>
Other Financing Sources (Uses):				
Transfers in	-	-	213,052	213,052
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>213,052</u>	<u>213,052</u>
Net Change in Fund Balances	(15,394)	2,150	(332,962)	(346,206)
Fund Balances, beginning	<u>92,500</u>	<u>18,674</u>	<u>577,984</u>	<u>689,158</u>
Fund Balances, ending	<u>\$ 77,106</u>	<u>\$ 20,824</u>	<u>\$ 245,022</u>	<u>\$ 342,952</u>

CITY OF INDEPENDENCE
Nonmajor Capital Projects Funds
Combining Balance Sheet
June 30, 2025

	<u>Building Repair and Replacement</u>	<u>Capital Projects</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,209,239	\$ 918,970	\$ 2,128,209
Prepaid Items	<u>915</u>	<u>-</u>	<u>915</u>
Total Assets	<u>\$ 1,210,154</u>	<u>\$ 918,970</u>	<u>\$ 2,129,124</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 34,613	\$ -	\$ 34,613
Payroll and related liabilities	<u>2,778</u>	<u>-</u>	<u>2,778</u>
Total Liabilities	<u>37,391</u>	<u>-</u>	<u>37,391</u>
Fund Balances:			
Nonspendable	915	-	915
Assigned	<u>1,171,848</u>	<u>918,970</u>	<u>2,090,818</u>
Total Fund Balances	<u>1,172,763</u>	<u>918,970</u>	<u>2,091,733</u>
Total Liabilities and Fund Balances	<u>\$ 1,210,154</u>	<u>\$ 918,970</u>	<u>\$ 2,129,124</u>

CITY OF INDEPENDENCE**Nonmajor Capital Projects Funds****Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**

Year Ended June 30, 2025

	Building Repair and Replacement	Capital Projects	Total
Revenues:			
Interest earnings	\$ 58,390	\$ 33,818	\$ 92,208
Other revenue	<u>21,363</u>	<u>444,705</u>	<u>466,068</u>
Total Revenues	<u>79,753</u>	<u>478,523</u>	<u>558,276</u>
Expenditures:			
Current:			
General government	255,331	-	255,331
Capital outlay	<u>99,493</u>	<u>-</u>	<u>99,493</u>
Total Expenditures	<u>354,824</u>	<u>-</u>	<u>354,824</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(275,071)</u>	<u>478,523</u>	<u>203,452</u>
Other Financing Sources (Uses):			
Transfers in	<u>370,130</u>	<u>-</u>	<u>370,130</u>
Total Other Financing Sources (Uses)	<u>370,130</u>	<u>-</u>	<u>370,130</u>
Net Change in Fund Balances	95,059	478,523	573,582
Fund Balances, beginning	<u>1,077,704</u>	<u>440,447</u>	<u>1,518,151</u>
Fund Balances, ending	<u>\$ 1,172,763</u>	<u>\$ 918,970</u>	<u>\$ 2,091,733</u>

CITY OF INDEPENDENCE

Economic Development Loan Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Loan repayments	\$ 110,623	\$ 40,259	\$ (70,364)
Interest earnings	17,000	34,679	17,679
Other revenue	<u>14,500</u>	<u>-</u>	<u>(14,500)</u>
Total Revenues	<u>142,123</u>	<u>74,938</u>	<u>(67,185)</u>
Expenditures:			
Materials and services	120,000	-	120,000
Contingency	<u>998,179</u>	<u>-</u>	<u>998,179</u>
Total Expenditures	<u>1,118,179</u>	<u>-</u>	<u>1,118,179</u>
Net Change in Fund Balance	(976,056)	74,938	1,050,994
Fund Balance, beginning	<u>976,056</u>	<u>683,031</u>	<u>(293,025)</u>
Fund Balance, ending	\$ <u><u>-</u></u>	757,969	\$ <u><u>757,969</u></u>
<i>Reconciliation to generally accepted accounting principles</i>			
Due from other funds		<u>71,783</u>	
Fund balance, ending - generally accepted accounting principles		\$ <u><u>829,752</u></u>	

CITY OF INDEPENDENCE

Tourism and Events Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Other taxes	\$ 200,000	\$ 240,782	\$ 40,782
Rent	-	1,820	1,820
Interest earnings	1,500	132	(1,368)
Other revenue	<u>482,180</u>	<u>284,702</u>	<u>(197,478)</u>
Total Revenues	<u>683,680</u>	<u>527,436</u>	<u>(156,244)</u>
Expenditures:			
Personnel services	371,000	354,580	16,420
Materials and services	306,350	244,075	62,275
Contingency	<u>34,824</u>	<u>-</u>	<u>34,824</u>
Total Expenditures	<u>712,174</u>	<u>598,655</u>	<u>113,519</u>
Net Change in Fund Balance	(28,494)	(71,219)	(42,725)
Fund Balance, beginning	<u>28,494</u>	<u>39,874</u>	<u>11,380</u>
Fund Balance, ending	<u>\$ -</u>	<u>\$ (31,345)</u>	<u>\$ (31,345)</u>

CITY OF INDEPENDENCE

Transportation SDC Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
System development charges	\$ 511,100	\$ 50,530	\$ (460,570)
Loan repayments	140,852	130,482	(10,370)
Interest earnings	<u>6,600</u>	<u>59,006</u>	<u>52,406</u>
Total Revenues	<u>658,552</u>	<u>240,018</u>	<u>(418,534)</u>
Expenditures:			
Capital outlay	864,000	287,222	576,778
Contingency	<u>549,370</u>	<u>-</u>	<u>549,370</u>
Total Expenditures	<u>1,413,370</u>	<u>287,222</u>	<u>1,126,148</u>
Net Change in Fund Balance	(754,818)	(47,204)	707,614
Fund Balance, beginning	<u>754,818</u>	<u>1,081,455</u>	<u>326,637</u>
Fund Balance, ending	\$ <u><u>-</u></u>	1,034,251	\$ <u><u>1,034,251</u></u>
<i>Reconciliation to generally accepted accounting principles</i>			
Due from other funds		<u>529,438</u>	
Fund balance, ending - generally accepted accounting principles		\$ <u><u>1,563,689</u></u>	

CITY OF INDEPENDENCE**Parks SDC Fund****Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**

Year Ended June 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
System development charges	\$ 292,000	\$ 27,249	\$ (264,751)
Loan repayments	62,023	50,430	(11,593)
Interest earnings	5,000	33,809	28,809
Total Revenues	<u>359,023</u>	<u>111,488</u>	<u>(247,535)</u>
Expenditures:			
Materials and services	257,683	123,973	133,710
Capital outlay	325,300	195,290	130,010
Contingency	292,000	-	292,000
Total Expenditures	<u>874,983</u>	<u>319,263</u>	<u>555,720</u>
Net Change in Fund Balance	(515,960)	(207,775)	308,185
Fund Balance, beginning	<u>515,960</u>	<u>625,378</u>	<u>109,418</u>
Fund Balance, ending	<u>\$ -</u>	417,603	<u>\$ 417,603</u>
<i>Reconciliation to generally accepted accounting principles</i>			
Due from other funds		<u>335,993</u>	
Fund balance, ending - generally accepted accounting principles		<u>\$ 753,596</u>	

CITY OF INDEPENDENCE

General Obligation Bond Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Property taxes	\$ 384,000	\$ 371,696	\$ (12,304)
Interest earnings	<u>-</u>	<u>10,630</u>	<u>10,630</u>
Total Revenues	<u>384,000</u>	<u>382,326</u>	<u>(1,674)</u>
Expenditures:			
Debt service	<u>397,719</u>	<u>397,720</u>	<u>1</u>
Total Expenditures	<u>397,719</u>	<u>397,720</u>	<u>1</u>
Net Change in Fund Balance	(13,719)	(15,394)	(1,673)
Fund Balance, beginning	<u>82,281</u>	<u>92,500</u>	<u>10,219</u>
Fund Balance, ending	<u>\$ 68,562</u>	<u>\$ 77,106</u>	<u>\$ 8,546</u>

CITY OF INDEPENDENCE

Special Assessment Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Assessments	\$ 3,845	\$ 1,346	\$ (2,499)
Interest earnings	<u>800</u>	<u>804</u>	<u>4</u>
Total Revenues	<u>4,645</u>	<u>2,150</u>	<u>(2,495)</u>
Net Change in Fund Balance	4,645	2,150	(2,495)
Fund Balance, beginning	<u>18,571</u>	<u>18,674</u>	<u>103</u>
Fund Balance, ending	<u>\$ 23,216</u>	<u>\$ 20,824</u>	<u>\$ (2,392)</u>

CITY OF INDEPENDENCE**Urban Renewal Debt Service Fund****Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**

Year Ended June 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Property taxes	\$ 897,000	\$ 443,755	\$ (453,245)
Interest earnings	<u>8,000</u>	<u>35,968</u>	<u>27,968</u>
Total Revenues	<u>905,000</u>	<u>479,723</u>	<u>(425,277)</u>
Expenditures:			
Debt service	<u>1,026,000</u>	<u>1,025,737</u>	<u>263</u>
Total Expenditures	<u>1,026,000</u>	<u>1,025,737</u>	<u>263</u>
Excess of Revenues Over Expenditures	<u>(121,000)</u>	<u>(546,014)</u>	<u>(425,014)</u>
Other Financing Sources (Uses):			
Transfers in	<u>213,052</u>	<u>213,052</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>213,052</u>	<u>213,052</u>	<u>-</u>
Net Change in Fund Balance	92,052	(332,962)	(425,014)
Fund Balance, beginning	<u>548,261</u>	<u>577,984</u>	<u>29,723</u>
Fund Balance, ending	<u>\$ 640,313</u>	<u>\$ 245,022</u>	<u>\$ (395,291)</u>

CITY OF INDEPENDENCE**Facilities, Vehicles and Equipment Replacement Fund****Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**

Year Ended June 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Interest earnings	\$ 15,000	\$ 58,390	\$ 43,390
Other revenue	<u>25,000</u>	<u>21,363</u>	<u>(3,637)</u>
Total Revenues	<u>40,000</u>	<u>79,753</u>	<u>39,753</u>
Expenditures:			
Personnel services	108,000	109,173	(1,173)
Materials and services	312,500	146,158	166,342
Capital outlay	<u>104,600</u>	<u>99,493</u>	<u>5,107</u>
Total Expenditures	<u>525,100</u>	<u>354,824</u>	<u>170,276</u>
Excess of Revenues Over Expenditures	<u>(485,100)</u>	<u>(275,071)</u>	<u>210,029</u>
Other Financing Sources (Uses):			
Transfers in	<u>452,730</u>	<u>370,130</u>	<u>(82,600)</u>
Total Other Financing Sources (Uses)	<u>452,730</u>	<u>370,130</u>	<u>(82,600)</u>
Net Change in Fund Balance	(32,370)	95,059	127,429
Fund Balance, beginning	<u>962,370</u>	<u>1,077,704</u>	<u>115,334</u>
Fund Balance, ending	<u>\$ 930,000</u>	<u>\$ 1,172,763</u>	<u>\$ 242,763</u>

CITY OF INDEPENDENCE

Capital Projects Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Intergovernmental	\$ 6,178,502	\$ -	\$ (6,178,502)
Interest earnings	4,000	33,818	29,818
Other revenue	<u>-</u>	<u>444,705</u>	<u>444,705</u>
Total Revenues	<u>6,182,502</u>	<u>478,523</u>	<u>(5,703,979)</u>
Expenditures:			
Capital outlay	<u>6,640,650</u>	<u>-</u>	<u>6,640,650</u>
Total Expenditures	<u>6,640,650</u>	<u>-</u>	<u>6,640,650</u>
Net Change in Fund Balance	(458,148)	478,523	936,671
Fund Balance, beginning	<u>458,148</u>	<u>440,447</u>	<u>(17,701)</u>
Fund Balance, ending	<u>\$ -</u>	<u>\$ 918,970</u>	<u>\$ 918,970</u>

CITY OF INDEPENDENCE

Water Operations Combining

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance

Year Ended June 30, 2025

	Water Operating	Water SDC	Total Water Operations
Revenues:			
Charges for services	\$ 3,124,923	\$ -	\$ 3,124,923
System development charges	-	25,771	25,771
Loan repayments	-	34,420	34,420
Interest earnings	273,577	28,535	302,112
Other revenue	1,819	120	1,939
Total Revenues	<u>3,400,255</u>	<u>88,846</u>	<u>3,489,101</u>
Expenditures:			
Personnel services	820,785	-	820,785
Materials and services	664,576	-	664,576
Capital outlay	1,131,170	109,844	1,241,014
Debt service	196,250	-	196,250
Total Expenditures	<u>2,812,781</u>	<u>109,844</u>	<u>2,922,625</u>
Excess of Revenues Over Expenditures	<u>587,474</u>	<u>(20,998)</u>	<u>566,476</u>
Other Financing Sources (Uses):			
Transfers out	(329,214)	-	(329,214)
Total Other Financing Sources (Uses)	<u>170,786</u>	<u>-</u>	<u>170,786</u>
Net Change in Fund Balance	758,260	(20,998)	737,262
Fund Balance, beginning	<u>2,979,089</u>	<u>452,181</u>	<u>3,431,270</u>
Fund Balance, ending	<u>\$ 3,768,638</u>	<u>\$ 431,183</u>	4,199,821
Reconciliation to Net Position - GAAP Basis			
Allowance for doubtful accounts			(68,826)
Interfund loan			205,945
Loan receivable			61,369
Capital assets, net			8,212,169
Net OPEB asset			12,332
Deferred outflows related to pensions			324,319
Deferred outflows related to OPEB			2,022
Accrued interest			(2,521)
Compensated absences			(83,644)
Long-term debt			(1,716,164)
Leases payable			(3,360)
Net pension liability			(793,017)
OPEB liability			(22,115)
Deferred inflows related to pension			(110,092)
Deferred inflows related to OPEB			(18,641)
Net position, ending			<u>\$ 10,199,597</u>

CITY OF INDEPENDENCE**Water Operating Fund****Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**

Year Ended June 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Intergovernmental	\$ 20,000	\$ -	\$ (20,000)
Charges for services	3,077,700	3,124,923	47,223
Rent	1,500	-	(1,500)
Loan repayments	125,246	-	(125,246)
Interest earnings	25,000	273,577	248,577
Other revenue	-	1,755	1,755
	<u>3,249,446</u>	<u>3,400,255</u>	<u>150,809</u>
Total Revenues			
Expenditures:			
Personnel services	847,000	820,785	26,215
Materials and services	745,500	664,576	80,924
Capital outlay	5,042,200	1,131,170	3,911,030
Debt service	186,650	196,250	(9,600)
Contingency	518,364	-	518,364
	<u>7,339,714</u>	<u>2,812,781</u>	<u>4,526,933</u>
Total Expenditures			
Excess of Revenues Over Expenditures	<u>(4,090,268)</u>	<u>587,474</u>	<u>4,677,742</u>
Other Financing Sources (Uses):			
Proceeds from long-term debt	2,000,000	500,000	(1,500,000)
Transfers out	(443,011)	(329,214)	113,797
	<u>1,556,989</u>	<u>170,786</u>	<u>(1,386,203)</u>
Total Other Financing Sources (Uses)			
Net Change in Fund Balance	(2,533,279)	758,260	3,291,539
Fund Balance, beginning	<u>2,588,279</u>	<u>2,979,089</u>	<u>390,810</u>
Fund Balance, ending	<u>\$ 55,000</u>	<u>\$ 3,768,638</u>	<u>\$ 3,713,638</u>

CITY OF INDEPENDENCE

Water SDC Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
System development charges	\$ 174,000	\$ 25,771	\$ (148,229)
Loan repayments	40,983	34,420	(6,563)
Interest earnings	3,000	28,535	25,535
Other revenue	-	120	120
Total Revenues	<u>217,983</u>	<u>88,846</u>	<u>(129,137)</u>
Expenditures:			
Capital outlay	414,619	109,844	304,775
Contingency	<u>174,000</u>	<u>-</u>	<u>174,000</u>
Total Expenditures	<u>588,619</u>	<u>109,844</u>	<u>478,775</u>
Net Change in Fund Balance	(370,636)	(20,998)	349,638
Fund Balance, beginning	<u>370,636</u>	<u>452,181</u>	<u>81,545</u>
Fund Balance, ending	<u>\$ -</u>	<u>\$ 431,183</u>	<u>\$ 431,183</u>

CITY OF INDEPENDENCE

Sewer Operations Combining

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance

Year Ended June 30, 2025

	Sewer Operating	Sewer SDC	Total Sewer Operations
Revenues:			
Charges for services	\$ 2,907,401	\$ -	\$ 2,907,401
System development charges	-	55,273	55,273
Loan repayments	42,678	51,832	94,510
Interest earnings	175,956	57,820	233,776
Other revenue	64,083	121	64,204
Total Revenues	<u>3,190,118</u>	<u>165,046</u>	<u>3,355,164</u>
Expenditures:			
Personnel services	816,034	-	816,034
Materials and services	449,983	-	449,983
Capital outlay	1,270,274	729,994	2,000,268
Debt service	652,631	-	652,631
Total Expenditures	<u>3,188,922</u>	<u>729,994</u>	<u>3,918,916</u>
Excess of Revenues Over Expenditures	<u>1,196</u>	<u>(564,948)</u>	<u>(563,752)</u>
Other Financing Sources (Uses):			
Transfers out	(317,932)	(1,641)	(319,573)
Total Other Financing Sources (Uses)	<u>(317,932)</u>	<u>(1,641)</u>	<u>(319,573)</u>
Net Change in Fund Balance	(316,736)	(566,589)	(883,325)
Fund Balance, beginning	3,986,768	1,401,161	5,387,929
Fund Balance, ending	<u>\$ 3,700,243</u>	<u>\$ 834,572</u>	4,534,815
Reconciliation to Net Position - GAAP Basis			
Allowance for doubtful accounts			(52,276)
Interfund loan			425,058
Loan receivable			70,522
Capital assets, net			14,941,711
Net OPEB asset			12,270
Refunded debt charges			8,651
Deferred outflows related to pensions			322,687
Deferred outflows related to OPEB			2,012
Accrued interest			(43,613)
Compensated absences			(82,685)
Long-term debt			(8,402,089)
Leases payable			(3,360)
Net pension liability			(789,027)
OPEB liability			(22,004)
Deferred inflows related to pension			(109,538)
Deferred inflows related to OPEB			(18,546)
Net position, ending			<u>\$ 10,794,588</u>

CITY OF INDEPENDENCE**Sewer Operating Fund****Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**

Year Ended June 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Charges for services	\$ 2,835,000	\$ 2,907,401	\$ 72,401
Loan repayments	6,043,466	42,678	(6,000,788)
Interest earnings	25,000	175,956	150,956
Other revenue	500	64,083	63,583
	<u>8,903,966</u>	<u>3,190,118</u>	<u>(5,713,848)</u>
Total Revenues			
Expenditures:			
Personnel services	842,000	816,034	25,966
Materials and services	559,250	449,983	109,267
Capital outlay	9,461,600	1,270,274	8,191,326
Debt service	537,650	652,631	(114,981)
Contingency	399,061	-	399,061
	<u>11,799,561</u>	<u>3,188,922</u>	<u>8,610,639</u>
Total Expenditures			
Excess of Revenues Over Expenditures	<u>(2,895,595)</u>	<u>1,196</u>	<u>2,896,791</u>
Other Financing Sources (Uses):			
Transfers out	<u>(301,126)</u>	<u>(317,932)</u>	<u>(16,806)</u>
	<u>(301,126)</u>	<u>(317,932)</u>	<u>(16,806)</u>
Total Other Financing Sources (Uses)			
Net Change in Fund Balance	(3,196,721)	(316,736)	2,879,985
Fund Balance, beginning	<u>3,712,501</u>	<u>3,986,768</u>	<u>274,267</u>
Fund Balance, ending	<u>\$ 515,780</u>	<u>\$ 3,700,243</u>	<u>\$ 3,184,463</u>

CITY OF INDEPENDENCE**Sewer SDC Fund****Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**

Year Ended June 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
System development charges	\$ 430,000	\$ 55,273	\$ (374,727)
Loan repayments	61,719	51,832	(9,887)
Interest earnings	5,000	57,820	52,820
Other revenue	-	121	121
Total Revenues	<u>496,719</u>	<u>165,046</u>	<u>(331,673)</u>
Expenditures:			
Capital outlay	901,769	729,994	171,775
Contingency	430,000	-	430,000
Total Expenditures	<u>1,331,769</u>	<u>729,994</u>	<u>601,775</u>
Excess of Revenues Over Expenditures	<u>(835,050)</u>	<u>(564,948)</u>	<u>270,102</u>
Other Financing Sources (Uses):			
Transfers out	-	(1,641)	(1,641)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(1,641)</u>	<u>(1,641)</u>
Net Change in Fund Balance	(835,050)	(566,589)	268,461
Fund Balance, beginning	<u>835,050</u>	<u>1,401,161</u>	<u>566,111</u>
Fund Balance, ending	<u>\$ -</u>	<u>\$ 834,572</u>	<u>\$ 834,572</u>

CITY OF INDEPENDENCE

Storm Drain Operations Combining

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Year Ended June 30, 2025

	Storm Drain Operating	Storm Drain SDC	Total Storm Drain Operations
Revenues:			
Charges for services	\$ 758,291	\$ -	\$ 758,291
System development charges	-	8,349	8,349
Loan repayments	-	4,583	4,583
Interest earnings	12,062	19,633	31,695
Total Revenues	770,353	32,565	802,918
Expenditures:			
Personnel services	417,666	-	417,666
Materials and services	107,292	70,770	178,062
Capital outlay	2,704	-	2,704
Total Expenditures	527,662	70,770	598,432
Excess of Revenues Over Expenditures	242,691	(38,205)	204,486
Other Financing Sources (Uses):			
Transfers out	(127,357)	-	(127,357)
Total Other Financing Sources (Uses)	(127,357)	-	(127,357)
Net Change in Fund Balance	115,334	(38,205)	77,129
Fund Balance, beginning	335,041	448,452	783,493
Fund Balance, ending	\$ 466,428	\$ 410,247	876,675
Reconciliation to Net Position - GAAP Basis			
Allowance for doubtful accounts			(16,298)
Interfund loan			16,776
Loan receivable			26,774
Capital assets, net			1,003,402
Net OPEB asset			6,279
Deferred outflows related to pensions			165,122
Deferred outflows related to OPEB			1,030
Compensated absences			(40,554)
Leases payable			(3,361)
Net pension liability			(403,752)
OPEB liability			(11,260)
Deferred inflows related to pension			(56,052)
Deferred inflows related to OPEB			(9,490)
Net position, ending			\$ 1,555,291

CITY OF INDEPENDENCE**Storm Drain Operating Fund****Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**

Year Ended June 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Intergovernmental	\$ 200,000	\$ -	\$ (200,000)
Charges for services	736,300	758,291	21,991
Interest earnings	<u>1,900</u>	<u>12,062</u>	<u>10,162</u>
Total Revenues	<u>938,200</u>	<u>770,353</u>	<u>(167,847)</u>
Expenditures:			
Personnel services	428,000	417,666	10,334
Materials and services	239,600	107,292	132,308
Capital outlay	203,000	2,704	200,296
Contingency	<u>176,319</u>	<u>-</u>	<u>176,319</u>
Total Expenditures	<u>1,046,919</u>	<u>527,662</u>	<u>519,257</u>
Excess of Revenues Over Expenditures	<u>(108,719)</u>	<u>242,691</u>	<u>351,410</u>
Other Financing Sources (Uses):			
Transfers out	<u>(123,100)</u>	<u>(127,357)</u>	<u>(4,257)</u>
Total Other Financing Sources (Uses)	<u>(123,100)</u>	<u>(127,357)</u>	<u>(4,257)</u>
Net Change in Fund Balance	(231,819)	115,334	347,153
Fund Balance, beginning	<u>261,819</u>	<u>335,041</u>	<u>73,222</u>
Fund Balance, ending	<u>\$ 30,000</u>	<u>\$ 466,428</u>	<u>\$ 436,428</u>

CITY OF INDEPENDENCE

Storm Drain SDC Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
System development charges	\$ 52,000	\$ 8,349	\$ (43,651)
Loan repayments	4,842	4,583	(259)
Interest earnings	<u>2,000</u>	<u>19,633</u>	<u>17,633</u>
Total Revenues	<u>58,842</u>	<u>32,565</u>	<u>(26,277)</u>
Expenditures:			
Materials and services	376,163	70,770	305,393
Contingency	<u>52,789</u>	<u>-</u>	<u>52,789</u>
Total Expenditures	<u>428,952</u>	<u>70,770</u>	<u>358,182</u>
Net Change in Fund Balance	(370,110)	(38,205)	331,905
Fund Balance, beginning	<u>370,110</u>	<u>448,452</u>	<u>78,342</u>
Fund Balance, ending	<u>\$ -</u>	<u>\$ 410,247</u>	<u>\$ 410,247</u>

COMPLIANCE SECTION

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

To the Honorable Mayor and City Council
 City of Independence
 Independence, Oregon

We have audited the basic financial statements of the City of Independence (the City) as of and for the year ended June 30, 2025, and have issued our report thereon dated February 25, 2026. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

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

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

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

In connection with our testing, nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except as follows:

- ORS 294.438 requires the financial summary portion of the LB-1 agree to the amounts presented on the detail budget sheets. Differences were identified as follows:

	<u>Per Detail Budget Sheets</u>	<u>Per LB-1</u>	<u>Difference</u>
2023–2024 Resources	\$ 39,425,507	\$ 39,412,609	\$ 12,898
2023–2024 Requirements	39,425,507	39,412,609	12,898

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

- ORS 294.456 unless the amended budget document is republished in the same manner as the original budget and another public hearing is held, the amount of estimated expenditures for each fund in an annual budget may not be increased by more than \$5,000 or 10 percent of the estimated expenditures, whichever is greater. Changes made to the budget after the public hearing for the Parks Capital Reserve Fund and the Tourism and Events Fund exceeded this limitation, with differences from the published budget of \$286,260 for Parks Capital Reserve and \$306,064 for Tourism and Events.
- ORS 294.358 requires the budget document detail sheets to present the actual budget resources and requirements for the two fiscal years next preceding the current year. The General Fund amounts reported as actual for fiscal year 2023–24 on the budget detail information did not agree to the financial statements, with actual resources in the financial statements \$60 less than the amount reported in the budget document and actual requirements in the financial statements \$61 less than the amount reported in the budget document.
- ORS 294.426(5) requires that when notice of a budget committee meeting is published only in a newspaper, the notice must be published at least two separate times, not more than 30 days and not less than five days before the meeting date. The first notice was appropriately advertised within the required five-to-30-day window; however, a second notice of the budget committee meeting was not published as required.
- ORS 294.438(1) requires that not more than 30 days and not less than five days before the budget hearing meeting of the governing body, a notice of the meeting and the required financial summary must be published at least once. No notice of the budget hearing was published.
- Expenditures in the following funds exceeded appropriations for the year ended June 30, 2025:

<u>Fund</u>	<u>Budget Category</u>	<u>Budget</u>	<u>Actual</u>	<u>Overexpenditure</u>
General	Finance	\$ 155,607	\$ 155,801	\$ (194)
General	Janitorial	72,172	73,757	(1,585)
General	Economic development	78,300	81,176	(2,876)
General	Museum	161,162	163,588	(2,426)
Information Services Equipment	Materials and services	-	4,182	(4,182)
Urban Renewal Projects	Materials and services	-	2,466	(2,466)
Facilities, Vehicles, and Equipment Replacement	Personnel services	108,000	109,173	(1,173)
Water	Debt service	186,650	196,250	(9,600)
Sewer	Debt service	537,650	652,631	(114,981)

OAR 162-10-0230 Internal Control

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

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

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


Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Restriction on Use

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

Aldrich CPAs + Advisors LLP

By:



Andrew Maffia, CPA, Partner
Salem, Oregon
February 25, 2026