



Carlton, Oregon
ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2015

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CITY OF CARLTON

**OFFICERS AND MEMBERS OF THE GOVERNING BODY
For the Year Ended June 30, 2015**

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Term Expires

December 31, 2016

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CITY MANAGER

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INDEPENDENT AUDITOR'S REPORT

To the City Council
Carlton, Oregon

Report on the Financial Statements

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 City of Carlton, Oregon as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

INDEPENDENT AUDITOR'S REPORT (Continued)

Opinions

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 of Carlton, Oregon, as of June 30, 2015, the respective changes in financial position, and the budgetary comparisons for the General and Street Funds and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages a-g and the schedules of the proportionate share of the net pension liability and contributions on pages 49-50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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.

Other 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 and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules 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 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT (Continued)

Reports on Other Legal and Regulatory Requirements

Other Reporting Required by Government Auditing Standards

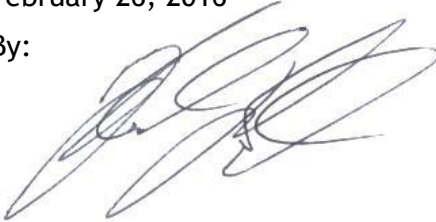
In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Other Reporting Required by Oregon State Regulations

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated February 26, 2016 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.

Boldt Carlisle + Smith
Certified Public Accountants
Salem, Oregon
February 26, 2016

By:

A handwritten signature in black ink, appearing to read 'Bradley G. Bingenheimer', is written over a light gray circular stamp or watermark.

Bradley G. Bingenheimer, Member

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**CITY OF CARLTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015**

The management of the City of Carlton, Oregon, presents this narrative overview and analysis to facilitate both a short and long-term analysis of the financial activities of the city for the fiscal year ended June 30, 2015. This Management's Discussion and Analysis (MD&A) is based on currently known facts, decisions, and conditions that existed as of the date the financial statements are issued.

Financial Highlights

- The City's governmental activities net position as of June 30, 2015, increased \$ 923,677 from the prior year.
- The City's business-type activities net position decreased \$(431,281) from the prior year.
- The General Fund's fund balance is \$293,719 at the end of the current fiscal year.
- The City's unrestricted cash and cash equivalents as of June 30, 2015 are \$3,244,563.

Overview of the Financial Statements

The following discussion and analysis is intended to serve as an introduction to the City's basic financial statements and other supplementary information. The City's basic financial statements are comprised of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

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 all assets of the City (including infrastructure such as streets, traffic signals, street lights, buildings, bridges, etc.) as well as all liabilities (including general obligation long-term debt). Additionally, certain eliminations have occurred with regards to inter-fund activities.

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

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash inflows or outflows in a future fiscal period. Examples of such items include earned but uncollected property taxes (future inflow), and interest accrued (future outflow).

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Overview of the Financial Statements (continued)

Government-wide financial statements (continued)

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

- General government (City Council, Mayor's office, Human Resources, Finance)
- Public safety (Police protection service)
- Highways and streets
- Culture and recreation
- Interest on long-term obligations

The business-type activities of the City include the following:

- Water
- Sewer

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

Governmental funds - Governmental funds are used to account for activities where the emphasis is placed on available financial resources, rather than upon net income determination. Therefore, unlike the government-wide financial statements, governmental fund financial statements focus on the acquisition and use of current expendable resources, as well as the balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near term financial requirements.

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

The City maintained nine individual governmental funds. Information for the funds that are considered significant (major) is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances. The City reports three major funds: General, Street, and System Development Charges Funds.

The City adopts annual appropriated budgets for all funds. To demonstrate compliance with the budget, budgetary comparison statements have been provided for all funds either in the basic financial statements (major governmental funds) or as supplementary information (all other funds).

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

Overview of the Financial Statements (continued)

Government-wide financial statements (continued)

Proprietary funds – Proprietary funds are used to account for activities where the emphasis is placed on net income determination. Enterprise funds are used to report the same functions presented as business-type activities in the governmental-wide financial statements.

The City uses enterprise funds to account for its water and sewer utility activities.

The enterprise funds of the City are reported separately as proprietary fund financial statements in the basic financial statements.

Notes to financial statements – The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. They are an integral part of the financial statements and should be read in conjunction with them.

Supplementary information – The combining statements and schedules referred to earlier and the schedules of property tax and bonded debt transactions follow the required supplementary information in this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City, assets exceeded liabilities by \$11,216,404 as of June 30, 2015.

	Governmental Activities		Business Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Assets						
Cash and investments	\$ 1,952,201	\$ 1,127,197	\$ 1,457,864	\$ 2,303,127	\$ 3,410,065	\$ 3,430,324
Other assets	135,409	112,451	218,504	187,190	353,913	299,641
Capital assets, net	<u>2,462,538</u>	<u>2,359,422</u>	<u>9,184,377</u>	<u>8,879,220</u>	<u>11,646,915</u>	<u>11,238,642</u>
Total assets	<u>4,550,148</u>	<u>3,599,070</u>	<u>10,860,745</u>	<u>11,369,537</u>	<u>15,410,893</u>	<u>14,968,607</u>
Deferred Outflow of Resources						
Pension related items	<u>1,309</u>	<u>-</u>	<u>1,241</u>	<u>-</u>	<u>2,550</u>	<u>-</u>
Liabilities						
Other liabilities	100,614	97,740	225,504	214,707	326,118	312,447
Long-term liabilities	<u>228,266</u>	<u>248,569</u>	<u>3,552,766</u>	<u>3,683,583</u>	<u>3,781,032</u>	<u>3,932,152</u>
Total liabilities	<u>328,880</u>	<u>346,309</u>	<u>3,778,270</u>	<u>3,898,290</u>	<u>4,107,150</u>	<u>4,244,599</u>
Deferred Inflows of Resources						
Pension related items	<u>46,139</u>	<u>-</u>	<u>43,750</u>	<u>-</u>	<u>89,889</u>	<u>-</u>
Net Position						
Net investment capital	2,243,714	2,123,621	5,641,408	5,213,039	7,885,122	7,336,660
Restricted	1,525,995	569,788	1,086,360	1,774,267	2,612,355	2,344,055
Unrestricted	<u>406,729</u>	<u>559,352</u>	<u>312,198</u>	<u>483,941</u>	<u>718,927</u>	<u>1,043,293</u>
Total Net Position	<u>\$ 4,176,438</u>	<u>\$ 3,252,761</u>	<u>\$ 7,039,966</u>	<u>\$ 7,471,247</u>	<u>\$ 11,216,404</u>	<u>\$ 10,724,008</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Government-Wide Financial Analysis (continued)

The largest portion of the City's net position reflect its investment of \$7,885,122 or 70%, in capital assets (e.g., land, buildings, improvements, equipment, and infrastructure, net of accumulated depreciation and related debt). The City uses capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$2,612,355 or approximately 23% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position totaling \$ 718,927 or approximately 7% represents the balance that may be used to meet the City's ongoing obligations to citizens and creditors.

The change in net asset is as follows:

	Governmental Activities		Business Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Revenues						
Program:						
Charge for services	\$ 500,830	\$ 144,395	\$ 1,336,289	\$ 1,267,186	\$ 1,837,119	\$ 1,411,581
Operating grants and contributions			-	-		
Capital grants and contributions	17,706	117,252	-	121,176	17,706	238,428
General:						
Taxes	665,944	627,344	-	-	665,944	627,344
Franchise fees	115,456	103,938	-	-	115,456	103,938
Intergovernmental	207,391	66,084	52,961	5,395	260,352	71,479
Interest	12,108	9,785	4,516	6,951	16,624	16,736
Other	97,475	43,433	2,876	71,818	100,351	115,251
Total revenues	<u>1,616,910</u>	<u>1,112,231</u>	<u>1,396,642</u>	<u>1,472,526</u>	<u>3,013,552</u>	<u>2,584,757</u>
Expenses						
General government	483,373	390,571	-	-	483,373	390,571
Public safety	378,876	336,336	-	-	378,876	336,336
Highways and streets	111,353	111,902	-	-	111,353	111,902
Cultural and recreation	184,472	151,908	-	-	184,472	151,908
Interest long-term debt	(343)	1,356	-	-	(343)	1,356
Water utility	-	-	687,051	638,567	687,051	638,567
Sewer utility	-	-	588,059	535,181	588,059	535,181
Total expenses	<u>1,157,731</u>	<u>992,073</u>	<u>1,275,110</u>	<u>1,173,748</u>	<u>2,432,841</u>	<u>2,165,821</u>
Change in net position before transfers	459,179	120,158	121,532	298,778	580,711	418,936
Transfers	<u>509,829</u>	<u>(968,900)</u>	<u>(509,829)</u>	<u>968,900</u>	-	-
Change in net position	969,008	(848,742)	(388,297)	1,267,678	580,711	418,936
Beginning net position	3,252,761	4,101,503	7,471,247	6,139,767	10,724,008	10,241,270
Prior period adjustment	<u>(45,331)</u>	-	<u>(42,984)</u>	<u>63,802</u>	<u>(88,315)</u>	<u>63,802</u>
Ending net position	<u>\$ 4,176,438</u>	<u>\$ 3,252,761</u>	<u>\$ 7,039,966</u>	<u>\$ 7,471,247</u>	<u>\$ 11,216,404</u>	<u>\$ 10,724,008</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Fund Financial Statements

General Fund

The General Fund ended the year with a fund balance of \$293,719. Revenues for fiscal year 2014-15 were \$947,972. This was an \$88,115 increase compared to last year. The increase in revenue was primarily due to an increase in property taxes and new development.

The operation of the General Fund can be summarized as follows:

Fund balance, July 1, 2014	\$	429,883	
Revenues		947,972	
Transfers in (out), net		<u>(146,022)</u>	
Total		1,231,833	
Expenditures		<u>938,114</u>	
Fund balance, June 30, 2015	\$	<u>293,719</u>	
Expenditures were as follows:			
General government	\$	370,199	39%
Public safety		387,815	41%
Culture and recreation		145,654	16%
Capital outlay		<u>34,446</u>	<u>4%</u>
Total	\$	<u>938,114</u>	<u>100%</u>

Enterprise Funds

The City operates two utility services. These funds are operated like private enterprises and the accounting reflects this. Following are the significant highlights for each:

Water Fund financial comparison is as follows:

	<u>2015</u>	<u>2014</u>
Operating revenue	\$ 806,455	\$747,833
Operating expenses	<u>637,525</u>	<u>586,803</u>
Operating income	168,930	161,030
Nonoperating revenues (expenses)	(48,496)	(1,159)
Transfers in (out), net	<u>91,264</u>	<u>32,481</u>
Change in net position	<u>\$ 211,698</u>	<u>\$ 192,352</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Fund-Based Financial Statements

Enterprise Funds (continued)

Sewer Fund financial comparison is as follows:

	<u>2015</u>	<u>2014</u>
Operating revenue	\$ 529,834	\$ 519,353
Operating expenses	<u>490,724</u>	<u>437,780</u>
Operating income	39,110	81,573
Nonoperating revenue (expenses)	(73,793)	(70,315)
Transfers in (out), net	<u>128,475</u>	<u>(110,431)</u>
Change in net position	<u>\$ 93,792</u>	<u>\$ (99,173)</u>

General Fund Budgetary Highlights

During the year, budgetary appropriations exceeded actual expenditures. The net change in General Fund balance during the year was a decrease of \$136,164. Total fund balances for all governmental fund types during the year increased by \$816,404.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2015 the City had \$10,945,467 invested in a broad range of capital assets including land, buildings and improvements, equipment, roads, bridges, water, sewer and storm water lines.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Construction in progress	\$ 158,776	\$ 71,688	\$ 341,843	\$ 2,064,888	\$ 500,619	\$ 2,136,576
Land	160,688	160,688	309,456	309,456	470,144	470,144
Buildings and improvements (net of depreciation)	306,045	275,687	-	-	306,045	275,687
Machinery and equipment (net of depreciation)	112,913	68,137	18,532	25,292	131,445	93,429
Infrastructure (net of depreciation)	<u>1,724,116</u>	<u>1,783,222</u>	<u>8,514,546</u>	<u>6,479,584</u>	<u>10,238,662</u>	<u>8,262,806</u>
Totals	<u>\$ 2,462,538</u>	<u>\$ 2,359,422</u>	<u>\$ 9,184,377</u>	<u>\$ 8,879,220</u>	<u>\$ 11,646,915</u>	<u>\$ 11,238,642</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

General Fund Budgetary Highlights (continued)

Bonded Debt – At the end of the current fiscal year, the City had total bonded debt outstanding of \$700,000. The City's outstanding bonded debt is for business-type activities and is comprised of one outstanding water revenue bond issue. The bonds are paid from net revenues of the water system. The remainder of the City's total debt is non-bonded.

State statutes limit the amount of general obligation debt a City may issue to 3 percent of its total assessed valuation. The current debt limitation of the City is \$5,034,041. The City has no outstanding general obligation debt; therefore the full amount is available.

Long-Term Loans – At the end of the current fiscal year, the City had total long-term loans outstanding of \$3,061,793. These loans are paid from net revenues of the water and sewer systems except for \$218,824 which is funded from governmental activities.

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Totals</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Compensated absences	\$ 9,442	\$ 12,768	\$ 9,797	\$ 17,402	\$ 19,239	\$ 30,170
Water Revenue bonds	-	-	700,000	745,000	700,000	745,000
Long-term loans	<u>218,824</u>	<u>235,801</u>	<u>2,842,969</u>	<u>2,921,181</u>	<u>3,061,793</u>	<u>3,156,982</u>
Total	<u>\$ 228,266</u>	<u>\$ 248,569</u>	<u>\$ 3,552,766</u>	<u>\$ 3,683,583</u>	<u>\$ 3,781,032</u>	<u>\$ 3,932,152</u>

Additional information of the City's capital assets and bonded debt can be found in the notes to the basic financial statements.

Economic Factors and Next Year's Budget

During the preparation of the budget for the ensuing fiscal year, the long-term impacts of the local economy were examined in conjunction with business decisions made by the City. The City uses a conservative approach when preparing the budget each year. The City's 2015-2016 budget is \$10,763,696.

Requests for information

The City's financial statements are designed to present users with a general overview of the City's finances and to demonstrate the City's accountability. If you have any questions about this report, please contact the Finance Director, Christy Martinez at (503) 852-7575, 191 E. Main, Carlton, Oregon 97111.

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BASIC FINANCIAL STATEMENTS

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CITY OF CARLTON

STATEMENT OF NET POSITION

June 30, 2015

	Governmental Activities	Business-type Activities	Totals
<u>ASSETS</u>			
Cash and investments	\$ 1,952,201	\$ 1,292,362	\$ 3,244,563
Receivables, net	114,495	160,055	274,550
Inventories	536	21,634	22,170
Restricted cash and investments	-	165,502	165,502
Deferred charges, net	-	17,492	17,492
Net pension asset	20,378	19,323	39,701
Capital assets:			
Construction in progress	158,776	341,843	500,619
Land	160,688	309,456	470,144
Capital assets, net	2,143,074	8,533,078	10,676,152
TOTAL ASSETS	4,550,148	10,860,745	15,410,893
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension related items	1,309	1,241	2,550
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	98,155	137,453	235,608
Accrued interest payable	2,459	54,126	56,585
Customer deposits payable	-	33,925	33,925
Long-term obligations:			
Due within one year	27,320	177,039	204,359
Due in more than one year	200,946	3,375,727	3,576,673
TOTAL LIABILITIES	328,880	3,778,270	4,107,150
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension related items	46,139	43,750	89,889
<u>NET POSITION</u>			
Net investment in capital assets	2,243,714	5,641,408	7,885,122
Restricted for:			
Capital projects	1,182,045	920,858	2,102,903
Highways and streets	125,692	-	125,692
Economic development	218,258	-	218,258
Debt service	-	165,502	165,502
Unrestricted	406,729	312,198	718,927
TOTAL NET POSITION	\$ 4,176,438	\$ 7,039,966	\$ 11,216,404

See accompanying notes

CITY OF CARLTON

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Functions/Programs						
Governmental activities:						
General government	\$ 483,373	\$ 111,487	\$ -	\$ (371,886)		\$ (371,886)
Public safety	378,876	389,343	-	10,467		10,467
Highways and streets	111,353	-	17,706	(93,647)		(93,647)
Culture and recreation	184,472	-	-	(184,472)		(184,472)
Interest on long-term obligations	12,289	-	-	(12,289)		(12,289)
TOTAL GOVERNMENTAL ACTIVITIES	<u>1,170,363</u>	<u>500,830</u>	<u>17,706</u>	<u>(651,827)</u>		<u>(651,827)</u>
Business-type activities:						
Water	687,051	806,455	-		119,404	119,404
Sewer	575,427	529,834	-		(45,593)	(45,593)
TOTAL BUSINESS-TYPE ACTIVITIES	<u>1,262,478</u>	<u>1,336,289</u>	<u>-</u>		<u>73,811</u>	<u>73,811</u>
Totals	<u>\$ 2,432,841</u>	<u>\$ 1,837,119</u>	<u>\$ 17,706</u>	<u>(651,827)</u>	<u>73,811</u>	<u>(578,016)</u>
General revenues						
Taxes, levied for general purposes				665,944	-	665,944
Franchise fees				115,456	-	115,456
Intergovernmental				207,391	52,961	260,352
Transient room tax				29,463	-	29,463
Interest				12,108	4,516	16,624
Miscellaneous				68,836	2,876	71,712
Gain (loss) on sale of capital assets				(824)	-	(824)
Transfers				<u>522,461</u>	<u>(522,461)</u>	<u>-</u>
TOTAL GENERAL REVENUES AND TRANSFERS				<u>1,620,835</u>	<u>(462,108)</u>	<u>1,158,727</u>
CHANGE IN NET POSITION				969,008	(388,297)	580,711
NET POSITION - BEGINNING				3,252,761	7,471,247	10,724,008
PRIOR PERIOD ADJUSTMENT				<u>(45,331)</u>	<u>(42,984)</u>	<u>(88,315)</u>
NET POSITION - ENDING				<u>\$ 4,176,438</u>	<u>\$ 7,039,966</u>	<u>\$ 11,216,404</u>

See accompanying notes

CITY OF CARLTON

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015**

	General	Street	System Development Charges	Total Nonmajor Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash and investments	\$ 356,001	\$ 113,657	\$ 1,182,045	\$ 300,498	\$ 1,952,201
Receivables, net	93,593	15,925	-	4,977	114,495
Inventories	536	-	-	-	536
TOTAL ASSETS	\$ 450,130	\$ 129,582	\$ 1,182,045	\$ 305,475	\$ 2,067,232
<u>LIABILITIES</u>					
Accounts payable and accrued liabilities	\$ 68,938	\$ 3,890	\$ -	\$ 25,327	\$ 98,155
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable revenue	87,473	-	-	4,659	92,132
<u>FUND BALANCE</u>					
Nonspendable	536	-	-	-	536
Restricted	-	125,692	1,182,045	213,599	1,521,336
Committed	-	-	-	61,890	61,890
Unassigned	293,183	-	-	-	293,183
TOTAL FUND BALANCE	293,719	125,692	1,182,045	275,489	1,876,945
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 450,130	\$ 129,582	\$ 1,182,045	\$ 305,475	

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,462,538
Governmental activities report a net pension asset which is not reported in the fund	20,378
Governmental activities report as deferred outflows of resources contributions to the public employees retirement system	1,309
Other long-term assets are not available for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	92,132
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(230,725)
Governmental activities report as deferred inflows the effect of differences between projected and actual earnings and changes in proportionate share of contributions to the public employees retirement system	(46,139)
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 4,176,438

See accompanying notes

CITY OF CARLTON

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015**

	General	Street	System Development Charges	Total Nonmajor Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 596,115	\$ -	\$ -	\$ 61,072	\$ 657,187
Franchise fees	115,456	-	-	-	115,456
System development charges	-	-	367,076	-	367,076
Licenses and permits	20,607	-	-	-	20,607
Fines and forfeitures	23,061	-	-	-	23,061
Charges for services	90,880	-	-	-	90,880
Intergovernmental	61,944	163,153	-	-	225,097
Transient room tax	6,436	-	-	23,027	29,463
Interest	5,519	2,531	2,786	1,272	12,108
Miscellaneous	27,954	3,683	-	37,199	68,836
TOTAL REVENUES	<u>947,972</u>	<u>169,367</u>	<u>369,862</u>	<u>122,570</u>	<u>1,609,771</u>
EXPENDITURES					
Current:					
General government	370,199	-	-	36,656	406,855
Public safety	387,815	-	-	-	387,815
Highways and streets	-	113,039	-	-	113,039
Culture and recreation	145,654	-	-	-	145,654
Capital outlay	34,446	-	-	44,745	79,191
TOTAL EXPENDITURES	<u>938,114</u>	<u>113,039</u>	<u>-</u>	<u>81,401</u>	<u>1,132,554</u>
Excess (deficiency) of revenues over expenditures	<u>9,858</u>	<u>56,328</u>	<u>369,862</u>	<u>41,169</u>	<u>477,217</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	29,295	-	812,183	15,732	857,210
Transfers out	(175,317)	(30,345)	-	(312,361)	(518,023)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(146,022)</u>	<u>(30,345)</u>	<u>812,183</u>	<u>(296,629)</u>	<u>339,187</u>
Net change in fund balances	(136,164)	25,983	1,182,045	(255,460)	816,404
Fund balances at beginning of year	<u>429,883</u>	<u>99,709</u>	<u>-</u>	<u>530,949</u>	<u>1,060,541</u>
Fund balances at end of year	<u>\$ 293,719</u>	<u>\$ 125,692</u>	<u>\$ 1,182,045</u>	<u>\$ 275,489</u>	<u>\$ 1,876,945</u>

See accompanying notes

CITY OF CARLTON

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 816,404

*Amounts reported for governmental activities in the
Statement of Activities are different because of the following:*

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. The difference between these two amounts is:

Capital outlay	\$ 66,783	
Depreciation	<u>(116,508)</u>	(49,725)

Noncash transfers of capital assets from the business-type activities are reported in the governmental activities	153,665
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Gain (loss) on sale of capital assets is reported in the governmental activities	(824)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds as follows		
Taxes	8,757	
Court	<u>(794)</u>	7,963

Compensated absences are reported as an expenditure in the funds when paid, but amounts accrued but unpaid are included in expenses in the statement of activities	3,326
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Repayment of bond principal, capital lease principal or long-term debt is reported as expenditures in governmental funds. However, the repayment of principal is reported as changes in long-term obligations in the statement of net position		
Accrued interest on long-term obligations	343	
Repayment of loan principal	<u>16,977</u>	17,320

The amount contributed to defined benefit pension plans is reported as an expenditure in the funds while governmental activities reports pension expense as the change in net pension asset or liability, pension related deferred outflow of resources and deferred inflows of resources.		
Change in deferred outflows of resources	762	
Change in net pension asset or liability	66,256	
Change in deferred inflows of resources	<u>(46,139)</u>	<u>20,879</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 969,008

See accompanying notes

CITY OF CARLTON

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2015**

	Budget		Actual	Variance
	Original	Final		
REVENUES				
Property taxes	\$ 565,000	\$ 565,000	\$ 596,115	\$ 31,115
Franchise fees	102,835	102,835	115,456	12,621
Licenses and permits	12,000	12,000	20,607	8,607
Fines and forfeitures	10,000	10,000	23,061	13,061
Charges for services	59,650	59,650	90,880	31,230
Intergovernmental	36,500	36,500	61,944	25,444
Transient room tax	6,000	6,000	6,436	436
Interest	4,500	4,500	5,519	1,019
Miscellaneous	-	2,000	27,954	25,954
TOTAL REVENUES	<u>796,485</u>	<u>798,485</u>	<u>947,972</u>	<u>149,487</u>
EXPENDITURES				
Administration				
Personal services	38,964	38,964	45,056	(6,092)
Materials and services	<u>67,250</u>	<u>87,250</u>	<u>118,278</u>	<u>(31,028)</u>
Total Administration	<u>106,214</u>	<u>126,214</u>	<u>163,334</u>	<u>(37,120)</u>
City Recorder/Finance				
Personal services	92,477	92,477	79,535	12,942
Materials and services	<u>106,160</u>	<u>136,160</u>	<u>127,330</u>	<u>8,830</u>
Total City Recorder/Finance	<u>198,637</u>	<u>228,637</u>	<u>206,865</u>	<u>21,772</u>
Police				
Personal services	301,390	301,390	300,459	931
Materials and services	111,200	113,200	87,356	25,844
Capital outlay	<u>27,500</u>	<u>27,500</u>	<u>28,379</u>	<u>(879)</u>
Total Police	<u>440,090</u>	<u>442,090</u>	<u>416,194</u>	<u>25,896</u>
Parks and recreation				
Personal services	57,127	57,127	53,627	3,500
Materials and services	25,300	25,300	22,546	2,754
Capital outlay	<u>28,100</u>	<u>28,100</u>	<u>6,067</u>	<u>22,033</u>
Total Parks and recreation	<u>110,527</u>	<u>110,527</u>	<u>82,240</u>	<u>28,287</u>

Continued on next page

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND (continued)**

	Budget		Actual	Variance
	Original	Final		
EXPENDITURES (continued)				
Swimming pool				
Personal services	\$ 9,150	\$ 9,150	\$ 13,478	\$ (4,328)
Materials and services	<u>58,650</u>	<u>58,650</u>	<u>56,003</u>	<u>2,647</u>
Total Swimming pool	<u>67,800</u>	<u>67,800</u>	<u>69,481</u>	<u>(1,681)</u>
Contingency	<u>123,309</u>	<u>73,309</u>	<u>-</u>	<u>73,309</u>
TOTAL EXPENDITURES	<u>1,046,577</u>	<u>1,048,577</u>	<u>938,114</u>	<u>110,463</u>
Excess (deficiency) of revenues over expenditures	<u>(250,092)</u>	<u>(250,092)</u>	<u>9,858</u>	<u>(259,950)</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	60,000	60,000	-	(60,000)
Transfers in	29,295	29,295	29,295	-
Transfers out	<u>(225,317)</u>	<u>(225,317)</u>	<u>(175,317)</u>	<u>50,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(136,022)</u>	<u>(136,022)</u>	<u>(146,022)</u>	<u>(10,000)</u>
Net change in fund balance	(386,114)	(386,114)	(136,164)	249,950
Fund balance at beginning of year	<u>386,114</u>	<u>386,114</u>	<u>429,883</u>	<u>43,769</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 293,719</u>	<u>\$ 293,719</u>

See accompanying notes

CITY OF CARLTON

**STREET
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2015**

	Original and Final Budget	Actual	Variance
REVENUES			
Intergovernmental	\$ 134,850	\$ 163,153	\$ 28,303
Interest	1,722	2,531	809
Miscellaneous	-	3,683	3,683
TOTAL REVENUES	136,572	169,367	32,795
EXPENDITURES			
Personal services	26,663	31,819	(5,156)
Materials and services	87,000	81,220	5,780
Contingency	75,029	-	75,029
TOTAL EXPENDITURES	188,692	113,039	75,653
Excess (deficiency) of revenues over expenditures	(52,120)	56,328	108,448
OTHER FINANCING SOURCES (USES)			
Transfers out	(30,345)	(30,345)	-
Net change in fund balance	(82,465)	25,983	108,448
Fund balance at beginning of year	82,465	99,709	17,244
Fund balance at end of year	\$ -	\$ 125,692	\$ 125,692

See accompanying notes

CITY OF CARLTON
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2015

	Business-type Activities				Total Enterprise Funds
	Water	Sewer	Capital Improvements	Debt Service	
<u>ASSETS</u>					
CURRENT ASSETS					
Cash and investments	\$ 106,577	\$ 173,418	\$ 1,012,367	\$ -	\$ 1,292,362
Receivables, net	79,120	76,408	4,527	-	160,055
Inventories	20,987	647	-	-	21,634
Due from other funds	-	6,855	-	-	6,855
Total current assets	<u>206,684</u>	<u>257,328</u>	<u>1,016,894</u>	<u>-</u>	<u>1,480,906</u>
NONCURRENT ASSETS					
Cash restricted for debt service	-	-	-	165,502	165,502
Net pension asset	11,679	7,644	-	-	19,323
Capital assets, net	<u>3,970,838</u>	<u>5,213,539</u>	<u>-</u>	<u>-</u>	<u>9,184,377</u>
Total noncurrent assets	<u>3,982,517</u>	<u>5,221,183</u>	<u>-</u>	<u>165,502</u>	<u>9,369,202</u>
TOTAL ASSETS	<u>4,189,201</u>	<u>5,478,511</u>	<u>1,016,894</u>	<u>165,502</u>	<u>10,850,108</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>					
Premiums on long-term debt obligations	17,492	-	-	-	17,492
Pension related items	<u>750</u>	<u>491</u>	<u>-</u>	<u>-</u>	<u>1,241</u>
TOTAL DEFERRED OUTFLOW OF RESOURCES	<u>18,242</u>	<u>491</u>	<u>-</u>	<u>-</u>	<u>18,733</u>
<u>LIABILITIES</u>					
CURRENT LIABILITIES					
Accounts payable and accrued liabilities	22,094	19,323	96,036	-	137,453
Accrued interest payable	10,479	43,647	-	-	54,126
Customer deposits payable	33,925	-	-	-	33,925
Compensated absences payable	6,310	3,487	-	-	9,797
Due to other funds	-	-	-	6,855	6,855
Bonds payable, current portion	45,000	-	-	-	45,000
Loans payable, current portion	<u>73,243</u>	<u>48,999</u>	<u>-</u>	<u>-</u>	<u>122,242</u>
Total current liabilities	<u>191,051</u>	<u>115,456</u>	<u>96,036</u>	<u>6,855</u>	<u>409,398</u>
LONG-TERM LIABILITIES					
Bonds payable	655,000	-	-	-	655,000
Loans payable	<u>1,277,350</u>	<u>1,443,377</u>	<u>-</u>	<u>-</u>	<u>2,720,727</u>
Total long-term liabilities	<u>1,932,350</u>	<u>1,443,377</u>	<u>-</u>	<u>-</u>	<u>3,375,727</u>
TOTAL LIABILITIES	<u>2,123,401</u>	<u>1,558,833</u>	<u>96,036</u>	<u>6,855</u>	<u>3,785,125</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Pension related items	<u>26,442</u>	<u>17,308</u>	<u>-</u>	<u>-</u>	<u>43,750</u>
<u>NET POSITION</u>					
Net investment in capital assets	1,920,245	3,721,163	-	-	5,641,408
Restricted for:					
Capital outlay	-	-	920,858	-	920,858
Debt service	-	-	-	165,502	165,502
Unrestricted	<u>137,355</u>	<u>181,698</u>	<u>-</u>	<u>(6,855)</u>	<u>312,198</u>
TOTAL NET POSITION	<u>\$ 2,057,600</u>	<u>\$ 3,902,861</u>	<u>\$ 920,858</u>	<u>\$ 158,647</u>	<u>\$ 7,039,966</u>

See accompanying notes

CITY OF CARLTON

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS**

For the Year Ended June 30, 2015

	Business-type Activities		
	Water	Sewer	Capital Improvements
OPERATING REVENUES			
Charges for services	\$ 806,455	\$ 529,834	\$ -
OPERATING EXPENSES			
Personal services	251,253	148,964	-
Materials and services	285,893	252,578	9,209
Amortization	1,438	-	-
Depreciation	98,941	89,182	-
TOTAL OPERATING EXPENSES	637,525	490,724	9,209
OPERATING INCOME (LOSS)	168,930	39,110	(9,209)
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental	-	-	52,961
Interest earned on investments	890	1,220	2,406
Miscellaneous	140	56	2,680
Interest	(49,526)	(75,069)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(48,496)	(73,793)	58,047
Income (loss) before transfers	120,434	(34,683)	48,838
Transfers in	379,194	405,195	391,930
Transfers out	(287,930)	(276,720)	(646,945)
Change in net position	211,698	93,792	(206,177)
Net position at beginning of year	2,038,547	3,826,073	1,127,035
Prior period adjustment	(192,645)	(17,004)	-
Net position at end of year	\$ 2,057,600	\$ 3,902,861	\$ 920,858

<u>Business-type Activities</u>		
<u>Debt Service</u>	<u>Total Nonmajor Funds</u>	<u>Total Enterprise Funds</u>
\$ -	\$ -	\$ 1,336,289
-	-	400,217
-	-	547,680
-	-	1,438
-	-	188,123
-	-	1,137,458
-	-	198,831
-	-	52,961
-	-	4,516
-	-	2,876
(425)	-	(125,020)
(425)	-	(64,667)
(425)	-	134,164
313,125	-	1,489,444
(320,718)	(479,592)	(2,011,905)
(8,018)	(479,592)	(388,297)
-	479,592	7,471,247
166,665	-	(42,984)
<u>\$ 158,647</u>	<u>\$ -</u>	<u>\$ 7,039,966</u>

CITY OF CARLTON

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2015**

	Business-type Activities		
	Water	Sewer	Capital Improvements
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 795,008	\$ 528,954	\$ (13,736)
Cash paid to employees	(266,414)	(161,205)	-
Cash paid to suppliers	(285,949)	(243,594)	6,665
Miscellaneous	140	56	2,680
Net cash provided by (used in) operating activities	242,785	124,211	(4,391)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Intergovernmental grants	-	-	52,961
Issuance of long-term obligations	-	-	41,930
Purchases of capital assets	-	-	(646,945)
Transfers in	-	-	350,000
Transfers out	(287,930)	(234,790)	-
Due to (from) other funds	-	(6,855)	-
Principal paid on long-term obligations	-	-	-
Interest paid on long-term obligations	-	-	-
Net cash (used in) capital and related financing activities	(287,930)	(241,645)	(202,054)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest	890	1,220	2,406
Net (decrease) in cash and cash equivalents	(44,255)	(116,214)	(204,039)
Cash and cash equivalents at beginning of year	150,832	289,632	1,216,406
Cash and cash equivalent at end of year	106,577	173,418	1,012,367
Reconciliation to statement of net position			
Cash and cash equivalents	\$ 106,577	\$ 173,418	\$ 1,012,367
Cash restricted for debt service	-	-	-
Total	\$ 106,577	\$ 173,418	\$ 1,012,367

See accompanying notes

<u>Business-type Activities</u>		
<u>Debt Service</u>	<u>Total Nonmajor Funds</u>	<u>Total Enterprise Funds</u>
\$ -	\$ -	\$ 1,310,226
-	-	(427,619)
-	-	(522,878)
-	-	2,876
<u>-</u>	<u>-</u>	<u>362,605</u>
-	-	52,961
-	-	41,930
-	-	(646,945)
313,125	-	663,125
-	(479,592)	(1,002,312)
6,855	-	-
(182,143)	-	(182,143)
<u>(139,000)</u>	<u>-</u>	<u>(139,000)</u>
<u>(1,163)</u>	<u>(479,592)</u>	<u>(1,212,384)</u>
-	-	4,516
(1,163)	(479,592)	(845,263)
<u>166,665</u>	<u>479,592</u>	<u>2,303,127</u>
<u>165,502</u>	<u>-</u>	<u>1,457,864</u>
\$ -	\$ -	\$ 1,292,362
<u>165,502</u>	<u>-</u>	<u>165,502</u>
<u>\$ 165,502</u>	<u>\$ -</u>	<u>\$ 1,457,864</u>

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Continued)

	Business-type Activities		
	Water	Sewer	Capital Improvements
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$ 168,930	\$ 39,110	\$ (9,209)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	98,941	89,182	-
Amortization	1,438	-	-
Nonoperating revenue	140	56	2,680
Decrease (increase) in assets			
Receivables	(8,022)	(880)	(4,527)
(Increase) decrease in deferred outflow of resources	(11,967)	(7,830)	
Increase (decrease) in liabilities			
Accounts payable and accrued liabilities	(55)	8,984	6,665
Customer deposits payable	(3,425)	-	-
Compensated absences payable	(3,194)	(4,411)	-
Net cash provided by (used in) operating activities	<u>\$ 242,785</u>	<u>\$ 124,211</u>	<u>\$ (4,391)</u>

SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS

Transfers in	<u>\$ 379,194</u>	<u>\$ 447,125</u>	<u>\$ -</u>
Transfers out	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (688,875)</u>

See accompanying notes

<u>Business-type Activities</u>		
<u>Debt Service</u>	<u>Total Nonmajor Funds</u>	<u>Total Enterprise Funds</u>
\$ -	\$ -	\$ 198,831
-	-	188,123
-	-	1,438
-	-	2,876
-	-	(13,429)
-	-	(19,797)
-	-	15,594
-	-	(3,425)
<u>-</u>	<u>-</u>	<u>(7,605)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 362,605</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 826,319</u>
<u>\$ (308,086)</u>	<u>\$ -</u>	<u>\$ (996,961)</u>

CITY OF CARLTON

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

1. Summary of significant accounting policies

A. Organization (reporting entity)

The City was incorporated in 1899, and its current charter was adopted in 2006.

Control of the City is vested in its Council and Mayor. The Council is composed of six members elected at-large to serve four-year staggered terms. The Mayor is elected at each biennial general election to serve a term of two years. The day-to-day City affairs are the responsibility of the City Manager, who is hired with the approval of the Council.

The accompanying financial statements present all activities, funds, and component units for which the City is considered to be financially accountable. The criteria used in making this determination includes appointment of a voting majority, imposition of will, financial benefit or burden on the primary government, and fiscal dependency on the primary government.

The City Council serves as the governing board of the Carlton Urban Renewal Agency. Therefore, the accounts of the Agency are included in the financial statements of the City.

Complete financial statements for the Carlton Urban Renewal Agency may be obtained from the City Recorder.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

C. Measurement Focus, basis of accounting and financial statement presentation

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the functions of the City, the elimination of which would distort the direct costs and program revenues reported for the various functions concerned.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Significant revenues, which are susceptible to accrual under the modified accrual basis of accounting, include property taxes and federal and state grants. Other revenue items are considered to be measurable and available when received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The bases of accounting described above are in accordance with accounting principles generally accepted in the United States of America.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

C. Measurement Focus, basis of accounting and financial statement presentation (continued)

The City reports the following major governmental funds:

General – accounts for all financial resources of the City, except those required to be accounted for in another fund. Principal sources of revenue are property taxes, franchise fees, and state shared revenues. Expenditures are primarily for central government operations, community development (planning), community services (parks and pool) and public safety (police).

Street – accounts for the maintenance of the City’s roads. The principal sources of revenue are state shared revenue and interest earned on investments.

System Development Charges – accounts for financial resources from system development charges that can only be used to expand or improve the system for which the charges were made.

The City reports the following major proprietary funds:

Water – accounts for the maintenance and operation of the City’s water intake, purification and delivery systems. The principal source of revenue is user fees.

Sewer – accounts for the maintenance and operation of the City’s wastewater treatment plant and collection system. The principal source of revenue is user fees.

Capital Improvements – accounts for the acquisition or improvements of capital assets. The principal source of funds are transfers.

Debt Service – accounts for the payment of debt. The principal source of funds are transfers.

The City also includes the following fund types as nonmajor governmental funds or nonmajor enterprise funds:

Special revenue – accounts for revenue derived from specific taxes or other revenue sources, which are legally restricted to finance particular functions or activities. When a special revenue fund is not an operating fund, transfers are made from the special revenue fund to the operating funds authorized to make expenditures.

Capital projects - account for financial resources which are to be expended for the acquisition or improvement of capital assets.

Enterprise – accounts for the operations of predominantly self-supporting activities. Enterprise funds account for services rendered to the public on a user charge basis.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

D. Budgets policies and budgetary control

Generally, Oregon Local Budget Law requires annual budgets be adopted for all funds except agency funds. The modified accrual of accounting is used for all budgets. All annual appropriations lapse at fiscal year end.

The City begins its budgeting process by appointing a Budget Officer in the winter of each year. Budget recommendations are developed by management through early spring, with the Budget Committee meeting and approving the budget document in late spring. Public notices of the budget hearing are generally published in May or June and the hearing is held in June. The City council adopts the budget, makes appropriations, and declares the tax levy no later than June 30. Expenditure appropriations may not be legally over-expended, except in the case of grant receipts and bond sale proceeds which could not be reasonably estimated at the time the budget was adopted.

The resolution authorizing appropriations for each fund sets the level at which expenditures cannot legally exceed appropriations. The City established the levels of budgetary control at the personal services, materials and services, capital outlay, operating contingencies, debt service, and all other requirement levels for all funds, except the General Fund budgetary control is established at the department level.

Budget amounts shown in the basic financial statements have been revised since the original budget amounts were adopted. The City council must authorize all appropriation transfers and supplementary budgetary appropriations.

E. Compensated absences

i. Vacation

The City has a policy which permits employees to earn vacation at a rate determined by length of employment. Any amounts not used or forfeited will be paid upon the employee's termination of employment.

ii. Sick leave

The City has a policy which permits full-time employees to earn sick leave at the rate of 10 days per year over their working careers. The City does not compensate employees for unused sick leave upon termination of employment, unless otherwise specified by terms of a contract.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

F. Adoption of New GASB Pronouncements

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*. This statement makes significant changes to accounting by pension plans by replacing the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB Statement No. 50, *Pension Disclosures*.

GASB Statement No. 67 separates funding from financial reporting and builds upon the existing framework for financial reports of defined benefit pension plans and enhances note disclosures and required supplementary information for both defined benefit and defined contribution pension plans. In addition, it requires the presentation of new information about the annual money-weighted rates of return on pension plan investments in the notes to the financial statements and in 10-year required supplementary information schedules.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement provides guidance for accounting for net pension liabilities, including definition of balances to be included in deferred inflows and deferred outflows of resources. The specific accounts impacting the City are detailed below.

Net pension liability – Previous standards defined pension liabilities in terms of the Annually Required Contribution. Statement No. 68 defines the net pension liability as the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service, net of the pension plan’s fiduciary net position.

Deferred inflows of resources and deferred outflows of resources – Statement No. 68 includes recognition of deferred inflows and outflows of resources associated with the difference between projected and actual earnings on pension plan investments. These differences are to be recognized in pension expense using a systematic and rational method over a closed five-year period.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

F. Adoption of New GASB Pronouncements (continued)

Statement No. 68 is effective for financial statement periods beginning after June 15, 2014, with the effects of accounting change to be applied retroactively by restating the financial statements. The City adopted this new pronouncement in the current year and, accordingly, has restated amounts of effected balances within the financial statements as of June 30, 2014:

	As Originally <u>Reported</u>	As <u>Restated</u>	Effect of <u>Change</u>
Statement of Net Position			
Deferred outflow of resources:			
Payments made to OPERS since the measurement date	\$ --	\$ 40,766	\$ 40,766
Net pension asset	--	39,701	(39,701)
Noncurrent liabilities:			
net pension liability	89,380	--	(89,380)
Net Position	10,724,008	10,635,693	(88,315)

G. Receivables

Property taxes are assessed and become a lien on all taxable property as of July 1. Property taxes are levied on November 15. Collection dates are November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

Property taxes receivable collected within 60 days subsequent to year-end are considered measurable and available, and are recognized as revenues. All other property taxes receivable are offset by deferred revenue because they are not deemed available to finance operations of the current period. Management has determined that an allowance for uncollectible accounts is not necessary for property taxes.

Federal and state grants, as well as state, county, and local shared revenue are recorded as revenue in all fund types as earned.

An allowance for uncollectibles of 75 percent is used for fines and warrants.

Charges for services are recorded as revenue in all funds as earned. The allowance for doubtful accounts is established on a specific identification basis.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

H. Capital assets

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed capital assets are recorded at estimated fair market value at the time received. Public domain (infrastructure) capital assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are recorded at cost. Capital assets are defined by the government as assets with an estimated useful life in excess of one year. Maintenance and repairs that do not add to the value of the assets or extend the assets' lives are charged to expenditures as incurred and are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Net revenue bond interest cost incurred during the construction periods is capitalized when material.

Capital assets are depreciated using the straight line method over the following estimated useful lives.

<u>Assets</u>	<u>Years</u>
Building	40
Sewer and water system	40 – 50
Equipment and other	5 – 20

I. Cash and cash equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, checking, savings and money market accounts, and any highly-liquid debt instruments purchased with a maturity of three months or less.

J. Inventories

Inventories are valued at the lower of cost (first-in, first-out method) or market. Inventories consist of expendable supplies held for consumption.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

K. Equity classification

i. Government-wide and proprietary fund reporting

In the government-wide and proprietary fund financial statements equity is classified as net position and displayed in three components:

Net Investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted – All other net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

In the government-wide and proprietary fund financial statements, when the City has restricted and unrestricted resources available, it is the City’s policy to expend restricted resources first and then unrestricted resources as needed in determining the amounts to report as restricted – net position and unrestricted – net position.

ii. Governmental fund type fund balance reporting

Fund balance amounts are reported within one of the fund balance categories listed below:

Non-spendable – Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – Amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Council.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The City Council, has granted authority to the City Manager to assign fund balance amounts.

Unassigned – the residual classification for the government’s general fund and includes all spendable amounts not contained in the other classifications. Additionally, other funds may report negative unassigned fund balance in certain circumstances.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

K. Equity classification (continued)

ii. Governmental fund type fund balance reporting (continued)

In the governmental fund financial statements, when the City has restricted and unrestricted (Committed, Assigned or Unassigned) resources available, it is the City's policy to expend restricted resources first. Unrestricted resources are then expended in the order of committed, assigned, and unassigned as needed, unless otherwise provided for in actions to commit or assign resources, in determining the amounts to be reported in each of the fund balance categories.

2. Deposits and investments

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

Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value.

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

Credit risk: Oregon statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the state treasurer's investment pool.

As of June 30, 2015, the City had the following investments:

	<u>Maturities</u>	<u>Fair Value</u>
State Treasurer's Investment Pool	N/A	\$ <u>3,221,691</u>

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

Concentration of Credit Risk: The City does not have a formal policy that places a limit on the amount that may be invested in any one insurer. All of the City's investments are in the State Treasurer's Investment Pool.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

2. Deposits and investments (continued)

Custodial Credit Risk – Investments: This is the risk that, in the event of the failure of counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. None of the City's investments have custodial credit risk. The City does not have a policy which limits the amount of investments that can be held by counterparties.

Custodial Credit Risk – Deposits: This is the risk that in the event of a bank failure, the City's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the City's deposits with financial institutions up to \$250,000 each for the aggregate of all non-interest bearing accounts and the aggregate of all interest bearing accounts at each institution. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program are collateralized with securities held by the Federal Home Loan Bank of Seattle in the name of the institution. As of June 30, 2015, none of the City's bank balances were exposed to custodial credit risk.

A. The City's deposits and investments at June 30, 2015, are as follows:

Total investments	\$ 3,221,691
Cash on hand	191
Cash with county treasurer	11,219
Deposits with financial institutions	<u>176,964</u>
Total deposits and investments	<u>\$ 3,410,065</u>

B. Cash and investments by fund:

Governmental activities/funds

General	\$ 356,001
Street	113,657
System Development Charges	1,182,045
Nonmajor	<u>300,498</u>
Total governmental activities/funds	<u>1,952,201</u>

Business-type activities/proprietary funds

Unrestricted	
Water	106,577
Sewer	173,418
Capital Improvements	<u>1,012,367</u>
Total business-type activities/proprietary funds-unrestricted	<u>1,292,362</u>
Restricted	
Debt Service	<u>165,502</u>
Total business-type activities/proprietary funds	<u>1,457,864</u>
Total cash and investments	<u>\$ 3,410,065</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

3. Receivables

A. The City's receivables at June 30, 2015 are shown below:

	Governmental Activities/Funds			Business-type Activities/Enterprise Funds			Totals
	General	Street	Nonmajor Funds	Water	Sewer	Capital Improvements	
Property taxes	\$ 58,276	\$ -	\$ 4,977	\$ -	\$ -	\$ -	\$ 63,253
Accounts	32,708	-	-	79,120	76,408	-	188,236
Other	2,609	15,925	-	-	-	4,527	23,061
	<u>\$ 93,593</u>	<u>\$ 15,925</u>	<u>\$ 4,977</u>	<u>\$ 79,120</u>	<u>\$ 76,408</u>	<u>\$ 4,527</u>	<u>\$ 274,550</u>

Fines and warrants are recorded net of allowance for uncollectible of \$98,124.

B. Property taxes

i. Transactions

Levy year	Balances July 1, 2014	Current Levy	Adjustments	Interest (Discounts)	Collections	Balances June 30, 2015
Current						
2014-2015	\$ -	\$ 680,857	\$ (1,886)	\$ (16,925)	\$ 634,320	\$ 27,726
Prior						
2013-2014	\$ 26,915		(517)	920	11,925	15,393
2012-2013	14,975		103	1,030	6,019	10,089
2011-2012	7,980		54	1,265	5,191	4,108
2010-2011	4,396		27	699	2,457	2,665
2009-2010	2,522		32	105	283	2,376
All other	1,192		(40)	219	475	896
Total prior	<u>57,980</u>	<u>-</u>	<u>(341)</u>	<u>4,238</u>	<u>26,350</u>	<u>35,527</u>
	<u>\$ 57,980</u>	<u>\$ 680,857</u>	<u>\$ (2,227)</u>	<u>\$ (12,687)</u>	<u>660,670</u>	<u>\$ 63,253</u>

Prior year taxes received in current year (7,312)
 Current year taxes received in subsequent year 3,829

Total taxes received by City \$ 657,187

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

3. Receivables (continued)

B. Property taxes (continued)

ii. Ensuing year's property tax levy

The permanent tax rate is \$5.0098 per thousand of assessed value. For the year ended June 30, 2015, the City will levy property taxes of \$4.8603 per thousand of assessed value.

The Urban Renewal Agency will levy 100 percent of the amount of its authority under option one of ORS 457.435(2)(a) for the retirement of long-term obligations principal and interest without making a special levy in 2014-15.

The tax rate limit of \$10 imposed by the Constitution of the State of Oregon is not expected to affect either of these levies.

4. Capital assets

A. Transactions for the governmental activities for the year ended June 30, 2015 were as follows:

	Balances July 1, 2014	Additions	Reclass	Balances June 30, 2015
Capital assets, not being depreciated				
Construction in progress	\$ 71,688	\$ 149,312	\$ (62,224)	\$ 158,776
Land	160,688	-	-	160,688
Total capital assets, not being depreciated	<u>232,376</u>	<u>149,312</u>	<u>(62,224)</u>	<u>319,464</u>
Capital assets, being depreciated				
Land improvements	15,311	-	-	15,311
Buildings	401,330	4,353	35,006	440,689
Swimming pool	225,937	-	-	225,937
Equipment	371,686	66,783	-	438,469
Infrastructure	2,473,066	-	26,394	2,499,460
Total capital assets, being depreciated	<u>3,487,330</u>	<u>71,136</u>	<u>61,400</u>	<u>3,619,866</u>
Less accumulated depreciation for:				
Land improvements	15,311	-	-	15,311
Buildings	125,643	9,001	-	134,644
Swimming pool	225,937	-	-	225,937
Equipment	303,549	22,007	-	325,556
Infrastructure	689,844	85,500	-	775,344
Total accumulated depreciation	<u>1,360,284</u>	<u>116,508</u>	<u>-</u>	<u>1,476,792</u>
Total capital assets, being depreciated, net	<u>2,127,046</u>	<u>(45,372)</u>	<u>61,400</u>	<u>2,143,074</u>
	<u>\$ 2,359,422</u>	<u>\$ 103,940</u>	<u>\$ (824)</u>	<u>\$ 2,462,538</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

4. Capital assets (continued)

B. Transactions for the business-type activities for the year ended June 30, 2015 were as follows:

	Balances July 1, 2014	Additions	Reclass	Balances June 30, 2015
Capital assets not being depreciated				
Construction in progress	\$ 2,064,888	\$ 193,429	\$ (1,916,474)	\$ 341,843
Land	309,456	-	-	309,456
Total capital assets, not being depreciated	<u>2,374,344</u>	<u>193,429</u>	<u>(1,916,474)</u>	<u>651,299</u>
Capital assets, being depreciated				
Water system infrastructure	4,943,286	19,586	157,526	5,120,398
Sewer system infrastructure	4,414,415	280,265	1,758,948	6,453,628
Equipment and vehicles	210,742	-	-	210,742
Total capital assets, being depreciated	<u>9,568,443</u>	<u>299,851</u>	<u>1,916,474</u>	<u>11,784,768</u>
Less accumulated depreciation for:				
Water system infrastructure	1,425,571	95,418	-	1,520,989
Sewer system infrastructure	1,452,546	85,945	-	1,538,491
Equipment and vehicles	185,450	6,760	-	192,210
Total accumulated depreciation	<u>3,063,567</u>	<u>188,123</u>	<u>-</u>	<u>3,251,690</u>
Total capital assets, being depreciated, net	<u>6,504,876</u>	<u>111,728</u>	<u>1,916,474</u>	<u>8,533,078</u>
	<u>\$ 8,879,220</u>	<u>\$ 305,157</u>	<u>\$ -</u>	<u>\$ 9,184,377</u>

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

Governmental activities	
General government	<u>\$ 116,508</u>
Business-type activities	
Water	\$ 98,941
Sewer	<u>89,182</u>
Total depreciation expense - business-type activities	<u>\$ 188,123</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

5. Long-term obligations

A. Changes in long-term obligations for the year ended June 30, 2015 were as follows:

	June 30, 2014	Additions	Reductions	June 30, 2015	Due Within One Year
<u>Governmental Activities</u>					
Long-term debt obligations					
Loans					
2005 Wells Fargo Tax Exempt	\$ 100,816	\$ -	\$ 12,326	\$ 88,490	\$ 12,961
Umpqua Bank Promissory Note	134,985	-	4,651	130,334	4,917
Total long-term debt obligations	235,801	-	16,977	218,824	17,878
Other long-term obligations					
Compensated absences	12,768	9,442	12,768	9,442	9,442
Total long-term obligations	<u>\$ 248,569</u>	<u>\$ 9,442</u>	<u>\$ 29,745</u>	<u>\$ 228,266</u>	<u>\$ 27,320</u>
<u>Business-type Activities</u>					
Long-term debt obligations					
Bonded Debt					
2007 Water Revenue Bonds	745,000	-	45,000	700,000	45,000
Loans					
OEDD S99099 Safe Drinking Water Revolving Loan	1,423,111	-	72,518	1,350,593	73,243
OEDD Y09002 Water/wastewater Financing Program	1,498,070	41,930	47,624	1,492,376	48,999
Total long-term debt obligations	3,666,181	41,930	165,142	3,542,969	167,242
Other long-term obligations					
Compensated absences	17,402	9,797	17,402	9,797	9,797
Total long-term obligations	<u>\$ 3,683,583</u>	<u>\$ 51,727</u>	<u>\$ 182,544</u>	<u>\$ 3,552,766</u>	<u>\$ 177,039</u>

B. Government activities long-term debt obligations

2005 Wells Fargo Tax Exempt – The City borrowed \$180,000 to finance City projects. Annual payments of \$17,518 include interest at 5.15 percent.

Umpqua Bank Promissory Note – The City borrowed \$145,000 to finance City projects. Annual payments of \$12,067 include interest at index +3.25 percent not less than 5.5 percent.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

5. Long-term obligations (continued)

C. Business-type activities long-term debt obligations

2007 Water Revenue Bonds – The City issued bonds of \$1,000,000 to finance the remaining costs associated with the improvements to the Water System. Interest on the outstanding bonds will vary from 4.75 to 4.9 percent.

OEDD S99099 – The City borrowed \$2,238,625 to finance its water system improvements. Annual payments of \$86,742 include interest at 1 percent.

OEDD Y09002 – The City borrowed \$1,540,000 to finance the City’s waste water improvements project. Annual payments of \$123,468 include interest at 4.99 percent.

D. Future maturities of government activities long-term debt obligations

Fiscal Year	Limited Obligation Note, Series 2005		Umpqua Bank Loan Loan		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 12,961	\$ 4,557	\$ 4,917	\$ 7,150	\$ 17,878	\$ 11,707
2017	13,628	3,890	5,198	6,868	18,826	10,758
2018	14,330	3,188	5,496	6,571	19,826	9,759
2019	15,068	2,450	5,811	6,256	20,879	8,706
2020	15,844	1,674	6,144	5,923	21,988	7,597
2021-25	16,659	858	36,416	23,917	53,075	24,775
2026-30	-	-	48,107	12,227	48,107	12,227
2031-35	-	-	18,245	860	18,245	860
	<u>\$ 88,490</u>	<u>\$ 16,617</u>	<u>\$ 130,334</u>	<u>\$ 69,772</u>	<u>\$ 218,824</u>	<u>\$ 86,389</u>

E. Future maturities of business-type activities long-term debt obligations

Fiscal Year	Water Revenue Bonds, Series 2007		Safe Drinking Water Revolving Loan		Water/Wastewater Loan		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 45,000	\$ 33,760	\$ 73,243	\$ 13,499	\$ 48,999	\$ 74,470	\$ 167,242	\$ 121,729
2017	45,000	31,623	73,976	12,766	51,444	72,025	170,420	116,414
2018	50,000	29,485	74,716	12,026	54,011	69,457	178,727	110,968
2019	50,000	27,110	75,463	11,279	56,707	66,762	182,170	105,151
2020	55,000	24,735	76,217	10,525	59,536	63,933	190,753	99,193
2021-25	310,000	82,548	392,673	41,037	345,322	272,023	1,047,995	395,608
2026-30	145,000	10,780	412,702	21,008	440,518	176,826	998,220	208,614
2031-35	-	-	171,603	2,566	435,838	55,511	607,441	58,077
	<u>\$ 700,000</u>	<u>\$ 240,041</u>	<u>\$ 1,350,593</u>	<u>\$ 124,706</u>	<u>\$ 1,492,375</u>	<u>\$ 851,007</u>	<u>\$ 3,542,968</u>	<u>\$ 1,215,754</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

5. Long-term obligations (continued)

F. Covenants and loan terms

Covenants of the Water Revenue Bond, Series 2007 require the City to maintain ratios of net revenues over debt service obligation. As of June 30, 2015, the City was in compliance with these covenants.

6. Unavailable revenue

Resources owned by the City, which are measurable, but not available in the funds, consist of the following:

	<u>General</u>	<u>Nonmajor Funds</u>	<u>Totals</u>
Property taxes	\$ 54,765	\$ 4,659	\$ 59,424
Fines and warrants	<u>32,708</u>	<u>-</u>	<u>32,708</u>
	<u>\$ 87,473</u>	<u>\$ 4,659</u>	<u>\$ 92,132</u>

7. Restricted net position

Net position has been restricted for payment of principal and interest as follows:

<u>Water system</u>	
Revenue bonds, Series 2007	
One year's payment reserve	\$ 165,502

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

8. Governmental fund balances

Fund balance amount for governmental funds have been reported in the categories of nonspendable, restricted, committed, assigned and unassigned. The specific purposes for these amounts are as follows:

Fund balances:	<u>General</u>	<u>Street</u>	<u>System Development Charges</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Nonspendable:					
Inventory	\$ 536	\$ -	\$ -	\$ -	\$ 536
Restricted for:					
Capital projects	-	-	1,182,045	-	1,182,045
Economic development	-	-	-	213,599	213,599
Street maintenance	-	125,692	-	-	125,692
Committed for:					
Capital projects	-	-	-	61,890	61,890
Unassigned:	<u>293,183</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>293,183</u>
 Total fund balances	 <u>\$ 293,719</u>	 <u>\$ 125,692</u>	 <u>\$ 1,182,045</u>	 <u>\$ 275,489</u>	 <u>\$ 1,876,945</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

9. Defined benefit pension plan

A. Plan description

Employees of the City are provided with pensions through OPERS. All the benefits of OPERS are established by the Oregon legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A.

The OPERS consists of a single cost-sharing multiple employer defined benefit pension plan.

OPERS produces an independently audited Comprehensive Annual Financial Report which can be found at: www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx

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

B. Description of benefit terms

Plan benefits

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

1. **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 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

9. Defined benefit pension plan (continued)

B. Description of benefit terms (continued)

1. Tier One/Tier Two Retirement Benefit (continued)

Death benefits

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- 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 a OPERS-covered job, or
- the member was on an official leave of absence from a OPERS-covered job at the time of death.

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.

Benefit changes after retirement

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

2. Oregon Public Service Retirement Plan (Chapter 238A) (OPSRP DB)

Pension benefits

The OPSRP pension program provides benefits to members hired on or after August 29, 2003.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

9. Defined benefit pension plan (continued)

B. Description of benefit terms (continued)

2. Oregon Public Service Retirement Plan (continued)

Pension benefits (continued)

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

Police and fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

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

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

Death benefits

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

Disability benefits

A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

Benefit changes after retirement

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

9. Defined benefit pension plan (continued)

C. Contributions

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

Employer contribution rates during the period were based on the December 31, 2011 actuarial valuation as subsequently modified by 2013 legislated changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2013.

Tier 1/tier 2 employer contribution rates are 0.59 percent and the OPSRP employer contribution rates are 0.49 percent for general service employees and public safety employees. Employer contributions for the year ended June 30, 2015 were \$2,550, excluding amounts to fund employer specific liabilities.

D. Pension asset or liability, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

At June 30, 2015, the City reported an asset of \$39,701 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset 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.

Employers' long-term contribution efforts are based on projected rates that have two major components:

1. 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 1/Tier 2 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.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

9. Defined benefit pension plan (continued)

D. Pension asset or liability, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions (continued)

2. UAL Rate: If system assets are less than the actuarial liability, an Unfunded Actuarial Liability (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 Unfunded Actuarial Liability (UAL). The UAL represents the portion of the projected long-term contribution effort related to past service.

The UAL has Tier 1/Tier 2 and OPSRP pieces. The Tier 1/Tier 2 piece is based on the employer's Tier 1/Tier 2 pooling arrangement. If an employer participates in one of the two large Tier 1/Tier 2 rate pools [State & Local Government Rate Pool (SLGRP) or School Districts Rate Pool], then the employer's Tier 1/Tier 2 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 1/Tier 2 pooling arrangement, who are referred to as "Independent Employers", have their Tier 1/Tier 2 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 June 30, 2014, the City's proportion was 0.00175147 percent, which was the same as its proportion measured as of June 30, 2013.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

9. Defined benefit pension plan (continued)

D. Pension asset or liability, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions (continued)

For the year ended June 30, 2015, the City recognized pension expense of \$(39,295). At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ --	\$ 76,607
Changes in proportion and difference between the City's contributions and proportionate share of contributions	--	13,282
The City's contributions subsequent to the measurement date	<u>2,550</u>	<u>--</u>
	<u>\$ 2,550</u>	<u>\$ 89,889</u>

\$2,550 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. 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 ends June 30,

2016	\$ 22,040
2017	22,040
2018	22,040
2019	22,040
2020	<u>1,730</u>
	<u>\$ 89,889</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

9. Defined benefit pension plan (continued)

E. Actuarial valuations

The employer contribution rates effective July 1, 2013, through June 30, 2015, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the OPERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP Pension Program component of the OPERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

F. Actuarial methods and assumptions used in developing total pension liability

Valuation Date	December 31, 2012 rolled forward to June 30, 2014.
Experience Study Report	2012, published September 18, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Inflation Rate	2.75 percent
Investment rate of return	7.75 percent
Projected Salary Increases	3.75 percent overall payroll growth; salaries for individuals are assumed to grow at 3.75 percent plus assumed rates of merit/longevity increases based on service
Mortality	<p>Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.</p>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

9. Defined benefit pension plan (continued)

F. 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 2012 Experience Study which reviewed experience for the four-year period ending on December 31, 2012.

Discount rate

The discount rate used to measure the total pension liability was 7.75 percent for the defined benefit pension plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the defined benefit pension plan was applied to all periods of projected benefit payments to determine the total pension liability.

Depletion date projection

GASB 67 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 market 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 67 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB 67 (paragraph 43) 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 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 67 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.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

9. Defined benefit pension plan (continued)

F. Actuarial methods and assumptions used in developing total pension liability (continued)

Depletion date projection (continued)

Based on these circumstances, it is OPERS independent actuary's opinion that the detailed depletion date projections outlined in GASB 67 would clearly indicate that the fiduciary net position is always projected to be sufficient to cover benefit payments and administrative expenses.

Assumed asset allocation:

<u>Asset Class / Strategy</u>	<u>Low Range</u>	<u>High Range</u>	<u>OIC Target</u>
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Private Equity	16.0%	24.0%	20.0%
Real Estate	9.5%	15.5%	12.5%
Alternative Equity	0.0%	10.0%	10.0%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			<u>100.0%</u>

Long-term expected rate of return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the OPERS Board reviewed long-term assumptions developed by both the actuary's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows the actuary's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

9. Defined benefit pension plan (continued)

F. Actuarial methods and assumptions used in developing total pension liability (continued)

Long-term expected rate of return (continued)

Asset Class	Target	Compound Annual Return (Geometric)
Core Fixed Income	7.20%	4.50%
Short-term Bonds	8.00%	3.70%
Intermediate-term Bonds	3.00%	4.10%
High Yield Bonds	1.80%	6.66%
Large Cap US Equities	11.65%	7.20%
Mid Cap US Equities	3.88%	7.30%
Small Cap US Equities	2.27%	7.45%
Developed Foreign Equities	14.21%	6.90%
Emerging Foreign Equities	5.49%	7.40%
Private Equity	20.00%	8.26%
Opportunity Funds / Absolute Return	5.00%	6.10%
Real Estate (Property)	13.75%	6.51%
Real Estate (REITS)	2.50%	6.76%
Commodities	7.71%	6.07%
Assumed Inflation - Mean		2.75%

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

The following presents the City’s proportionate share of the net pension asset (liability) calculated using the discount rate of 7.75 percent, as well as what the County’s proportionate share of the net pension asset (liability) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1 Percentage Point Lower	Current Discount Rate	1 Percentage Point Higher
The City’s proportionate share of net pension asset or liability	\$ (84,072)	\$ 39,701	\$ 144,384

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

9. Defined benefit pension plan (continued)

F. Actuarial methods and assumptions used in developing total pension liability (continued)

Changes in actuarial methods and assumptions

The prior measurement date of June 30, 2013 was based on the December 31, 2011 valuation. Changes in the actuarial methods and assumptions since that valuation are as follows:

Actuarial cost method – Changed from the projected unit credit cost method to the entry age normal cost method.

Tier 1/ Tier 2 UAL amortization – The balance will be amortized over a closed period of 20 years as a level percentage of projected payroll. Gains and losses between subsequent rate-setting valuations will be amortized over a closed 20-year period from the period in which they are first recognized.

Contribution rate stabilization method – The “grade-in range” over which the rate collar gradually doubles was modified so that the collar doubles as funded status (excluding side accounts) decreases from 70% to 60% or increases from 130% to 140%. Previously the ranges had been 80% to 70% and 120% to 130%.

Allocation of liability for service segments – For purposes of allocating a Tier 1/Tier 2 member’s actuarial accrued liability among multiple employers, the valuation uses a weighted average of the money match methodology and the Full Formula methodology used by OPERS when the member retires. The weights are determined based on the prevalence of each formula among the current Tier 1/Tier 2 population. Previously the money match was weighted 40 percent for General Service members and 10 percent for police & fire members. For subsequent valuations, this weighting has been adjusted to 30 percent for general service members and 5 percent for police & fire members, based on a projection of the proportion of liability attributable to money match benefits at those valuation dates.

Investment return and interest crediting - The assumed investment return and interest crediting to both regular and variable account balances was reduced to 7.75%. Previously, the assumed investment return and interest crediting to regular account balances was 8.00% and the assumed interest crediting to variable account balances was 8.25%.

OPSRP administrative expenses - Assumed administrative expenses for the OPSRP System were reduced from \$6.6 million per year to \$5.5 million per year.

Healthcare cost inflation - The healthcare cost inflation for the maximum retirement health insurance premium account (RHIPA) subsidy was updated based on an analysis by actuaries that included the consideration of the excise tax that will be introduced in 2018 by the Patient Protection and Affordable Care Act.

Healthy mortality - The healthy mortality assumption is based on the RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match recently observed system experience.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

9. Defined benefit pension plan (continued)

F. Actuarial methods and assumptions used in developing total Pension liability (continued)

Changes in actuarial methods and assumptions (continued)

Disabled mortality – The disabled mortality assumption base was changed from the RP2000 healthy tables to the RP2000 disabled tables. Gender-specific adjustments were applied to align the assumption with recently observed system experience.

Disability, retirement from active status, and termination - Rates for disability, retirement from active status, and termination were adjusted. Termination rates were changed from being indexed upon age to being indexed upon duration from hire date.

Merit increases, unused sick leave, and vacation pay - Assumed merit increases were lowered for school district members. Unused sick leave and vacation pay rates were adjusted.

Retiree healthcare participation - The Retirement health insurance account (RHIA) participation rate for healthy retirees was reduced from 48% to 45%. The RHIPA participation rate was changed from a uniform rate of 13% to a service-based table of rates.

G. Changes in plan provisions subsequent to measurement date

On April 30, 2015 the Oregon Supreme Court ruled that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually.

PERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire.

This is a change in benefit terms subsequent to the current measurement date of June 30, 2014, and is not reflected in the proportionate share of the net pension asset (liability).

It is estimated that this change will increase net pension liability by \$86,172.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

10. Defined contribution pension plan

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-, 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 non-retired 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

The City makes the employee contributions of 6 percent of covered payroll to the plan. Contributions for the year ended June 30, 2015 were \$29,705.

Recordkeeping

PERS contracts with VOYA Financial to maintain IAP participant records.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

11. Interfund transactions

i. Interfund transfers during the year ended June 30, 2015 were as follows:

Fund	Transfer In	Transfer Out
General	\$ 29,295	\$ 175,317
Street	-	30,345
System Development Charges	812,183	-
Nonmajor governmental funds	15,732	312,361
Water	-	287,930
Sewer	-	234,790
Capital Improvements	350,000	-
Debt Service	313,125	-
Nonmajor enterprise funds		479,592
	\$ 1,520,335	\$ 1,520,335

As part of budget preparation and adoption, the City anticipates making interfund transfers to move resources between funds to provide resources for specific expenditures that are not supported by other revenues.

ii. Non-cash interfund transfers during the year ended June 30, 2015 were as follows:

Fund	Transfer In	Transfer Out
Governmental activities	\$ 183,274	\$ -
Water	379,194	-
Sewer	405,195	41,930
Capital Improvements	41,930	646,945
Debt Service	-	320,718
	\$ 1,009,593	\$ 1,009,593

These transfers reflect the principal and interest debt payments made by the Bond Debt Service Fund for the debt obligation of the Water Fund, loan proceeds received by the Sewer Improvement Construction Fund for the debt obligation of the Sewer fund, and the acquisition of capital assets by the Sewer Construction Fund and Sewer SDC Funds on behalf of the General, Water, and Sewer funds.

12. Contingencies - accumulated sick leave

Portions of sick leave accumulated at any point in time can be expected to be redeemed before termination of employment; however, such redemptions cannot be reasonably estimated. As of June 30, 2015, City employees had accumulated 350 days of sick leave.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

13. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance for such risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

14. Segment information

	Water	Sewer
A. Condensed statement of net position		
Assets		
Current	\$ 206,684	\$ 1,274,222
Other assets	29,921	173,637
Capital assets, net	3,970,838	5,213,539
Total assets	4,207,443	6,661,398
Liabilities		
Current	287,087	122,311
Noncurrent	1,932,350	1,443,377
Total liabilities	2,219,437	1,565,688
Net position		
Net Investment in capital assets	1,920,245	3,721,163
Restricted	-	1,086,360
Unrestricted	137,355	174,843
Total net position	\$ 2,057,600	\$ 4,982,366
B. Condensed statement of revenues, expenses and changes in net position		
Operating revenue	\$ 806,455	\$ 529,834
Depreciation and amortization	100,379	89,182
Other operating expenses	537,146	410,751
Operating income	168,930	29,901
Nonoperating revenues (expenses)	(48,496)	(28,803)
Income before transfers	120,434	1,098
Transfers in	379,194	1,110,250
Transfers out	(504,037)	(1,495,236)
Change in net position	(4,409)	(383,888)
Net position - beginning	2,254,654	5,216,593
Prior period adjustment	(192,645)	149,661
Net position - ending	\$ 2,057,600	\$ 4,982,366

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

14. Segment information (continued)

	<u>Water</u>	<u>Sewer</u>
C. Condensed statement of cash flows		
Net cash provided by (used in):		
Operating activities	\$ 242,785	\$ 119,820
Capital and related financing activities	(287,930)	(924,454)
Investing activities	<u>890</u>	<u>3,626</u>
Net (decrease) in cash	(44,255)	(801,008)
Cash and cash equivalents - beginning of year	<u>150,832</u>	<u>2,152,295</u>
Cash and cash equivalents - end of year	<u>\$ 106,577</u>	<u>\$ 1,351,287</u>

15. Construction commitments

The City has entered into contracts with remaining commitments for construction, as follows:

	<u>Commitment</u>
Monroe Street	\$ 705,736
Pool House	975,000
Meadow Lake Transmission	2,701,914
Regional Solutions	<u>469,669</u>
Total	<u>\$ 4,852,319</u>

16. Net position restricted through enabling legislation

Net position which is restricted due to enabling legislation is as follows:

Governmental activities

Oregon laws restrict the use of state gas tax for road improvements and repairs	\$ 125,692
Urban Renewal taxes are restricted to improving and redeveloping designated areas	218,258
System Development Charges (SDC) are restricted for the purposes as specified in the implementing ordinances:	1,182,045

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF CARLTON

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
Last 10 Years Ended June 30, ***

	2015	2014
Proportion of the collective net pension liability (asset)	0.00175147%	0.00175147%
Proportionate share of the collective net pension liability (asset)	\$ (39,701)	\$ 89,380
Covered payroll	\$ 495,086	\$ 462,556
Proportionate share of the collective net pension liability (asset) as a percentage of the covered payroll	-8.019%	19.323%
Pension plan's fiduciary net position as a percentage of the total pension liability	103.590%	91.974%

* Information will be accumulated annually until 10 years is presented

CITY OF CARLTON

**SCHEDULE OF CONTRIBUTIONS
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
Last 10 Years Ended June 30, ***

	2015	2014
Contractually required contributions	\$ 2,550	\$ 1,065
Contractually required contributions recognized by the pension plan	2,550	1,065
Difference	-	-
Covered payroll	495,086	462,556
Contractually required contributions as a percentage of covered payroll	0.51506%	0.23024%

* Information will be accumulated until 10 years are presented.

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

CITY OF CARLTON
SYSTEM DEVELOPMENT CHARGES (MAJOR FUND)
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2015

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
System development charges	\$ 123,168	\$ 367,076	\$ 243,908
Interest	<u>900</u>	<u>2,786</u>	<u>1,886</u>
TOTAL REVENUES	<u>124,068</u>	<u>369,862</u>	<u>245,794</u>
EXPENDITURES			
Materials and services	105,000	-	105,000
Capital outlay	<u>771,339</u>	<u>-</u>	<u>771,339</u>
TOTAL EXPENDITURES	<u>876,339</u>	<u>-</u>	<u>876,339</u>
Excess (deficiency) of revenues over expenditures	(752,271)	369,862	(630,545)
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>20,230</u>	<u>812,183</u>	<u>791,953</u>
Net change in fund balance	(732,041)	1,182,045	1,914,086
Fund balance at beginning of year	<u>732,041</u>	<u>-</u>	<u>(732,041)</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 1,182,045</u>	<u>\$ 1,182,045</u>

CITY OF CARLTON

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2015**

	Urban Renewal	Tourism	Reserve	Totals
<u>ASSETS</u>				
Cash and investments	\$ 214,225	\$ 6,081	\$ 80,192	\$ 300,498
Receivables, net	4,977	-	-	4,977
TOTAL ASSETS	\$ 219,202	\$ 6,081	\$ 80,192	\$ 305,475
<u>LIABILITIES</u>				
Accounts payable and accrued liabilities	\$ 944	\$ -	\$ 24,383	\$ 25,327
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue	4,659	-	-	4,659
<u>FUND BALANCE</u>				
Restricted	213,599	-	-	213,599
Committed	-	6,081	55,809	61,890
TOTAL FUND BALANCES	213,599	6,081	55,809	275,489
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 219,202	\$ 6,081	\$ 80,192	\$ 305,475

CITY OF CARLTON

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015**

	Special Revenue	
	Urban Renewal	Tourism
REVENUES		
Property taxes	\$ 61,072	\$ -
Transient room tax	-	23,027
Interest	940	332
Miscellaneous	-	3,000
TOTAL REVENUES	62,012	26,359
EXPENDITURES		
Materials and services	2,646	34,010
Capital outlay	-	-
TOTAL EXPENDITURES	2,646	34,010
Excess (deficiency) of revenues over expenditures	59,366	(7,651)
OTHER FINANCING SOURCES (USES)		
Transfers in	-	13,732
Transfers out	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	13,732
Net change in fund balance	59,366	6,081
Fund balance at beginning of year	154,233	-
Fund balance at end of year	\$ 213,599	\$ 6,081

Capital Projects

Reserve	Park System Development	Transportation System Development	Storm Water System Development	Totals
\$ -	\$ -	\$ -	\$ -	\$ 61,072
-	-	-	-	23,027
-	-	-	-	1,272
<u>34,199</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,199</u>
<u>34,199</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>122,570</u>
-	-	-	-	36,656
<u>44,745</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,745</u>
<u>44,745</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>81,401</u>
<u>(10,546)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,169</u>
2,000	-	-	-	15,732
<u>-</u>	<u>(177,196)</u>	<u>(28,600)</u>	<u>(106,565)</u>	<u>(312,361)</u>
<u>2,000</u>	<u>(177,196)</u>	<u>(28,600)</u>	<u>(106,565)</u>	<u>(296,629)</u>
(8,546)	(177,196)	(28,600)	(106,565)	(255,460)
<u>64,355</u>	<u>177,196</u>	<u>28,600</u>	<u>106,565</u>	<u>530,949</u>
<u>\$ 55,809</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 275,489</u>

CITY OF CARLTON

**URBAN RENEWAL - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2015**

	Original and Final Budget	Actual	Variance
REVENUES			
Property taxes	\$ 58,114	\$ 61,072	\$ 2,958
Interest	500	940	440
TOTAL REVENUES	58,614	62,012	3,398
EXPENDITURES			
Materials and services	14,500	2,646	11,854
Capital outlay	175,000	-	175,000
Contingency	22,279	-	22,279
TOTAL EXPENDITURES	211,779	2,646	209,133
Net change in fund balance	(153,165)	59,366	212,531
Fund balance at beginning of year	153,165	154,233	1,068
Fund balance at end of year	\$ -	\$ 213,599	\$ 213,599

CITY OF CARLTON

**TOURISM-SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2015**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Transient room tax	\$ 14,700	\$ 23,027	\$ 8,327
Interest	100	332	232
Miscellaneous	<u>5,000</u>	<u>3,000</u>	<u>(2,000)</u>
 TOTAL REVENUES	 19,800	 26,359	 6,559
 EXPENDITURES			
Materials and services	<u>33,532</u>	<u>34,010</u>	<u>(478)</u>
 Excess (deficiency) of revenues over expenditures	 (13,732)	 (7,651)	 6,081
 OTHER FINANCING SOURCES (USES)			
Transfers in	<u>13,732</u>	<u>13,732</u>	<u>-</u>
 Net change in fund balance	 -	 6,081	 6,081
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
 Fund balance at end of year	 <u>\$ -</u>	 <u>\$ 6,081</u>	 <u>\$ 6,081</u>

CITY OF CARLTON

**RESERVE - CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2015**

	Original and Final Budget	Actual	Variance
REVENUES			
Miscellaneous	\$ -	\$ 34,199	\$ 34,199
EXPENDITURES			
Capital outlay	20,000	44,745	(24,745)
Contingency	<u>51,223</u>	<u>-</u>	<u>51,223</u>
TOTAL EXPENDITURES	<u>71,223</u>	<u>44,745</u>	<u>26,478</u>
Excess (deficiency) of revenues over expenditures	(71,223)	(10,546)	60,677
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>2,000</u>	<u>2,000</u>	<u>-</u>
Net change in fund balance	(69,223)	(8,546)	60,677
Fund balance at beginning of year	<u>69,223</u>	<u>64,355</u>	<u>(4,868)</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 55,809</u>	<u>\$ 55,809</u>

CITY OF CARLTON

PARK SYSTEM DEVELOPMENT - CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>-</u>	<u>(177,196)</u>	<u>(177,196)</u>
Net change in fund balance	-	(177,196)	(177,196)
Fund balance at beginning of year	<u>-</u>	<u>177,196</u>	<u>177,196</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF CARLTON

**TRANSPORTATION SYSTEM DEVELOPMENT - CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2015**

	Budget	Actual	Variance
OTHER FINANCING SOURCES (USES)			
Transfers out	-	(28,600)	(28,600)
Net change in fund balance	-	(28,600)	(28,600)
Fund balance at beginning of year	-	28,600	28,600
 Fund balance at end of year	 \$ -	 \$ -	 \$ -

CITY OF CARLTON

STORM WATER SYSTEM DEVELOPMENT - CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>-</u>	<u>(106,565)</u>	<u>(106,565)</u>
Net change in fund balance	-	(106,565)	(106,565)
Fund balance at beginning of year	<u>-</u>	<u>106,565</u>	<u>106,565</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF CARLTON

**WATER - ENTERPRISE FUND (MAJOR FUND)
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2015**

	Budget	Actual	Variance
REVENUES			
Charges for services	\$ 735,600	\$ 806,455	\$ 70,855
Interest	800	890	90
Miscellaneous	-	140	140
TOTAL REVENUES	736,400	807,485	71,085
EXPENDITURES			
Personal services	251,658	266,414	(14,756)
Materials and services	221,800	285,893	(64,093)
Contingency	233,878	-	233,878
TOTAL EXPENDITURES	707,336	552,307	155,029
Excess (deficiency) of revenues over expenditures	29,064	255,178	226,114
OTHER FINANCING SOURCES (USES)			
Transfers out	(287,930)	(287,930)	-
Net change in fund balance	(258,866)	(32,752)	226,114
Fund balance at beginning of year	258,866	350,082	91,216
Prior period adjustment	-	(166,665)	(166,665)
Fund balance at end of year	\$ -	150,665	\$ 150,665
Reconciliation to generally accepted accounting principles:			
Net pension asset		11,679	
Capital assets, net		3,970,838	
Deferred outflows of resources:			
Premiums on long-term debt obligations		17,492	
Pension related items		750	
Accrued interest payable		(10,479)	
Compensated absences payable		(6,310)	
Long-term obligations		(2,050,593)	
Deferred inflows of resources - pension related items		(26,442)	
Net position at end of year		\$ 2,057,600	

CITY OF CARLTON

**SEWER - ENTERPRISE FUND (MAJOR FUND)
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2015**

	Budget	Actual	Variance
REVENUES			
Charges for services	\$ 504,900	\$ 529,834	\$ 24,934
Interest	1,100	1,220	120
Miscellaneous	3,000	56	(2,944)
TOTAL REVENUES	509,000	531,110	22,110
EXPENDITURES			
Personal services	157,961	161,206	(3,245)
Materials and services	195,300	252,448	(57,148)
Capital outlay	5,000	130	4,870
Contingency	263,902	-	263,902
TOTAL EXPENDITURES	622,163	413,784	208,379
Excess (deficiency) of revenues over expenditures	(113,163)	117,326	230,489
OTHER FINANCING SOURCES (USES)			
Transfers out	(234,790)	(234,790)	-
Net change in fund balance	(347,953)	(117,464)	230,489
Fund balance at beginning of year	347,953	355,469	7,516
Fund balance at end of year	\$ -	238,005	\$ 238,005
Reconciliation to generally accepted accounting principles:			
Net pension asset		7,644	
Capital assets, net		5,213,539	
Deferred outflows of resources - pension related items		491	
Accrued interest payable		(43,647)	
Compensated absences payable		(3,487)	
Long-term obligations		(1,492,376)	
Deferred inflows of resources - pension related items		(17,308)	
Net position at end of year		\$ 3,902,861	

CITY OF CARLTON

**CAPITAL IMPROVEMENTS - ENTERPRISE FUND (MAJOR FUND)
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2015**

	Original and Final Budget	Actual	Variance
REVENUES			
Intergovernmental	\$ 214,810	\$ 52,961	\$ (161,849)
Interest	-	2,406	2,406
Miscellaneous	147,000	2,680	(144,320)
TOTAL REVENUES	361,810	58,047	(303,763)
EXPENDITURES			
Capital outlay	2,003,483	656,154	1,347,329
Excess (deficiency) of revenues over expenditures	(1,641,673)	(598,107)	1,043,566
OTHER FINANCING SOURCES (USES)			
Loan receipts	141,930	41,930	(100,000)
Transfers in	400,000	350,000	(50,000)
TOTAL OTHER FINANCING SOURCES (USES)	541,930	391,930	(150,000)
Net change in fund balance	(1,099,743)	(206,177)	893,566
Fund balance at beginning of year	1,099,743	1,127,035	27,292
Fund balance at end of year	\$ -	\$ 920,858	\$ 920,858

CITY OF CARLTON

**DEBT SERVICE - ENTERPRISE FUND (MAJOR FUND)
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2015**

	Original and Final Budget	Actual	Variance
EXPENDITURES			
Debt service	\$ 313,125	\$ 321,143	\$ (8,018)
OTHER FINANCING SOURCES (USES)			
Transfers in	313,125	313,125	-
Net change in fund balance	-	(8,018)	(8,018)
Fund balance at beginning of year	-	-	-
Prior period adjustment	-	166,665	166,665
Fund balance at end of year	\$ -	\$ 158,647	\$ 158,647

CITY OF CARLTON

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2015**

	<u>Water System Development Charges</u>	<u>Sewer System Development Charges</u>	<u>Totals</u>
NONOPERATING REVENUES (EXPENSES)			
Transfers out	<u>(216,107)</u>	<u>(263,485)</u>	<u>(479,592)</u>
Change in net position	(216,107)	(263,485)	(479,592)
Net position at beginning of year	<u>216,107</u>	<u>263,485</u>	<u>479,592</u>
Net position at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF CARLTON

**STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2015**

	<u>Water System Development Charges</u>	<u>Sewer System Development Charges</u>	<u>Totals</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Transfers out	<u>(216,107)</u>	<u>(263,485)</u>	<u>(479,592)</u>
Net (decrease) in cash and cash equivalents	(216,107)	(263,485)	(479,592)
Cash and cash equivalents at beginning of year	<u>216,107</u>	<u>263,485</u>	<u>479,592</u>
Cash and cash equivalent at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF CARLTON

**WATER SYSTEM DEVELOPMENT CHARGES - ENTERPRISE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 For the Year Ended June 30, 2015**

	Budget	Actual	Variance
OTHER FINANCING SOURCES (USES)			
Transfers out	-	(216,107)	(216,107)
Net change in fund balance	-	(216,107)	(216,107)
Fund balance at beginning of year	-	216,107	216,107
 Fund balance at end of year	 \$ -	 \$ -	 \$ -

CITY OF CARLTON

**SEWER SYSTEM DEVELOPMENT CHARGES - ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2015**

	Budget	Actual	Variance
OTHER FINANCING SOURCES (USES)			
Transfers out	-	(263,485)	(263,485)
Net change in fund balance	-	(263,485)	(263,485)
Fund balance at beginning of year	-	263,485	263,485
 Fund balance at end of year	 \$ -	 \$ -	 \$ -

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COMPLIANCE SECTION

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INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Honorable Mayor and Members
of the City Council
CITY OF CARLTON
Carlton, Oregon

We have audited in accordance with auditing standards generally accepted in the United States of America the basic financial statements of the CITY OF CARLTON as of and for the year ended June 30, 2015, and have issued our report thereon dated February 26, 2016.

Compliance and Other Matters

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

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

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **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).**

**INDEPENDENT AUDITOR'S REPORT REQUIRED BY
OREGON STATE REGULATIONS (Continued)**

Compliance and Other Matters (continued)

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:

1. The 2014-15 budget was executed in compliance with legal requirements, except disbursements in excess of appropriations (which is prohibited by ORS 294.435) were made in the following categories:

<u>Fund/Category</u>	<u>Appropriation</u>	<u>Actual</u>	<u>Variance</u>
General			
Administration	\$ 126,214	\$ 163,334	\$ (37,120)
General			
Swimming pool	67,800	69,481	(1,681)
Street			
Personal services	26,663	31,819	(5,156)
Tourism			
Materials and services	33,532	34,010	(478)
Reserve			
Capital outlay	20,000	44,745	(24,745)
Water			
Personal services	251,658	266,414	(14,756)
Materials and services	221,800	285,893	(64,093)
Sewer			
Personal services	157,961	161,206	(3,245)
Materials and services	195,300	252,448	(57,148)
Debt service			
Debt service	313,125	321,143	(8,018)

2. Items in 2015-16 published financial summary, Form LB-1, did not agree to the 2015-16 budget approved by the budget committee.
3. The 2015-16 General Fund budgeted resources of \$1,090,958 do not equal the budgeted requirements of \$1,089,958.
4. The 2015-16 budgeted transfers out of \$770,751 do not balance to transfers in of \$760,751.
5. The City did not reasonably estimate the July 1, 2015 General Fund beginning fund balance as required by ORS 294.361(1) as follows:

Estimated	\$150,138
Actual	<u>293,719</u>
Variance	<u>\$143,581</u>

**INDEPENDENT AUDITOR'S REPORT REQUIRED BY
OREGON STATE REGULATIONS (Continued)**

OAR 162-10-0230 Internal Control

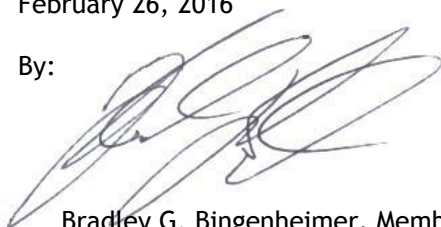
In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose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

Restriction of Use

This report is intended solely for the information and use of the council members and management of CITY OF CARLTON and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

Boldt Carlisle + Smith
Certified Public Accountants
Salem, Oregon
February 26, 2016

By:



Bradley G. Bingenheimer, Member

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the City Council
City of Carlton

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Carlton as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 26, 2016.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. 2015-1

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. We consider the deficiencies described in the accompany schedule of findings and responses to be significant deficiencies. 2015-2:2015-4

INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Carlton Response to Findings

The City’s response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Boldt Carlisle & Smith

Boldt Carlisle + Smith
Certified Public Accountants
Salem, Oregon
February 26, 2016

CITY OF NEWBERG
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2015

Material Weakness:

2015-1 Cash Reconciliation

- Criteria: Internal controls should include processes for accurately reconciling the bank accounts to the general ledger on a monthly basis. Without this reconciliation there is a significant risk of a material misstatement, caused by either error or fraud, occurring and not being detected or corrected in a timely manner.
- Condition: The City's internal controls do not provide for an accurate reconciliation of bank accounts to the general ledger.
- Cause: The City was not able to accurately reconcile bank accounts to the general ledger on a monthly basis.
- Effect: A material misstatement, caused by either error or fraud, could occur and not be detected and corrected in a timely manner.

Significant Deficiencies:

2015-2 Utility Billing

- Criteria: Internal Controls should provide for adequate segregation of duties in connection with the collection of utility billings and monitoring of adjustments to assessed fees to ensure assets are safeguarded and revenues are properly reported
- Condition: The City's internal controls do not provide for adequate segregation of duties in connection with utility billing receipts, nor do they provide for adequate monitoring of adjustments to customer accounts.
- Cause: Utility billing clerk has the ability to make adjustments in utility billing software without adequate monitoring.
- Effect: A material misstatement, caused by either error or fraud, could occur and not be detected and corrected in a timely manner.

SCHEDULE OF FINDINGS AND RESPONSES (Continued)

2015-3 Journal Entries

- Criteria: Internal Controls should provide for adequate segregation of duties in connection with posting journal entries and monitoring entries posted.
- Condition: The City's internal controls do not provide for adequate segregation of duties or monitoring in connection with posting journal entries.
- Cause: Finance director has the ability to post journal entries without adequate monitoring.
- Effect: Finance director could make adjustments without authorization that create a material misstatement or could be used to disguise fraudulent transactions.

2015-4 Payroll

- Criteria: Internal Controls should provide for adequate segregation of duties and monitoring in connection with payroll expenditures.
- Condition: The City's internal controls do not provide for adequate segregation of duties or monitoring in connection with payroll.
- Cause: Finance director has the ability to make payments without adequate monitoring.
- Effect: A material misstatement, caused by either error or fraud, could occur and not be detected and corrected in a timely manner.