



**Carlton, Oregon**

**ANNUAL FINANCIAL REPORT  
For the Year Ended June 30, 2018**

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**CITY OF CARLTON**

**OFFICERS AND MEMBERS OF THE GOVERNING BODY  
For the Year Ended June 30, 2018**

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**CITY MANAGER**

Dennis Durham  
191 E Main St  
Carlton, Oregon 97111

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**CITY OF CARLTON**  
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## INDEPENDENT AUDITOR'S REPORT

The City Council  
City of Carlton

### Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Carlton, as of and for the year ended June 30, 2018, 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*

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1.C.; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to 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 modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Carlton, as of June 30, 2018, and the respective changes in the modified cash basis financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with the modified cash basis of accounting described in Note 1.C.

### *Basis of Accounting*

We draw attention to Note 1.C. of the financial statements which describe the basis of accounting. The financial statements are prepared on the modified cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

### *Other Matters*

#### *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 financial statements and individual fund schedules and schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

### 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 December 4, 2018 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 the City's internal control over financial reporting and compliance.



INDEPENDENT AUDITOR'S REPORT (Continued)

*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 December 4, 2018 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 the 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  
December 4, 2018

By:

A handwritten signature in black ink, appearing to read 'B. Bingenheimer', written over a horizontal line.

Bradley G. Bingenheimer, Member

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## **BASIC FINANCIAL STATEMENTS**

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**CITY OF CARLTON**  
**STATEMENT OF NET POSITION**  
**MODIFIED CASH BASIS**  
**June 30, 2018**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 3,800,414	\$ 1,014,985	\$ 4,815,399
Internal balances	<u>(1,023,503)</u>	<u>1,023,503</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>2,776,911</u>	<u>2,038,488</u>	<u>4,815,399</u>
<b><u>LIABILITIES</u></b>			
Customer deposits payable	-	50,647	50,647
Bonds monies due to contractors	<u>470,703</u>	<u>-</u>	<u>470,703</u>
<b>TOTAL LIABILITIES</b>	<u>470,703</u>	<u>50,647</u>	<u>521,350</u>
<b><u>NET POSITION</u></b>			
Restricted for:			
Capital projects	2,283,814	503,894	2,787,708
Street maintenance	224,264	-	224,264
Economic development	172,757	-	172,757
Tourism	27,711	-	27,711
Debt service	5,012	158,646	163,658
Unrestricted	<u>(407,350)</u>	<u>1,325,301</u>	<u>917,951</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 2,306,208</u></u>	<u><u>\$ 1,987,841</u></u>	<u><u>\$ 4,294,049</u></u>

*See accompanying notes*

**CITY OF CARLTON**

**STATEMENT OF ACTIVITIES  
MODIFIED CASH BASIS  
For the Year Ended June 30, 2018**

<u>Functions/Programs</u>	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities</b>				
General government	\$ 456,875	\$ 52,352	\$ 3,420	\$ -
Public safety	416,023	-	6,000	-
Highways and streets	134,204	-	139,492	238,121
Culture and recreation	213,164	53,894	-	66,972
Debt service	90,934	-	-	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<u>1,311,200</u>	<u>106,246</u>	<u>148,912</u>	<u>305,093</u>
<b>Business-type activities</b>				
Water	1,884,530	1,046,739	-	1,349,119
Sewer	657,992	623,350	-	270,579
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<u>2,542,522</u>	<u>1,670,089</u>	<u>-</u>	<u>1,619,698</u>
<b>Totals</b>	<u><u>\$ 3,853,722</u></u>	<u><u>\$ 1,776,335</u></u>	<u><u>\$ 148,912</u></u>	<u><u>\$ 1,924,791</u></u>

**General revenues**

- Property taxes, levied for general purposes
- Miscellaneous taxes
- Fines and forfeitures
- Licenses, permits and fees
- Grants and contributions not restricted for specific programs
- Interest
- Miscellaneous

**Special item - gain on sale of property**

**Transfers**

TOTAL GENERAL REVENUES, SPECIAL ITEM AND TRANSFERS

CHANGE IN NET POSITION

NET POSITION - BEGINNING

PRIOR PERIOD ADJUSTMENT

NET POSITION - ENDING

*See accompanying notes*

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-type Activities	Totals
\$ (401,103)		\$ (401,103)
(410,023)		(410,023)
243,409		243,409
(92,298)		(92,298)
<u>(90,934)</u>		<u>(90,934)</u>
<u>(750,949)</u>		<u>(750,949)</u>
	\$ 511,328	511,328
	<u>235,937</u>	<u>235,937</u>
	<u>747,265</u>	<u>747,265</u>
<u>(750,949)</u>	<u>747,265</u>	<u>(3,684)</u>
919,442	-	919,442
35,347	-	35,347
23,951	-	23,951
173,618	-	173,618
80,452	-	80,452
34,177	28,510	62,687
7,376	3,470	10,846
84,375	-	84,375
<u>(105,283)</u>	<u>105,283</u>	<u>-</u>
<u>1,253,455</u>	<u>137,263</u>	<u>1,390,718</u>
502,506	884,528	1,387,034
2,220,256	686,759	2,907,015
<u>(416,554)</u>	<u>416,554</u>	<u>-</u>
<u>\$ 2,306,208</u>	<u>\$ 1,987,841</u>	<u>\$ 4,294,049</u>

**CITY OF CARLTON**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**MODIFIED CASH BASIS**  
**June 30, 2018**

	General	System Development Charges	Total Nonmajor Funds	Total Governmental Funds
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 1,030,107	\$ 2,283,814	\$ 486,493	\$ 3,800,414
<b>TOTAL ASSETS</b>	<b><u>\$ 1,030,107</u></b>	<b><u>\$ 2,283,814</u></b>	<b><u>\$ 486,493</u></b>	<b><u>\$ 3,800,414</u></b>
<b><u>LIABILITIES</u></b>				
Bond monies due to contractors	\$ 470,703	\$ -	\$ -	\$ 470,703
<b>TOTAL LIABILITIES</b>	<b><u>470,703</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>470,703</u></b>
<b><u>FUND BALANCE</u></b>				
Restricted for:				
Capital projects	-	2,283,814	-	2,283,814
Debt service	-	-	5,012	5,012
Street maintenance	-	-	224,264	224,264
Economic development	-	-	172,757	172,757
Tourism	-	-	27,711	27,711
Committed for:				
Capital projects	-	-	56,749	56,749
Unassigned	<u>559,404</u>	<u>-</u>	<u>-</u>	<u>559,404</u>
<b>TOTAL FUND BALANCE</b>	<b><u>559,404</u></b>	<b><u>2,283,814</u></b>	<b><u>486,493</u></b>	<b>3,329,711</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 1,030,107</u></b>	<b><u>\$ 2,283,814</u></b>	<b><u>\$ 486,493</u></b>	

*Amounts reported for governmental activities in the statement of net position are different because of internal balances resulting from transactions in governmental funds for the benefit of business-type activities and transactions in proprietary funds for the benefit of governmental activities.*

(1,023,503)

**NET POSITION OF GOVERNMENTAL ACTIVITIES**

**\$ 2,306,208**

*See accompanying notes*



**CITY OF CARLTON**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
MODIFIED CASH BASIS  
For the Year Ended June 30, 2018**

	General	System Development Charges	Total Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>				
Property taxes	\$ 739,478	\$ -	\$ 179,964	\$ 919,442
Miscellaneous taxes	10,463	-	24,884	35,347
Fines and forfeitures	23,951	-	-	23,951
Licenses, permits and fees	169,518	-	4,100	173,618
Charges for services	106,246	-	-	106,246
Intergovernmental	55,398	-	203,846	259,244
System development charges	-	843,936	-	843,936
Interest	11,246	9,296	13,635	34,177
Miscellaneous	4,376	-	3,000	7,376
	<u>1,120,676</u>	<u>853,232</u>	<u>429,429</u>	<u>2,403,337</u>
<b>TOTAL REVENUES</b>				
<b>EXPENDITURES</b>				
Current				
General government	375,623	-	22,602	398,225
Public safety	393,734	-	-	393,734
Highways and streets	-	-	76,239	76,239
Culture and recreation	162,242	-	-	162,242
Capital outlay	59,410	60,836	62,416	182,662
Debt service	-	-	59,872	59,872
	<u>991,009</u>	<u>60,836</u>	<u>221,129</u>	<u>1,272,974</u>
<b>TOTAL EXPENDITURES</b>				
Excess (deficiency) of revenues over expenditures	<u>129,667</u>	<u>792,396</u>	<u>208,300</u>	<u>1,130,363</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of property	84,375	-	-	84,375
Transfers in	29,295	-	-	29,295
Transfers out	(131,063)	-	(3,515)	(134,578)
	<u>(17,393)</u>	<u>-</u>	<u>(3,515)</u>	<u>(20,908)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>				
Net change in fund balance	112,274	792,396	204,785	1,109,455
Fund balance at beginning of year	<u>447,130</u>	<u>1,491,418</u>	<u>281,708</u>	<u>2,220,256</u>
Fund balance at end of year	<u>\$ 559,404</u>	<u>\$ 2,283,814</u>	<u>\$ 486,493</u>	<u>\$ 3,329,711</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  
MODIFIED CASH BASIS  
For the Year Ended June 30, 2018**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 1,109,455
Amounts reported for governmental activities in the statement of activities are different because:	
System development charges relating to business-type activities are accounted for in governmental funds but are capital contributions for the water and sewer functions in the statement of activities	(568,923)
Proprietary funds will purchase capital assets which will be used in governmental activities	(7,164)
Proprietary funds will make payments on long-term obligations that relate to governmental activities	(31,062)
Proprietary funds received contributions for the acquisition of capital assets which will be used in governmental activities	<u>200</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 502,506</u>

*See accompanying notes*

**CITY OF CARLTON**

**GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
MODIFIED CASH BASIS  
For the Year Ended June 30, 2018**

	<u>Budget</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>				
Property taxes	\$ 672,000	\$ 672,000	\$ 739,478	\$ 67,478
Miscellaneous taxes	10,000	10,000	10,463	463
Fines and forfeitures	15,000	15,000	23,951	8,951
Licenses, permits and fees	155,200	130,200	169,518	39,318
Charges for services	68,230	78,230	106,246	28,016
Intergovernmental	43,500	43,500	55,398	11,898
Interest	4,500	4,500	11,246	6,746
Miscellaneous	1,000	1,000	4,376	3,376
<b>TOTAL REVENUES</b>	<u>969,430</u>	<u>954,430</u>	<u>1,120,676</u>	<u>166,246</u>
<b>EXPENDITURES</b>				
Administration	104,639	123,139	116,310	6,829
City recorder/finance	142,130	147,130	134,955	12,175
Planning and land use	77,423	97,923	89,852	8,071
Police	445,392	445,392	416,023	29,369
Municipal court	36,405	39,405	37,782	1,623
Parks and recreation	125,384	125,384	107,948	17,436
Swimming pool	98,453	98,453	88,139	10,314
Contingency	151,053	133,053	-	133,053
<b>TOTAL EXPENDITURES</b>	<u>1,180,879</u>	<u>1,209,879</u>	<u>991,009</u>	<u>218,870</u>
Excess (deficiency) of revenues over expenditures	<u>(211,449)</u>	<u>(255,449)</u>	<u>129,667</u>	<u>385,116</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of property	60,000	60,000	84,375	24,375
Transfers in	29,295	73,295	29,295	(44,000)
Transfers out	(131,063)	(131,063)	(131,063)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(41,768)</u>	<u>2,232</u>	<u>(17,393)</u>	<u>(19,625)</u>
Net change in fund balance	(253,217)	(253,217)	112,274	365,491
Fund balance at beginning of year	<u>253,217</u>	<u>253,217</u>	<u>447,130</u>	<u>193,913</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 559,404</u>	<u>\$ 559,404</u>

*See accompanying notes*

**CITY OF CARLTON**

**STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 MODIFIED CASH BASIS  
 June 30, 2018**

	<u>Business-type Activities</u>	
	Water	Sewer
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 363,571	\$ (11,126)
<b>TOTAL ASSETS</b>	363,571	(11,126)
<b><u>LIABILITIES</u></b>		
Customer deposits payable	50,647	-
<b>TOTAL LIABILITIES</b>	50,647	-
<b><u>NET POSITION</u></b>		
Restricted for:		
Capital projects	-	-
Debt service	-	-
Unrestricted	312,924	(11,126)
<b>TOTAL NET POSITION</b>	\$ 312,924	\$ (11,126)

*Amounts reported for business-type activities in the statement of net position are different because internal balances resulting from transactions in governmental funds for the benefit of business-type activities and transactions in proprietary funds for the benefit of governmental activities.*

**NET POSITION OF BUSINESS-TYPE ACTIVITIES**

*See accompanying notes*

<u>Capital Improvements</u>	<u>Debt Service</u>	<u>Total Enterprise Funds</u>
\$ 503,894	\$ 158,646	\$ 1,014,985
<u>503,894</u>	<u>158,646</u>	<u>1,014,985</u>
<u>-</u>	<u>-</u>	<u>50,647</u>
<u>-</u>	<u>-</u>	<u>50,647</u>
503,894	-	503,894
-	158,646	158,646
<u>-</u>	<u>-</u>	<u>301,798</u>
<u>\$ 503,894</u>	<u>\$ 158,646</u>	964,338
		<u>1,023,503</u>
		<u>\$ 1,987,841</u>

**CITY OF CARLTON**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
MODIFIED CASH BASIS  
For the Year Ended June 30, 2018**

	Business-type Activities	
	Water	Sewer
<b>OPERATING REVENUES</b>		
Charges for services	\$ 1,046,739	\$ 623,350
<b>TOTAL OPERATING REVENUES</b>	<b>1,046,739</b>	<b>623,350</b>
<b>OPERATING EXPENDITURES</b>		
Personnel services	340,731	239,205
Materials and services	249,598	222,900
Capital outlay	21,127	5,208
<b>TOTAL OPERATING EXPENDITURES</b>	<b>611,456</b>	<b>467,313</b>
<b>OPERATING INCOME (LOSS)</b>	<b>435,283</b>	<b>156,037</b>
<b>NONOPERATING REVENUES (EXPENDITURES)</b>		
Interest earned on investments	9,297	9,297
Contributions	-	-
Miscellaneous	470	3,000
Debt service	-	-
<b>TOTAL NONOPERATING REVENUES (EXPENDITURES)</b>	<b>9,767</b>	<b>12,297</b>
Income (loss) before capital contributions and transfers	445,050	168,334
Transfers in	-	-
Loan proceeds	-	-
Transfers out	(279,567)	(211,359)
Change in net position	165,483	(43,025)
Net position at beginning of year	147,441	31,899
Net position at end of year	<b>\$ 312,924</b>	<b>\$ (11,126)</b>

Amounts reported for business-type activities in the statement of activities are different because:

System development charges relating to business-type activities are accounted for in governmental funds but are capital contributions for the water and sewer functions in the statement of activities

Proprietary funds will purchase capital assets which will be used in governmental activities

Proprietary funds will make payments on long-term obligations that relate to governmental activities

Proprietary funds received contributions for the acquisition of capital assets which will be used in governmental activities

CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES

*See accompanying notes*

<u>Capital</u>		<u>Total</u>
<u>Improvements</u>	<u>Debt Service</u>	<u>Enterprise</u>
		<u>Funds</u>
\$ -	\$ -	\$ 1,670,089
-	-	1,670,089
-	-	579,936
-	-	472,498
1,180,771	-	1,207,106
1,180,771	-	2,259,540
(1,180,771)	-	(589,451)
9,916	-	28,510
200	-	200
-	-	3,470
-	(321,208)	(321,208)
10,116	(321,208)	(289,028)
(1,170,655)	(321,208)	(878,479)
275,000	321,209	596,209
1,050,775	-	1,050,775
-	-	(490,926)
155,120	1	277,579
348,774	158,645	
<u>\$ 503,894</u>	<u>\$ 158,646</u>	

568,923

7,164

31,062

(200)

\$ 884,528

**CITY OF CARLTON**

**STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 MODIFIED CASH BASIS  
 For the Year Ended June 30, 2018**

	<u>Business-type Activities</u>	
	<u>Water</u>	<u>Sewer</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 1,051,039	\$ 623,350
Payments to suppliers	(270,725)	(228,108)
Payments to employees	(340,731)	(239,205)
Other receipts	470	3,000
	<u>440,053</u>	<u>159,037</u>
Net cash provided by (used in) operating activities		
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Transfer in	-	-
Capital contributions	-	-
Transfers out	(279,567)	(211,359)
Proceeds from debt	-	-
Principal paid on debt	-	-
Interest paid on debt	-	-
	<u>(279,567)</u>	<u>(211,359)</u>
Net cash provided by (used in) capital and related financing activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest earned on investments	9,297	9,297
	<u>9,297</u>	<u>9,297</u>
Net cash provided by (used in) investing activities		
Net increase (decrease) in cash and cash equivalents	169,783	(43,025)
Cash and cash equivalents at beginning of year	193,788	31,899
	<u>363,571</u>	<u>(11,126)</u>
Cash and cash equivalents at the end of year		

*See accompanying notes*



<u>Capital Improvements</u>	<u>Debt Service</u>	<u>Total Enterprise Funds</u>
\$ -	\$ -	\$ 1,674,389
(1,180,771)	-	(1,679,604)
-	-	(579,936)
<u>-</u>	<u>-</u>	<u>3,470</u>
<u>(1,180,771)</u>	<u>-</u>	<u>(581,681)</u>
275,000	321,209	596,209
200	-	200
-	-	(490,926)
1,050,775	-	1,050,775
-	(198,222)	(198,222)
<u>-</u>	<u>(122,986)</u>	<u>(122,986)</u>
<u>1,325,975</u>	<u>1</u>	<u>835,050</u>
<u>9,916</u>	<u>-</u>	<u>28,510</u>
<u>9,916</u>	<u>-</u>	<u>28,510</u>
155,120	1	281,879
<u>348,774</u>	<u>158,645</u>	<u>733,106</u>
<u>\$ 503,894</u>	<u>\$ 158,646</u>	<u>\$ 1,014,985</u>

**STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 MODIFIED CASH BASIS (Continued)**

	<u>Business-type Activities</u>	
	<u>Water</u>	<u>Sewer</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>		
Operating income (loss)	\$ 435,283	\$ 156,037
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Other receipts	470	3,000
Change in customer deposits payable	<u>4,300</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 440,053</u>	<u>\$ 159,037</u>

*See accompanying notes*

<u>Capital</u>		<u>Total</u>
<u>Improvements</u>	<u>Debt Service</u>	<u>Enterprise</u>
		<u>Funds</u>
\$ (1,180,771)	\$ -	\$ (589,451)
-	-	3,470
<u>-</u>	<u>-</u>	<u>4,300</u>
<u>\$ (1,180,771)</u>	<u>\$ -</u>	<u>\$ (581,681)</u>

## CITY OF CARLTON

### NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

#### 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 receipts, 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. 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 on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets, and liabilities resulting from cash transactions, adjusted for liabilities that arise from cash transactions.

Only cash and cash equivalents and items that involve the receipt or disbursement of cash or cash equivalents during the period are recognized, except for the following modifications:

- i. Interfund receivables and payables that arise from transactions and events involving cash or cash equivalents are recognized;
- ii. Assets that normally convert to cash or cash equivalents (e.g., certificates of deposit, marketable investments, and receivables resulting from loans) that arise from transactions and events involving cash or cash equivalents are recognized; and
- iii. Liabilities for cash or cash equivalents held on behalf of others, held in escrow, or received in advance of being earned or meeting eligibility requirements are recognized.

As a result of the use of this modified cash basis of accounting, certain transactions are not recorded in the financial statements. For example, billed or provided services that have not been collected in cash are not accrued as receivables. Additionally, capital assets such as property, equipment, and infrastructure are not reported and long-term liabilities such as debt and compensated absences are also not reported.

The fund financial statements are presented on the modified cash basis of accounting.

The City records activity between funds for various purposes involving cash or cash equivalents. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated.

Further, certain activity occurs during the year involving transfers of resources between funds involving cash or cash equivalents. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between funds included in governmental activities are eliminated.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 1. Summary of significant accounting policies (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 revenue. Expenses are primarily for central government operations, community development (planning), community services (parks and pool) and public safety (police).

*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 fund types:

*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 disbursements.

*Debt service* – accounts for the payment of principal and interest on long-term obligations.

*Capital projects* – accounts for financial resources which are to be disbursed for the acquisition or improvement of capital assets.

## 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 cash basis of accounting is used for all budgets. All annual appropriations lapse at the end of the fiscal year.

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 personnel 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. Property taxes

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic remittances of collections to entities levying taxes. Real and personal property taxes are levied upon all taxable property and become a lien against the property as of July 1 of each year. Property taxes are payable in three installments following the lien date on November 15, February 15 and May 15 each year.

As the basic financial statements are presented on the modified cash basis, uncollected property taxes are not reported. Property taxes are recorded as receipts when received.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 1. Summary of significant accounting policies (continued)

#### F. Equity classification

##### Government-wide and proprietary fund reporting

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

***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.”

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.

##### Governmental fund type fund balance reporting

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

***Nonspendable*** – 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)

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.

#### G. Compensated absences

##### Vacation leave

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

##### 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.

#### H. Pensions

Employees of the City participate in the Oregon Public Employee Retirement System (OPERS). The City is required to contribute amounts based on actuarial valuations. Additionally, the City contributes on behalf of employees 6 percent to the Individual Account Program under OPERS.

### 2. Cash and cash equivalents

The City's cash and cash equivalents at June 30, 2018 are as follows:

State of Oregon Local Government Investment Pool	\$ 4,822,309
Cash on hand	245
Deposits with financial institutions	<u>(7,155)</u>
Total cash and investments	<u>\$ 4,815,399</u>

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

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 2. Cash and cash equivalents (continued)

#### A. Deposits with financial institutions

*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 District'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, 2018, none of the City's bank balances were exposed to custodial credit risk.

#### B. Local Government Investment Pool

Balances in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value. Fair value is determined at the quoted market price, if available; otherwise the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale.

The Oregon State Treasury administers the LGIP. The LGIP is an unrated, open-ended, no-load, diversified portfolio offered to any agency, 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.

*Concentration of Credit Risk:* The City does not have a formal policy that places a limit on the amount that may be invested in any one insurer. 100 percent of the City's investments are in the LGIP.

*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.

*Custodial Credit Risk – Investments:* This is the risk that, in the event of the failure of a counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City does not have a policy which limits the amount of investments that can be held by counterparties.

#### C. Cash restriction

The Debt Service Fund (a proprietary fund) is required to maintain a cash balance equal to or greater than one year's principal and interest payments for the Revenue Bonds, Series 2007. The amount required to be maintained is \$166,227. At June 30, 2018, the Debt Service Fund had a cash balance of \$158,646.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 3. Long-term obligations

A. Changes in long-term obligations for the year ended June 30, 2018 were as follows:

	Outstanding July 1, 2017	Additions	Reductions	Outstanding June 30, 2018	Balances Due Within One Year
<b><u>Governmental Activities</u></b>					
Long-term debt					
GO Bonds, series 2015 (swimming pool)	\$ 925,000	\$ -	\$ 25,000	\$ 900,000	\$ 25,000
Promissory note, Citizen's Bank	198,447	-	19,495	178,952	20,845
Capital lease, Ford Credit Company LLC	19,154	-	19,154	-	-
			-		
Total long-term debt	<u>\$ 1,142,601</u>	<u>\$ -</u>	<u>\$ 63,649</u>	<u>\$ 1,078,952</u>	<u>\$ 45,845</u>
<b><u>Business-type Activities</u></b>					
Long-term debt					
Bonded debt					
Water revenue bonds, series 2007, original	\$ 610,000	\$ -	\$ 50,000	\$ 560,000	\$ 50,000
Loans					
Safe drinking water revolving loan	1,688,551	866,949	-	2,555,500	-
Forgiveable IFA loan	-	183,826	-	183,826	-
Safe drinking water revolving loan	1,203,373	-	74,716	1,128,657	75,463
Water/wastewater financing program loan	1,391,933	-	54,012	1,337,921	56,707
Total long-term debt	<u>\$ 4,893,857</u>	<u>\$ 1,050,775</u>	<u>\$ 178,728</u>	<u>\$ 5,765,904</u>	<u>\$ 182,170</u>

B. Government activities long-term debt obligations

GO Bonds, Series 2015 (swimming pool) – The City borrowed \$975,000 to finance the swimming pool project. Annual payments of \$56,037 include interest at 3.77 percent.

Promissory note, Citizen’s Bank – The City borrowed \$230,000 to finance City projects. Annual payments of \$24,175 include interest at 5.95 percent.

Capital lease, Ford Credit Company LLC – The City entered into a capital lease in the amount of \$63,732. Annual payments of \$24,361 include interest at 5 percent.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 3. Long-term obligations (continued)

#### C. Business-type activities long-term debt obligations

Water revenue bonds, series 2007 – 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.

Safe drinking water revolving loan (IFA S15008) – The City is estimated to borrow \$2,555,500 to finance water system improvements. At June 30, 2018 the City has drawn down \$2,555,500.

Forgiveable IFA loan (IFA S15008) – The City is estimated to borrow \$265,000 to finance water system improvements. The loan is subject to forgiveness. As of June 30, 2018, the City has drawn down \$183,826.

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

Water/wastewater financing program loan (OEDD Y09002) – The City borrowed \$1,540,000 to finance the City's wastewater 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	GO Bonds, Series 2015		Promissory note, Citizen's Bank		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 25,000	\$ 33,930	\$ 20,854	\$ 10,209	\$ 45,854	\$ 44,139
2020	30,000	32,987	22,123	8,940	52,123	41,927
2021	30,000	31,857	23,519	7,544	53,519	39,401
2022	35,000	30,725	24,978	4,889	59,978	35,614
2023	35,000	29,406	26,527	2,536	61,527	31,942
2024-28	235,000	124,033	60,951	3,902	295,951	127,935
2029-33	335,000	72,196	-	-	335,000	72,196
2034-38	175,000	9,990	-	-	175,000	9,990
	<u>\$ 900,000</u>	<u>\$ 365,124</u>	<u>\$ 178,952</u>	<u>\$ 38,020</u>	<u>\$ 1,078,952</u>	<u>\$ 403,144</u>

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**3. Long-term obligations (continued)**

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 Financing Loan		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2019	\$ 50,000	\$ 27,110	\$ 75,463	\$ 11,279	\$ 56,707	\$ 66,762	\$ 182,170
2020	55,000	24,735	76,217	10,525	59,536	63,933	190,753	99,193
2021	55,000	22,123	76,980	9,762	62,507	60,962	194,487	92,847
2022	60,000	19,510	77,749	8,993	65,626	57,843	203,375	86,346
2023	60,000	16,660	78,527	8,215	68,901	54,568	207,428	79,443
2024-28	280,000	35,035	404,570	29,140	399,639	217,705	1,084,209	281,880
2029-33	-	-	339,151	8,501	509,809	107,534	848,960	116,035
2034-38	-	-	-	-	115,196	5,748	115,196	5,748
	<u>\$ 560,000</u>	<u>\$ 145,173</u>	<u>\$ 1,128,657</u>	<u>\$ 86,415</u>	<u>\$ 1,337,921</u>	<u>\$ 635,055</u>	<u>\$ 3,026,578</u>	<u>\$ 866,643</u>

The future maturities schedule for the safe drinking water revolving loan IFA S15008 will be established following the final draw down.

F. Covenants and loan terms

Covenants of the Water Revenue Bonds, Series 2007 require the City to maintain a set ratio of net revenue to annual debt service payments. As of June 30, 2018, the City was in compliance with these covenants.

**4. Interfund transactions**

Interfund transfers during the year ended June 30, 2018 were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ 29,295	\$ 131,063
Street	-	3,515
Water	-	279,567
Sewer	-	211,359
Capital Improvement	275,000	-
Debt Service	321,209	-
	<u>\$ 625,504</u>	<u>\$ 625,504</u>

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**4. Interfund transactions (continued)**

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 receipts.

**5. Tax abatement**

Yamhill County has established a historic property zone under ORS 358.475-.545 that abates property taxes on historic properties within zone. As a result, the property taxes that the City will receive for the 2017-18 levy year has been reduced by \$730.

**6. 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, 2018, City employees had accumulated 354 days of sick leave.

**7. 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.

**8. Construction commitments**

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

<u>Project</u>	<u>Commitment</u>
Meadow Lake water supply transmission line	\$ 240,919

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 9. Defined benefit pension plan

#### A. Plan description

Employees of the City are provided with pensions through the Oregon Public Employee Retirement Systems (OPERS).

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

OPERS produces an independently audited Comprehensive Annual Financial Report which includes detailed information about the pension plan's fiduciary net position. The report can be found at: [www.oregon.gov/pers/Documents/Financials/CAFR/2017-CAFR.pdf](http://www.oregon.gov/pers/Documents/Financials/CAFR/2017-CAFR.pdf).

#### B. Description of benefit terms

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

#### Tier One/Tier Two retirement benefit (Chapter 238)

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

#### *Pension benefits*

The OPERS retirement allowance is payable monthly for life. It may be selected from 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 (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. General service employees may retire after reaching age 55. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two members are eligible for full benefits at age 60.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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

#### *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 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.

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

#### *Pension benefits*

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

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

General service: 1.5 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.



## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 9. Defined benefit pension plan (continued)

#### *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.

#### 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, 2013 actuarial valuation.

Tier One/Tier Two employer contribution rates are 10.34 percent, the OPSRP employer contribution rates are 4.26 percent for general service employees and the OPSRP employer contributions rates are 9.03 percent for police and fire employees. Employer contributions for the year ended June 30, 2018 were \$37,769.

#### D. Actuarial valuations – Tier One/Tier Two

The December 31, 2015 actuarial valuation used the following actuarial methods and valuation procedures in determining the Tier One/Tier Two contribution rates.

#### *Actuarial cost method*

The employer contribution rates effective July 1, 2017, through June 30, 2019, were set using the entry age normal actuarial cost method. Under this actuarial cost method, each active member's entry age present value of projected benefits is allocated over the member's service from the member's date of entry until their assumed date of exit, taking into consideration expected future compensation increases.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 9. Defined benefit pension plan (continued)

#### *Unfunded actuarial accrued liability amortization*

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

#### *Retiree healthcare unfunded actuarial accrued liability amortization*

The UAL for Retiree Health Care as of December 31, 2007 is amortized as a level percentage of combined valuation payroll (Tier One/ Tier Two plus OPSRP payroll) over a closed 10 year period. Gains and losses between subsequent odd-year valuations are amortized as a level percentage of combined valuation payroll over a closed 10 year period from the valuation in which they are first recognized.

#### *Asset valuation method*

The actuarial value of assets equals the market value of assets, excluding the Contingency and Capital Preservation Reserves, and the Rate Guarantee Reserve when it is in positive surplus status. Market values are reported to the actuary by PERS. Real estate and private equity investments are reported on a three-month lag basis.

#### *Contribution rate stabilization method*

Contribution rates confined to a collar based on the prior contribution rates. The new contribution rate will generally not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the prior contribution rate. If the funded percentage excluding side accounts drops below 60 percent or increases above 140 percent, the size of the collar doubles. If the funded percentage excluding side accounts is between 60 percent and 70 percent or between 130 percent and 140 percent, the size of the rate collar is increased on a graded scale.

#### *Allocation of liability for service segments*

For active Tier One/Tier Two members who have worked for multiple PERS employers over their career, the calculated actuarial accrued liability is allocated among the employers based on a weighted average of the Money Match methodology, which uses account balance, and the Full Formula methodology, which uses service. The allocation is 30 percent based on account balance with each employer and 70 percent based on service with each employer. The entire normal cost is allocated to the current employer.

#### *Allocation of benefits-in-force reserve*

The reserve is allocated to each rate pool in proportion to the retiree liability attributable to the rate pool.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 9. Defined benefit pension plan (continued)

#### *Economic assumptions*

Investment return	7.50% compounded annually
Interest crediting	7.50% compounded annually on regular and variable account balances
Inflation	2.50% compounded annually
Payroll growth	3.50% compounded annually
Healthcare cost trends	Ranges from 6.3% in 2016 to 4.4% in 2094

#### *Demographic assumptions*

##### Mortality tables

Healthy retirees	RP 2000, Generational (Scale AA) Combined Active/Healthy Annuitant, Sex Distinct
Disabled retirees	RP 2000, Static, Combined Disabled, No Collar, Sex Distinct Male 65% and Female 90% of disabled table
Non-annuitants	Ranges from 55% to 70% of healthy retired mortality tables depending upon sex and employment type

#### *Retirement assumptions*

Probability tables based on age of member, years of service and employment type with all police and fire retired by age 65 and all others retired by age 70. Dormant members are assumed to retire at Normal Retirement Age or at the first unreduced retirement age. Members retiring may elect to receive a full or partial lump sum at retirement with a partial lump sum estimated to be elected 4.5 percent of the time and a total lump sum elected 3 percent for 2015 and declining by 0.5 percent per year until reaching zero.

#### *Salary increase assumptions*

Salary increase assumptions, in addition to general payroll growth, include merit increase, unused sick leave and vacation pay adjustments.

### E. Actuarial valuations – OPSRP

The December 31, 2015 actuarial valuation for OPSRP generally used the same actuarial methods and valuation procedures as Tier One/Tier Two contribution rates except as follows:

#### *OPSRP unfunded actuarial accrued liability amortization*

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

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 9. Defined benefit pension plan (continued)

#### *Economic assumptions*

An additional amount for administrative expenses is added to the normal cost.

#### *Retirement assumptions*

Probability tables are different but still based on age of member, years of service and employment type with all police and fire retired by age 65 and all others retired by age 70, election to receive a lump sum option at retirement, disability assumptions, termination assumptions and Oregon post-retirement residency assumptions.

### 10. Defined contribution 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 for all permanent employees to the plan. Contributions for the year ended June 30, 2018 were \$35,424.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 11. Defined benefit other postemployment benefits plan

#### A. Plan description

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

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

OPERS produces an independently audited Comprehensive Annual Financial Report which includes detailed information about the plan's fiduciary net position. The report can be found at: [www.oregon.gov/pers/Documents/Financials/CAFR/2017-CAFR.pdf](http://www.oregon.gov/pers/Documents/Financials/CAFR/2017-CAFR.pdf).

#### B. Description of benefit terms

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

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

#### *Other Postemployment Healthcare benefits*

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

To be eligible, the member must:

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

#### *Surviving spouse or dependent benefits*

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

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 12. Defined benefit other postemployment benefits 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, 2015 actuarial valuation. The City contributed 0.07 percent of PERS-covered salaries for Tier One and Tier Two members to fund the normal cost portion of RHIA benefits and 0.43 percent of all PERS-covered salaries to amortize the unfunded actuarial accrued liability. For the year ended June 30, 2018, the City made contributions in the amount of \$2,657 to the RHIA.

#### D. Actuarial valuations

Except as outlined below, the December 31, 2015 actuarial valuation used the same actuarial methods and valuation procedures to determine contribution rates as the PERS Tier One and Tier Two defined benefit pension plan as discussed in note 9.

#### *Economic assumptions*

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

#### *Retiree healthcare participation assumptions*

Eligible retiring members are assumed to elect RHIA coverage 38 percentage of the time for health retirees and 20 percent of the time for disabled retirees.

### 13. Net position restricted through enabling legislation

Net position which is restricted through enabling legislation is as follows:

#### Governmental activities – capital projects

System development charges (SDC) are restricted for purposes as specified in the implementing ordinances	\$ 2,283,814
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#### Business-type activities – capital projects

System development charges (SDC) are restricted for purposes as specified in the implementing ordinances	\$ 503,894
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**COMBINING FINANCIAL STATEMENTS AND  
INDIVIDUAL FUND SCHEDULES**

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**CITY OF CARLTON**

**SYSTEM DEVELOPMENT CHARGES - CAPITAL PROJECTS FUND (MAJOR FUND)  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
MODIFIED CASH BASIS**

**For the Year Ended June 30, 2018**

	Budget	Actual	Variance
<b>REVENUES</b>			
System development charges	\$ 223,564	\$ 843,936	\$ 620,372
Interest	3,250	9,296	6,046
<b>TOTAL REVENUES</b>	<b>226,814</b>	<b>853,232</b>	<b>626,418</b>
<b>EXPENDITURES</b>			
Water system development charges	325,000	60,836	264,164
Sewer system development charges	375,000	-	375,000
Transportation system development charges	205,852	-	205,852
Parks system development charges	38,181	-	38,181
Stormwater system development charges	178,555	-	178,555
Contingency	467,469	-	467,469
<b>TOTAL EXPENDITURES</b>	<b>1,590,057</b>	<b>60,836</b>	<b>1,529,221</b>
Net change in fund balance	(1,363,243)	792,396	2,155,639
Fund balance at beginning of year	1,363,243	1,491,418	128,175
Fund balance at end of year	<b>\$ -</b>	<b>\$ 2,283,814</b>	<b>\$ 2,283,814</b>

**CITY OF CARLTON**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
MODIFIED CASH BASIS  
June 30, 2018**

	Special Revenue		
	Street	Urban Renewal	Tourism
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 224,264	\$ 172,757	\$ 27,711
<b>TOTAL ASSETS</b>	<u>\$ 224,264</u>	<u>\$ 172,757</u>	<u>\$ 27,711</u>
<b><u>FUND BALANCES</u></b>			
Restricted	\$ 224,264	\$ 172,757	\$ 27,711
Committed	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>\$ 224,264</u>	<u>\$ 172,757</u>	<u>\$ 27,711</u>

<u>Debt Service</u>	<u>Capital Projects</u>	
GO - 2015 Pool Project Bond	Vehicle/ Equipment Replacement	<u>Totals</u>
\$ 5,012	\$ 56,749	\$ 486,493
<u>\$ 5,012</u>	<u>\$ 56,749</u>	<u>\$ 486,493</u>
\$ 5,012	\$ -	\$ 429,744
<u>-</u>	<u>56,749</u>	<u>56,749</u>
<u>\$ 5,012</u>	<u>\$ 56,749</u>	<u>\$ 486,493</u>

**CITY OF CARLTON**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
MODIFIED CASH BASIS  
For the Year Ended June 30, 2018**

	Special Revenue		
	Street	Urban Renewal	Tourism
<b>REVENUES</b>			
Property taxes	\$ -	\$ 119,432	\$ -
Miscellaneous taxes	-	-	24,884
Licenses, permits and fees	4,100	-	-
Intergovernmental	203,846	-	-
Interest	9,844	3,099	620
Miscellaneous	-	-	3,000
	<u>217,790</u>	<u>122,531</u>	<u>28,504</u>
<b>TOTAL REVENUES</b>			
<b>EXPENDITURES</b>			
Current			
General government	-	3,916	18,686
Highways and streets	76,239	-	-
Capital outlay	25,634	36,782	-
Debt service	-	-	-
	<u>101,873</u>	<u>40,698</u>	<u>18,686</u>
<b>TOTAL EXPENDITURES</b>			
Excess (deficiency) of revenues over expenditures	<u>115,917</u>	<u>81,833</u>	<u>9,818</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>(3,515)</u>	<u>-</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>			
	<u>(3,515)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	112,402	81,833	9,818
Fund balance at beginning of year	<u>111,862</u>	<u>90,924</u>	<u>17,893</u>
Fund balance at end of year	<u>\$ 224,264</u>	<u>\$ 172,757</u>	<u>\$ 27,711</u>

<u>Debt Service</u>	<u>Capital Projects</u>	
GO - 2015 Pool Project Bond	Vehicle/ Equipment Replacement	<u>Totals</u>
\$ 60,532	\$ -	\$ 179,964
-	-	24,884
-	-	4,100
-	-	203,846
72	-	13,635
<u>-</u>	<u>-</u>	<u>3,000</u>
<u>60,604</u>	<u>-</u>	<u>429,429</u>
-	-	22,602
-	-	76,239
-	-	62,416
<u>59,872</u>	<u>-</u>	<u>59,872</u>
<u>59,872</u>	<u>-</u>	<u>221,129</u>
<u>732</u>	<u>-</u>	<u>208,300</u>
<u>-</u>	<u>-</u>	<u>(3,515)</u>
<u>-</u>	<u>-</u>	<u>(3,515)</u>
732	-	204,785
<u>4,280</u>	<u>56,749</u>	<u>281,708</u>
<u>\$ 5,012</u>	<u>\$ 56,749</u>	<u>\$ 486,493</u>

**CITY OF CARLTON**

**STREET FUND - SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
MODIFIED CASH BASIS  
For the Year Ended June 30, 2018**

	Budget	Actual	Variance
<b>REVENUES</b>			
Licenses, permits and fees	\$ 25,000	\$ 4,100	\$ (20,900)
Intergovernmental	158,916	203,846	44,930
Interest	3,500	9,844	6,344
Miscellaneous	100	-	(100)
<b>TOTAL REVENUES</b>	<b>187,516</b>	<b>217,790</b>	<b>30,274</b>
<b>EXPENDITURES</b>			
Personnel services	25,693	25,555	138
Materials and services	70,240	50,684	19,556
Capital outlay	150,898	25,634	125,264
<b>TOTAL EXPENDITURES</b>	<b>246,831</b>	<b>101,873</b>	<b>144,958</b>
Excess (deficiency) of revenues over expenditures	(59,315)	115,917	175,232
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	(61,515)	(3,515)	58,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(61,515)</b>	<b>(3,515)</b>	<b>58,000</b>
Net change in fund balance	(120,830)	112,402	233,232
Fund balance at beginning of year	120,830	111,862	(8,968)
Fund balance at end of year	\$ -	\$ 224,264	\$ 224,264

**CITY OF CARLTON**

**URBAN RENEWAL - SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
MODIFIED CASH BASIS  
For the Year Ended June 30, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Property taxes	\$ 107,800	\$ 119,432	\$ 11,632
Interest	<u>1,600</u>	<u>3,099</u>	<u>1,499</u>
<b>TOTAL REVENUES</b>	<u>109,400</u>	<u>122,531</u>	<u>13,131</u>
<b>EXPENDITURES</b>			
Materials and services	7,500	3,916	3,584
Capital outlay	124,800	36,782	88,018
Debt service	<u>59,244</u>	<u>-</u>	<u>59,244</u>
<b>TOTAL EXPENDITURES</b>	<u>191,544</u>	<u>40,698</u>	<u>150,846</u>
Net change in fund balance	(82,144)	81,833	163,977
Fund balance at beginning of year	<u>82,144</u>	<u>90,924</u>	<u>8,780</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 172,757</u>	<u>\$ 172,757</u>

**CITY OF CARLTON**

**TOURISM - SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
MODIFIED CASH BASIS  
For the Year Ended June 30, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Miscellaneous taxes	\$ 23,240	\$ 24,884	\$ 1,644
Interest	200	620	420
Miscellaneous	<u>-</u>	<u>3,000</u>	<u>3,000</u>
<b>TOTAL REVENUES</b>	<u>23,440</u>	<u>28,504</u>	<u>5,064</u>
<b>EXPENDITURES</b>			
Materials and services	<u>37,365</u>	<u>18,686</u>	<u>18,679</u>
<b>TOTAL EXPENDITURES</b>	<u>37,365</u>	<u>18,686</u>	<u>18,679</u>
Net change in fund balance	(13,925)	9,818	23,743
Fund balance at beginning of year	<u>13,925</u>	<u>17,893</u>	<u>3,968</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 27,711</u>	<u>\$ 27,711</u>



**CITY OF CARLTON**

**GO-2015 POOL PROJECT BOND - DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
MODIFIED CASH BASIS**

**For the Year Ended June 30, 2018**

	Budget	Actual	Variance
<b>REVENUES</b>			
Property taxes	\$ 60,525	\$ 60,532	\$ 7
Interest	100	72	(28)
<b>TOTAL REVENUES</b>	<b>60,625</b>	<b>60,604</b>	<b>(21)</b>
<b>EXPENDITURES</b>			
Debt service	59,873	59,872	1
Contingency	1,361	-	1,361
<b>TOTAL EXPENDITURES</b>	<b>61,234</b>	<b>59,872</b>	<b>1,362</b>
Net change in fund balance	(609)	732	1,341
Fund balance at beginning of year	609	4,280	3,671
Fund balance at end of year	<b>\$ -</b>	<b>\$ 5,012</b>	<b>\$ 5,012</b>

**CITY OF CARLTON**

**VEHICLE/EQUIPMENT REPLACEMENT - CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
MODIFIED CASH BASIS**

**For the Year Ended June 30, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>EXPENDITURES</b>			
Contingency	<u>\$ 56,749</u>	<u>\$ -</u>	<u>\$ 56,749</u>
<b>TOTAL EXPENDITURES</b>	<u>56,749</u>	<u>-</u>	<u>56,749</u>
Net change in fund balance	(56,749)	-	56,749
Fund balance at beginning of year	<u>56,749</u>	<u>56,749</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 56,749</u>	<u>\$ 56,749</u>

**CITY OF CARLTON**

**WATER - ENTERPRISE FUND (MAJOR FUND)  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
MODIFIED CASH BASIS  
For the Year Ended June 30, 2018**

	Budget	Actual	Variance
<b>REVENUES</b>			
Charges for services	\$ 967,100	\$ 1,046,739	\$ 79,639
Interest	3,500	9,297	5,797
Miscellaneous	500	470	(30)
<b>TOTAL REVENUES</b>	<b>971,100</b>	<b>1,056,506</b>	<b>85,406</b>
<b>EXPENDITURES</b>			
Personnel services	340,875	340,731	144
Materials and services	263,275	249,598	13,677
Capital outlay	30,378	21,127	9,251
Contingency	174,247	-	174,247
<b>TOTAL EXPENDITURES</b>	<b>808,775</b>	<b>611,456</b>	<b>197,319</b>
Excess (deficiency) of revenues over expenditures	162,325	445,050	282,725
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	1,000	-	(1,000)
Transfers out	(337,890)	(279,567)	58,323
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(336,890)</b>	<b>(279,567)</b>	<b>57,323</b>
Net change in fund balance	(174,565)	165,483	340,048
Fund balance at beginning of year	174,565	147,441	(27,124)
Fund balance at end of year	<b>\$ -</b>	<b>\$ 312,924</b>	<b>\$ 312,924</b>

**CITY OF CARLTON**

**SEWER - ENTERPRISE FUND (MAJOR FUND)  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
MODIFIED CASH BASIS  
For the Year Ended June 30, 2018**

	Budget	Actual	Variance
<b>REVENUES</b>			
Charges for services	\$ 571,800	\$ 623,350	\$ 51,550
Interest	3,000	9,297	6,297
Miscellaneous	3,100	3,000	(100)
<b>TOTAL REVENUES</b>	<b>577,900</b>	<b>635,647</b>	<b>57,747</b>
<b>EXPENDITURES</b>			
Personnel services	239,233	239,205	28
Materials and services	232,200	222,900	9,300
Capital outlay	15,378	5,208	10,170
Contingency	13,027	-	13,027
<b>TOTAL EXPENDITURES</b>	<b>499,838</b>	<b>467,313</b>	<b>32,525</b>
Excess (deficiency) of revenues over expenditures	78,062	168,334	90,272
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	13,000	-	(13,000)
Transfers out	(222,890)	(211,359)	11,531
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(209,890)</b>	<b>(211,359)</b>	<b>(1,469)</b>
Net change in fund balance	(131,828)	(43,025)	88,803
Fund balance at beginning of year	131,828	31,899	(99,929)
Fund balance at end of year	<b>\$ -</b>	<b>\$ (11,126)</b>	<b>\$ (11,126)</b>

**CITY OF CARLTON**

**CAPITAL IMPROVEMENTS - ENTERPRISE FUND (MAJOR FUND)**

**SCHEDULE OF REVENUES, EXPENDITURES AND**

**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

**MODIFIED CASH BASIS**

**For the Year Ended June 30, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Intergovernmental	\$ 260,000	\$ -	\$ (260,000)
Contributions	-	200	200
Interest	2,250	9,916	7,666
Miscellaneous	<u>300,000</u>	<u>-</u>	<u>(300,000)</u>
<b>TOTAL REVENUES</b>	<u>562,250</u>	<u>10,116</u>	<u>(552,134)</u>
<b>EXPENDITURES</b>			
Facilities/special projects	200,000	18,592	181,408
Parks projects	511,966	17,077	494,889
Transportation projects	-	32,331	(32,331)
Water projects	981,000	1,045,560	(64,560)
Sewer projects	59,800	67,211	(7,411)
Contingency	<u>341,097</u>	<u>-</u>	<u>341,097</u>
<b>TOTAL EXPENDITURES</b>	<u>2,093,863</u>	<u>1,180,771</u>	<u>913,092</u>
Excess (deficiency) of revenues over expenditures	<u>(1,531,613)</u>	<u>(1,170,655)</u>	<u>360,958</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Loan receipts	685,000	1,050,775	365,775
Transfers in	<u>275,000</u>	<u>275,000</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>960,000</u>	<u>1,325,775</u>	<u>365,775</u>
Net change in fund balance	(571,613)	155,120	726,733
Fund balance at beginning of year	<u>571,613</u>	<u>348,774</u>	<u>(222,839)</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 503,894</u>	<u>\$ 503,894</u>

**CITY OF CARLTON**

**DEBT SERVICE - ENTERPRISE FUND (MAJOR FUND)  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
MODIFIED CASH BASIS  
For the Year Ended June 30, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>EXPENDITURES</b>			
Debt service	\$ 391,063	\$ 321,208	\$ 69,855
Contingency	<u>158,645</u>	<u>-</u>	<u>158,645</u>
 TOTAL EXPENDITURES	 <u>549,708</u>	 <u>321,208</u>	 <u>228,500</u>
 Excess (deficiency) of revenues over expenditures	 <u>(549,708)</u>	 <u>(321,208)</u>	 <u>228,500</u>
 <b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>391,063</u>	<u>321,209</u>	<u>(69,854)</u>
 TOTAL OTHER FINANCING SOURCES (USES)	 <u>391,063</u>	 <u>321,209</u>	 <u>(69,854)</u>
 Net change in fund balance	 (158,645)	 1	 158,646
Fund balance at beginning of year	<u>158,645</u>	<u>158,645</u>	<u>-</u>
 Fund balance at end of year	 <u><u>\$ -</u></u>	 <u><u>\$ 158,646</u></u>	 <u><u>\$ 158,646</u></u>

## **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, 2018, and have issued our report thereon dated December 4, 2018.

### 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 2017-18 budget was executed in compliance with legal requirements, except expenditures 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>
Capital Improvements			
Transportation projects	\$ --	\$ 32,331	\$ (32,331)
Water projects	981,000	1,045,560	(64,560)
Sewer projects	59,800	67,211	(7,411)

3. In the 2017-18 budget, the GO-2015 Pool Project Bond Fund and Debt Service Fund appropriated Operating Contingency of \$1,361 and \$158,645, respectively. OAR 150-294-0430 states that Operating Contingency may only be appropriated in an operating fund which is defined as a fund which contains estimates for personnel services, materials and services, or capital outlay.

**OAR 162-10-0230 Internal Control**

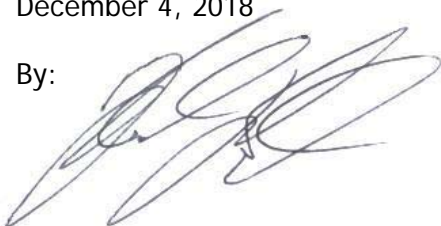
In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose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

**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  
 December 4, 2018

By:



Bradley G. Bingenheimer, Member



**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***

The City Council  
City of Carlton

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Carlton as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 4, 2018.

***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.

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

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

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*.

**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  
December 4, 2018



**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

The City Council  
City of Carlton

**Report on Compliance for Each Major Federal Program**

We have audited City of Carlton’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City’s major federal programs for the year ended June 30, 2018. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

***Management’s Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor’s Responsibility***

Our responsibility is to express an opinion on compliance for each of the City’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City’s compliance.

***Opinion on Each Major Federal Program***

In our opinion, City of Carlton complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH THE UNIFORM GUIDANCE (Continued)

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Boldt Carlisle & Smith*

Boldt Carlisle + Smith  
Certified Public Accountants  
Salem, Oregon  
December 4, 2018

CITY OF CARLTON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2018

**Section I Summary of Auditors' Results**

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***Financial Statements***

Type of auditor's report issued: *Unmodified*

Internal controls over financial reporting:  
Material weakness(es) identified? No  
Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

***Federal awards***

Internal control over major federal programs:  
Material weakness(es) identified? No  
Significant deficiency(ies) identified? None reported

Type of auditor's report issued on compliance for major federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major federal programs:

CFDA

<u>Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.468	Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as a low-risk auditee: No

**Section II - Financial Statement Findings**

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None reported

**Section III - Federal Award Findings and Questioned Costs**

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None reported

**CITY OF CARLTON**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Year Ended June 30, 2018**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<b><i>US Environmental Protection Agency</i></b>			
Passed through Oregon Infrastructure Finance Authority Capitalization Grants for Drinking Water State Revolving Funds	66.468	S15008	<u>\$ 993,570</u>
<b><i>Department of Transportation</i></b>			
<b>National Highway Traffic Safety Administration</b>			
Passed through Oregon Impact National Priority Safety Programs			
Safety Belt Program	20.616		730
DUII grant	20.616		<u>1,690</u>
Total Department of Transportation			<u>2,420</u>
Total Expenditures of Federal Awards			<u><u>\$ 995,990</u></u>



**CITY OF CARLTON**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**June 30, 2018**

**1. Basis of presentation**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

**2. Summary of significant accounting policies**

- A. Expenditures reported on the schedule are reported on the modified cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- B. The City has not elected to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.
- C. The loan listed below is administered directly by the City. Balances and transactions relating to this loan are included in the City's basic financial statements. Loans made during the year are included in the federal expenditures presented in the schedule. Detail of the loans outstanding at June 30, 2018 are as follows:

CFDA Number	Program name	Outstanding Balance at June 30, 2018
66.468	Capitalization Grants for Drinking Water State Revolving Funds	<u>\$ 2,555,500</u>