

CITY OF CARLTON URBAN RENEWAL AGENCY  
YAMHILL COUNTY, OREGON

2019-2020

FINANCIAL REPORT

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CITY OF CARLTON URBAN RENEWAL AGENCY  
YAMHILL COUNTY, OREGON

**2019-2020 COUNCIL MEMBERS AND OFFICERS**

CITY COUNCIL

TERM EXPIRES

Brian Rake - Mayor	December 31, 2020
Scott Carl – Councilor	December 31, 2020
Carey Rhoads – Councilor	December 31, 2020
Kathy Rich – Councilor	December 31, 2022
Linda Watkins – Councilor	December 31, 2022
Shirley Ward-Mullen – Councilor	December 31, 2022
Amy Wilder – Councilor	December 31, 2020

Council members receive mail at the address below.

INTERIM CITY MANAGER

Christy Martinez

REGISTERED OFFICE

191 E Main St.  
Carlton, OR 97111

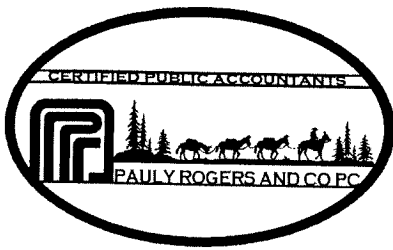
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CITY OF CARLTON URBAN RENEWAL AGENCY  
YAMHILL COUNTY, OREGON

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PAULY, ROGERS, AND CO., P.C.  
12700 SW 72<sup>nd</sup> Ave. Tigard, OR 97223  
(503) 620-2632 (503) 684-7523 FAX  
www.paulyrogersandcocpas.com

January 19, 2021

## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and the Members of the City Council  
City of Carlton Urban Renewal Agency  
Yamhill County, Oregon

### **Report on the Financial Statements**

We have audited the accompanying cash basis basic financial statements of the governmental activities of the City of Carlton Urban Renewal Agency (the Agency), as of and for the year ended June 30, 2020 and the related notes to the basic financial statements, which collectively comprise the cash basis basic financial statements listed in the table of contents. The financial statements as of year ended June 30, 2019, were audited by other auditors whose report dated October 7, 2019, issued an unqualified opinion on those statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these basic financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the basic 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 cash basis basic financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these cash basis basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the cash basis basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the cash basis basic financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the cash basis basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the cash basis basic 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 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 cash basis basic financial statements.

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

## **Opinions**

In our opinion, the cash basis basic financial statements referred to above present fairly, in all material respects, the respective financial position – cash basis of the City of Carlton Urban Renewal Agency, as of June 30, 2020 and the respective changes in financial position – cash basis, thereof for the year then ended in accordance with the basis of accounting as described in Note 1 to the basic financial statements.

## **Basis of Accounting**

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

## **Other Matters**

### *Required Supplementary Information*

Management has omitted the Management, Discussion, and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### *Supplementary Information*

The Supplementary Information, as listed in the table of contents, has been subjected to the auditing procedures applied in the audit of the cash basis basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the cash basis 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, and in our opinion are fairly stated in all material respects in relation to the cash basis basic financial statements taken as a whole.

### *Other Supplementary Information*


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the cash basis basic financial statements. The listing of board members, located before the table of contents, has not been subjected to the auditing procedures applied in the audit of the cash basis basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

We do not express an opinion or provide any assurance on the management's discussion and analysis because the limited procedures we applied do not provide us with sufficient evidence to express an opinion or provide any assurance on it.



## **Report on Other Legal and Regulatory Requirements**

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated January 19, 2021, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



ROY R. ROGERS, CPA  
PAULY, ROGERS AND CO., P.C.

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CITY OF CARLTON URBAN RENEWAL AGENCY  
YAMHILL COUNTY, OREGON

BASIC FINANCIAL STATEMENTS

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CITY OF CARLTON URBAN RENEWAL AGENCY  
YAMHILL COUNTY, OREGON

STATEMENT OF NET POSITION - CASH BASIS  
June 30, 2020

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	<u>Governmental Activities</u>
Assets:	
Cash and investments	<u>\$          293,574</u>
Net Position:	
Unrestricted	<u>\$          293,574</u>
Total Net Position	<u>\$          293,574</u>

See accompanying notes to the basic financial statements.

CITY OF CARLTON URBAN RENEWAL AGENCY  
YAMHILL COUNTY, OREGON

STATEMENT OF ACTIVITIES - CASH BASIS  
 For the Year Ended June 30, 2020

FUNCTIONS	DISBURSEMENTS	PROGRAM RECEIPTS		NET (DISBURSEMENTS) RECEIPTS AND CHANGES IN CASH BASIS NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
General Operations	\$ 3,677	\$ -	\$ -	\$ (3,677)
Capital Outlay	24,319	-	-	(24,319)
Debt Service - Interest	65,000	-	-	(65,000)
Total Governmental Activities	<u>\$ 92,996</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(92,996)</u>
General Receipts:				
Property taxes				183,921
Interest and investment earnings				<u>5,199</u>
Total General Receipts				<u>189,120</u>
Change in Net Position				96,124
Net Position - Beginning				<u>197,450</u>
Net Position - Ending				<u>\$ 293,574</u>

See accompanying notes to the basic financial statements.

CITY OF CARLTON URBAN RENEWAL AGENCY  
YAMHILL COUNTY, OREGON

BALANCE SHEET - GOVERNMENTAL FUND - (CASH BASIS)  
June 30, 2020

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ASSETS:

Cash and investments

\$ 293,574

FUND BALANCE:

Unassigned

293,574

Total Fund Balance - Cash Basis

\$ 293,574

See accompanying notes to the basic financial statements.

CITY OF CARLTON URBAN RENEWAL AGENCY  
YAMHILL COUNTY, OREGON

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS)  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2020

---

RECEIPTS:		
Property Taxes	\$	183,921
Interest		<u>5,199</u>
Total Receipts		<u>189,120</u>
DISBURSEMENTS:		
Materials and services		3,677
Capital outlay		24,319
Debt service		<u>65,000</u>
Total Disbursements		<u>92,996</u>
Net change in Fund Balance		96,124
Beginning Fund Balance		<u>197,450</u>
Total Ending Fund Balance	\$	<u><u>293,574</u></u>

See accompanying notes to the basic financial statements.



CITY OF CARLTON URBAN RENEWAL AGENCY  
YAMHILL COUNTY, OREGON

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS)  
 BUDGET AND ACTUAL  
 For the Year Ended June 30, 2020

<u>URBAN RENEWAL AGENCY</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>(NEGATIVE)</u>
<b>RECEIPTS:</b>				
Property Taxes	\$ 129,431	\$ 129,431	\$ 183,921	\$ 54,490
Interest	3,000	3,000	5,199	2,199
Total Receipts	<u>132,431</u>	<u>132,431</u>	<u>189,120</u>	<u>56,689</u>
<b>DISBURSEMENTS:</b>				
Materials and services	7,500	7,500 (1)	3,677	3,823
Capital outlay	186,297	186,297 (1)	24,319	161,978
Debt service	65,000	65,000 (1)	65,000	-
Total Disbursements	<u>258,797</u>	<u>258,797</u>	<u>92,996</u>	<u>165,801</u>
<b>Other Financing Sources, (Uses):</b>				
Transfers out	-	- (1)	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(126,366)	(126,366)	96,124	222,490
Beginning Fund Balance	<u>126,366</u>	<u>126,366</u>	<u>197,450</u>	<u>71,084</u>
Total Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>293,574</u>	<u>\$ 293,574</u>

(1) Appropriation Level

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CITY OF CARLTON URBAN RENEWAL AGENCY  
YAMHILL COUNTY, OREGON

NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF CARLTON URBAN RENEWAL AGENCY  
YAMHILL COUNTY, OREGON

NOTES TO THE BASIC FINANCIALS

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. THE FINANCIAL REPORTING ENTITY

The Agency, a component unit of the City of Carlton, was organized on July 13, 2009 under ORS 457 and is a municipal corporation created by the City of Carlton to facilitate urban renewal within the City boundaries. The City Council serves as the governing body and is accountable for the fiscal matters of the Agency.

B. BASIS OF PRESENTATION - FUND ACCOUNTING

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide statements report information irrespective of fund activity, and the fund financial statements report information only by fund. In total, the results presented using both of these methods are the same due to the cash basis of accounting being used. There is only one fund, which is considered a "major fund" in accordance with GASB 34. Accordingly, there is no need for reconciling statements.

The Agency's financial operations are presented at both the agency-wide and fund financial levels. All activities of the Agency are categorized as governmental activities. Governmental activities are financed primarily through property taxes and proceeds from borrowings.

Tax allocation bonds for urban renewal plan areas are authorized by state law to 1) "...eliminate and prevent the development or spread of urban blight and deterioration; and 2) encourage needed urban conservation and rehabilitation and provide for redevelopment of blighted or deteriorated areas."

Projects are financed in urban renewal plan areas as follows:

The Agency (City Council) selects an urban renewal plan area and defines its boundaries.

The county assessor "freezes" the assessed value of property within the urban renewal area. This is referred to as the "frozen" value.

Any increase in assessed value above the frozen value is called the "incremental value." The tax revenue generated by the tax rate times the incremental value is provided for use in paying the principal and interest on any indebtedness incurred to finance urban renewal projects.

Urban renewal tax increment revenues are used to repay the indebtedness of the Agency. The proceeds of the indebtedness finance the Agency's activities.

As required by ORS 457.190(3)(a), the Agency has included in its current plan the maximum amount of indebtedness that may be issued or incurred under the plan in the amount of \$3,700,000.

CITY OF CARLTON URBAN RENEWAL AGENCY  
YAMHILL COUNTY, OREGON

NOTES TO THE BASIC FINANCIALS

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIS OF ACCOUNTING

The modified cash basis of accounting is followed. Under the modified cash basis, receipts are recorded when received and disbursements are recorded as paid. The cash basis of accounting is applied to both the government-wide basic financial statements and the fund financial statements uniformly.

Only cash and cash equivalents and items that involve the receipt or disbursement of cash or cash equivalents during the period are recognized.

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

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.

This basis of accounting is not equivalent to accounting principles generally accepted in the United States of America (GAAP) under which revenues are recorded when they become susceptible to accrual (i.e. when they become measurable and available) and expenditures are recorded as goods and services when received. For the government-wide statements GAAP requires that the accrual basis of accounting be applied. Under the accrual basis of accounting the cost of capital assets are capitalized and depreciated over their estimated useful lives, debt is recorded as incurred, revenues are recorded when earned irrespective of the collection of cash, and expenditures, including depreciation, are recorded when incurred. Management believes the cash basis of accounting is preferable due to the size of the Agency and the necessity of assessing available cash resources. The cash basis of accounting is allowed under Oregon Local Budget Law.

D. BUDGET

A budget is prepared and legally adopted for each fund on the cash basis of accounting in the main program categories required by the Oregon Local Budget Law. There are no differences between the fund financial statements and the government-wide financial statements.

Disbursement budgets are appropriated for each fund as follows:

LEVEL OF CONTROL

Agency Operations (Personnel Services, Materials and Services)

Capital Outlay

Contingency

Disbursements cannot exceed the appropriation levels. Appropriations lapse at fiscal year-end. Supplemental appropriations may occur if there are public hearings, publications in newspapers and approval by the board due to a need that was not determined at the time the budget was adopted, or as otherwise provided by statute.

Disbursements of the funds were within authorized appropriation levels for the year ended June 30, 2020.

CITY OF CARLTON URBAN RENEWAL AGENCY  
YAMHILL COUNTY, OREGON

NOTES TO THE BASIC FINANCIALS

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. PROPERTY TAXES

Ad valorem property taxes are a lien on all taxable property as of July 1. Property taxes are payable on November 15. Collection dates are November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent. As the basic financial statements are presented on a cash basis, uncollected property taxes are not shown in the statement of net position.

F. CAPITAL ASSETS

Capital asset record are not maintained. Accordingly, the cash basis basic financial statements do not include capital assets and the related depreciation in the fund or government-wide financial statements. The amount of capital assets and related depreciation are not known. Acquisitions of capital assets are recorded as disbursements in the various funds when purchased. Receipts from the sale of capital assets are accounted for as receipts in the fund that purchased the asset. Maintenance and repairs are charged to disbursement accounts when paid.

G. LONG-TERM OBLIGATIONS

The cash basis of accounting does not require that debt be reported in the basic financial statements.

I. NET POSITION

Net Position is comprised of the various net earnings from operations, nonoperating revenues, expenses and contributions capital. Net Position is classified in the following three categories:

Net investment in capital assets – consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The cash basis of accounting is presented in the basic financial statements; therefore, no net investment in capital assets have been recorded in the statement of net position.

Restricted – consists of external constraints placed on asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. There were no restricted assets at June 30, 2020.

Unrestricted – consists of all other assets that are not included in the other categories previously mentioned.

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

J. FUND BALANCE

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, is followed. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications are nonspendable, restricted, committed, assigned, and unassigned.

CITY OF CARLTON URBAN RENEWAL AGENCY  
YAMHILL COUNTY, OREGON

NOTES TO THE BASIC FINANCIALS

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. FUND BALANCE (CONTINUED)

- Nonspendable fund balance represents amounts that are not in a spendable form.
- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.
- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body.
- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

There were no nonspendable, restricted, assigned, or committed balances at June 30, 2020.

The following order of spending regarding fund balance categories is used: Restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and unassigned.

K. ESTIMATES

The preparation of cash basis basic financial statements in conformity with the cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the cash basis basic financial statements and the reported amounts of receipts and disbursements during the reporting period. Actual results could differ from those estimates.

L. FAIR VALUE INPUTS AND METHODOLOGIES AND HEIRARCHY

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based up on the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

**Level 1** – unadjusted price quotations in active markets/exchanges for identical assets or liabilities that each Fund has the ability to access



CITY OF CARLTON URBAN RENEWAL AGENCY  
YAMHILL COUNTY, OREGON

NOTES TO THE BASIC FINANCIALS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Level 2 – other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates) or other market–corroborated inputs)

Level 3 – unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including each Fund’s own assumptions used in determining the fair value of investments)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

2. CASH AND INVESTMENTS

The Agency is a component unit of the City of Carlton. 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 equivalent balances.

Cash management policies are governed by state statutes. Statutes authorize investing in banker’s acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool.

Cash and Investments at June 30, 2020 consisted of:

	<u>Agency</u>
Checking	\$ 8,286
LGIP	<u>285,288</u>
Total	<u>\$ 293,574</u>

CUSTODIAL CREDIT RISK – DEPOSITS

Deposits with financial institutions include bank demand deposits. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury. The Agency’s cash is deposited in an approved depository for public funds, and thus is collateralized under ORS 295.

In the case of deposits, this is the risk that in the event of a bank failure, deposits may not be returned. There is no deposit policy for custodial credit risk. As of June 30, 2020, cash deposits with financial institutions consisted of \$253,934, of which \$250,000 which was fully insured by the FDIC and the remainder collateralized by the Oregon Public Funds Collateralization Program (PFCP).

CITY OF CARLTON URBAN RENEWAL AGENCY  
YAMHILL COUNTY, OREGON

NOTES TO THE BASIC FINANCIALS

INVESTMENTS

At June 30, 2020, the balances were as follows:

Investment Type	Fair Value	Investment Maturities (in 1	
		Less than 3	3-17
State Treasurer's Investment Pool	\$ 285,288	\$ 285,288	\$ -
Total	<u>\$ 285,288</u>	<u>\$ 285,288</u>	<u>\$ -</u>

Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The fund's compliance with all portfolio guidelines can be found in their annual report when issued. The LGIP seeks to exchange shares at \$1.00 per share; an investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool.

These investments are recorded at book value since it approximates fair value. The pool is comprised of a variety of investments. These investments are characterized as a level 2 fair value measurement in the Oregon Short Term Fund's audited financial report. Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. The audited financial reports of the Oregon Short Term Fund can be found here: [http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-\(OSTF\).aspx](http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-(OSTF).aspx)

If the link has expired please contact the Oregon Short Term Fund directly.

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

This is the risk that, in the event of the failure of a counterparty, the City does not have a policy which limits the amount of investments that can be held by counterparties.

CONCENTRATION OF CREDIT RISK

At June 30, 2020, 100% of total investments were in the State Treasurer's Investment Pool. State statutes do not limit the percentage of investments in these instruments. Oregon Revised Statutes require no more than 25 percent of the moneys of local government to be invested in bankers' acceptances of any qualified financial institution.

CITY OF CARLTON URBAN RENEWAL AGENCY  
YAMHILL COUNTY, OREGON

NOTES TO THE BASIC FINANCIALS

3. LONG TERM OBLIGATIONS

Changes in long-term obligations for the year ended June 30, 2020 were as follows:

Name	Interest Rate	Original Issue	Outstanding July 1, 2019	Issued	Matured and Redeemed	Outstanding June 30, 2020	Due Within One Year
Safe Drinking Water Revolving Loan (S15008)	2.11%	\$ 2,555,500	\$ 2,555,500	\$ -	\$ -	\$ 2,555,500	\$ 104,029
Total Long Term Debt			<u>2,555,500</u>	<u>-</u>	<u>\$ -</u>	<u>2,555,500</u>	<u>104,029</u>

For the year ending June 30,	Notes Payable	
	Principal	Interest
2021	\$ 104,029	\$ 53,921
2022	106,224	51,726
2023	108,465	49,485
2024	110,754	47,196
2025	113,091	44,859
2026-2030	602,270	187,480
2031-2035	668,548	121,202
2036-2039	742,120	44,366
	<u>2,555,500</u>	<u>600,235</u>

Safe Drinking Water Revolving Loan (S15008) – In May 2015, the City borrowed \$2,555,500 on a 19 year loan from IFA to finance water system improvements, with repayment to begin upon project completion. Interest payments began December 2019, to conclude December 2038. Annual payments of \$157,950 include interest at 2.11 percent. The Urban Renewal Agency agreed to fund \$1,000,000 and accrued interest to be paid when payable by the City to IFA. The loan contains a provision that in an event of Default, outstanding amounts become immediately due if the City is unable to make payment.

The obligation is not recorded in the basic financial statements because the cash basis of accounting is in use.

4. RISK MANAGEMENT

The Agency 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 Agency 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.

CITY OF CARLTON URBAN RENEWAL AGENCY  
YAMHILL COUNTY, OREGON

NOTES TO THE BASIC FINANCIALS

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5. PROPERTY TAX LIMITATIONS

The Voters of the State of Oregon passed a constitutional limit on property taxes for schools and non-school government operations. The limitation provides that property taxes for non-school operations are limited to \$10.00 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt.

An additional state required limit reduces the amount of operating property tax revenues available to the Agency. This reduction was accomplished by rolling property values for 1997-98 back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The Constitution also sets restrictive voter approval requirements for most tax and many fee increases and new bond issues.

6. TAX ABATEMENTS

As of June 30, 2020, the Agency potentially had tax abatements through various state allowed programs that impacted levied taxes. Based on the information available from Yamhill County as of the date of issuance of these cash basis basic financial statements, the amount of abatements for the year ended June 30, 2020 is deemed immaterial.

7. SUBSEQUENT EVENTS

The COVID-19 outbreak in the United States has caused substantial disruption to business and local governments due to mandated and voluntary suspension of operations and stay at home orders. There is considerable uncertainty around the duration of the outbreak and the long-term impact to the overall economy. However, the Agency expects the reduction of economic activity to negatively impact funds received.

CITY OF CARLTON URBAN RENEWAL AGENCY  
YAMHILL COUNTY, OREGON

SUPPLEMENTARY INFORMATION

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CITY OF CARLTON URBAN RENEWAL AGENCY  
YAMHILL COUNTY, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES  
OF TAXES UNCOLLECTED  
For the Year Ended June 30, 2020

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED AT JULY 1, 2019	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT JUNE 30, 2020
Current:						
2019-20	\$ 185,733	\$ 4,830	\$ (880)	\$ 96	\$ 175,931	\$ 4,188
Prior Years:						
2018-19	3,654	-	(414)	150	2,156	1,234
2017-18	1,691	(1)	(276)	116	788	744
2016-17	952	-	(272)	128	521	287
2015-16	294	-	(207)	64	62	89
Prior:	304	-	(43)	34	44	251
Total Prior	6,896	(1.00)	(1,212)	492	3,571	2,605
Total	<u>\$ 192,629</u>	<u>\$ 4,829</u>	<u>\$ (2,092)</u>	<u>\$ 588</u>	<u>\$ 179,502</u>	<u>\$ 6,793</u>

**Reconciliation to Receipts:**

Cash collections by county treasurers above	\$ 179,502
Taxes in lieu of property taxes	4,419
Property Taxes	<u>\$ 183,921</u>

Note: Due to the cash basis of accounting being used the taxes receivable amount is not reported in the statement of net position or balance sheet.

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CITY OF CARLTON URBAN RENEWAL AGENCY  
YAMHILL COUNTY, OREGON

Independent Auditors' Report Required by Oregon State Regulations

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PAULY, ROGERS, AND CO., P.C.  
12700 SW 72<sup>nd</sup> Ave. Tigard, OR 97223  
(503) 620-2632 (503) 684-7523 FAX  
www.paulyrogersandcocpas.com

January 19, 2021

### **Independent Auditors' Report Required by Oregon State Regulations**

We have audited the cash basis basic financial statements of the City of Carlton Urban Renewal Agency as of and for the year ended June 30, 2020, and have issued our report thereon dated January 19, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

#### **Compliance**

As part of obtaining reasonable assurance about whether the cash basis basic financial statements are free of material misstatement, we performed tests of 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 the cash basis basic 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:

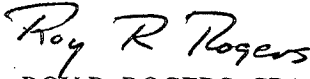
- **Budgets legally required (ORS Chapter 294).**
- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Insurance and fidelity bonds in force or required by law.**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**
- **Authorized investment of surplus funds (ORS Chapter 294).**

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

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

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

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

A handwritten signature in black ink that reads "Roy R Rogers". The signature is written in a cursive style with a large, prominent "R".

ROY R. ROGERS, CPA  
PAULY, ROGERS AND CO., P.C.