

**CARLTON URBAN RENEWAL AGENCY**  
**Carlton, Oregon**

**ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2017**



**CARLTON URBAN RENEWAL AGENCY**

**OFFICERS AND MEMBERS OF THE GOVERNING BODY  
For the Year Ended June 30, 2017**

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Chad Olsen

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Carlton, Oregon 97111

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**CARLTON URBAN RENEWAL AGENCY**

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## INDEPENDENT AUDITOR'S REPORT

To the Agency Officials  
Carlton Urban Renewal Agency  
Carlton, Oregon

### Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities and the major fund of Carlton Urban Renewal Agency, a component unit of the City of Carlton, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1.D.; 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. 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 and the major fund of the Agency, as of June 30, 2017, and the respective changes in modified cash basis financial position and budgetary comparison for the General Fund for the year then ended in accordance with the modified cash basis of accounting described in Note 1.D.

### *Basis of Accounting*

We draw attention to Note 1.D. of the financial statements, which describes the basis of accounting. The financial statements are prepared on a 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 Reporting Required by Oregon State Regulations**

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated October 26, 2017 on our consideration of the Agency'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, OR  
October 26, 2017  
By:



Bradley G. Bingenheimer, Member



**BASIC FINANCIAL STATEMENTS**

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**CARLTON URBAN RENEWAL AGENCY**

**STATEMENT OF NET POSITION  
MODIFIED CASH BASIS  
June 30, 2017**

	<u>Governmental Activities</u>
<b><u>ASSETS</u></b>	
Cash and investments	\$ <u>90,924</u>
<b><u>NET POSITION</u></b>	
Unrestricted	\$ <u>90,924</u>

*See accompanying notes*

**CARLTON URBAN RENEWAL AGENCY**

**STATEMENT OF ACTIVITIES  
MODIFIED CASH BASIS  
For the Year Ended June 30, 2017**

	<u>Governmental Activities</u>
<b>Program disbursements</b>	
General government	\$ 4,554
Capital outlay	<u>50,954</u>
 TOTAL PROGRAM DISBURSEMENTS	 <u>55,508</u>
 <b>General receipts</b>	
Property taxes, levied for debt service	104,351
Unrestricted investment earnings	<u>1,760</u>
 TOTAL GENERAL RECEIPTS	 <u>106,111</u>
 CHANGE IN NET POSITION	 50,603
NET POSITION - BEGINNING, restated	<u>40,321</u>
 NET POSITION -ENDING	 <u><u>\$ 90,924</u></u>

*See accompanying notes*

**CARLTON URBAN RENEWAL AGENCY**

**BALANCE SHEET  
GOVERNMENTAL FUND  
MODIFIED CASH BASIS  
June 30, 2017**

	<u>General</u>
<b><u>ASSETS</u></b>	
Cash and investments	\$ <u>90,924</u>
<b><u>FUND BALANCE</u></b>	
Unassigned	\$ <u>90,924</u>

*See accompanying notes*

**CARLTON URBAN RENEWAL AGENCY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGE IN FUND BALANCE  
GOVERNMENTAL FUND  
MODIFIED CASH BASIS  
For the Year Ended June 30, 2017**

	<u>General</u>
<b>RECEIPTS</b>	
Property taxes	\$ 104,351
Interest	<u>1,760</u>
<b>TOTAL RECEIPTS</b>	<u>106,111</u>
<b>DISBURSEMENTS</b>	
General government	4,554
Capital outlay	<u>50,954</u>
<b>TOTAL DISBURSEMENTS</b>	<u>55,508</u>
Net change in fund balance	50,603
Fund balance at beginning of year, restated	<u>40,321</u>
Fund balance at end of year	<u><u>\$ 90,924</u></u>

*See accompanying notes*

**CARLTON URBAN RENEWAL AGENCY**

**GENERAL FUND  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGE IN FUND BALANCE - BUDGET TO ACTUAL  
MODIFIED CASH BASIS  
For the Year Ended June 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>RECEIPTS</b>			
Property taxes	\$ 105,856	\$ 104,351	\$ (1,505)
Interest	<u>1,200</u>	<u>1,760</u>	<u>560</u>
<b>TOTAL RECEIPTS</b>	<u>107,056</u>	<u>106,111</u>	<u>(945)</u>
<b>DISBURSEMENTS</b>			
Materials and services	6,000	4,554	1,446
Capital outlay	<u>133,635</u>	<u>50,954</u>	<u>82,681</u>
<b>TOTAL DISBURSEMENTS</b>	<u>139,635</u>	<u>55,508</u>	<u>84,127</u>
Net change in fund balance	(32,579)	50,603	83,182
Fund balance at beginning of year, restated	<u>32,579</u>	<u>40,321</u>	<u>7,742</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 90,924</u>	<u>\$ 90,924</u>

*See accompanying notes*

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## CARLTON URBAN RENEWAL AGENCY

### NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

#### 1. Summary of significant accounting policies

##### A. Organization (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. Urban renewal areas

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.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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

#### C. Government-wide and fund financial statements

The statement of net position and the statement of activities display information about the Agency, including all of its financial activities. Governmental activities are financed primarily through property taxes and proceeds from borrowings.

The statement of activities presents a comparison between direct expenses and program revenues for the Agency's program. The Agency does not allocate indirect expenses. Program revenues include grants and contributions that are restricted to meeting operational requirements. Revenues that are not classified as program revenues, including property taxes, earnings on investments and the gain on sale of property, are presented as general revenues.

The fund financial statements provide information about the Agency's fund. The emphasis of fund financial statements is on major funds, each displayed in a separate column.

The single major fund, General Fund, accounts for general administration of the Agency's urban renewal areas, for acquisition and rehabilitation of blighted and deteriorated areas within the designated urban renewal areas, and repayment of debt incurred for these activities.

#### D. 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 receipts, disbursements, 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:

Interfund receivables and payables that arise from transactions and events involving cash or cash equivalents 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.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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

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.

#### E. Equity classification

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

***Restricted net position*** – 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 net position*** – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

In the government-wide financial statements when both restricted and unrestricted net position are available, unrestricted resources are used only after the restricted resources are depleted.

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

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

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

***Committed*** – Amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision making authority for the Agency. 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 Agency Manager to assign fund balance amounts.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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

*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.

In the governmental fund financial statements, when the Agency has restricted and unrestricted (committed, assigned or unassigned) resources available, it is the Agency’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.

#### F. Budget policies and budgetary control

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

The Agency begins its budgeting process by appointing budget committee members in the fall 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 governing body adopts the budget, makes appropriations, and declares the tax levy no later than June 30. Expenditure appropriations may not be legally over expended.

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

Budget amounts shown in the financial statements may be revised after the original budget amounts were adopted. The governing body must authorize all appropriation transfers and supplementary budgetary appropriations.

#### G. 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)**

**2. Cash and investments**

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

The cash and investments at June 30, 2017 are as follows:

	<u>City</u>	<u>Agency</u>
State of Oregon Local Government Investment Pool	\$ 2,895,721	\$ 89,157
Cash on hand	244	-
Deposits with financial institutions	<u>57,397</u>	<u>1,767</u>
 Total cash and investments	 <u>\$ 2,953,362</u>	 <u>\$ 90,924</u>

**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, 2017, none of the City’s bank balances were exposed to custodial credit risk.

**B. Investments**

Investments 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.

Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value. The Oregon State Treasury administers the LGIP. The LGIP is an unrated, open-ended, no-load, diversified portfolio offered to any 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.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 2. Cash and investments (continued)

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 State of Oregon State and Local Investment Pool.

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.

### 3. 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.

### 4. Change in basis accounting

The Agency has changed the basis of accounting for the annual financial report to the modified cash basis of accounting. The Agency believes the annual financial report should reflect the basis of accounting used to maintain its records, monthly reporting and budget. Accordingly, the beginning fund balance and net position have been restated as follows:

	Previously Reported	Restated	Change
Net position	\$ 304,758	\$ 40,321	\$ (264,437)
Fund balance	40,499	40,321	(178)

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

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**INDEPENDENT AUDITOR’S REPORT REQUIRED  
 BY OREGON STATE REGULATIONS**

Agency Officials  
**CARLTON URBAN RENEWAL AGENCY**  
 Carlton, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America the basic financial statements of the **CARLTON URBAN RENEWAL AGENCY** as of and for the year ended June 30, 2017, and have issued our report thereon dated October 26, 2017.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Agency’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.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

In connection with our testing nothing came to our attention that caused us to believe the 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 Audis of Oregon Municipal Corporations.

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

In planning and performing our audit of the financial statements, we considered the Agency’s internal control over financial reporting 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 Agency’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency’s internal control.

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

**Restriction on Use**

This report is intended solely for the information and use of the Agency officials and management of the **CARLTON URBAN RENEWAL AGENCY** 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  
October 26, 2017

By:

A handwritten signature in black ink, appearing to read 'B. Bingenheimer', written over a faint, illegible stamp or background.

Bradley G. Bingenheimer, Member