

CARLTON URBAN RENEWAL AGENCY

Carlton, Oregon
ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2016

CARLTON URBAN RENEWAL AGENCY

OFFICERS AND MEMBERS OF THE GOVERNING BODY

For the Year Ended June 30, 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS

BASIC FINANCIAL STATEMENTS

CARLTON URBAN RENEWAL AGENCY

STATEMENT OF NET POSITION

June 30, 2016

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and investments	\$ 41,308
Receivables	6,233
Capital assets:	
Construction in progress	250,479
Capital assets, net	<u>7,887</u>
TOTAL ASSETS	<u><u>305,907</u></u>
<u>LIABILITIES</u>	
Accounts payable and accrued liabilities	<u>1,149</u>
<u>NET POSITION</u>	
Investment in capital assets	258,366
Unrestricted	46,392
TOTAL NET POSITION	<u><u>\$ 304,758</u></u>

See accompanying notes

CARLTON URBAN RENEWAL AGENCY

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

	<u>Governmental Activities</u>
Program expenses	
General government	<u>\$ 4,691</u>
General revenues	
Property taxes, levied for debt service	89,849
Unrestricted investment earnings	<u>1,342</u>
TOTAL GENERAL REVENUES	<u>91,191</u>
CHANGE IN NET POSITION	86,500
NET POSITION - BEGINNING	<u>218,258</u>
NET POSITION -ENDING	<u><u>\$ 304,758</u></u>

See accompanying notes

CARLTON URBAN RENEWAL AGENCY

BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2016

	<u>General</u>
<u>ASSETS</u>	
Cash and investments	\$ 41,308
Receivables	<u>6,233</u>
TOTAL ASSETS	<u>47,541</u>
<u>LIABILITIES</u>	
Accounts payable and accrued liabilities	<u>1,149</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Unavailable revenue	<u>5,893</u>
<u>FUND BALANCE</u>	
Unassigned	<u>40,499</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 47,541</u>
Reconciliation of the balance sheet-governmental fund to the statement of net position	
Total fund balance-governmental fund	40,499
<i>Amounts reported for governmental activities in the statement net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.	258,366
Deferred inflows of resources which are not available for current-period expenditures are deferred in the fund. However, such amounts are recognized as revenue in the government-wide financial statements	<u>5,893</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 304,758</u>

See accompanying notes

CARLTON URBAN RENEWAL AGENCY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUND
For the Year Ended June 30, 2016

	General
REVENUES	
Property taxes	\$ 88,615
Interest	1,342
TOTAL REVENUES	89,957
EXPENDITURES	
Materials and services	4,691
Capital outlay	258,366
TOTAL EXPENDITURES	263,057
Net change in fund balance	(173,100)
Fund balance at beginning of year	213,599
Fund balance at end of year	\$ 40,499

See accompanying notes

CARLTON URBAN RENEWAL AGENCY

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGE IN FUND BALANCE OF
THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016**

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUND \$ (173,100)

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

The governmental fund reports capital outlay as an expenditure while
governmental activities report depreciation expense to allocate those
expenditures over the life of the assets.

Capital outlay 258,366

Revenues in the statement of activities that do not provide current financial
resources are not reported as revenues in the fund as follows:

Taxes 1,234

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 86,500

See accompanying notes

CARLTON URBAN RENEWAL AGENCY

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2016**

	Budget		Actual	Variance
	Original	Final		
REVENUES				
Property taxes	\$ 63,500	\$ 63,500	88,615	\$ 25,115
Interest	500	500	1,342	842
TOTAL REVENUES	64,000	64,000	89,957	25,957
EXPENDITURES				
Materials and services	17,500	17,500	4,691	12,809
Capital outlay	258,966	141,466	258,366	(116,900)
TOTAL EXPENDITURES	276,466	158,966	263,057	(104,091)
Excess (deficiency) of revenues over expenditures	(212,466)	(94,966)	(173,100)	(78,134)
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(117,500)	-	117,500
Net change in fund balance	(212,466)	(212,466)	(173,100)	39,366
Fund balance at beginning of year	212,466	212,466	213,599	1,133
Fund balance at end of year	\$ -	\$ -	\$ 40,499	\$ 40,499

See accompanying notes

CARLTON URBAN RENEWAL AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

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

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Agency receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis of accounting, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Agency considers all revenues reported in the governmental fund to be available if they are collected within 60 days after year end. Property taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments, which are recognized as expenditures to the extent they have been incurred. Capital asset acquisitions are reported as expenditures in the governmental fund and proceeds from general long-term debt are reported as other financing sources.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

E. Equity classification

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

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

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.

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)

E. Equity classification (continued)

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 have been revised since the original budget amounts were adopted. The governing body must authorize all appropriation transfers and supplementary budgetary appropriations.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

2. Deposits and investments

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 Agency’s position in the LGIP is the same as the value of the pool shares.

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

As of June 30, 2016, the Agency had the following investments:

	Standard and Poor’s <u>Ratings</u>	<u>Maturities</u>	<u>Fair Value</u>
State Treasurer’s Investment Pool	N/A	N/A	\$ <u>3,602</u>

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

Concentration of Credit Risk: The Agency does not have a formal policy that places a limit on the amount that may be invested in any one insurer.

Custodial Credit Risk – Investments: This is the risk that, in the event of the failure of a counterparty, the Agency will not be able to recover the value of its investments that are in the possession of an outside party. Investments, except those in the Local Government Investment Pool have custodial credit risk because the related securities are uninsured, unregistered and held by the Agency’s brokerage firm, which is the counterparty to those securities. The Agency does not have a policy which limits the amount of investments that can be held by counterparties.

Custodial credit risk – Deposits: This is the risk that in the event of a bank failure, the Agency's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the Agency’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 considered fully collateralized. As of June 30, 2016, none of the Agency's bank balances were exposed to custodial risk.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

2. Deposits and investments (continued)

The Agency's deposits and investments at June 30, 2016, are as follows:

Total investments	\$	3,602
Deposits with financial institutions		36,720
Cash with county treasurer		<u>986</u>
Total deposits and investments	\$	<u>41,308</u>

3. Receivables

A. The Agency's receivables at June 30, 2016 are shown below:

Property taxes	\$	<u>6,233</u>
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B. Property taxes

i. Collection procedures

Taxes are levied on July 1 and are payable in three installments due November 15, February 15, and May 15. Yamhill County bills and collects property taxes for the Agency.

ii. Ensuing year's property tax levy

The Agency will levy 100 percent of the amount of its authority under option one of ORS 457.435(2)(a) for the retirement of long-term obligations principal and interest without making a special levy in 2016-17.

The tax rate limit of \$10 per thousand of assessed value imposed by the Oregon Constitution is not expected to affect this levy.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

4. Capital Assets

	Balance <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2016</u>
Capital Assets, not being depreciated				
Construction in progress	\$ -	\$ 250,479	\$ -	\$ 250,479
Capital assets, being depreciated				
Infrastructure	<u>-</u>	<u>7,887</u>	<u>-</u>	<u>7,887</u>
Governmental activities capital assets, net	<u>\$ -</u>	<u>\$ 258,366</u>	<u>\$ -</u>	<u>\$ 258,366</u>

5. Deferred revenue

Resources owned by the Agency, which are measurable, but not available, and therefore, deferred in the fund, consist of the following:

Property taxes	<u>\$ 5,893</u>
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6. Expenditures in excess of appropriations

Oregon law prohibits expenditures or expenses of a fund in excess of board-approved appropriations. Expenditures in excess of appropriations were made in the following categories:

<u>Fund/Category</u>	<u>Appropriation</u>	<u>Actual</u>	<u>Variance</u>
General			
Capital outlay	\$ 141,466	\$ 258,366	\$ (116,900)

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