



**Carlton, Oregon**

**ANNUAL FINANCIAL REPORT  
For the Year Ended June 30, 2019**

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**CITY OF CARLTON**

**OFFICERS AND MEMBERS OF THE GOVERNING BODY  
For the Year Ended June 30, 2019**

**Mayor**

Kathie Oriet (Term ended December 2018)  
PO Box 624  
Carlton, OR 97111

Brian Rake (Term began January 2019)  
PO Box 481  
Carlton, OR 97111

**City Council**

Shirley Ward-Mullen  
PO Box 833  
Carlton, OR 97111

Carey Rhoads  
PO Box 405  
Carlton, OR 97111

Scott Carl  
PO Box 183  
Carlton, OR 97111

Amy Wilder  
1040 S Park St  
Carlton, OR 97111

Scott Chitwood (Term ended December 2018)  
430 N 1<sup>st</sup> St  
Carlton, OR 97111

Kathy Rich (Term began January 2019)  
546 W Main St  
Carlton, OR 97111

Gwen Jernstedt (Term ended December 2018)  
PO Box 681  
Carlton, OR 97111

Linda Watkins  
PO Box 834  
Carlton, OR 97111

**City Manager**

Dennis Durham  
191 E Main St  
Carlton, OR 97111

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## INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council  
CITY OF CARLTON  
Carlton, Oregon

### 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, 2019, 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; 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.

#### *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, 2019, and the respective changes in financial position-modified cash basis and, where applicable, cash flows, thereof, and the respective budgetary comparisons for the General and Street Funds, for the year then ended on the basis of accounting described in Note 1.

## INDEPENDENT AUDITOR'S REPORT (Continued)

### *Basis of Accounting*

We draw attention to Note 1 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 comprehensive 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*

#### *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 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 are 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 combining financial statements and individual fund schedules are fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

### **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 7, 2019, 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  
October 7, 2019

By:



Bradley G. Bingenheimer, Member



## **BASIC FINANCIAL STATEMENTS**

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**CITY OF CARLTON**  
**STATEMENT OF NET POSITION**  
**MODIFIED CASH BASIS**  
**June 30, 2019**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,336,499	\$ 1,372,711	\$ 4,709,210
Internal balances	<u>(1,232,265)</u>	<u>1,232,265</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>2,104,234</u>	<u>2,604,976</u>	<u>4,709,210</u>
<b>LIABILITIES</b>			
Customer deposits payable	-	56,197	56,197
Bond monies due to contractors	<u>31,064</u>	<u>-</u>	<u>31,064</u>
<b>TOTAL LIABILITIES</b>	<u>31,064</u>	<u>56,197</u>	<u>87,261</u>
<b>NET POSITION</b>			
Restricted for:			
Capital projects	963,287	1,995,065	2,958,352
Street maintenance	132,536	-	132,536
Economic development	197,450	-	197,450
Tourism	17,696	-	17,696
Debt service	10,116	163,854	173,970
Unrestricted	<u>752,085</u>	<u>389,860</u>	<u>1,141,945</u>
<b>TOTAL NET POSITION</b>	<u>\$ 2,073,170</u>	<u>\$ 2,548,779</u>	<u>\$ 4,621,949</u>

*See accompanying notes*

**CITY OF CARLTON**  
**STATEMENT OF ACTIVITIES**  
**MODIFIED CASH BASIS**  
**For the Year Ended June 30, 2019**

<u>Functions/Programs</u>	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities</b>				
General government	\$ 680,350	\$ 135,174	\$ 9,035	\$ -
Public safety	409,850	-	4,200	-
Highways and streets	391,375	-	162,853	94,289
Culture and recreation	248,751	52,773	-	7,659
Debt service	89,914	-	-	-
	<u>1,820,240</u>	<u>187,947</u>	<u>176,088</u>	<u>101,948</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>				
<b>Business-type activities</b>				
Water	1,093,030	1,121,577	-	147,079
Sewer	642,323	738,606	-	47,160
	<u>1,735,353</u>	<u>1,860,183</u>	<u>-</u>	<u>194,239</u>
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>				
Totals	<u>\$ 3,555,593</u>	<u>\$ 2,048,130</u>	<u>\$ 176,088</u>	<u>\$ 296,187</u>

**General revenues**

- Property taxes, levied for general purposes
- Miscellaneous taxes
- Franchise taxes
- Grants and contributions not restricted for specific programs
- Interest
- Miscellaneous

**Transfers**

TOTAL GENERAL REVENUES AND TRANSFERS

CHANGE IN NET POSITION  
NET POSITION - BEGINNING

NET POSITION - ENDING

Net (Expense) Revenue  
and Changes in Net Position

---

Governmental Activities	Business-type Activities	Totals
\$ (536,141)		\$ (536,141)
(405,650)		(405,650)
(134,233)		(134,233)
(188,319)		(188,319)
(89,914)		(89,914)
(1,354,257)		(1,354,257)
	\$ 175,626	175,626
	143,443	143,443
	319,069	319,069
(1,354,257)	319,069	(1,035,188)
996,409	-	996,409
29,263	-	29,263
133,604	-	133,604
81,494	-	81,494
60,034	50,726	110,760
7,878	3,680	11,558
(187,463)	187,463	-
1,121,219	241,869	1,363,088
(233,038)	560,938	327,900
2,306,208	1,987,841	4,294,049
\$ 2,073,170	\$ 2,548,779	\$ 4,621,949

**CITY OF CARLTON**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
MODIFIED CASH BASIS  
June 30, 2019**

	General	Street	System Development Charges	Total Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 572,852	\$ 132,536	\$ 2,349,100	\$ 282,011	\$ 3,336,499
<b>TOTAL ASSETS</b>	<u>\$ 572,852</u>	<u>\$ 132,536</u>	<u>\$ 2,349,100</u>	<u>\$ 282,011</u>	<u>\$ 3,336,499</u>
<b>LIABILITIES</b>					
Bond monies due to contractors	\$ 31,064	\$ -	\$ -	\$ -	\$ 31,064
<b>TOTAL LIABILITIES</b>	<u>31,064</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,064</u>
<b>FUND BALANCE</b>					
Restricted for:					
Capital projects	-	-	2,349,100	-	2,349,100
Debt service	-	-	-	10,116	10,116
Street maintenance	-	132,536	-	-	132,536
Economic development	-	-	-	197,450	197,450
Tourism	-	-	-	17,696	17,696
Committed for:					
Capital projects	-	-	-	56,749	56,749
Unassigned	541,788	-	-	-	541,788
<b>TOTAL FUND BALANCE</b>	<u>541,788</u>	<u>132,536</u>	<u>2,349,100</u>	<u>282,011</u>	<u>3,305,435</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 572,852</u>	<u>\$ 132,536</u>	<u>\$ 2,349,100</u>	<u>\$ 282,011</u>	

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

<i>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.</i>	<u>(1,232,265)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<u>\$ 2,073,170</u>

*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, 2019**

	General	Street	System Development Charges	Total Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>					
Property taxes	\$ 800,424	\$ -	\$ -	\$ 195,985	\$ 996,409
Miscellaneous taxes	7,199	-	-	22,064	29,263
Fines and forfeitures	31,255	-	-	-	31,255
Licenses, permits and fees	159,223	43,813	-	-	203,036
Charges for services	87,260	-	-	-	87,260
Intergovernmental	61,417	244,165	-	-	305,582
System development charges	-	-	108,802	-	108,802
Interest	19,233	17,644	16,540	6,617	60,034
Miscellaneous	1,699	6,179	-	2,000	9,878
	<u>1,167,710</u>	<u>311,801</u>	<u>125,342</u>	<u>226,666</u>	<u>1,831,519</u>
<b>TOTAL REVENUES</b>					
<b>EXPENDITURES</b>					
Current					
General government	408,418	-	5,360	38,712	452,490
Public safety	409,850	-	-	-	409,850
Highways and streets	-	75,585	-	-	75,585
Culture and recreation	186,641	-	-	-	186,641
Capital outlay	52,869	299,429	38,886	93,731	484,915
Debt service	-	-	-	58,851	58,851
	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,851</u>	<u>58,851</u>
<b>TOTAL EXPENDITURES</b>	<u>1,057,778</u>	<u>375,014</u>	<u>44,246</u>	<u>191,294</u>	<u>1,668,332</u>
Excess (deficiency) of revenues over expenditures	<u>109,932</u>	<u>(63,213)</u>	<u>81,096</u>	<u>35,372</u>	<u>163,187</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	3,515	-	-	-	3,515
Transfers out	(131,063)	(28,515)	(15,810)	(15,590)	(190,978)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(127,548)</u>	<u>(28,515)</u>	<u>(15,810)</u>	<u>(15,590)</u>	<u>(187,463)</u>
Net change in fund balance	(17,616)	(91,728)	65,286	19,782	(24,276)
Fund balance at beginning of year	559,404	224,264	2,283,814	262,229	3,329,711
Fund balance at end of year	<u>\$ 541,788</u>	<u>\$ 132,536</u>	<u>\$ 2,349,100</u>	<u>\$ 282,011</u>	<u>\$ 3,305,435</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, 2019**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (24,276)

*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 (56,854)

Proprietary funds will purchase capital assets which will be used in governmental activities (126,205)

Proprietary funds will make payments on long-term obligations that relate to governmental activities (31,063)

Proprietary funds received contributions for the acquisition of capital assets which will be used in governmental activities 5,360

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (233,038)

*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, 2019**

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 772,000	\$ 772,000	\$ 800,424	\$ 28,424
Miscellaneous taxes	11,700	11,700	7,199	(4,501)
Fines and forfeitures	17,000	17,000	31,255	14,255
Licenses, permits and fees	143,800	143,800	159,223	15,423
Charges for services	82,450	82,450	87,260	4,810
Intergovernmental	45,300	45,300	61,417	16,117
Interest	4,900	4,900	19,233	14,333
Miscellaneous	1,000	8,750	1,699	(7,051)
<b>TOTAL REVENUES</b>	<b>1,078,150</b>	<b>1,085,900</b>	<b>1,167,710</b>	<b>81,810</b>
<b>EXPENDITURES</b>				
Administration	126,394	153,644	144,752	8,892
City recorder/finance	174,752	174,752	139,330	35,422
Planning and land use	84,671	104,671	97,885	6,786
Police	430,298	430,298	409,850	20,448
Municipal court	38,028	48,028	30,088	17,940
Parks and recreation	130,150	130,150	123,710	6,440
Swimming pool	112,550	112,550	112,163	387
Contingency	262,533	212,533	-	212,533
<b>TOTAL EXPENDITURES</b>	<b>1,359,376</b>	<b>1,366,626</b>	<b>1,057,778</b>	<b>308,848</b>
Excess (deficiency) of revenues over expenditures	<b>(281,226)</b>	<b>(280,726)</b>	<b>109,932</b>	<b>390,658</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	3,515	3,515	3,515	-
Transfers out	(100,000)	(100,000)	(131,063)	(31,063)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(96,485)</b>	<b>(96,485)</b>	<b>(127,548)</b>	<b>(31,063)</b>
Net change in fund balance	(377,711)	(377,211)	(17,616)	359,595
Fund balance at beginning of year	384,961	384,961	559,404	174,443
Fund balance at end of year	<b>\$ 7,250</b>	<b>\$ 7,750</b>	<b>\$ 541,788</b>	<b>\$ 534,038</b>

*See accompanying notes*

**CITY OF CARLTON**

**STREET FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
MODIFIED CASH BASIS  
For the Year Ended June 30, 2019**

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
Licenses, permits and fees	\$ 4,500	\$ 4,500	\$ 43,813	\$ 39,313
Intergovernmental	238,892	238,892	244,165	5,273
Interest	7,500	7,500	17,644	10,144
Miscellaneous	100	100	6,179	6,079
<b>TOTAL REVENUES</b>	<u>250,992</u>	<u>250,992</u>	<u>311,801</u>	<u>60,809</u>
<b>EXPENDITURES</b>				
Personnel services	32,020	32,020	17,563	14,457
Materials and services	58,240	58,240	58,022	218
Capital outlay	242,468	299,468	299,429	39
Contingency	75,220	18,220	-	18,220
<b>TOTAL EXPENDITURES</b>	<u>407,948</u>	<u>407,948</u>	<u>375,014</u>	<u>32,934</u>
Excess (deficiency) of revenues over expenditures	<u>(156,956)</u>	<u>(156,956)</u>	<u>(63,213)</u>	<u>93,743</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(28,515)</u>	<u>(28,515)</u>	<u>(28,515)</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(28,515)</u>	<u>(28,515)</u>	<u>(28,515)</u>	<u>-</u>
Net change in fund balance	(185,471)	(185,471)	(91,728)	93,743
Fund balance at beginning of year	<u>185,471</u>	<u>185,471</u>	<u>224,264</u>	<u>38,793</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 132,536</u>	<u>\$ 132,536</u>

*See accompanying notes*

**CITY OF CARLTON**

**STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 MODIFIED CASH BASIS  
 June 30, 2019**

Business-type Activities

	Water	Sewer	Capital Improvements	Debt Service	Total Enterprise Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 518,639	\$ 80,966	\$ 609,252	\$ 163,854	\$ 1,372,711
<b>TOTAL ASSETS</b>	<u>518,639</u>	<u>80,966</u>	<u>609,252</u>	<u>163,854</u>	<u>1,372,711</u>
<b>LIABILITIES</b>					
Customer deposits payable	56,197	-	-	-	56,197
<b>TOTAL LIABILITIES</b>	<u>56,197</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,197</u>
<b>NET POSITION</b>					
Restricted for:					
Capital projects	-	-	609,252	-	609,252
Debt service	-	-	-	163,854	163,854
Unrestricted	462,442	80,966	-	-	543,408
<b>TOTAL NET POSITION</b>	<u>\$ 462,442</u>	<u>\$ 80,966</u>	<u>\$ 609,252</u>	<u>\$ 163,854</u>	1,316,514

**RECONCILIATION OF THE STATEMENT OF NET POSITION OF THE PROPRIETARY FUNDS TO THE STATEMENT OF NET POSITION**

*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.*

1,232,265

NET POSITION OF BUSINESS-TYPE ACTIVITIES

\$ 2,548,779

*See accompanying notes*

**CITY OF CARLTON**

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

**For the Year Ended June 30, 2019**

	Business-type Activities				Total Enterprise Funds
	Water	Sewer	Capital Improvements	Debt Service	
<b>OPERATING REVENUES</b>					
Charges for services	\$ 1,121,577	\$ 738,606	\$ -	\$ -	\$ 1,860,183
<b>TOTAL OPERATING REVENUES</b>	<u>1,121,577</u>	<u>738,606</u>	<u>-</u>	<u>-</u>	<u>1,860,183</u>
<b>OPERATING EXPENSES</b>					
Personnel services	363,407	245,742	-	-	609,149
Materials and services	258,404	243,224	-	-	501,628
Capital outlay	57,914	3,620	396,071	-	457,605
<b>TOTAL OPERATING EXPENSES</b>	<u>679,725</u>	<u>492,586</u>	<u>396,071</u>	<u>-</u>	<u>1,568,382</u>
<b>OPERATING INCOME (LOSS)</b>	<u>441,852</u>	<u>246,020</u>	<u>(396,071)</u>	<u>-</u>	<u>291,801</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Grants	-	-	20,000	-	20,000
Interest	16,541	16,541	17,644	-	50,726
Miscellaneous	680	3,000	-	-	3,680
Debt service	-	-	-	(318,879)	(318,879)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>17,221</u>	<u>19,541</u>	<u>37,644</u>	<u>(318,879)</u>	<u>(244,473)</u>
Income (loss) before capital contributions and transfers	459,073	265,561	(358,427)	(318,879)	47,328
Loan proceeds	-	-	117,385	-	117,385
Transfers in	-	-	346,400	324,087	670,487
Transfers out	(309,555)	(173,469)	-	-	(483,024)
Change in net position	149,518	92,092	105,358	5,208	352,176
Net position at beginning of year	<u>312,924</u>	<u>(11,126)</u>	<u>503,894</u>	<u>158,646</u>	<u>964,338</u>
Net position at end of year	<u>\$ 462,442</u>	<u>\$ 80,966</u>	<u>\$ 609,252</u>	<u>\$ 163,854</u>	<u>\$ 1,316,514</u>

*See accompanying notes*

**CITY OF CARLTON**

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN NET POSITION OF  
PROPRIETARY FUNDS  
TO THE STATEMENT OF ACTIVITIES  
MODIFIED CASH BASIS  
For the Year Ended June 30, 2019**

CHANGE IN NET POSITION - TOTAL PROPRIETARY FUNDS \$ 352,176

*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 56,854

Proprietary funds will purchase capital assets which will be used in governmental activities 126,205

Proprietary funds will make payments on long-term obligations that relate to governmental activities 31,063

Proprietary funds received contributions for the acquisition of capital assets which will be used in governmental activities (5,360)

CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES \$ 560,938

*See accompanying notes*

**CITY OF CARLTON**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**MODIFIED CASH BASIS**  
**For the Year Ended June 30, 2019**

	Business-type Activities	
	Water	Sewer
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 1,127,127	\$ 738,606
Payments to suppliers	(316,318)	(246,844)
Payments to employees	(363,407)	(245,742)
	447,402	246,020
Net cash provided by (used in) operating activities		
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Transfer in	-	-
Transfers out	(309,555)	(173,469)
Grants	-	-
Miscellaneous	680	3,000
Proceeds from debt	-	-
Principal paid on debt	-	-
Interest paid on debt	-	-
	(308,875)	(170,469)
Net cash provided by (used in) capital and related financing activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest earned on investments	16,541	16,541
	16,541	16,541
Net cash provided by (used in) investing activities		
Net increase (decrease) in cash and cash equivalents	155,068	92,092
Cash and cash equivalents at beginning of year	363,571	(11,126)
	518,639	80,966
Cash and cash equivalents at the end of year		
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>		
Operating income (loss)	\$ 441,852	\$ 246,020
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Change in customer deposits payable	5,550	-
	447,402	246,020
Net cash provided by operating activities		

*See accompanying notes*

<u>Capital Improvements</u>	<u>Debt Service</u>	<u>Total Enterprise Funds</u>
\$ -	\$ -	\$ 1,865,733
(396,071)	-	(959,233)
-	-	(609,149)
<u>(396,071)</u>	<u>-</u>	<u>297,351</u>
346,400	324,087	670,487
-	-	(483,024)
20,000	-	20,000
-	-	3,680
117,385	-	117,385
-	(202,826)	(202,826)
-	(116,053)	(116,053)
<u>483,785</u>	<u>5,208</u>	<u>9,649</u>
17,644	-	50,726
<u>17,644</u>	<u>-</u>	<u>50,726</u>
105,358	5,208	357,726
<u>503,894</u>	<u>158,646</u>	<u>1,014,985</u>
<u>\$ 609,252</u>	<u>\$ 163,854</u>	<u>\$ 1,372,711</u>
\$ (396,071)	\$ -	\$ 291,801
-	-	5,550
<u>\$ (396,071)</u>	<u>\$ -</u>	<u>\$ 297,351</u>

# CITY OF CARLTON

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

### 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).

*Street* – accounts for the operations and maintenance of city owned streets. Primary revenues are intergovernmental.

*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 revenue 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, 2019 are as follows:

State of Oregon Local Government Investment Pool	\$ 4,505,370
Cash on hand	265
Deposits with financial institutions	<u>203,575</u>
Total cash and cash equivalents	<u>\$ 4,709,210</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, 2019, \$3,840 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.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 3. Long-term obligations

A. Changes in long-term obligations for the year ended June 30, 2019 were as follows:

	Outstanding			Outstanding	Balances
	July 1,	Additions	Reductions	June 30,	Due Within
	2018			2019	One Year
<u>Governmental Activities</u>					
Long-term debt obligations:					
General obligations bonds:					
GO Bonds, series 2015	\$ 900,000	\$ -	\$ 25,000	\$ 875,000	\$ 30,000
Notes from direct borrowings and direct placements:					
Promissory note, Citizen's Bank	<u>178,952</u>	<u>-</u>	<u>20,657</u>	<u>158,295</u>	<u>22,123</u>
Total long-term debt	<u>\$1,078,952</u>	<u>\$ -</u>	<u>\$ 45,657</u>	<u>\$1,033,295</u>	<u>\$ 52,123</u>
<u>Business-type Activities</u>					
Long-term debt obligations:					
Revenue bonds:					
Water revenue bonds, series 2007, original	\$ 560,000	\$ -	\$ 50,000	\$ 510,000	\$ 55,000
Notes from direct borrowings and direct placements:					
Safe drinking water revolving loan - S99099	1,128,657	-	75,462	1,053,195	76,217
Water/wastewater financing program loan	1,337,921	-	56,707	1,281,214	59,536
Safe drinking water revolving loan - S15008	2,555,500	-	-	2,555,500	104,029
Forgiveable IFA loan	183,826	77,385	261,211	-	-
Water meter lease	-	122,011	25,806	96,205	20,713
Wastewater facilities loan	<u>-</u>	<u>40,000</u>	<u>-</u>	<u>40,000</u>	<u>5,652</u>
Total long-term debt	<u>\$5,765,904</u>	<u>\$ 239,396</u>	<u>\$ 469,186</u>	<u>\$5,536,114</u>	<u>\$ 321,147</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.

#### 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.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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

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 (S99099) – The City borrowed \$2,238,625 to finance its water system improvements. Annual payments of \$86,742 include interest at 1 percent. The loan contains (1) a provision that in an event of default, the timing of repayment of outstanding amounts become immediately due if pledged revenues during the year are less than 120 percent of debt service coverage due in the following year and (2) a provision that if the City is unable to make payment, outstanding amounts are due immediately. The loan contains a subjective acceleration clause that allows the lender to accelerate payment of the entire principal amount to become immediately due if the lender determines that an event of default has occurred.

Water/wastewater financing program loan (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. The loan contains (1) a provision that in an event of default, the timing of repayment of outstanding amounts become immediately due if pledged revenues during the year are less than 120 percent of debt service coverage due in the following year and (2) a provision that if the City is unable to make payment, outstanding amounts are due immediately. The loan contains a subjective acceleration clause that allows the lender to accelerate payment of the entire principal amount to become immediately due if the lender determines that an event of default has occurred.

Safe drinking water revolving loan (S15008) – The City borrowed \$2,555,500 to finance water system improvements. Annual payments of \$157,950 include interest at 2.11 percent. The loan contains a provision that in an event of default, outstanding amounts become immediately due if the City is unable to make payment.

Forgivable IFA loan (S15008) – The City borrowed \$261,211 to finance water system improvements. The loan is subject to forgiveness. As of June 30, 2019, the full amount of the loan had been forgiven.

Capital lease, Government Capital Corporation – The City entered into a capital lease in the amount of \$139,112 for the purchase of water meters and related equipment which serves as collateral for the loan. Annual payments of \$25,806 include interest at 4.495 percent. As of June 30, 2019, \$122,011 of the leased assets had been acquired.

Water/Wastewater financing program loan (V17002) – The City borrowed \$40,000 to finance the City's wastewater facilities plan. Annual payments of \$6,043.43 include interest at 1.42 percent. The loan contains a provision that in an event of default, IFA may pursue remedy for the remaining payments including declaring all payments immediately due and payable and/or requiring repayment of the grant amount of \$20,000 and any interest earned on the grant funds.



## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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

#### 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
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	40,000	28,087	28,166	2,897	68,166	30,984
2025-2029	255,000	115,173	32,982	1,005	287,982	116,178
2030-2034	360,000	59,566	-	-	360,000	59,566
2035-2039	90,000	3,393	-	-	90,000	3,393
	<u>\$ 875,000</u>	<u>\$ 331,194</u>	<u>\$ 158,295</u>	<u>\$ 27,811</u>	<u>\$ 1,033,295</u>	<u>\$ 359,005</u>

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

Fiscal Year	Water Revenue Bonds Series 2007		Safe Drinking Water Revolving Loan - S99099		Water/Wastewater Financing Loan		Safe Drinking Water Revolving Loan - S15008	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	55,000	24,735	76,217	10,525	59,536	63,933	104,029	53,921
2021	55,000	22,123	76,980	9,762	62,507	60,962	106,224	51,726
2022	60,000	19,510	77,749	8,993	65,626	57,843	108,465	49,485
2023	60,000	16,660	78,527	8,215	68,901	54,568	110,754	47,196
2024	65,000	13,720	79,312	7,430	72,339	51,130	113,091	44,859
2025-2029	215,000	21,315	408,616	25,094	419,581	197,763	602,270	187,480
2030-2034	-	-	255,794	5,117	532,724	82,094	668,548	121,202
2035-2039	-	-	-	-	-	-	742,120	44,366
	<u>\$ 510,000</u>	<u>\$ 118,063</u>	<u>\$ 1,053,195</u>	<u>\$ 75,136</u>	<u>\$ 1,281,214</u>	<u>\$ 568,293</u>	<u>\$ 2,555,500</u>	<u>\$ 600,235</u>

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

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

Fiscal Year	Water Meter Lease		Waste Water Facilities Loan		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	20,713	5,093	5,652	392	321,147	158,599
2021	21,644	4,162	5,556	488	327,911	149,223
2022	22,617	3,189	5,635	409	340,093	139,429
2023	23,634	2,172	5,715	329	347,530	129,140
2024	24,696	1,110	5,796	248	360,234	118,497
2025-2029	-	-	11,648	247	1,657,115	431,899
2030-2034	-	-	-	-	1,457,066	208,413
2035-2039	-	-	-	-	742,120	44,366
	<u>\$ 113,306</u>	<u>\$ 15,727</u>	<u>\$ 40,000</u>	<u>\$ 2,112</u>	<u>\$ 5,553,216</u>	<u>\$ 1,379,566</u>

**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, 2019, the City was in compliance with these covenants.

**4. Interfund transactions**

Interfund transfers during the year ended June 30, 2019 were as follows:

Fund	Transfer In	Transfer Out
General	\$ 3,515	\$ 131,063
Street	-	28,515
System Development Charges	-	15,810
Nonmajor	-	15,590
Water	-	309,555
Sewer	-	173,469
Capital Improvement	346,400	-
Debt Service	324,087	-
	<u>\$ 674,002</u>	<u>\$ 674,002</u>

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

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 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 2018-19 levy year has been reduced by \$555.

### 6. 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.

### 7. 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/2018-CAFR.pdf](http://www.oregon.gov/pers/Documents/Financials/CAFR/2018-CAFR.pdf).

#### B. Description of benefit terms

All benefits of the System 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.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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

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.

#### *Death benefits*

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

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

#### *Disability benefits*

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including OPERS judge members) for disability benefits regardless of the length of OPERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 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.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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

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

#### *Death benefits*

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

#### *Disability benefits*

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

#### *Benefit changes after retirement*

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes.

#### 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.

Tier One/Tier Two employer contribution rates are 10.34 percent and the OPSRP employer contribution rates are 4.26 percent for general service employees and 9.03 for police and fire employees. Employer contributions for the year ended June 30, 2019 were \$32,172.

#### 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)

### 7. 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 25 percent based on account balance with each employer and 75 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)

### 7. 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 BB) Combined Active/Healthy Annuitant, Sex Distinct
Disabled retirees	RP 2000, Generational (Scale BB), Combined Disabled, No Collar, Sex Distinct Male 70% and Female 95% of disabled table but not less than the corresponding healthy annuity rates
Non-annuitants	Ranges from 55% to 75% 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 2.5 percent for 2016 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)

### 7. 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. 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 2.5 percent for 2016 and declining by 0.5 percent per year until reaching zero.

### 8. Defined contribution plan

#### A. Plan description

Individual account program (IAP) - Participants in OPERS defined benefit pension plan also participate in the defined contribution plan.

#### B. 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.

#### C. 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.

#### D. Contributions

The City makes the employee contributions of 6 percent of covered payroll to the plan. Contributions for the year ended June 30, 2019 were \$34,183.



## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 8. Defined contribution plan (continued)

#### E. Recordkeeping

PERS contracts with VOYA Financial to maintain IAP participant records.

### 9. Defined benefit other postemployment benefits plans

#### Oregon PERS Retirement Health Insurance Account

#### 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/2018-CAFR.pdf](http://www.oregon.gov/pers/Documents/Financials/CAFR/2018-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)

### 9. Defined benefit other postemployment benefits plans (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, 2019, the City made contributions in the amount of \$2,507 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 7.

#### *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 percent of the time for health retirees and 20 percent of the time for disabled retirees.

#### Single Employer Plan

As required by ORS 243.303(2) all retirees are allowed to continue coverage (at the retirees' expense) under the group health insurance plan, until age 65 as an other postemployment benefit. The difference between the premium actually paid by retirees under the group insurance plan and the premium that they would pay if they were not included in the plan is considered to be an implicit subsidy.

### 10. 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	\$ 700,374
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**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**10. Net position restricted through enabling legislation (continued)**

Governmental activities – tourism

City transient lodging tax is restricted for tourism as specified  
in the implementing ordinances \$ 17,696

Business-type activities – capital projects

System development charges (SDC) are restricted for purposes  
as specified in the implementing ordinances 1,648,726

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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, 2019**

	Budget	Actual	Variance
<b>REVENUES</b>			
System development charges	\$ 326,025	\$ 108,802	\$ (217,223)
Interest	7,500	16,540	9,040
	<u>333,525</u>	<u>125,342</u>	<u>(208,183)</u>
<b>TOTAL REVENUES</b>			
<b>EXPENDITURES</b>			
Water system development charges	742,419	-	742,419
Sewer system development charges	979,900	24,589	955,311
Transportation system development charges	357,647	55	357,592
Parks system development charges	116,632	12,878	103,754
Stormwater system development charges	253,607	6,724	246,883
	<u>2,450,205</u>	<u>44,246</u>	<u>2,405,959</u>
<b>TOTAL EXPENDITURES</b>			
Excess (deficiency) of revenues over expenditures	<u>(2,116,680)</u>	<u>81,096</u>	<u>2,197,776</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>-</u>	<u>(15,810)</u>	<u>(15,810)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>(15,810)</u>	<u>(15,810)</u>
Net change in fund balance	(2,116,680)	65,286	2,181,966
Fund balance at beginning of year	<u>2,116,680</u>	<u>2,283,814</u>	<u>167,134</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 2,349,100</u>	<u>\$ 2,349,100</u>

**CITY OF CARLTON**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
MODIFIED CASH BASIS  
June 30, 2019**

	Special Revenue		Debt Service	Capital Projects	
	Urban Renewal	Tourism	GO - 2015 Pool Project Bond	Vehicle/ Equipment Replacement	Totals
<b>ASSETS</b>					
Cash and cash equivalents	\$ 197,450	\$ 17,696	\$ 10,116	\$ 56,749	\$ 282,011
<b>TOTAL ASSETS</b>	<u>\$ 197,450</u>	<u>\$ 17,696</u>	<u>\$ 10,116</u>	<u>\$ 56,749</u>	<u>\$ 282,011</u>
<b>FUND BALANCES</b>					
Restricted for:					
Debt service	\$ -	\$ -	\$ 10,116	\$ -	\$ 10,116
Economic development	197,450	-	-	-	197,450
Tourism	-	17,696	-	-	17,696
Committed for:					
Capital projects	-	-	-	56,749	56,749
<b>TOTAL FUND BALANCES</b>	<u>\$ 197,450</u>	<u>\$ 17,696</u>	<u>\$ 10,116</u>	<u>\$ 56,749</u>	<u>\$ 282,011</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, 2019**

	Special Revenue		Debt Service	Capital Projects	
	Urban		GO - 2015	Vehicle/ Equipment	
	Renewal	Tourism	Pool Project Bond	Replacement	Totals
<b>REVENUES</b>					
Property taxes	\$ 132,030	\$ -	\$ 63,955	\$ -	\$ 195,985
Miscellaneous taxes	-	22,064	-	-	22,064
Interest	5,514	1,103	-	-	6,617
Miscellaneous	-	2,000	-	-	2,000
<b>TOTAL REVENUES</b>	<b>137,544</b>	<b>25,167</b>	<b>63,955</b>	<b>-</b>	<b>226,666</b>
<b>EXPENDITURES</b>					
Current					
General government	3,530	35,182	-	-	38,712
Capital outlay	93,731	-	-	-	93,731
Debt service	-	-	58,851	-	58,851
<b>TOTAL EXPENDITURES</b>	<b>97,261</b>	<b>35,182</b>	<b>58,851</b>	<b>-</b>	<b>191,294</b>
Excess (deficiency) of revenues over expenditures	40,283	(10,015)	5,104	-	35,372
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers out	(15,590)	-	-	-	(15,590)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(15,590)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(15,590)</b>
Net change in fund balance	24,693	(10,015)	5,104	-	19,782
Fund balance at beginning of year	172,757	27,711	5,012	56,749	262,229
Fund balance at end of year	<b>\$ 197,450</b>	<b>\$ 17,696</b>	<b>\$ 10,116</b>	<b>\$ 56,749</b>	<b>\$ 282,011</b>

**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, 2019**

	Budget	Actual	Variance
<b>REVENUES</b>			
Property taxes	\$ 127,000	\$ 132,030	\$ 5,030
Interest	2,500	5,514	3,014
	129,500	137,544	8,044
<b>TOTAL REVENUES</b>			
<b>EXPENDITURES</b>			
Materials and services	9,500	3,530	5,970
Capital outlay	204,452	93,731	110,721
Debt service	65,000	-	65,000
	278,952	97,261	181,691
<b>TOTAL EXPENDITURES</b>			
Excess (deficiency) of revenues over expenditures	(149,452)	40,283	189,735
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	(15,590)	(15,590)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	(15,590)	(15,590)	-
Net change in fund balance	(165,042)	24,693	189,735
Fund balance at beginning of year	165,042	172,757	7,715
Fund balance at end of year	\$ -	\$ 197,450	\$ 197,450

**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, 2019**

	Budget	Actual	Variance
<b>REVENUES</b>			
Miscellaneous taxes	\$ 27,300	\$ 22,064	\$ (5,236)
Interest	400	1,103	703
Miscellaneous	-	2,000	2,000
<b>TOTAL REVENUES</b>	27,700	25,167	(2,533)
<b>EXPENDITURES</b>			
Materials and services	45,093	35,182	9,911
<b>TOTAL EXPENDITURES</b>	45,093	35,182	9,911
Excess (deficiency) of revenues over expenditures	(17,393)	(10,015)	7,378
Net change in fund balance	(17,393)	(10,015)	7,378
Fund balance at beginning of year	17,393	27,711	10,318
Fund balance at end of year	\$ -	\$ 17,696	\$ 17,696

**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, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Property taxes	<u>\$ 56,300</u>	<u>\$ 63,955</u>	<u>\$ 7,655</u>
<b>TOTAL REVENUES</b>	<u>56,300</u>	<u>63,955</u>	<u>7,655</u>
<b>EXPENDITURES</b>			
Debt service	<u>58,930</u>	<u>58,851</u>	<u>79</u>
<b>TOTAL EXPENDITURES</b>	<u>58,930</u>	<u>58,851</u>	<u>79</u>
Net change in fund balance	(2,630)	5,104	7,734
Fund balance at beginning of year	<u>3,865</u>	<u>5,012</u>	<u>1,147</u>
Fund balance at end of year	<u>\$ 1,235</u>	<u>\$ 10,116</u>	<u>\$ 8,881</u>

**CITY OF CARLTON**

**GO BOND 2018 - PUBLIC SAFETY - DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
MODIFIED CASH BASIS**

**For the Year Ended June 30, 2019**

	Budget	Actual	Variance
<b>REVENUES</b>			
Property taxes	\$ 143,450	\$ -	\$ (143,450)
<b>TOTAL REVENUES</b>	143,450	-	(143,450)
<b>EXPENDITURES</b>			
Materials and services	2,300,000	-	2,300,000
Debt service	143,450	-	143,450
Contingency	150,000	-	150,000
<b>TOTAL EXPENDITURES</b>	2,593,450	-	2,593,450
Excess (deficiency) of revenues over expenditures	(2,450,000)	-	2,450,000
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond proceeds	2,300,000	-	(2,300,000)
Transfers in	150,000	-	(150,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	2,450,000	-	(2,450,000)
Net change in fund balance	-	-	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -

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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>EXPENDITURES</b>			
Contingency	<u>\$ 56,749</u>	<u>\$ -</u>	<u>\$ 56,749</u>
 TOTAL EXPENDITURES	 <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></u>	 <u><u>\$ 56,749</u></u>	 <u><u>\$ 56,749</u></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, 2019**

	Budget	Actual	Variance
<b>REVENUES</b>			
Charges for services	\$ 1,073,074	\$ 1,121,577	\$ 48,503
Interest	5,000	16,541	11,541
Miscellaneous	1,000	680	(320)
<b>TOTAL REVENUES</b>	<b>1,079,074</b>	<b>1,138,798</b>	<b>59,724</b>
<b>EXPENDITURES</b>			
Personnel services	384,931	363,407	21,524
Materials and services	263,400	258,404	4,996
Capital outlay	58,200	57,914	286
Contingency	279,545	-	279,545
<b>TOTAL EXPENDITURES</b>	<b>986,076</b>	<b>679,725</b>	<b>306,351</b>
Excess (deficiency) of revenues over expenditures	92,998	459,073	366,075
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	(371,930)	(309,555)	62,375
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(371,930)</b>	<b>(309,555)</b>	<b>62,375</b>
Net change in fund balance	(278,932)	149,518	428,450
Fund balance at beginning of year	278,932	312,924	33,992
Fund balance at end of year	\$ -	\$ 462,442	\$ 462,442

**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, 2019**

	Budget	Actual	Variance
<b>REVENUES</b>			
Charges for services	\$ 701,400	\$ 738,606	\$ 37,206
Interest	6,000	16,541	10,541
Miscellaneous	3,100	3,000	(100)
<b>TOTAL REVENUES</b>	<b>710,500</b>	<b>758,147</b>	<b>47,647</b>
<b>EXPENDITURES</b>			
Personnel services	265,736	245,742	19,994
Materials and services	244,800	243,224	1,576
Capital outlay	4,000	3,620	380
Contingency	10,869	-	10,869
<b>TOTAL EXPENDITURES</b>	<b>525,405</b>	<b>492,586</b>	<b>32,819</b>
Excess (deficiency) of revenues over expenditures	185,095	265,561	80,466
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	(185,469)	(173,469)	12,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(185,469)</b>	<b>(173,469)</b>	<b>12,000</b>
Net change in fund balance	(374)	92,092	92,466
Fund balance at beginning of year	374	(11,126)	(11,500)
Fund balance at end of year	\$ -	\$ 80,966	\$ 80,966



**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, 2019**

	Budget	Actual	Variance
<b>REVENUES</b>			
Intergovernmental	\$ 1,410,000	\$ 20,000	\$ (1,390,000)
Interest	7,500	17,644	10,144
<b>TOTAL REVENUES</b>	<b>1,417,500</b>	<b>37,644</b>	<b>(1,379,856)</b>
<b>EXPENDITURES</b>			
Facilities/special projects	4,249,281	135,852	4,113,429
Transportation projects	10,000	9,582	418
Water projects	1,720,000	248,957	1,471,043
Sewer projects	120,000	1,680	118,320
Contingency	93,739	-	93,739
<b>TOTAL EXPENDITURES</b>	<b>6,193,020</b>	<b>396,071</b>	<b>5,796,949</b>
Excess (deficiency) of revenues over expenditures	<b>(4,775,520)</b>	<b>(358,427)</b>	<b>4,417,093</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Loan receipts	3,890,000	117,385	(3,772,615)
Transfers in	346,400	346,400	-
Transfers out	(150,000)	-	150,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>4,086,400</b>	<b>463,785</b>	<b>(3,622,615)</b>
Net change in fund balance	(689,120)	105,358	794,478
Fund balance at beginning of year	689,120	503,894	(185,226)
Fund balance at end of year	<b>\$ -</b>	<b>\$ 609,252</b>	<b>\$ 609,252</b>

**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, 2019**

	Budget	Actual	Variance
<b>EXPENDITURES</b>			
Debt service	\$ 390,880	\$ 318,879	\$ 72,001
<b>TOTAL EXPENDITURES</b>	390,880	318,879	72,001
Excess (deficiency) of revenues over expenditures	(390,880)	(318,879)	72,001
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	398,462	324,087	(74,375)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	398,462	324,087	(74,375)
Net change in fund balance	7,582	5,208	(2,374)
Fund balance at beginning of year	158,645	158,646	1
Fund balance at end of year	\$ 166,227	\$ 163,854	\$ (2,373)

## **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, 2019, and have issued our report thereon dated October 7, 2019.

### 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.**
- **Programs funded from outside sources.**
- **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:

- In the 2019-20 budget, the GO-2015 Pool Project Bond Fund and Debt Service Fund appropriated Restricted of \$3,334 and \$166,227, respectively. ORS 294.456(3) states that funds may only be appropriated by organizational unit or program, activities within an organizational unit or program, personnel services, materials and services, capital outlay, debt service, special payments, interfund revenue transfers, and operating contingencies.
- Transfers in of \$1,562,019 and transfers out of \$1,584,395 were budgeted in the 2019-20 budget. Under ORS 294.361(2), transfers in should equal transfers out.
- The City’s financial summary, LB-1 should agree with amounts on detail budget sheets per ORS 294.438. Actual numbers for resources from 2017-18 did not agree to the LB-1.
- Per ORS 294.358, in the detail budget document amounts in the first preceding and second preceding years should agree to actual amounts reported in the audited financial statements for those years. In the 2019-20 budget, resources for 2016-17 and 2017-18 did not agree with their respective financial statements as follows:

<u>Year/Fund/Type</u>	<u>Financial Statements</u>	<u>Detail Budget</u>	<u>Variance</u>
2016-17			
General			
Requirements	\$ 997,805	\$ 995,980	\$ 1,825
GO Bond 2015			
Requirements	339,425	55,626	283,799
2017-18			
General			
Resources	1,681,476	1,683,301	(1,825)

- In the 2018-19 budget, the Vehicle/Equipment Replacement Fund appropriated Operating Contingency of \$56,749. 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.

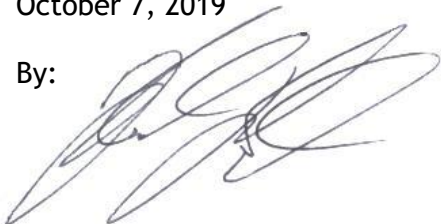
**INDEPENDENT AUDITOR'S REPORT REQUIRED BY  
OREGON STATE REGULATIONS (Continued)**

**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  
October 7, 2019

By:

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

Bradley G. Bingenheimer, Member