

***CITY OF DAYTON, OREGON
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2019***

CITY OF DAYTON, OREGON

CITY OFFICIALS

JUNE 30, 2019

<u>Name and Address</u>	<u>Position</u>	<u>Term Expires</u>
Beth Wytoski 818 Howard Jordan Loop Dayton, Oregon 97114	Mayor	December 31, 2022
Darrick Price P.O. Box 143 Dayton, Oregon 97114	Council President	December 31, 2022
Daniel Holbrook 601 Kallapua Street Dayton, Oregon 97114	Council Member	December 31, 2022
Kitty Mackin 1119 Ferry Street Dayton, Oregon 97114	Council Member	December 31, 2020
Trini Marquez P.O. Box 274 Dayton, Oregon 97114	Council Member	December 31, 2020
John Collins PO Box 57 (309 Main St) Dayton, Oregon 97114	Council Member	December 31, 2020
Rosalba Sandoval-Perez PO Box 638 (104 Commercial Street) Dayton, Oregon 97114	Council Member	December 31, 2022

Appointed Officials

Rochelle Roaden
City Manager
P.O. Box 339
Dayton, Oregon 97114

Heather Martin/Paul Elsner, Beery, Elsner & Hammond, LLP
City Attorneys *

City of Newberg
Building Official *

Denny Muchmore, Westech Engineering
City Engineer *

Jim Jacks, Mid-Willamette Valley Council of Governments
City Planner *

*Contracted Services

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FINANCIAL SECTION



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council
City of Dayton
P.O. Box 339
Dayton, Oregon 97114

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 the City of Dayton 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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in the notes to the financial statements; 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 modified cash basis 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 modified cash basis 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 the City of Dayton, as of June 30, 2019, and the respective changes in modified cash basis financial position and, where applicable, cash flows, thereof for the year then ended in accordance with the modified cash basis of accounting described in the notes to the financial statements.

Basis of Accounting

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

Emphasis of Matter – Change in Accounting Presentation

During the year ended June 30, 2019, the City combined related proprietary funds into two operating funds, Water Operations and Sewer Operations. Our opinion is not modified with respect to this matter.

Other Matters

Report on Supplemental and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dayton's basic financial statements. The supplemental information and management's discussion and analysis, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements.


The supplemental information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole on the basis of accounting described in notes to the financial statements.

Management's discussion and analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 14, 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 that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By: 
Devan W. Esch, A Shareholder
November 14, 2019

City of Dayton, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2019

The management of the City of Dayton, Oregon presents this narrative overview and analysis to facilitate both a short and a long-term analysis of the financial activities of the City for the fiscal year ended June 30, 2019. Management's Discussion and Analysis (MD&A) is based on currently known facts, decisions, and conditions that existed as of the date of the independent auditor's report. Please read it in conjunction with the City's financial statements which follow this section.

Financial Highlights

	June 30,		change
	2019	2018	
Net Position	\$ 3,094,756	\$ 2,803,161	\$ 291,595
Change in Net Position	291,595	454,392	(162,797)
Governmental Net Position	1,521,369	1,380,504	140,865
Proprietary Net Position	1,573,387	1,422,657	150,730
Change in Governmental Net Position	140,865	163,959	(23,094)
Change in Proprietary Net Position	150,730	290,433	(139,703)

Overview of the Financial Statements

The following discussion and analysis is intended to serve as an introduction to the City's basic financial statements and other required supplementary information. The City's basic financial statements are comprised of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

Government-wide financial statements - The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. These statements include:

The Statement of Net Position (Modified Cash Basis). The *statement of net position* presents information on all of the assets and liabilities of the City as of the date on the statement. Net position is what remains after the recognized liabilities have been paid off or otherwise satisfied. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities (Modified Cash Basis). The *statement of activities* presents information showing how the net position of the City changed over the most recent fiscal year by tracking revenues, expenses and other transactions that increase or decrease net position in total.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include the following:

- General Government
- Public Safety
- Public Works
- Community Development

The business-type activities of the City include the following:

- Water Utility
- Sewer Utility

The government-wide financial statements can be found on pages 9 through 10 of this report.

Fund financial statements – The fund financial statements provide more detailed information about the City’s funds, focusing on its most significant or “major” funds – not the City as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds - Governmental funds are used to account for activities where the emphasis is placed on available financial resources, rather than upon net income determination. Therefore, unlike the government-wide financial statements, governmental fund financial statements focus on the acquisition and use of current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial decisions. By doing so, readers may better understand the long-term impact of the government’s near-term financial decisions.

The City maintains eight individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances for those funds that are considered significant (major) to the City taken as a whole. These financial statements report three major funds, the General, Local Option Tax and Street Capital Projects funds. The State Shared Revenue fund has been combined with the General fund for presentation purposes. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided as supplemental information in the form of combining statements.

The governmental fund financial statements can be found on pages 11 through 12 in the basic financial statements.

The City adopts an annual appropriated budget for all governmental funds. To demonstrate compliance with the budget, budgetary comparison statements have been provided for the General fund, State Revenue Sharing fund, Street fund, Local Option Tax fund, Street Capital Projects fund, Park Capital Projects fund, Building Reserve fund and Equipment Replacement fund.

Proprietary funds - Proprietary funds are used to account for activities where the emphasis is placed on net income determination. All of the City’s proprietary funds are enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

The City uses enterprise funds to account for its water and sewer activity.

The enterprise funds for Water Operations, Sewer Operations and Debt Service are considered to be major funds of the City and are reported separately in the proprietary financial statements in the basic financial statements.

The City adopts an annual appropriated budget for each enterprise fund. To demonstrate compliance with the budget, budgetary comparison statements have been provided for the enterprise funds as other supplemental information.

The enterprise financial statements can be found on pages 13 through 14 in the basic financial statements.

Notes to the basic financial statements - The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. They are an integral part of the basic financial statements and should be read in conjunction with them.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain *supplemental information*, including the budgetary comparison schedules, and the combining nonmajor fund financial statements.

Government-Wide Financial Analysis

Statement of Net Position (Modified Cash Basis)

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$3,094,756 at the close of fiscal year 2019.

A portion of the City's net position, \$928,460, or approximately 30%, represents resources that are subject to external restrictions on how they may be used. The remaining balance is net position - unrestricted totaling \$2,166,296, or approximately 70%.

	2019			2018		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 1,525,609	\$ 1,573,387	\$ 3,098,996	\$ 1,382,064	\$ 1,422,657	\$ 2,804,721
Other liabilities	4,240	-	4,240	1,560	-	1,560
Net position:						
Restricted	583,814	344,646	928,460	533,386	293,786	827,172
Unrestricted	937,555	1,228,741	2,166,296	847,118	1,128,871	1,975,989
Total Net Position	<u>\$ 1,521,369</u>	<u>\$ 1,573,387</u>	<u>\$ 3,094,756</u>	<u>\$ 1,380,504</u>	<u>\$ 1,422,657</u>	<u>\$ 2,803,161</u>

Statement of Activities (Modified Cash Basis)

The City's net position increased \$291,595 during fiscal 2018-2019. This increase is explained in the government and business-type activities as follows:

Governmental activities - The City's net position increased by \$140,865 from governmental activities. This increase is due mainly to increases in operating grants and contributions, property taxes and investment earnings.

	2019			2018		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues						
Program Revenues						
Fees, fines and charges for services	\$ 104,944	\$ 1,418,691	\$ 1,523,635	\$ 130,328	\$ 1,389,582	\$ 1,519,910
Operating grants and contributions	224,447	-	224,447	180,457	-	180,457
Capital grants and contributions	1,225	11,806	13,031	15,925	139,646	155,571
General Revenues						
Property taxes	453,234	-	453,234	424,554	-	424,554
Franchise fees	172,566	-	172,566	169,593	-	169,593
Intergovernmental	85,581	-	85,581	82,031	-	82,031
Issuance of debt	-	1,886,720	1,886,720	-	85,500	85,500
Investment earnings	32,053	38,518	70,571	18,470	22,234	40,704
Miscellaneous	5,148	1,504	6,652	9,052	1,305	10,357
<i>Total Revenues</i>	<u>1,079,198</u>	<u>3,357,239</u>	<u>4,436,437</u>	<u>1,030,410</u>	<u>1,638,267</u>	<u>2,668,677</u>
Expenses						
General government	196,461	-	196,461	154,582	-	154,582
Public safety	313,272	-	313,272	229,818	-	229,818
Public works	290,776	-	290,776	342,437	-	342,437
Community development	172,824	-	172,824	166,614	-	166,614
Water	-	825,276	825,276	-	840,668	840,668
Sewer	-	2,346,233	2,346,233	-	480,166	480,166
<i>Total Expenses</i>	<u>973,333</u>	<u>3,171,509</u>	<u>4,144,842</u>	<u>893,451</u>	<u>1,320,834</u>	<u>2,214,285</u>
Transfers	35,000	(35,000)	-	27,000	(27,000)	-
Change in Net Position	140,865	150,730	291,595	163,959	290,433	454,392
Net Position, beginning of year	1,380,504	1,422,657	2,803,161	1,216,545	1,132,224	2,348,769
Net Position, end of year	<u>\$ 1,521,369</u>	<u>\$ 1,573,387</u>	<u>\$ 3,094,756</u>	<u>\$ 1,380,504</u>	<u>\$ 1,422,657</u>	<u>\$ 2,803,161</u>

Major Governmental Funds:

General. The General fund (reported as the combination of the General fund and the State Revenue Sharing fund) is the primary operating fund of the City. Fund balance was \$793,396 at June 30, 2019. The fund balance increased by \$33,651 during the year mainly due to increases in taxes and assessments and intergovernmental revenues.

As a measure of the fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Fund balance represents 153% of total General fund expenditures.

Local Option Tax. The Local Option Tax fund accounts for revenues and expenditures related to police services. The fund balance decreased by \$60,733 during the year due to increased legal fees related to a code enforcement violation.

Street Capital Projects. The Street Capital Projects fund is restricted for construction and repair of City streets. The fund balance increased by \$51,958 during the year as a result of decreased capital acquisitions.

Business-type activities - The City's net position increased by \$150,730 from business-type activities. This increase was due to increases in utility user fees and proceeds from debt.

Major Proprietary Funds:

Water Operations. The Water Operations funds' net position increased by \$114,961 during the year due to decreased expenditures related to capital acquisitions.

Sewer Operations. The Sewer Operations funds' net position decreased by \$35,518 as a result of capital acquisitions made during the year.

Debt Service. The Debt Service fund revenues consist mainly of transfers from the Water and Sewer Operations funds for repayment of debt obligations. The fund's net position increased by \$71,087 and activity was consistent with the prior year.

Capital Assets and Debt Administration

Capital Assets

The City does not maintain historical cost and depreciation records for capital assets including infrastructure. Therefore, no information for capital assets is presented in the financial statements.

Debt

At the end of the current fiscal year, the City had a total of \$4,640,407 in debt outstanding.

The City's debt is for business-type activities and includes \$2,632,687 in outstanding water system improvement loans from Oregon Business Development Department, and \$2,007,720 in an outstanding USDA loan. The loans are paid from net revenues of the water and sewer systems.

State statutes limit the amount of general obligation debt a government entity may issue up to 3 percent of its total assessed valuation. The City currently has no general obligation debt.

	<u>Business-type Activities</u>	
	<u>2019</u>	<u>2018</u>
OBDD loans	\$ 2,632,687	\$ 2,765,991
US Bank loan	-	78,332
USDA loans	2,007,720	121,000
	<u>\$ 4,640,407</u>	<u>\$ 2,965,323</u>

Additional information on the City's debt can be found in the notes to the basic financial statements.

Current Year General Fund Budgetary Highlights

There was one supplemental budget adopted for the General fund during the current fiscal year.

Economic Factors and Next Year's Budgets and Rates

During the preparation of the budget for the ensuing fiscal year, the long-term impacts of the local economy were examined in conjunction with business decisions made by the City. The following are the major assumptions used in developing the FY 2020 budget:

- The City's population will not grow significantly in 2020.
- The City's tax rate is estimated to be 100% of the City's permanent levy rate of \$1.7057 for general operations and \$1.85 for the local option tax levy.
- Assessed values, the basis of property tax revenues, will grow to 3% due to market conditions.
- Interest rates on investments will be similar to 2019.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report should be addressed to Rochelle Roaden, City Manager at P.O. Box 339, Dayton, Oregon 97114.

BASIC FINANCIAL STATEMENTS

CITY OF DAYTON, OREGON
STATEMENT OF NET POSITION (MODIFIED CASH BASIS)
JUNE 30, 2019

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
ASSETS			
Cash and cash equivalents	\$ 1,525,609	\$ 1,573,387	\$ 3,098,996
LIABILITIES			
Payroll withholdings	4,240	-	4,240
NET POSITION			
Restricted for:			
Public safety	140,228	-	140,228
Streets	393,249	-	393,249
Community development	50,337	-	50,337
Capital acquisitions	-	257,574	257,574
Customer deposits	-	87,072	87,072
Unrestricted	937,555	1,228,741	2,166,296
<i>Total Net Position</i>	<u>\$ 1,521,369</u>	<u>\$ 1,573,387</u>	<u>\$ 3,094,756</u>

The accompanying notes are an integral part of the financial statements.

CITY OF DAYTON, OREGON
STATEMENT OF ACTIVITIES (MODIFIED CASH BASIS)
YEAR ENDED JUNE 30, 2019

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
FUNCTIONS/PROGRAMS							
Governmental activities:							
General government	\$ 196,461	\$ 3,545	\$ 12,465	\$ -	\$ (180,451)	\$ -	\$ (180,451)
Public safety	313,272	24,958	-	-	(288,314)	-	(288,314)
Public works	290,776	44,222	196,197	1,125	(49,232)	-	(49,232)
Community development	172,824	32,219	15,785	100	(124,720)	-	(124,720)
Total Governmental activities	973,333	104,944	224,447	1,225	(642,717)	-	(642,717)
Business-type activities:							
Water	825,276	955,597	-	4,242	-	134,563	134,563
Sewer	2,346,233	463,094	-	7,564	-	(1,875,575)	(1,875,575)
Total Business-type activities	3,171,509	1,418,691	-	11,806	-	(1,741,012)	(1,741,012)
Total Activities	\$ 4,144,842	\$ 1,523,635	\$ 224,447	\$ 13,031	(642,717)	(1,741,012)	(2,383,729)
General Revenues:							
Property taxes					453,234	-	453,234
Franchise taxes					172,566	-	172,566
Intergovernmental					85,581	-	85,581
Investment earnings					32,053	38,518	70,571
Miscellaneous					5,148	1,504	6,652
Total General Revenues					748,582	40,022	788,604
Proceeds from issuance of debt Transfers					-	1,886,720	1,886,720
					35,000	(35,000)	-
Change in net position					140,865	150,730	291,595
Net Position - beginning of year					1,380,504	1,422,657	2,803,161
Net Position - end of year					\$ 1,521,369	\$ 1,573,387	\$ 3,094,756

The accompanying notes are an integral part of the financial statements.

CITY OF DAYTON, OREGON
BALANCE SHEET (MODIFIED CASH BASIS) - GOVERNMENTAL FUNDS
JUNE 30, 2019

	<u>Special Revenue</u>		<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
	<u>General</u>	<u>Local Option Tax</u>	<u>Street Capital Projects</u>		
ASSETS					
Cash and cash equivalents	\$ 797,636	\$ 140,228	\$ 227,668	\$ 360,077	\$ 1,525,609
LIABILITIES AND FUND BALANCE					
Liabilities:					
Payroll withholdings	\$ 4,240	\$ -	\$ -	\$ -	\$ 4,240
Fund Balance:					
Restricted for:					
Public safety	-	140,228	-	-	140,228
Streets	-	-	227,668	165,581	393,249
Community development	-	-	-	50,337	50,337
Committed to:					
Capital acquisitions	-	-	-	144,159	144,159
Unassigned	793,396	-	-	-	793,396
<i>Total Fund Balance</i>	<u>793,396</u>	<u>140,228</u>	<u>227,668</u>	<u>360,077</u>	<u>1,521,369</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 797,636</u>	<u>\$ 140,228</u>	<u>\$ 227,668</u>	<u>\$ 360,077</u>	<u>\$ 1,525,609</u>

The accompanying notes are an integral part of the financial statements.

CITY OF DAYTON, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

(MODIFIED CASH BASIS) - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2019

	<u>Special Revenue</u>		<u>Capital Projects</u>	<u>Other</u>	<u>Total</u>
	<u>General Fund</u>	<u>Local Option Tax</u>	<u>Street Capital Projects</u>	<u>Governmental Funds</u>	
REVENUES					
Taxes and assessments	\$ 303,394	\$ 231,149	\$ -	\$ -	\$ 534,543
Licenses and permits	146,798	-	1,125	100	148,023
Intergovernmental	113,951	-	-	196,197	310,148
Fines and forfeitures	226	17,063	-	-	17,289
Miscellaneous	49,308	4,326	4,718	10,843	69,195
<i>Total Revenues</i>	613,677	252,538	5,843	207,140	1,079,198
EXPENDITURES					
General government	196,463	-	-	91,722	288,185
Public safety	-	311,408	-	-	311,408
Public works	150,250	-	-	-	150,250
Community development	172,824	-	-	-	172,824
Capital acquisitions	-	1,863	3,885	44,918	50,666
<i>Total Expenditures</i>	519,537	313,271	3,885	136,640	973,333
REVENUES OVER (UNDER) EXPENDITURES	94,140	(60,733)	1,958	70,500	105,865
OTHER FINANCING SOURCES (USES)					
Transfers in	48,000	-	50,000	110,489	208,489
Transfers out	(108,489)	-	-	(65,000)	(173,489)
<i>Total Other Financing Sources (Uses)</i>	(60,489)	-	50,000	45,489	35,000
NET CHANGE IN FUND BALANCE	33,651	(60,733)	51,958	115,989	140,865
FUND BALANCE, beginning of year	759,745	200,961	175,710	244,088	1,380,504
FUND BALANCE, end of year	\$ 793,396	\$ 140,228	\$ 227,668	\$ 360,077	\$ 1,521,369

The accompanying notes are an integral part of the financial statements.

CITY OF DAYTON, OREGON

STATEMENT OF NET POSITION (MODIFIED CASH BASIS) - PROPRIETARY FUNDS

JUNE 30, 2019

	<u>Water Operations</u>	<u>Sewer Operations</u>	<u>Debt Service</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 851,171	\$ 435,274	\$ 286,942	\$ 1,573,387
LIABILITIES	\$ -	\$ -	\$ -	\$ -
NET POSITION:				
Restricted for:				
Customer deposits	56,597	30,475	-	87,072
Debt service	-	-	-	-
Capital acquisitions	177,195	80,379	-	257,574
Unrestricted	617,379	324,420	286,942	1,228,741
<i>Total Net Position</i>	<u>\$ 851,171</u>	<u>\$ 435,274</u>	<u>\$ 286,942</u>	<u>\$ 1,573,387</u>

The accompanying notes are an integral part of the financial statements.

CITY OF DAYTON, OREGON

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

(MODIFIED CASH BASIS) - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2019

	<i>Water Operations</i>	<i>Sewer Operations</i>	<i>Debt Service</i>	<i>Total</i>
OPERATING REVENUES				
Charges for services	\$ 932,348	\$ 463,094	\$ 23,249	\$ 1,418,691
Fines and forfeitures	4,242	7,564	-	11,806
Miscellaneous	9,827	5,103	-	14,930
<i>Total Operating Revenues</i>	<u>946,417</u>	<u>475,761</u>	<u>23,249</u>	<u>1,445,427</u>
OPERATING EXPENSES				
Personal services	225,678	163,229	-	388,907
Materials and services	276,949	183,889	-	460,838
<i>Total Operating Expenses</i>	<u>502,627</u>	<u>347,118</u>	<u>-</u>	<u>849,745</u>
OPERATING INCOME	443,790	128,643	23,249	595,682
NONOPERATING ITEMS				
<i>Capital Financing Revenues (Expenses)</i>				
Issuance of debt	-	1,886,720	-	1,886,720
Capital acquisitions	(80,180)	(1,999,115)	-	(2,079,295)
Debt payments				
Principal	-	-	(211,636)	(211,636)
Interest	-	-	(30,833)	(30,833)
Interest revenue	11,351	8,434	5,307	25,092
<i>Total Nonoperating Items</i>	<u>(68,829)</u>	<u>(103,961)</u>	<u>(237,162)</u>	<u>(409,952)</u>
NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	374,961	24,682	(213,913)	185,730
Transfers in	150,000	63,876	285,000	498,876
Transfers out	(410,000)	(123,876)	-	(533,876)
CHANGE IN NET POSITION	114,961	(35,318)	71,087	150,730
NET POSITION, beginning of year	736,210	470,592	215,855	1,422,657
NET POSITION, end of year	<u>\$ 851,171</u>	<u>\$ 435,274</u>	<u>\$ 286,942</u>	<u>\$ 1,573,387</u>

The accompanying notes are an integral part of the financial statements.

CITY OF DAYTON, OREGON

STATEMENT OF CASH FLOWS (MODIFIED CASH BASIS) - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2019

	<u>Water Operations</u>	<u>Sewer Operations</u>	<u>Debt Service</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 936,590	\$ 470,658	\$ 23,249	\$ 1,430,497
Cash paid to employees and others for salaries and benefits	(225,678)	(163,229)	-	(388,907)
Cash paid to suppliers and others	(276,948)	(183,889)	-	(460,837)
Payments to other funds for services provided	9,827	5,103	-	14,930
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>443,791</u>	<u>128,643</u>	<u>23,249</u>	<u>595,682</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers in	150,000	63,876	285,000	498,876
Transfers out	(410,000)	(123,876)	-	(533,876)
<i>Net Cash Provided by (Used for) Non-Capital Financing Activities</i>	<u>(260,000)</u>	<u>(60,000)</u>	<u>285,000</u>	<u>(35,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(80,180)	(1,999,115)	-	(2,079,295)
Proceeds from issuance of debt	-	1,886,720	-	1,886,720
Interest paid on debt	-	-	(30,833)	(30,833)
Principal paid on debt	-	-	(211,636)	(211,636)
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(80,180)</u>	<u>(112,395)</u>	<u>(242,469)</u>	<u>(435,044)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	11,351	8,434	5,307	25,092
<i>Increase (Decrease) in Cash and Investments</i>	<u>114,962</u>	<u>(35,318)</u>	<u>71,087</u>	<u>150,731</u>
CASH AND INVESTMENTS, Beginning of year	<u>736,209</u>	<u>470,592</u>	<u>215,855</u>	<u>1,422,656</u>
CASH AND INVESTMENTS, End of year	<u>\$ 851,171</u>	<u>\$ 435,274</u>	<u>\$ 286,942</u>	<u>\$ 1,573,387</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES				
Operating income (loss)	\$ 443,790	\$ 128,643	\$ 23,249	\$ 595,682
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>\$ 443,790</u>	<u>\$ 128,643</u>	<u>\$ 23,249</u>	<u>\$ 595,682</u>

The accompanying notes are an integral part of the financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Dayton, Oregon was incorporated in 1880 under the provisions of the Oregon Statutes. The City is governed by a city council and mayor who are responsible for rule-making, budget preparation and enforcement, expenditure approval, and hiring of the City management personnel. The mayor and six council members are elected by vote of the general public.

There are certain governmental agencies and various service districts which provide services within the City. These agencies have independently elected governing boards and the City is not financially accountable for these organizations. Therefore, financial information for these agencies is not included in the accompanying basic financial statements.

As discussed further under *Measurement Focus and Basis of Accounting*, these financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

Basic Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Government-wide financial statements display information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Position (Modified Cash Basis) and the Statement of Activities (Modified Cash Basis).

The Statement of Net Position (Modified Cash Basis) presents all the recorded assets and liabilities of the City. Net position, representing assets less liabilities, is shown in two components: restricted for special purposes, amounts which must be spent in accordance with legal restrictions; and unrestricted, the amount available for ongoing City activities.

The Statement of Activities (Modified Cash Basis) demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, or fiduciary. Currently, the City has governmental (general, special revenue and capital projects) and proprietary type (enterprise) funds. Major individual governmental funds, and major individual proprietary funds are reported

CITY OF DAYTON, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic Financial Statements (Continued)

as separate columns in the fund financial statements. Non-major funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and are detailed in the supplemental information.

Basis of Presentation

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

Government accounting standards set forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the government and enterprise combined) for the determination of major funds.

The City reports the following major governmental funds:

General Fund

This fund accounts for the financial operations of the City not accounted for in any other fund. Principal sources of revenues are property taxes, licenses and permits, franchise fees and State shared revenues. Primary expenditures are for general administration.

State Revenue Sharing Fund

This fund accounts for state fund resources and expenditures are for general operations. This fund is included with the General Fund for reporting purposes.

Local Option Tax Fund

This fund accounts for the property tax revenue received from a special levy approved by the voters. The money is used primarily to pay for police services.

Street Capital Projects Fund

This fund accounts for money set aside for street improvements. The principal revenues are from transfers in and the primary expenditures are for street improvements.

The City reports the following nonmajor governmental funds:

Street Fund

This fund accounts for street maintenance and improvements. Primary source of revenues are from motor vehicle fuel taxes and expenditures are for street maintenance and improvements.

CITY OF DAYTON, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Parks Capital Projects Fund

This fund accounts for money set aside for park improvements. The principal revenues are from intergovernmental grants and primary expenditures are for park projects.

Building Reserve Fund

This fund accounts for money set aside for building improvements. The principal revenues are from transfers in and primary expenditures are for building improvements.

Equipment Replacement Fund

This fund accounts for money set aside for equipment purchases. The principal revenues are from transfers in and primary expenditures are for equipment purchases.

The City reports the following proprietary operations as major. They are used to account for the acquisition, operation, and maintenance of the sewer and water systems. These funds are entirely or predominantly self-supported through user charges to customers.

Water Operations

This fund accounts for the operations, maintenance, and capital construction projects for the water system, which is funded through utility fees, construction fees and debt proceeds.

Sewer Operations

This fund accounts for the operations, maintenance, and capital construction projects for the wastewater system, which is funded through utility fees, construction fees and debt proceeds.

Debt Service Fund

This fund accounts for the accumulation of resources and payment of principal and interest on loans. Interest earnings and transfers from other funds are the primary source of revenues.

CITY OF DAYTON, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

In governmental funds, the City's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories, prepaids and deposits, and assets held for resale.

Fund balance is reported as restricted when the constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Fund balance is reported as committed when the City Council takes formal action that places specific constraints on how the resources may be used. The City Council can modify or rescind the commitment at any time through taking a similar formal action.

Resources that are constrained by the City's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent is expressed when the City Council approves which resources should be "reserved" during the adoption of the annual budget. The City's City Manager uses that information to determine whether those resources should be classified as assigned or unassigned for presentation in the City's Annual Financial Report.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned within the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds.

Definitions of Governmental Fund Types

The General Fund is used to account for all financial resources not accounted for in another fund.

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term "proceeds of specific revenues sources" means that the revenue sources for the fund must be from restricted or committed sources, specifically that a substantial portion of the revenue must be from these sources and be expended in accordance with those requirements. Budgetary Special Revenue Funds whose primary source of funding is transfers from the General Fund must be reported as part of the General Fund. Therefore, in the Governmental Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances, the State Revenue Sharing Fund has been combined with the General Fund.

Capital Projects Funds are utilized to account for financial resources to be used for the acquisition or construction of capital equipment and facilities.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe what transactions or events are recorded within the various financial statements. Basis of accounting refers to when and how transactions or events are recorded, regardless of the measurement focus applied.

CITY OF DAYTON, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

In the government-wide Statement of Net Position (Modified Cash Basis) and Statement of Activities (Modified Cash Basis), both governmental and business-type activities are presented using the economic resource measurement focus, within the limitations of the modified cash basis of accounting, as defined below.

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus is applied to the modified cash basis of accounting, is used as appropriate:

- a. All governmental funds utilize a current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary funds utilize an economic resource measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, change in net position (or cost recovery), net financial position, and cash flows. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position or balance sheets cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include:

1. Interfund receivables and payables that are temporary borrowing and result from transactions involving cash or cash equivalents are recognized.
2. Assets that normally convert to cash or cash equivalents (e.g., certificates of deposit, external cash pools, and marketable investments) that arise from transactions and events involving cash or cash equivalents are recognized.
3. Liabilities for cash (or cash equivalents) held on behalf of others or held in escrow are recognized.

The modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses or expenditures (such as accounts payable and expenses for goods and services received but not yet paid and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value. Additionally, long-term liabilities such as debt are only reported in the notes to the financial statements.

If the City utilized the basis of accounting recognized as generally accepted in the United States of America, the fund financial statements for the governmental funds would use the modified accrual basis of accounting, and the fund financial statements for the enterprise funds would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

CITY OF DAYTON, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

The City's policy, although not in accordance with accounting principles generally accepted in the United States of America, is acceptable under Oregon Law (ORS 294.333), which leaves the selection of the method of accounting to the discretion of the municipal corporation.

Enterprise funds distinguish between operating revenues and expenses and nonoperating items. Operating revenues and expenses result from providing services to customers in connection with ongoing utility operations. The principal operating revenues are charges to customers for service. Operating expenses include payroll and related costs, and materials and supplies. All revenues not considered operating are reported as nonoperating items.

When expenditures are paid for purposes in which both net position - restricted and net position - unrestricted are available, the City deems net position - restricted to be spent first.

Cash and Cash Equivalents

The City maintains cash and cash equivalents in a common pool that is available for use by all funds. Each fund type's portion of this pool is displayed in the financial statements as cash and cash equivalents. The City considers cash on hand, demand deposits and savings accounts, and short-term investments with an original maturity of three months or less from the date of acquisition to be cash and cash equivalents.

Oregon Revised Statutes authorize the City to invest in certificates of deposit, savings accounts, bank repurchase agreements, bankers' acceptances, general obligations of U.S. Government and its agencies, certain bonded obligations of Oregon municipalities and the State Treasurer's Local Government Investment Pool, among others.

For the purpose of financial reporting, cash and cash equivalents includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are stated at cost, which approximates fair value.

Property Taxes

Property taxes are levied by the County Assessor and collected by the County Tax Collector. The taxes are levied and become a lien as of July 1. They may be paid in three installments payable in equal payments due November 15, February 15, and May 15. The City's property tax collection records show that most of the property taxes due are collected during the year of levy and delinquent taxes are collected in the next few years.

Capital Assets

The City does not maintain historical cost or depreciation records for capital assets. Therefore, capital assets are not reported in the notes to the financial statements.

Long-Term Debt

Long-term debt is presented only in the notes to the financial statements. Payments of principal and interest are recorded as expenditures / expenses when paid.

CITY OF DAYTON, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Compensated Absences

Accumulated unpaid vacation and comp time pay is not accrued. Earned but unpaid sick pay is recorded as an expenditure when paid. The amount payable for accumulated vacation and comp time at June 30, 2019 was \$21,527.

Budgets and Budgetary Accounting

The City adopts the budget on an object basis (personal services, materials and services, capital outlay, debt service), for all funds except the General fund, where the budget is adopted on a departmental basis. Therefore, cash expenditures of a fund may not legally exceed that object's appropriations for cash expenditures. The City Council may amend the budget to expend unforeseen revenues by supplemental appropriations. Appropriations lapse at year-end and may not be carried over. The City does not use encumbrance accounting.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect reporting amounts of certain assets, liabilities, revenues and expenditures / expenses as of and for the year ended June 30, 2019. Actual results may differ from such estimates.

CASH AND CASH EQUIVALENTS

Deposits

At year end, the book balance of the City's bank deposits was \$280,269 and the bank balance was \$298,910. The difference is due to transactions in process. Bank deposits are secured to legal limits by federal deposit insurance. The remaining amount is secured in accordance with ORS 295 under a collateral program administered by the Oregon State Treasurer.

Cash

Cash on hand	\$	350
Deposits with financial institutions		280,269

Investments

Local Government Investment Pool		2,818,377
		<hr/>
	\$	3,098,996
		<hr/> <hr/>

CITY OF DAYTON, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2019

CASH AND CASH EQUIVALENTS (Continued)

Local Government Investment Pool

The State Treasurer of the State of Oregon maintains the Oregon Short-Term Fund, of which the Local Government Investment Pool is part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, the investment funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. The Oregon Short-Term Fund is the LGIP for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). At June 30, 2019, the fair value of the position in the Oregon State Treasurer's Short-Term Investment Pool was approximately equal to the value of the pool shares. The investment in the Oregon Short-Term Fund is not subject to risk evaluation. LGIP is not rated for credit quality. Separate financial statements for the Oregon Short-Term Fund are available from the Oregon State Treasurer.

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 City's deposits with financial institutions for up to \$250,000 for the aggregate of all demand deposits and the aggregate of all time deposit and savings accounts at each institution. Deposits in excess of FDIC coverage are with institutions participating in the Oregon Public Funds Collateralization Program (PFCP). The PFCP is a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. Barring any exceptions, a bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities. As of June 30, 2019, \$30,269 of the City's bank balances were above FDIC and were covered by the PFCP.

Interest Rate Risk

In accordance with its investment policy, the City manages its exposure to declines in fair value of its investments by limiting its investments to the LGIP.

Custodial Risk – Local Government Investment Pool

For the LGIP, this is the risk that, in the event of a failure of the counterparty, the City will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party. The City's investment policy limits the types of investments that may be held and does not allow securities to be held by the counterparty.

The LGIP is administered by the Oregon State Treasury with the advice of other state agencies and is not registered with the U.S. Securities and Exchange Commission. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short-Term Fund

CITY OF DAYTON, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2019

CASH AND CASH EQUIVALENTS (Continued)

Custodial Risk – Local Government Investment Pool (Continued)

Board, which has established diversification percentages and specifies the types and maturities of the investments. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP. These investments within the LGIP must be invested and managed as a prudent investor would, exercising reasonable care, skill and caution. Professional standards indicate that the investments in external investment pools are not subject to custodial risk because they are not evidenced by securities that exist in physical or book entry form. Nevertheless, management does not believe that there is any substantial custodial risk related to investments in the LGIP.

LONG-TERM DEBT

As a result of the use of the modified cash basis of accounting in this report, obligations related to long-term debt and other obligations are not reported as liabilities in the financial statements. Long-term debt transactions for the year were as follows:

	<i>Outstanding July 1, 2018</i>	<i>Issued</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June 30, 2019</i>	<i>Due Within One Year</i>
<i>Business-type activities</i>					
Note payable to Infrastructure Finance Authority (Oregon Business Development Department)	\$ 2,350,625	\$ -	\$ (119,827)	\$ 2,230,798	\$ 121,025
Note payable to Infrastructure Finance Authority (Oregon Business Development Department)	415,366	-	(13,477)	401,889	13,612
US Bank Property Loan	78,332	-	(78,332)	-	-
USDA Sewer Improvement Loan	121,000	1,886,720	-	2,007,720	-
	<u>\$ 2,965,323</u>	<u>\$ 1,886,720</u>	<u>\$ (211,636)</u>	<u>\$ 4,640,407</u>	<u>\$ 134,637</u>

In relation to the 2005 Infrastructure Finance Authority borrowing, the City of Dayton made a loan to the City of Lafayette in the amount of \$600,000, which is collateralized by wells. The loan is to be repaid in annual installments of \$23,249 including interest at 1% through November 2033. The balance at June 30, 2019 was \$322,344.

Loans payable – Business Type Activities

Infrastructure Finance Authority (OBDD): On September 30, 2002 the City entered into a loan agreement with the Oregon Business Development Division for water system improvements. The loan was for \$3,383,000 and calls for annual payments of \$143,333. The loan bears interest at 1%. Final maturity is December 1, 2032. In the event of default OBDD may declare all amounts immediately due and payable and pursue any remedies that are legally available.

CITY OF DAYTON, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2019

LONG-TERM DEBT (Continued)

Infrastructure Finance Authority (OBDD): On November 18, 2014 the City entered into a loan agreement with the Oregon Business Development Division for water system improvements. The loan was for \$910,000 with a \$455,000 conditional forgivable portion which was forgiven in June 2015. The loan calls for annual payments of \$17,630 and bears interest at 1%. Final maturity is December 1, 2044. In the event of default OBDD may declare all amounts immediately due and payable and pursue any remedies that are legally available.

US Bank loan: On May 17, 2014 the City entered into a loan agreement with US Bank to borrow \$400,000 for the purchase of real property. The loan bore interest at 4.03% and called for annual payments of \$88,488. The loan was paid in full in the current year.

USDA Sewer Improvement loan: On May 15, 2017 the City entered into an agreement with the US Department of Agriculture (USDA) to borrow a maximum of \$2,500,000 for sewer system improvements. The loan will bear interest at 1.874% and will be repaid in equal installments over 40 years once the entire loan amount has been disbursed. In the event of default USDA may pursue any remedies that are legally available.

Future maturities of unmatured principal and interest for the fiscal years ending June 30 are as follows:

<u>Fiscal Year</u> <u>Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 134,637	\$ 26,327	\$ 160,964
2021	135,983	24,981	160,964
2022	137,343	23,620	160,963
2023	138,716	22,247	160,963
2024	140,103	20,860	160,963
2025-2029	721,814	83,004	804,818
2030-2034	758,635	46,236	804,871
2035-2039	363,280	11,789	375,069
2040-2044	84,720	3,432	88,152
Thereafter	2,025,176	120	2,025,296
	<u>\$ 4,640,407</u>	<u>\$ 262,616</u>	<u>\$ 4,903,023</u>

PENSION PLAN

Plan Description - City employees are provided pension benefits through the Oregon Public Employees Retirement System (PERS). PERS is a cost-sharing multiple-employer defined benefit pension plan for units of state and local government in Oregon, containing multiple actuarial pools. Benefits are established and amended by the Oregon State Legislature pursuant to ORS Chapters 238 and 238A. The legislature has delegated the authority to administer and manage PERS to the Public Employees Retirement Board. PERS issues a publicly available financial report that can be found at: <https://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>

CITY OF DAYTON, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2019

PENSION PLAN (Continued)

Benefits Provided - PERS provides retirement, disability, and death benefits which vary based on a qualified employee's hiring date and employment class (general service or police/fire). All City employees are eligible to participate after six months of covered employment. Details applicable to police/fire employees are noted in [square brackets] where different.

The Tier One/Tier Two Retirement Plan applies to qualifying employees hired before August 29, 2003 and is closed to new members.

Monthly retirement benefits are based on final 3-year average salary multiplied by years of service and a factor of 1.67% [2.00%]. Benefits may also be based on a money match computation, or formula plus annuity (for members contributing before August 21, 1981), if a greater benefit results. Employees are fully vested after making contributions in each of five calendar years, and are eligible to retire at age 55 [50]. Tier One benefits are reduced if retirement occurs prior to age 58 [55] with less than 30 [25] years of service; Tier Two benefits are reduced for retirement prior to age 60.

Employees are eligible for service-related disability benefits regardless of length of service; 10 years of service is required for nonservice-related benefits. Disability benefits are determined in the same manner as retirement benefits with service time computed to age 58 [55].

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance. The beneficiary may also receive a matching lump-sum payment from employer funds if the member was in covered employment at the time of death, or if the member died less than 120 days after termination, while on official leave of absence, or as a result of a job-related injury.

Monthly benefits are subject to annual cost-of-living adjustments (COLA). For benefits earned after the relevant effective dates, the COLA is subject to a cap of 1.25% on the first \$60,000 of annual benefits and 0.15% thereafter (ORS 238.360).

The Oregon Public Service Retirement Plan (OPSRP) applies to qualifying employees hired on or after August 29, 2003.

Monthly retirement benefits are based on final 3-year average salary multiplied by years of service and a factor of 1.50% [1.80%]. Employees are fully vested after completing 600 hours of service in each of five calendar years, and are eligible to retire at age 58 [53] with 30 [25] years of service, or at age 65 [60] otherwise.

Employees are eligible for service-related disability benefits regardless of length of service; 10 years of service is required for nonservice-related benefits. The benefit is 45% of the employee's salary during the last full month of employment before the disability occurred.

Upon the death of a non-retired member, the beneficiary receives a monthly benefit equal to 50% of the retirement benefit that would have been paid to the member.

Monthly benefits are subject to annual cost-of-living adjustments (COLA). For benefits earned after the relevant effective dates, the COLA is subject to a cap of 1.25% on the first \$60,000 of annual benefits and 0.15% thereafter (ORS 238A.210).

CITY OF DAYTON, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2019

PENSION PLAN (Continued)

Contribution Requirements – As a participating employer, the City is required to make monthly contributions to PERS based on actuarially determined percentages of covered payroll. Rates in effect for fiscal year 2019 were 14.18% for Tier One/Tier Two employees, 6.90% for OPSRP general service employees, and 11.67% for OPSRP police/fire employees. The City's total contributions to PERS were \$61,045, for fiscal year ended June 30, 2019.

Contribution requirements are established by Oregon statute and may be amended by an act of the Oregon State Legislature. Employer contribution rates for fiscal year 2019 were based on the December 31, 2015 actuarial valuation using the entry age normal actuarial cost method. It is important to note that the actuarial valuations used for rate setting are based on different methods and assumptions than those used for financial reporting which are described later in this note.

Employee contributions are set by statute at 6% of salary and are remitted by participating employers, who may agree to make employee contributions on the employee's behalf. Prior to January 1, 2004, employee contributions were credited to the defined benefit pension plan. Beginning January 1, 2004, all employee contributions were placed in the OPSRP Individual Account Program (IAP), a defined contribution pension plan described further at the end of this note.

Pension Assets/Liabilities, Pension Expense, and Pension-Related Deferrals – At June 30, 2019, the City reported a net pension liability of \$608,529 as its proportionate share of the collective net pension liability for PERS, measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was based on a December 31, 2016 actuarial valuation, rolled forward to the measurement date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to PERS relative to the projected contributions of all participating employers, as actuarially determined. The City's proportion was 0.00327% as of the June 30, 2017 measurement date, compared to 0.00401% as of June 30, 2017.

Actuarial Methods and Assumptions – The total pension liability in the December 31, 2016 actuarial valuation was determined using the entry age normal method and the following actuarial assumptions, applied to all periods included in the measurement: inflation rate of 2.50%, projected salary increases of 3.50%, investment rate of return of 7.50%, and mortality rates based on the RP-2000 sex-distinct mortality tables, with generational adjustments per scale BB. These assumptions were based on the results of an actuarial experience study for the four-year period ending December 31, 2016.

The long-term expected rate of return on pension plan investments was developed by combining estimated rates of return for each major asset class weighted by target asset allocation percentages and adjusting for inflation.

Target allocations and estimated geometric rates of return for each major asset class are available in the PERS publicly available financial report previously mentioned.

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following chart shows the sensitivity of the net pension liability (asset) to changes in the discount rate, based on calculations using discount rates of 6.20%, 7.20%, and 8.20%.

CITY OF DAYTON, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2019

PENSION PLAN (Continued)

	<u>1% Decrease (6.20%)</u>	<u>Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
Proportionate share of the net pension liability	\$ 1,016,966	\$ 608,529	\$ 271,397

Pension Plan Fiduciary Net Position – Detailed information about PERS’ net position is available in its separately issued financial report.

Defined Contribution Plan – PERS-eligible employees are statutorily required to contribute 6% of their annual covered salary to the OPSRP Individual Account Program (IAP), a defined contribution pension plan. Benefits terms, including contribution requirements, are established by the Oregon Legislature. As permitted, the City has opted to pick-up the contributions on behalf of employees; contributions were \$23,888 for the year ended June 30, 2019. Employees are fully vested after completing 600 hours of service in each of five calendar years. PERS contracts with VOYA Financial to administer the IAP.

CONTINGENCIES

The City purchases commercial insurance to cover all commonly insurable risks, which includes property damage, liability and employee bonds. Most policies carry a small deductible amount. There were no open claims at the time of this report. No insurance settlements have exceeded coverage in the last three years.

At times, the City is a defendant in various litigation proceedings. Management believes any losses arising from these actions will not materially affect the City’s financial position.

EXPENDITURES IN EXCESS OF APPROPRIATIONS

Oregon law prohibits disbursements of a fund in excess of Council approved appropriations. Disbursements in excess of appropriations in individual funds occurred as follows:

<u>Fund/Appropriation Category</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<i>Building Reserve</i>			
Capital outlay	\$ -	\$ 35,445	\$ (35,445)

CITY OF DAYTON, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2019

INTERFUND TRANSFERS

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$ 108,489
Street Capital Projects	50,000	-
State Revenue Sharing	48,000	-
Street	-	65,000
Park Capital Projects	5,000	-
Building Reserve	75,489	-
Equipment Replacement Reserve	30,000	-
Water Utility	-	410,000
Sewer	-	123,876
Water Utility Capital	150,000	-
Sewer Utility Capital	63,876	-
Debt Service	285,000	-
	<u>\$ 707,365</u>	<u>\$ 707,365</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move revenues restricted to debt service from the funds collecting the revenues to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

SUPPLEMENTAL INFORMATION

CITY OF DAYTON, OREGON
RECONCILIATION OF BUDGETARY TO REPORTING FUNDS
BALANCE SHEET (MODIFIED CASH BASIS) - GENERAL FUND
JUNE 30, 2019

	<i>Budgetary funds</i>		
	<i>General</i>	<i>State Revenue Sharing</i>	<i>Total (reported as General Fund)</i>
ASSETS			
Cash and cash equivalents	\$ 665,319	\$ 132,317	\$ 797,636
LIABILITIES AND FUND BALANCE			
Liabilities:			
Payroll withholdings	\$ 4,240	\$ -	\$ 4,240
Fund Balance:			
Unassigned	661,079	132,317	793,396
<i>Total Liabilities and Fund Balance</i>	<u>\$ 665,319</u>	<u>\$ 132,317</u>	<u>\$ 797,636</u>

CITY OF DAYTON, OREGON**RECONCILIATION OF BUDGETARY TO REPORTING FUNDS****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (MODIFIED CASH BASIS) - GENERAL FUND**

YEAR ENDED JUNE 30, 2019

	<i>Budgetary funds</i>		<i>Total (reported as General Fund)</i>
	<i>General</i>	<i>State Revenue Sharing</i>	
REVENUES			
Taxes and assessments	\$ 303,394	\$ -	\$ 303,394
Licenses and permits	146,798	-	146,798
Intergovernmental	86,623	27,328	113,951
Fines and forfeitures	226	-	226
Miscellaneous	47,122	2,186	49,308
<i>Total Revenues</i>	584,163	29,514	613,677
EXPENDITURES			
General government	160,410	36,053	196,463
Public works	150,250	-	150,250
Community Development	172,824	-	172,824
<i>Total Expenditures</i>	483,484	36,053	519,537
REVENUES OVER (UNDER) EXPENDITURES	100,679	(6,539)	94,140
OTHER FINANCING SOURCES (USES)			
Transfers in	-	48,000	48,000
Transfers out	(108,489)	-	(108,489)
<i>Total Other Financing Sources (Uses)</i>	(108,489)	48,000	(60,489)
NET CHANGE IN FUND BALANCE	(7,810)	41,461	33,651
FUND BALANCE, beginning of year	668,889	90,856	759,745
FUND BALANCE, end of year	\$ 661,079	\$ 132,317	\$ 793,396

CITY OF DAYTON, OREGON

COMBINING BALANCE SHEET (MODIFIED CASH BASIS) - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2019

	<i>Special Revenue</i>	<i>Capital Projects</i>			<i>Total</i>
	<i>Street</i>	<i>Park Capital Projects</i>	<i>Building Reserve</i>	<i>Equipment Replacement Reserve</i>	
ASSETS					
Cash and cash equivalents	\$ 145,581	\$ 50,337	\$ 137,911	\$ 26,248	\$ 360,077
LIABILITIES AND FUND BALANCE					
<i>Liabilities</i>	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balance:					
Restricted for:					
Streets	145,581	-	20,000	-	165,581
Community development	-	50,337	-	-	50,337
Committed to:					
Capital acquisitions	-	-	117,911	26,248	144,159
<i>Total Fund Balance</i>	<u>145,581</u>	<u>50,337</u>	<u>137,911</u>	<u>26,248</u>	<u>360,077</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 145,581</u>	<u>\$ 50,337</u>	<u>\$ 137,911</u>	<u>\$ 26,248</u>	<u>\$ 360,077</u>

CITY OF DAYTON, OREGON

*COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(MODIFIED CASH BASIS) - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019*

	<i>Special Revenue</i>	<i>Capital Projects</i>			<i>Total</i>
	<i>Street</i>	<i>Park Capital Projects</i>	<i>Building Reserve</i>	<i>Equipment Replacement Reserve</i>	
REVENUES					
Licenses and permits	\$ -	\$ 100	\$ -	\$ -	\$ 100
Intergovernmental	196,197	-	-	-	196,197
Miscellaneous	2,331	4,627	2,940	945	10,843
<i>Total Revenues</i>	198,528	4,727	2,940	945	207,140
EXPENDITURES					
General government	91,722	-	-	-	91,722
Capital acquisitions	2,330	-	35,445	7,143	44,918
<i>Total Expenditures</i>	94,052	-	35,445	7,143	136,640
REVENUES OVER (UNDER) EXPENDITURES	104,476	4,727	(32,505)	(6,198)	70,500
OTHER FINANCING SOURCES (USES)					
Transfers in	-	5,000	75,489	30,000	110,489
Transfers out	(65,000)	-	-	-	(65,000)
<i>Total Other Financing Sources (Uses)</i>	(65,000)	5,000	75,489	30,000	45,489
NET CHANGE IN FUND BALANCE	39,476	9,727	42,984	23,802	115,989
FUND BALANCE, beginning of year	106,105	40,610	94,927	2,446	244,088
FUND BALANCE, end of year	\$ 145,581	\$ 50,337	\$ 137,911	\$ 26,248	\$ 360,077

CITY OF DAYTON, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - GENERAL FUND****YEAR ENDED JUNE 30, 2019**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Taxes and assessments	\$ 274,100	\$ 274,100	\$ 303,394	\$ 29,294
Licenses and permits	121,100	121,100	146,798	25,698
Intergovernmental	63,000	76,000	86,623	10,623
Fines and forfeitures	450	450	226	(224)
Miscellaneous	37,050	45,550	47,122	1,572
<i>Total Revenues</i>	495,700	517,200	584,163	66,963
EXPENDITURES				
Administration	178,771	178,771	160,410	18,361
Parks	110,804	110,804	86,836	23,968
Library	75,322	92,472	85,988	6,484
Planning	87,430	87,430	77,635	9,795
Building Program	114,034	114,034	72,615	41,419
Contingency	162,549	162,549	-	162,549
<i>Total Expenditures</i>	728,910	746,060	483,484	262,576
REVENUES OVER (UNDER) EXPENDITURES	(233,210)	(228,860)	100,679	329,539
OTHER FINANCING SOURCES (USES)				
Transfers in	1,000	1,000	-	(1,000)
Transfers out	(73,000)	(108,489)	(108,489)	-
<i>Total Other Financing Sources (Uses)</i>	(72,000)	(107,489)	(108,489)	(1,000)
NET CHANGE IN FUND BALANCE	(305,210)	(336,349)	(7,810)	328,539
FUND BALANCE, beginning of year	550,210	550,210	668,889	118,679
FUND BALANCE, end of year	<u>\$ 245,000</u>	<u>\$ 213,861</u>	<u>\$ 661,079</u>	<u>\$ 447,218</u>

CITY OF DAYTON, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - STATE REVENUE SHARING FUND****YEAR ENDED JUNE 30, 2019**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Intergovernmental	\$ 22,000	\$ 22,000	\$ 27,328	\$ 5,328
Miscellaneous	300	300	2,186	1,886
<i>Total Revenues</i>	<u>22,300</u>	<u>22,300</u>	<u>29,514</u>	<u>7,214</u>
EXPENDITURES				
Materials and services	147,250	147,250	36,053	111,197
Capital outlay	7,000	7,000	-	7,000
<i>Total Expenditures</i>	<u>154,250</u>	<u>154,250</u>	<u>36,053</u>	<u>118,197</u>
REVENUES OVER (UNDER) EXPENDITURES	(131,950)	(131,950)	(6,539)	125,411
OTHER FINANCING SOURCES (USES)				
Transfers in	48,000	48,000	48,000	-
NET CHANGE IN FUND BALANCE	(83,950)	(83,950)	41,461	125,411
FUND BALANCE, beginning of year	83,950	83,950	90,856	6,906
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 132,317</u>	<u>\$ 132,317</u>

CITY OF DAYTON, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - LOCAL OPTION TAX FUND

YEAR ENDED JUNE 30, 2019

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Taxes and assessments	\$ 201,000	\$ 201,000	\$ 231,149	\$ 30,149
Fines and forfeitures	30,250	30,250	17,063	(13,187)
Miscellaneous	1,000	1,000	4,326	3,326
<i>Total Revenues</i>	<u>232,250</u>	<u>232,250</u>	<u>252,538</u>	<u>20,288</u>
EXPENDITURES				
Personal services	67,050	67,050	55,583	11,467
Materials and services	193,450	267,450	255,825	11,625
Capital outlay	3,000	3,000	1,863	1,137
Contingency	148,696	74,696	-	74,696
<i>Total Expenditures</i>	<u>412,196</u>	<u>412,196</u>	<u>313,271</u>	<u>98,925</u>
NET CHANGE IN FUND BALANCE	<u>(179,946)</u>	<u>(179,946)</u>	<u>(60,733)</u>	<u>119,213</u>
FUND BALANCE, beginning of year	<u>179,946</u>	<u>179,946</u>	<u>200,961</u>	<u>21,015</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 140,228</u>	<u>\$ 140,228</u>

CITY OF DAYTON, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - STREET CAPITAL PROJECTS FUND

YEAR ENDED JUNE 30, 2019

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Licenses and permits	\$ 1,125	\$ 1,125	\$ 1,125	\$ -
Intergovernmental	50,000	50,000	-	(50,000)
Miscellaneous	800	800	4,718	3,918
<i>Total Revenues</i>	<u>51,925</u>	<u>51,925</u>	<u>5,843</u>	<u>(46,082)</u>
EXPENDITURES				
Capital outlay	165,000	165,000	3,885	161,115
Contingency	48,609	48,609	-	48,609
<i>Total Expenditures</i>	<u>213,609</u>	<u>213,609</u>	<u>3,885</u>	<u>209,724</u>
REVENUES OVER (UNDER) EXPENDITURES	(161,684)	(161,684)	1,958	163,642
OTHER FINANCING SOURCES (USES)				
Transfers in	50,000	50,000	50,000	-
NET CHANGE IN FUND BALANCE	(111,684)	(111,684)	51,958	163,642
FUND BALANCE, beginning of year	111,684	111,684	175,710	64,026
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 227,668</u>	<u>\$ 227,668</u>

CITY OF DAYTON, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - STREET FUND

YEAR ENDED JUNE 30, 2019

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Intergovernmental	\$ 148,000	\$ 148,000	\$ 196,197	\$ 48,197
Miscellaneous	500	500	2,331	1,831
<i>Total Revenues</i>	148,500	148,500	198,528	50,028
EXPENDITURES				
Personal services	48,564	48,564	43,362	5,202
Materials and services	83,471	83,471	48,360	35,111
Capital outlay	6,500	6,500	2,330	4,170
Contingency	19,670	19,670	-	19,670
<i>Total Expenditures</i>	158,205	158,205	94,052	64,153
REVENUES OVER (UNDER) EXPENDITURES	(9,705)	(9,705)	104,476	114,181
OTHER FINANCING SOURCES (USES)				
Transfers out	(65,000)	(65,000)	(65,000)	-
NET CHANGE IN FUND BALANCE	(74,705)	(74,705)	39,476	114,181
FUND BALANCE, beginning of year	74,705	74,705	106,105	31,400
FUND BALANCE, end of year	\$ -	\$ -	\$ 145,581	\$ 145,581

CITY OF DAYTON, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - PARK CAPITAL PROJECTS FUND

YEAR ENDED JUNE 30, 2019

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Licenses and permits	\$ 100	\$ 100	\$ 100	\$ -
Miscellaneous	800	800	4,627	3,827
<i>Total Revenues</i>	900	900	4,727	3,827
EXPENDITURES				
Capital outlay	15,000	15,000	-	15,000
Contingency	1,290	1,290	-	1,290
<i>Total Expenditures</i>	16,290	16,290	-	16,290
REVENUES OVER (UNDER) EXPENDITURES	(15,390)	(15,390)	4,727	20,117
OTHER FINANCING SOURCES				
Transfers in	5,000	5,000	5,000	-
NET CHANGE IN FUND BALANCE	(10,390)	(10,390)	9,727	20,117
FUND BALANCE, beginning of year	10,390	10,390	40,610	30,220
FUND BALANCE, end of year	\$ -	\$ -	\$ 50,337	\$ 50,337

CITY OF DAYTON, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - BUILDING RESERVE FUND

YEAR ENDED JUNE 30, 2019

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Miscellaneous	\$ 500	\$ 500	\$ 2,940	\$ 2,440
EXPENDITURES				
Capital outlay	-	-	35,445	(35,445)
REVENUES OVER (UNDER) EXPENDITURES	500	500	(32,505)	(33,005)
OTHER FINANCING SOURCES				
Transfers in	40,000	75,489	75,489	-
NET CHANGE IN FUND BALANCE	40,500	75,989	42,984	(33,005)
FUND BALANCE, beginning of year	111,918	111,918	94,927	(16,991)
FUND BALANCE, end of year	<u>\$ 152,418</u>	<u>\$ 187,907</u>	<u>\$ 137,911</u>	<u>\$ (49,996)</u>

CITY OF DAYTON, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

**(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - EQUIPMENT REPLACEMENT RESERVE FUND
YEAR ENDED JUNE 30, 2019**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Miscellaneous	\$ 200	\$ 200	\$ 945	\$ 745
EXPENDITURES				
Capital outlay	10,000	10,000	7,143	2,857
Contingency	25,767	25,767	-	25,767
<i>Total Expenditures</i>	<u>35,767</u>	<u>35,767</u>	<u>7,143</u>	<u>28,624</u>
REVENUES OVER (UNDER) EXPENDITURES	(35,567)	(35,567)	(6,198)	29,369
OTHER FINANCING SOURCES				
Transfers in	30,000	30,000	30,000	-
NET CHANGE IN FUND BALANCE	(5,567)	(5,567)	23,802	29,369
FUND BALANCE, beginning of year	<u>5,567</u>	<u>5,567</u>	<u>2,446</u>	<u>(3,121)</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,248</u>	<u>\$ 26,248</u>

CITY OF DAYTON, OREGON**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****(MODIFIED CASH BASIS) - WATER FUNDS****YEAR ENDED JUNE 30, 2019**

	<u>Water Utility</u>	<u>Water Utility Capital</u>	<u>Total Water Operations</u>
REVENUES			
Charges for services	\$ 932,348	\$ -	\$ 932,348
Licenses and permits	-	4,242	4,242
Miscellaneous	12,855	8,323	21,178
	<hr/>	<hr/>	<hr/>
<i>Total Revenues</i>	945,203	12,565	957,768
EXPENDITURES			
Personal services	225,678	-	225,678
Materials and services	276,949	-	276,949
Capital outlay	4,932	75,248	80,180
	<hr/>	<hr/>	<hr/>
<i>Total Expenditures</i>	507,559	75,248	582,807
	<hr/>	<hr/>	<hr/>
REVENUES OVER (UNDER) EXPENDITURES	437,644	(62,683)	374,961
OTHER FINANCING SOURCES (USES)			
Transfers in	-	150,000	150,000
Transfers out	(410,000)	-	(410,000)
	<hr/>	<hr/>	<hr/>
<i>Total Other Financing Sources (Uses)</i>	(410,000)	150,000	(260,000)
	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCE	27,644	87,317	114,961
FUND BALANCE, beginning of year	646,332	89,878	736,210
	<hr/>	<hr/>	<hr/>
FUND BALANCE, end of year	<u>\$ 673,976</u>	<u>\$ 177,195</u>	<u>\$ 851,171</u>

CITY OF DAYTON, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - WATER UTILITY FUND

YEAR ENDED JUNE 30, 2019

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Charges for services	\$ 911,350	\$ 921,350	\$ 932,348	\$ 10,998
Miscellaneous	2,750	10,750	12,855	2,105
<i>Total Revenues</i>	914,100	932,100	945,203	13,103
EXPENDITURES				
Personal services	256,908	256,908	225,678	31,230
Materials and services	401,275	419,275	276,949	142,326
Capital outlay	12,000	12,000	4,932	7,068
Contingency	252,672	252,672	-	252,672
<i>Total Expenditures</i>	922,855	940,855	507,559	433,296
REVENUES OVER (UNDER) EXPENDITURES	(8,755)	(8,755)	437,644	446,399
OTHER FINANCING SOURCES (USES)				
Transfers out	(410,000)	(410,000)	(410,000)	-
NET CHANGE IN FUND BALANCE	(418,755)	(418,755)	27,644	446,399
FUND BALANCE, beginning of year	618,755	618,755	646,332	27,577
FUND BALANCE, end of year	\$ 200,000	\$ 200,000	\$ 673,976	\$ 473,976

CITY OF DAYTON, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - WATER UTILITY CAPITAL FUND****YEAR ENDED JUNE 30, 2019**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Licenses and permits	\$ 4,242	\$ 4,242	\$ 4,242	\$ -
Miscellaneous	1,500	1,500	8,323	6,823
<i>Total Revenues</i>	5,742	5,742	12,565	6,823
EXPENDITURES				
Capital outlay	241,319	241,319	75,248	166,071
REVENUES OVER (UNDER) EXPENDITURES	(235,577)	(235,577)	(62,683)	172,894
OTHER FINANCING SOURCES (USES)				
Transfers in	150,000	150,000	150,000	-
NET CHANGE IN FUND BALANCE	(85,577)	(85,577)	87,317	172,894
FUND BALANCE, beginning of year	85,577	85,577	89,878	4,301
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 177,195</u>	<u>\$ 177,195</u>

CITY OF DAYTON, OREGON**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****(MODIFIED CASH BASIS) - SEWER FUNDS****YEAR ENDED JUNE 30, 2019**

	<i>Sewer Utility</i>	<i>Sewer Utility Capital</i>	<i>Total Sewer Operations</i>
REVENUES			
Charges for services	\$ 463,094	\$ -	\$ 463,094
Licenses and permits	-	7,564	7,564
Miscellaneous	8,433	5,104	13,537
<i>Total Revenues</i>	471,527	12,668	484,195
EXPENDITURES			
Personal services	163,229	-	163,229
Materials and services	183,889	-	183,889
Capital outlay	4,295	1,994,820	1,999,115
<i>Total Expenditures</i>	351,413	1,994,820	2,346,233
REVENUES OVER (UNDER) EXPENDITURES	120,114	(1,982,152)	(1,862,038)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	63,876	63,876
Transfers out	(123,876)	-	(123,876)
Proceeds from issuance of debt	-	1,886,720	1,886,720
<i>Total Other Financing Sources (Uses)</i>	(123,876)	1,950,596	1,826,720
NET CHANGE IN FUND BALANCE	(3,762)	(31,556)	(35,318)
FUND BALANCE, beginning of year	358,657	111,935	470,592
FUND BALANCE, end of year	\$ 354,895	\$ 80,379	\$ 435,274

CITY OF DAYTON, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - SEWER FUND

YEAR ENDED JUNE 30, 2019

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Charges for services	\$ 448,426	\$ 448,426	\$ 463,094	\$ 14,668
Miscellaneous	1,250	1,250	8,433	7,183
<i>Total Revenues</i>	449,676	449,676	471,527	21,851
EXPENDITURES				
Personal services	182,385	182,385	163,229	19,156
Materials and services	202,550	202,550	183,889	18,661
Capital outlay	59,000	59,000	4,295	54,705
Contingency	109,042	109,042	-	109,042
<i>Total Expenditures</i>	552,977	552,977	351,413	201,564
REVENUES OVER (UNDER) EXPENDITURES	(103,301)	(103,301)	120,114	223,415
OTHER FINANCING SOURCES (USES)				
Transfers out	(123,876)	(123,876)	(123,876)	-
NET CHANGE IN FUND BALANCE	(227,177)	(227,177)	(3,762)	223,415
FUND BALANCE, beginning of year	311,853	311,853	358,657	46,804
FUND BALANCE, end of year	\$ 84,676	\$ 84,676	\$ 354,895	\$ 270,219

CITY OF DAYTON, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - SEWER UTILITY CAPITAL FUND****YEAR ENDED JUNE 30, 2019**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Licenses and permits	\$ 6,500	\$ 6,500	\$ 7,564	\$ 1,064
Miscellaneous	900	900	5,104	4,204
<i>Total Revenues</i>	<u>7,400</u>	<u>7,400</u>	<u>12,668</u>	<u>5,268</u>
EXPENDITURES				
Capital outlay	3,185,000	3,185,000	1,994,820	1,190,180
Contingency	29,053	29,053	-	29,053
<i>Total Expenditures</i>	<u>3,214,053</u>	<u>3,214,053</u>	<u>1,994,820</u>	<u>1,219,233</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(3,206,653)</u>	<u>(3,206,653)</u>	<u>(1,982,152)</u>	<u>1,224,501</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	63,876	63,876	63,876	-
Proceeds from issuance of debt	3,000,000	3,000,000	1,886,720	(1,113,280)
<i>Total Other Financing Sources (Uses)</i>	<u>3,063,876</u>	<u>3,063,876</u>	<u>1,950,596</u>	<u>(1,113,280)</u>
NET CHANGE IN FUND BALANCE	<u>(142,777)</u>	<u>(142,777)</u>	<u>(31,556)</u>	<u>111,221</u>
FUND BALANCE, beginning of year	<u>276,653</u>	<u>276,653</u>	<u>111,935</u>	<u>(164,718)</u>
FUND BALANCE, end of year	<u>\$ 133,876</u>	<u>\$ 133,876</u>	<u>\$ 80,379</u>	<u>\$ (53,497)</u>

CITY OF DAYTON, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****(MODIFIED CASH BASIS) - BUDGET AND ACTUAL - DEBT SERVICE FUND****YEAR ENDED JUNE 30, 2019**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Charges for services	\$ 23,249	\$ 23,249	\$ 23,249	\$ -
Miscellaneous	900	900	5,307	4,407
<i>Total Revenues</i>	<u>24,149</u>	<u>24,149</u>	<u>28,556</u>	<u>4,407</u>
EXPENDITURES				
Debt service				
Principal	225,945	225,945	211,636	14,309
Interest	23,506	23,506	30,833	(7,327)
<i>Total Expenditures</i>	<u>249,451</u>	<u>249,451</u>	<u>242,469</u>	<u>6,982</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(225,302)</u>	<u>(225,302)</u>	<u>(213,913)</u>	<u>11,389</u>
OTHER FINANCING SOURCES				
Transfers in	285,000	285,000	285,000	-
NET CHANGE IN FUND BALANCE	<u>59,698</u>	<u>59,698</u>	<u>71,087</u>	<u>11,389</u>
FUND BALANCE, beginning of year	<u>214,286</u>	<u>214,286</u>	<u>215,855</u>	<u>1,569</u>
FUND BALANCE, end of year	<u>\$ 273,984</u>	<u>\$ 273,984</u>	<u>\$ 286,942</u>	<u>\$ 12,958</u>

COMPLIANCE SECTION



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street, NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Honorable Mayor and Members of the City Council
City of Dayton
592 Fourth Street
Dayton, Oregon 97026

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Dayton, Oregon (the City) as of and for the year ended June 30, 2019, and have issued our report thereon dated November 14, 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).**
- **Accountability for collecting or receiving money by elected officials - no money was collected or received by elected officials.**

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 for expenditures in excess of appropriations as indicated in the notes to the financial statements.


Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Restriction on Use

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

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By: 
Devan W. Esch, A Shareholder
November 14, 2019