

***CITY OF DAYTON, OREGON
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2018***

CITY OF DAYTON, OREGON
CITY OFFICIALS
JUNE 30, 2018

<u>Name and Address</u>	<u>Position</u>	<u>Term Expires</u>
Beth Wytoski 818 Howard Jordan Loop Dayton, Oregon 97114	Mayor	December 31, 2018
Darrick Price P.O. Box 143	Council President	December 31, 2018
John Bixler 816 Marion Court Dayton, Oregon 97114	Council Member	December 31, 2018
John Collins PO Box 57 (309 Main St) Dayton, Oregon 97114	Council Member	December 31, 2020
Trini Marquez P.O. Box 274 Dayton, Oregon 97114 Dayton, Oregon 97114	Council Member	December 31, 2020
Kitty Mackin 1119 Ferry Street Dayton, Oregon 97114	Council Member	December 31, 2020
Nikki McGraw 106 Tribbett Court Dayton, Oregon 97114	Council Member	December 31, 2018

Appointed Officials

Rochelle Roaden
Interim 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 *

Lara LaRoque, Mid-Willamette Valley Council of Governments
City Planner *

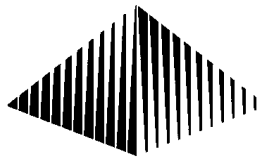
*Contracted Services

CITY OF DAYTON, OREGON

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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, OR 97114

Report on the Financial Statements

We have audited the accompanying 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, 2018, 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 financial statements referred to above present fairly, in all material respects, the respective 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, 2018, and the respective changes in modified cash basis financial position 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.

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 December 13, 2018, 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
December 13, 2018

City of Dayton, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2018

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, 2018. 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
	2018	2017	
Net Position	\$ 2,803,161	\$ 2,348,769	\$ 454,392
Change in Net Position	454,392	128,536	325,856
Governmental Net Position	1,380,504	1,216,545	163,959
Proprietary Net Position	1,422,657	1,132,224	290,433
Change in Governmental Net Position	163,959	217,491	(53,532)
Change in Proprietary Net Position	290,433	(88,955)	379,388

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 four major funds, the General, Street, 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 three 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 Utility, Sewer, Water Utility Capital, Sewer Utility Capital and Debt Service are considered to be major funds of the City and are reported separately in the proprietary fund 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 fund 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 \$2,803,161 at the close of fiscal year 2018.

A portion of the City's net position, \$827,172, 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 \$1,975,989, or approximately 70%.

	2018			2017		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 1,382,064	\$ 1,422,657	\$ 2,804,721	\$ 1,217,852	\$ 1,132,224	\$ 2,350,076
Other liabilities	1,560	-	1,560	1,307	-	1,307
Net position:						
Restricted	533,386	293,786	827,172	515,434	186,927	702,361
Unrestricted	847,118	1,128,871	1,975,989	701,111	945,297	1,646,408
Total Net Position	\$ 1,380,504	\$ 1,422,657	\$ 2,803,161	\$ 1,216,545	\$ 1,132,224	\$ 2,348,769

Statement of Activities (Modified Cash Basis)

The City's net position increased \$454,392 during fiscal 2017-2018. This increase is explained in the government and business-type activities as follows:

Governmental activities - The City's net position increased by \$163,959 from governmental activities. This increase is due mainly to conservative spending in the current year.

	2018			2017		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues						
<i>Program Revenues</i>						
Fees, fines and charges for services	\$ 130,328	\$ 1,389,582	\$ 1,519,910	\$ 148,396	\$ 1,384,326	\$ 1,532,722
Operating grants and contributions	180,457	-	180,457	168,280	-	168,280
Capital grants and contributions	15,925	139,646	155,571	136,223	112,646	248,869
<i>General Revenues</i>						
Property taxes	424,554	-	424,554	405,240	-	405,240
Franchise fees	169,593	-	169,593	145,536	-	145,536
Intergovernmental	82,031	-	82,031	72,750	-	72,750
Issuance of debt	-	85,500	85,500	-	35,500	35,500
Investment earnings	18,470	22,234	40,704	10,410	12,536	22,946
Miscellaneous	9,052	1,305	10,357	2,863	11,618	14,481
<i>Total Revenues</i>	<u>1,030,410</u>	<u>1,638,267</u>	<u>2,668,677</u>	<u>1,089,698</u>	<u>1,556,626</u>	<u>2,646,324</u>
Expenses						
General government	154,582	-	154,582	166,523	-	166,523
Public safety	229,818	-	229,818	218,786	-	218,786
Public works	342,437	-	342,437	339,032	-	339,032
Community development	166,614	-	166,614	161,866	-	161,866
Water	-	840,668	840,668	-	1,184,926	1,184,926
Sewer	-	480,166	480,166	-	446,655	446,655
<i>Total Expenses</i>	<u>893,451</u>	<u>1,320,834</u>	<u>2,214,285</u>	<u>886,207</u>	<u>1,631,581</u>	<u>2,517,788</u>
Transfers	27,000	(27,000)	-	14,000	(14,000)	-
Change in Net Position	163,959	290,433	454,392	217,491	(88,955)	128,536
Net Position, beginning of year	1,216,545	1,132,224	2,348,769	999,054	1,221,179	2,220,233
Net Position, end of year	<u>\$ 1,380,504</u>	<u>\$ 1,422,657</u>	<u>\$ 2,803,161</u>	<u>\$ 1,216,545</u>	<u>\$ 1,132,224</u>	<u>\$ 2,348,769</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 \$759,745 at June 30, 2018. The fund balance increased by \$117,561 during the year mainly due to increases in taxes and assessments, and licenses and permits.

As a measure of the fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Fund balance represents 167% of total General Fund expenditures.

Street. The Street fund accounts for revenues and expenditures related to street maintenance and improvements. The fund balance increased this year by \$1,159 which is consistent with the prior year.

Local Option Tax. The Local Option Tax fund accounts for revenues and expenditures related to police services. The fund balance increased by \$10,107 during the year, which is consistent with the prior year.

Street Capital Projects. Street Capital Projects funds are restricted for construction and repair of City streets. The fund balance decreased by \$2,378 during the year due to a decrease in intergovernmental revenue.

Business-type activities - The City's fund balances increased by \$290,433 from business-type activities. This increase was due to a decrease in capital acquisitions and debt service expenses.

Major Proprietary Funds:

Water Utility. The Water Utility fund revenues are from charges for services and expenses are for personal services, materials and services and capital acquisitions. The fund balance increased by \$84,823 during the year as a result of an increase in revenue from charges for services and a decrease in materials and services.

Sewer. The Sewer fund revenues are from charges for services and expenses are for personal services, materials and services and capital acquisitions. The fund's net position increased by \$100,971 during the year due to increases in revenue from charges for services and fewer transfers out.

Water Utility Capital. The Water Utility Capital fund revenues are from system development charges and transfers from the water utility fund and expenses are for capital acquisitions. The fund's net position increased by \$68,525 as a result of a large decrease in capital acquisition expenditures.

Sewer Utility Capital. The Sewer Utility Capital fund revenues are from system development charges and transfers from the sewer fund and expenses are for capital acquisitions. The fund's net position increased during the year by \$24,233 due to proceeds from the issuance of debt.

Debt Service. The Debt Service fund revenues consist mainly of transfers from the Water Utility fund for debt service. The fund's net position increased by \$11,881 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 \$2,965,322 in debt outstanding.

The City's debt is for business-type activities and includes \$2,765,990 in outstanding water system improvement loans from Oregon Business Development Department, \$78,332 in an outstanding loan from US Bank for property purchased for water system projects, and \$121,000 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.

	Business-type Activities		Totals	
	2018	2017	2018	2017
OBDD loans	\$2,765,990	\$2,897,974	\$2,765,990	\$2,897,974
US Bank loan	78,332	160,271	78,332	160,271
USDA loans	121,000	35,500	121,000	35,500
	<u>\$2,965,322</u>	<u>\$3,093,745</u>	<u>\$2,965,322</u>	<u>\$3,093,745</u>

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

Current Year Budgetary Highlights

There were no changes made to the City's budget 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 2019 budget:

- The City's population will not grow significantly in 2019.
- 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 2018.

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 Scott Pingel, 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, 2018

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
ASSETS			
Cash and cash equivalents	\$ 1,382,064	\$ 1,422,657	\$ 2,804,721
LIABILITIES			
Payroll withholdings	1,560	-	1,560
NET POSITION			
Restricted for:			
Public safety	200,961	-	200,961
Streets	291,815	-	291,815
Community development	40,610	-	40,610
Capital acquisitions	-	201,813	201,813
Customer deposits	-	91,973	91,973
Unrestricted	847,118	1,128,871	1,975,989
<i>Total Net Position</i>	<i>\$ 1,380,504</i>	<i>\$ 1,422,657</i>	<i>\$ 2,803,161</i>

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, 2018

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 154,582	\$ 6,054	\$ -	\$ -
Public safety	229,818	32,386	-	-
Public works	342,437	58,884	168,390	14,625
Community development	166,614	33,004	12,067	1,300
<i>Total Governmental activities</i>	893,451	130,328	180,457	15,925
Business-type activities:				
Water	840,668	951,921	-	55,146
Sewer	480,166	437,661	-	84,500
<i>Total Business-type activities</i>	1,320,834	1,389,582	-	139,646
<i>Total Activities</i>	<u>\$ 2,214,285</u>	<u>\$ 1,519,910</u>	<u>\$ 180,457</u>	<u>\$ 155,571</u>
General Revenues:				
Property taxes				
Franchise taxes				
Intergovernmental				
Investment earnings				
Miscellaneous				
<i>Total General Revenues</i>				
<i>Proceeds from issuance of debt</i>				
<i>Transfers</i>				
<i>Change in net position</i>				
<i>Net Position - beginning of year</i>				
<i>Net Position - end of year</i>				

***Net (Expenses) Revenues
and Changes in Net Position***

<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>
\$ (148,528)	\$ -	\$ (148,528)
(197,432)	-	(197,432)
(100,538)	-	(100,538)
(120,243)	-	(120,243)
(566,741)	-	(566,741)
-	166,399	166,399
-	41,995	41,995
-	208,394	208,394
(566,741)	208,394	(358,347)
424,554	-	424,554
169,593	-	169,593
82,031	-	82,031
18,470	22,234	40,704
9,052	1,305	10,357
703,700	23,539	727,239
-	85,500	85,500
27,000	(27,000)	-
163,959	290,433	454,392
1,216,545	1,132,224	2,348,769
\$ 1,380,504	\$ 1,422,657	\$ 2,803,161

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

CITY OF DAYTON, OREGON

BALANCE SHEET (MODIFIED CASH BASIS) - GOVERNMENTAL FUNDS

JUNE 30, 2018

	<u>Special Revenue</u>		
	<u>General</u>	<u>Street</u>	<u>Local Option Tax</u>
ASSETS			
Cash and cash equivalents	\$ 761,305	\$ 106,105	\$ 200,961
LIABILITIES AND FUND BALANCE			
Liabilities:			
Payroll withholdings	\$ 1,560	\$ -	\$ -
Fund Balance:			
Restricted for:			
Public safety	-	-	200,961
Streets	-	106,105	-
Community development	-	-	-
Committed to:			
Capital acquisitions	-	-	-
Unassigned	759,745	-	-
Total Fund Balance	759,745	106,105	200,961
Total Liabilities and Fund Balance	\$ 761,305	\$ 106,105	\$ 200,961

<i>Capital Projects</i>		
<i>Street Capital Projects</i>	<i>Other Governmental Funds</i>	<i>Total</i>
\$ 175,710	\$ 137,983	\$ 1,382,064
\$ -	\$ -	\$ 1,560
-	-	200,961
175,710	10,000	291,815
-	40,610	40,610
-	87,373	87,373
-	-	759,745
175,710	137,983	1,380,504
\$ 175,710	\$ 137,983	\$ 1,382,064

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, 2018**

	<u>Special Revenue</u>		
	<u>General Fund</u>	<u>Street</u>	<u>Local Option Tax</u>
REVENUES			
Taxes and assessments	\$ 274,046	\$ -	\$ 210,304
Licenses and permits	174,735	-	-
Intergovernmental	99,376	168,390	-
Fines and forfeitures	614	-	27,108
Miscellaneous	48,354	1,355	2,514
<i>Total Revenues</i>	<u>597,125</u>	<u>169,745</u>	<u>239,926</u>
EXPENDITURES			
General government	154,581	-	-
Public safety	-	-	229,453
Public works	143,294	103,328	-
Community development	156,689	-	-
Capital acquisitions	-	258	366
<i>Total Expenditures</i>	<u>454,564</u>	<u>103,586</u>	<u>229,819</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>142,561</u>	<u>66,159</u>	<u>10,107</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	36,000	-	-
Transfers out	(61,000)	(65,000)	-
<i>Total Other Financing Sources (Uses)</i>	<u>(25,000)</u>	<u>(65,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>117,561</u>	<u>1,159</u>	<u>10,107</u>
FUND BALANCE, beginning of year	<u>642,184</u>	<u>104,946</u>	<u>190,854</u>
FUND BALANCE, end of year	<u>\$ 759,745</u>	<u>\$ 106,105</u>	<u>\$ 200,961</u>

<i>Capital Projects</i>		
<i>Street Capital Projects</i>	<i>Other Governmental Funds</i>	<i>Total</i>
\$ -	\$ -	\$ 484,350
13,500	1,300	189,535
1,125	-	268,891
-	-	27,722
2,742	4,947	59,912
17,367	6,247	1,030,410
-	-	154,581
-	-	229,453
-	-	246,622
-	-	156,689
69,745	35,737	106,106
69,745	35,737	893,451
(52,378)	(29,490)	136,959
50,000	67,000	153,000
-	-	(126,000)
50,000	67,000	27,000
(2,378)	37,510	163,959
178,088	100,473	1,216,545
\$ 175,710	\$ 137,983	\$ 1,380,504

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

CITY OF DAYTON, OREGON

STATEMENT OF FUND NET POSITION (MODIFIED CASH BASIS) - ENTERPRISE FUNDS

JUNE 30, 2018

	<u>Water Utility</u>	<u>Sewer</u>	<u>Water Utility Capital</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 646,332	\$ 358,657	\$ 89,878
LIABILITIES			
	-	-	-
NET POSITION:			
Restricted for:			
Customer deposits	59,782	32,190	-
Capital acquisitions	-	-	89,878
Unrestricted	586,550	326,467	-
	<u>\$ 646,332</u>	<u>\$ 358,657</u>	<u>\$ 89,878</u>
<i>Total Fund Net Position</i>	<u>\$ 646,332</u>	<u>\$ 358,657</u>	<u>\$ 89,878</u>

<i>Sewer Utility Capital</i>	<i>Debt Service</i>	<i>Total</i>
\$ 111,935	\$ 215,855	\$ 1,422,657
-	-	-
-	-	91,973
111,935	-	201,813
-	215,855	1,128,871
<u>\$ 111,935</u>	<u>\$ 215,855</u>	<u>\$ 1,422,657</u>

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

CITY OF DAYTON, OREGON**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
(MODIFIED CASH BASIS) - ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2018**

	<u>Water Utility</u>	<u>Sewer</u>	<u>Water Utility Capital</u>
OPERATING REVENUES			
Charges for services	\$ 928,672	\$ 437,661	\$ -
Miscellaneous	1,305	-	-
<i>Total Operating Revenues</i>	<u>929,977</u>	<u>437,661</u>	<u>-</u>
OPERATING EXPENSES			
Personal services	213,769	155,951	-
Materials and services	226,617	143,368	-
<i>Total Operating Expenses</i>	<u>440,386</u>	<u>299,319</u>	<u>-</u>
OPERATING INCOME	<u>489,591</u>	<u>138,342</u>	<u>-</u>
NONOPERATING ITEMS			
Issuance of debt	-	-	-
Capital acquisitions	(9,372)	(2,115)	(141,458)
Debt payments			
Principal	-	-	-
Interest	-	-	-
Interest revenue	6,604	4,744	4,837
<i>Total Nonoperating Items</i>	<u>(2,768)</u>	<u>2,629</u>	<u>(136,621)</u>
NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	<u>486,823</u>	<u>140,971</u>	<u>(136,621)</u>
Capital contributions	-	-	55,146
Transfers in	-	-	150,000
Transfers out	(402,000)	(40,000)	-
CHANGE IN NET POSITION	<u>84,823</u>	<u>100,971</u>	<u>68,525</u>
NET POSITION, beginning of year	<u>561,509</u>	<u>257,686</u>	<u>21,353</u>
NET POSITION, end of year	<u>\$ 646,332</u>	<u>\$ 358,657</u>	<u>\$ 89,878</u>

<i>Sewer Utility Capital</i>	<i>Debt Service</i>	<i>Total</i>
\$ -	\$ 23,249	\$ 1,389,582
-	-	1,305
-	23,249	1,390,887
-	-	369,720
-	-	369,985
-	-	739,705
-	23,249	651,182
85,500	-	85,500
(178,733)	-	(331,678)
-	(213,923)	(213,923)
-	(35,529)	(35,529)
2,966	3,084	22,235
(90,267)	(246,368)	(473,395)
(90,267)	(223,119)	177,787
84,500	-	139,646
30,000	235,000	415,000
-	-	(442,000)
24,233	11,881	290,433
87,702	203,974	1,132,224
\$ 111,935	\$ 215,855	\$ 1,422,657

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

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.

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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The City reports the following nonmajor governmental funds:

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 funds as major funds. These funds 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 Utility Fund

This fund accounts for the operation of the City's water system.

Sewer Fund

This fund accounts for the operation of the City's sewer system.

Water Utility Capital Fund

This fund accounts for water system capital projects. Principal revenues are from transfers in and primary expenditures are for construction.

Sewer Utility Capital Fund

This fund accounts for sewer system capital projects. Principal revenues are from transfers in and primary expenditures are for construction.

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.

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.

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, capital assets such as property and equipment, and 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.

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, 2018

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, 2018 was \$14,497.

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, 2018. 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 \$56,569 and the bank balance was \$218,148. 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	56,569
Investments	
Local Government Investment Pool	2,747,801
	<hr/>
	\$ 2,804,721
	<hr/> <hr/>

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, 2018, 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, 2018, all of the City's bank balances were covered by FDIC.

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, 2018

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, 2017</i>	<i>Issued</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June 30, 2018</i>	<i>Due Within One Year</i>
<i>Business-type activities</i>					
Note payable to Infrastructure Finance Authority (Oregon Business Development Department), annual payments of \$143,333, including interest at 1%, with a maturity date of December 2035.	\$ 2,469,265	\$ -	\$ (118,640)	\$ 2,350,625	\$ 119,827
Note payable to Infrastructure Finance Authority (Oregon Business Development Department), annual installments vary with interest paid at 1%. Original note of \$910,000, with a \$455,000 conditional forgivable portion, forgiven as of June 30, 2015. Payments of \$17,630, including interest at 1%, with a maturity date of December 2044.	428,709	-	(13,343)	415,366	13,477
US Bank Property Loan, unsecured, annual payments of of \$88,488 including interest at 4.03%, with a maturity date of December 2018.	160,271	-	(81,940)	78,332	78,331
USDA Sewer Improvement Loan interest at 1.874% to be repayed in equal annual installments over 40 years beginning after the project is completed.	35,500	85,500	-	121,000	-
	<u>\$ 3,093,745</u>	<u>\$ 85,500</u>	<u>\$ (213,923)</u>	<u>\$ 2,965,322</u>	<u>\$ 211,635</u>

CITY OF DAYTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

LONG-TERM DEBT (Continued)

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, 2018 was \$342,171.

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

<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2019	\$ 211,635	\$ 30,640	\$ 242,275
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
2024-2028	714,667	90,150	804,817
2029-2033	751,124	53,748	804,872
2034-2038	501,597	16,805	518,402
2039-2043	83,881	4,271	88,152
Thereafter	155,739	467	156,206
	<u>\$ 2,965,322</u>	<u>\$ 293,256</u>	<u>\$ 3,258,578</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>

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

CITY OF DAYTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

PENSION PLAN (Continued)

[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).

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 2018 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 \$65,554, for fiscal year ended June 30, 2018.

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 2018 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.

CITY OF DAYTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

PENSION PLAN (Continued)

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, 2018, the City reported a net pension liability of \$441,328 as its proportionate share of the collective net pension liability for PERS, measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was based on a December 31, 2015 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 0.00348% as of June 30, 2016.

Actuarial Methods and Assumptions – The total pension liability in the December 31, 2015 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, 2014.

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 6.50%, 7.50%, and 8.50%.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$ 752,104	\$ 441,328	\$ 181,462

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

CITY OF DAYTON, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2018

PENSION PLAN (Continued)

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 \$25,598 for the year ended June 30, 2018. 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.

Changes in Plan Provisions Subsequent to Measurement Date – The PERS Board lowered the Assumed Rate of Return from 7.50% to 7.20% on July 28, 2017. This change is effective January 1, 2018, and will decrease the net OPEB asset or increase the net OPEB liability in future periods.

POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

The other postemployment benefits (OPEB) for the City combines two separate plans. The City provides an implicit rate subsidy for retiree health insurance premiums administered by Citycounty Insurance Services (CIS), and a contribution to the State of Oregon's PERS cost-sharing multiple-employer defined health insurance benefit plan. The total OPEB liability is based on a valuation provided by an independent actuarial firm based on assumptions including inflation rate, projected salary increases, discount rate, medical, dental and vision increases, and mortality rates and other inputs. The total OPEB liability was estimated at June 30, 2018 by Milliman Actuarial Services for both plans. Management has determined that the total OPEB liability is not material to the financial statements taken as a whole.

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.

CITY OF DAYTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

INTERFUND TRANSFERS

<i>Fund</i>	<i>Transfers In</i>	<i>Transfers Out</i>
General	\$ -	\$ 61,000
Street Capital Projects	50,000	-
State Revenue Sharing	36,000	-
Street	-	65,000
Park Capital Projects	5,000	-
Building Reserve	40,000	-
Equipment Replacement Reserve	22,000	-
Water Utility	-	402,000
Sewer	-	40,000
Water Utility Capital	150,000	-
Sewer Utility Capital	30,000	-
Debt Service	235,000	-
	<u>\$ 568,000</u>	<u>\$ 568,000</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 – GENERAL FUND
JUNE 30, 2018

	<u>Budgetary funds</u>		
	<u>General</u>	<u>State Revenue Sharing</u>	<u>Total (reported as General Fund)</u>
ASSETS			
Cash and cash equivalents	\$ 670,449	\$ 90,856	\$ 761,305
LIABILITIES AND FUND BALANCE			
Liabilities:			
Payroll withholdings	\$ 1,560	\$ -	\$ 1,560
Fund Balance:			
Unassigned	668,889	90,856	759,745
Total Liabilities and Fund Balance	<u>\$ 670,449</u>	<u>\$ 90,856</u>	<u>\$ 761,305</u>

CITY OF DAYTON, OREGON**RECONCILIATION OF BUDGETARY TO REPORTING FUNDS****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – GENERAL FUND**

YEAR ENDED JUNE 30, 2018

	Budgetary funds		
	General	State Revenue Sharing	Total (reported as General Fund)
REVENUES			
Taxes and assessments	\$ 274,046	\$ -	\$ 274,046
Licenses and permits	174,735	-	174,735
Intergovernmental	73,009	26,367	99,376
Fines and forfeitures	614	-	614
Miscellaneous	47,892	462	48,354
<i>Total Revenues</i>	570,296	26,829	597,125
EXPENDITURES			
General government	126,508	28,073	154,581
Public works	143,294	-	143,294
Community Development	156,689	-	156,689
<i>Total Expenditures</i>	426,491	28,073	454,564
REVENUES OVER (UNDER) EXPENDITURES	143,805	(1,244)	142,561
OTHER FINANCING SOURCES (USES)			
Transfers in	-	36,000	36,000
Transfers out	(61,000)	-	(61,000)
<i>Total Other Financing Sources and Uses</i>	(61,000)	36,000	(25,000)
NET CHANGE IN FUND BALANCE	82,805	34,756	117,561
FUND BALANCE, beginning of year	586,084	56,100	642,184
FUND BALANCE, end of year	\$ 668,889	\$ 90,856	\$ 759,745

CITY OF DAYTON, OREGON

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

JUNE 30, 2018

	<i>Capital Projects</i>			<i>Total</i>
	<i>Park Capital Projects</i>	<i>Building Reserve</i>	<i>Equipment Replacement Reserve</i>	
ASSETS				
Cash and cash equivalents	\$ 40,610	\$ 94,927	\$ 2,446	\$ 137,983
LIABILITIES AND FUND BALANCE				
Liabilities	\$ -	\$ -	\$ -	\$ -
Fund Balance:				
Restricted for:				
Streets	-	10,000	-	10,000
Community development	40,610	-	-	40,610
Committed to:				
Capital acquisitions	-	84,927	2,446	87,373
<i>Total Fund Balance</i>	40,610	94,927	2,446	137,983
<i>Total Liabilities and Fund Balance</i>	\$ 40,610	\$ 94,927	\$ 2,446	\$ 137,983

CITY OF DAYTON, OREGON**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(MODIFIED CASH BASIS) NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018**

	<i>Capital Projects</i>			<i>Total</i>
	<i>Park Capital Projects</i>	<i>Building Reserve</i>	<i>Equipment Replacement Reserve</i>	
REVENUES				
Licenses and permits	\$ 1,300	\$ -	\$ -	\$ 1,300
Miscellaneous	2,689	1,709	549	4,947
<i>Total Revenues</i>	3,989	1,709	549	6,247
EXPENDITURES				
Capital acquisitions	9,925	-	25,812	35,737
REVENUES OVER (UNDER) EXPENDITURES	(5,936)	1,709	(25,263)	(29,490)
OTHER FINANCING SOURCES (USES)				
Transfers in	5,000	40,000	22,000	67,000
NET CHANGE IN FUND BALANCE	(936)	41,709	(3,263)	37,510
FUND BALANCE, beginning of year	41,546	53,218	5,709	100,473
FUND BALANCE, end of year	\$ 40,610	\$ 94,927	\$ 2,446	\$ 137,983

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 237,525	\$ 237,525	\$ 274,046	\$ 36,521
Licenses and permits	117,525	117,525	174,735	57,210
Intergovernmental	61,500	61,500	73,009	11,509
Fines and forfeitures	450	450	614	164
Miscellaneous	36,050	36,050	47,892	11,842
<i>Total Revenues</i>	453,050	453,050	570,296	117,246
EXPENDITURES				
Administration	176,498	176,498	126,508	49,990
Parks	106,649	106,649	79,124	27,525
Library	90,919	90,919	77,565	13,354
Planning	74,799	74,799	56,411	18,388
Building Program	110,476	110,476	86,883	23,593
Contingency	100,000	100,000	-	100,000
<i>Total Expenditures</i>	659,341	659,341	426,491	232,850
REVENUES OVER (UNDER) EXPENDITURES	(206,291)	(206,291)	143,805	350,096
OTHER FINANCING SOURCES (USES)				
Transfers in	11,955	11,955	-	(11,955)
Transfers out	(61,000)	(61,000)	(61,000)	-
<i>Total Other Financing Sources and Uses</i>	(49,045)	(49,045)	(61,000)	(11,955)
NET CHANGE IN FUND BALANCE	(255,336)	(255,336)	82,805	338,141
FUND BALANCE, beginning of year	494,976	494,976	586,084	91,108
FUND BALANCE, end of year	\$ 239,640	\$ 239,640	\$ 668,889	\$ 429,249

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 22,000	\$ 22,000	\$ 26,367	\$ 4,367
Miscellaneous	160	160	462	302
<i>Total Revenues</i>	22,160	22,160	26,829	4,669
EXPENDITURES				
Materials and services	98,525	98,525	28,073	70,452
Capital outlay	7,049	7,049	-	7,049
<i>Total Expenditures</i>	105,574	105,574	28,073	77,501
REVENUES OVER (UNDER) EXPENDITURES	(83,414)	(83,414)	(1,244)	82,170
OTHER FINANCING SOURCES (USES)				
Transfers in	36,000	36,000	36,000	-
NET CHANGE IN FUND BALANCE	(47,414)	(47,414)	34,756	82,170
FUND BALANCE, beginning of year	47,414	47,414	56,100	8,686
FUND BALANCE, end of year	\$ -	\$ -	\$ 90,856	\$ 90,856

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 148,000	\$ 148,000	\$ 168,390	\$ 20,390
Miscellaneous	500	500	1,355	855
<i>Total Revenues</i>	148,500	148,500	169,745	21,245
EXPENDITURES				
Personal services	45,989	45,989	37,906	8,083
Materials and services	93,700	93,700	65,422	28,278
Capital outlay	6,500	6,500	258	6,242
Contingency	23,314	23,314	-	23,314
<i>Total Expenditures</i>	169,503	169,503	103,586	65,917
REVENUES OVER (UNDER) EXPENDITURES	(21,003)	(21,003)	66,159	87,162
OTHER FINANCING SOURCES (USES)				
Transfers out	(67,271)	(67,271)	(65,000)	2,271
NET CHANGE IN FUND BALANCE	(88,274)	(88,274)	1,159	89,433
FUND BALANCE, beginning of year	88,274	88,274	104,946	16,672
FUND BALANCE, end of year	\$ -	\$ -	\$ 106,105	\$ 106,105

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 201,000	\$ 201,000	\$ 210,304	\$ 9,304
Fines and forfeitures	26,250	26,250	27,108	858
Miscellaneous	750	750	2,514	1,764
<i>Total Revenues</i>	228,000	228,000	239,926	11,926
EXPENDITURES				
Personal services	53,329	53,329	49,289	4,040
Materials and services	192,850	192,850	180,164	12,686
Capital outlay	3,000	3,000	366	2,634
Contingency	147,272	147,272	-	147,272
<i>Total Expenditures</i>	396,451	396,451	229,819	166,632
REVENUES OVER (UNDER) EXPENDITURES	(168,451)	(168,451)	10,107	178,558
OTHER FINANCING SOURCES (USES)				
Transfers out	(600)	(600)	-	600
NET CHANGE IN FUND BALANCE	(169,051)	(169,051)	10,107	179,158
FUND BALANCE, beginning of year	169,051	169,051	190,854	21,803
FUND BALANCE, end of year	\$ -	\$ -	\$ 200,961	\$ 200,961

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 1,125	\$ 1,125	\$ 13,500	\$ 12,375
Intergovernmental	50,000	50,000	1,125	(48,875)
Miscellaneous	800	800	2,742	1,942
<i>Total Revenues</i>	51,925	51,925	17,367	(34,558)
EXPENDITURES				
Capital outlay	165,000	165,000	69,745	95,255
Contingency	56,980	56,980	-	56,980
<i>Total Expenditures</i>	221,980	221,980	69,745	152,235
REVENUES OVER (UNDER) EXPENDITURES	(170,055)	(170,055)	(52,378)	117,677
OTHER FINANCING SOURCES (USES)				
Transfers in	50,000	50,000	50,000	-
NET CHANGE IN FUND BALANCE	(120,055)	(120,055)	(2,378)	117,677
FUND BALANCE, beginning of year	120,055	120,055	178,088	58,033
FUND BALANCE, end of year	\$ -	\$ -	\$ 175,710	\$ 175,710

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 100	\$ 100	\$ 1,300	\$ 1,200
Miscellaneous	800	800	2,689	1,889
<i>Total Revenues</i>	900	900	3,989	3,089
EXPENDITURES				
Capital outlay	29,000	29,000	9,925	19,075
Contingency	1,704	1,704	-	1,704
<i>Total Expenditures</i>	30,704	30,704	9,925	20,779
REVENUES OVER (UNDER) EXPENDITURES	(29,804)	(29,804)	(5,936)	23,868
OTHER FINANCING SOURCES				
Transfers in	5,000	5,000	5,000	-
NET CHANGE IN FUND BALANCE	(24,804)	(24,804)	(936)	23,868
FUND BALANCE, beginning of year	24,804	24,804	41,546	16,742
FUND BALANCE, end of year	\$ -	\$ -	\$ 40,610	\$ 40,610

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 500	\$ 500	\$ 1,709	\$ 1,209
EXPENDITURES				
Capital outlay	90,000	90,000	-	90,000
Contingency	3,505	3,505	-	3,505
<i>Total Expenditures</i>	<u>93,505</u>	<u>93,505</u>	<u>-</u>	<u>93,505</u>
REVENUES OVER (UNDER) EXPENDITURES	(93,005)	(93,005)	1,709	94,714
OTHER FINANCING SOURCES				
Transfers in	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(53,005)	(53,005)	41,709	94,714
FUND BALANCE, beginning of year	<u>53,005</u>	<u>53,005</u>	<u>53,218</u>	<u>213</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,927</u>	<u>\$ 94,927</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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 200	\$ 200	\$ 549	\$ 349
EXPENDITURES				
Capital outlay	26,000	26,000	25,812	188
Contingency	1,825	1,825	-	1,825
<i>Total Expenditures</i>	27,825	27,825	25,812	2,013
REVENUES OVER (UNDER) EXPENDITURES	(27,625)	(27,625)	(25,263)	2,362
OTHER FINANCING SOURCES				
Transfers in	22,000	22,000	22,000	-
NET CHANGE IN FUND BALANCE	(5,625)	(5,625)	(3,263)	2,362
FUND BALANCE, beginning of year	5,625	5,625	5,709	84
FUND BALANCE, end of year	\$ -	\$ -	\$ 2,446	\$ 2,446

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 889,850	\$ 889,850	\$ 928,672	\$ 38,822
Miscellaneous	2,750	2,750	7,909	5,159
<i>Total Revenues</i>	892,600	892,600	936,581	43,981
EXPENDITURES				
Personal services	246,084	246,084	213,769	32,315
Materials and services	375,767	375,767	226,617	149,150
Capital outlay	12,000	12,000	9,372	2,628
Contingency	208,849	208,849	-	208,849
<i>Total Expenditures</i>	842,700	842,700	449,758	392,942
REVENUES OVER (UNDER) EXPENDITURES	49,900	49,900	486,823	436,923
OTHER FINANCING SOURCES (USES)				
Transfers out	(402,000)	(402,000)	(402,000)	-
NET CHANGE IN FUND BALANCE	(352,100)	(352,100)	84,823	436,923
FUND BALANCE, beginning of year	477,100	477,100	561,509	84,409
FUND BALANCE, end of year	\$ 125,000	\$ 125,000	\$ 646,332	\$ 521,332

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 417,550	\$ 417,550	\$ 437,661	\$ 20,111
Miscellaneous	1,250	1,250	4,744	3,494
<i>Total Revenues</i>	418,800	418,800	442,405	23,605
EXPENDITURES				
Personal services	177,076	177,076	155,951	21,125
Materials and services	206,592	206,592	143,368	63,224
Capital outlay	6,500	6,500	2,115	4,385
Contingency	100,000	100,000	-	100,000
<i>Total Expenditures</i>	490,168	490,168	301,434	188,734
REVENUES OVER (UNDER) EXPENDITURES	(71,368)	(71,368)	140,971	212,339
OTHER FINANCING SOURCES (USES)				
Transfers out	(40,000)	(40,000)	(40,000)	-
NET CHANGE IN FUND BALANCE	(111,368)	(111,368)	100,971	212,339
FUND BALANCE, beginning of year	229,629	229,629	257,686	28,057
FUND BALANCE, end of year	\$ 118,261	\$ 118,261	\$ 358,657	\$ 240,396

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 4,242	\$ 4,242	\$ 55,146	\$ 50,904
Miscellaneous	1,500	1,500	4,837	3,337
<i>Total Revenues</i>	5,742	5,742	59,983	54,241
EXPENDITURES				
Capital outlay	162,171	162,171	141,458	20,713
REVENUES OVER (UNDER) EXPENDITURES	(156,429)	(156,429)	(81,475)	74,954
OTHER FINANCING SOURCES (USES)				
Transfers in	150,000	150,000	150,000	-
NET CHANGE IN FUND BALANCE	(6,429)	(6,429)	68,525	74,954
FUND BALANCE, beginning of year	6,429	6,429	21,353	14,924
FUND BALANCE, end of year	\$ -	\$ -	\$ 89,878	\$ 89,878

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 6,500	\$ 6,500	\$ 84,500	\$ 78,000
Miscellaneous	900	900	2,966	2,066
<i>Total Revenues</i>	7,400	7,400	87,466	80,066
EXPENDITURES				
Capital outlay	2,600,000	2,600,000	178,733	2,421,267
Contingency	13,564	13,564	-	13,564
<i>Total Expenditures</i>	2,613,564	2,613,564	178,733	2,434,831
REVENUES OVER (UNDER) EXPENDITURES	(2,606,164)	(2,606,164)	(91,267)	2,514,897
OTHER FINANCING SOURCES (USES)				
Transfers in	30,000	30,000	30,000	-
Proceeds from issuance of debt	2,500,000	2,500,000	85,500	(2,414,500)
<i>Total Other Financing Sources and Uses</i>	2,530,000	2,530,000	115,500	(2,414,500)
NET CHANGE IN FUND BALANCE	(76,164)	(76,164)	24,233	100,397
FUND BALANCE, beginning of year	76,164	76,164	87,702	11,538
FUND BALANCE, end of year	\$ -	\$ -	\$ 111,935	\$ 111,935

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, 2018**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 23,249	\$ 23,249	\$ 23,249	\$ -
Miscellaneous	900	900	3,084	2,184
<i>Total Revenues</i>	24,149	24,149	26,333	2,184
EXPENDITURES				
Debt service				
Principal	207,128	207,128	213,923	(6,795)
Interest	42,323	42,323	35,529	6,794
<i>Total Expenditures</i>	249,451	249,451	249,452	(1)
EXPENDITURES	(225,302)	(225,302)	(223,119)	2,183
OTHER FINANCING SOURCES				
Transfers in	235,000	235,000	235,000	-
NET CHANGE IN FUND BALANCE	9,698	9,698	11,881	2,183
FUND BALANCE, beginning of year	203,637	203,637	203,974	337
FUND BALANCE, end of year	\$ 213,335	\$ 213,335	\$ 215,855	\$ 2,520

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, 2018, and have issued our report thereon dated December 13, 2018.

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.

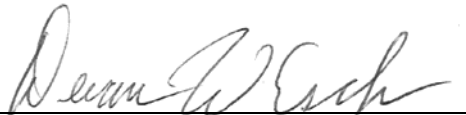
Internal Control Over Financial Reporting

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

December 13, 2018