

CITY OF SUMPTER, OREGON

Report on Audited
Basic
Financial Statements
and
Supplemental Information

For the Year Ended June 30, 2019

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City of Sumpter, Oregon
Principal Officers
For the Year Ended June 30, 2019

COMMON COUNCIL
GOVERNING BOARD

<u>NAME</u>	<u>ADDRESS</u>
Greg Lucas, Mayor	Sumpter, Oregon
Linda Wise, President	Sumpter, Oregon
Charles Briscoe, Councilor	Sumpter, Oregon
Mick Allen, Councilor	Sumpter, Oregon
Jennifer Lake, Councilor	Sumpter, Oregon

OTHER APPOINTED OFFICIALS

Julia McKinney, City Recorder	Sumpter, Oregon
LeAnne Woolf, City Bookkeeper	Sumpter, Oregon
Jeff McKinney, Utility Manager	Sumpter, Oregon



ZWYGART JOHN

CERTIFIED PUBLIC ACCOUNTANTS

Zwygart John & Associates CPAs, PLLC

16130 North Merchant Way, Suite 120 ♦ Nampa, Idaho 83687

Phone: 208-459-4649 ♦ FAX: 208-229-0404

Independent Auditor's Report

Honorable Mayor
and City Council
City of Sumpter Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Sumpter, 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, required by accounting principles generally accepted in the United States of America.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the City of Sumpter, Oregon, as of June 30, 2019, and the changes in its financial position and its cash flows, where applicable, for the year then ended.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedules on pages 26 through 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board of who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sumpter, Oregon's basic financial statements. The budgetary comparison schedule – water bonded debt fund and the schedule of revenues, expenditures, and transfers for the water utility fund and sewer utility fund are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedule – water bonded debt fund and the schedule of revenues, expenditures, and transfers for the water utility fund and sewer utility fund are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the

basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule – water bonded debt fund and the schedule of revenues, expenditures, and transfers for the water utility fund and sewer utility fund are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Oregon Revised Statutes

In accordance with 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, we have issued our report dated December 6, 2021 on our consideration of the City of Sumpter's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations in considering the City of Sumpter's internal control over financial reporting and compliance.

Zwyzart John and Associates, CPAs, PLLC

By: *Jordan Zwyzart*

Nampa, Idaho
December 6, 2021

City of Sumpter, Oregon
Statement of Net Position
June 30, 2019

	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets			
Cash and investments	\$ -	\$ 123,152	\$ 123,152
Internal Balance	(35,372)	35,372	-
Receivables			
Taxes	13,762	-	13,762
Customer accounts receivables, net of allowance for doubtful accounts	-	9,682	9,682
Total Current Assets	<u>(21,610)</u>	<u>168,206</u>	<u>146,596</u>
Noncurrent Assets			
Capital assets			
Land	56,550	234,669	291,219
Non-depreciable Infrastructure	88,440	-	88,440
Depreciable Infrastructure	34,444	-	34,444
Buildings and Structures	205,443	40,025	245,468
Equipment and Vehicles	240,953	-	240,953
Collection and Distribution System	-	4,077,039	4,077,039
Less: Accumulated depreciation	(243,292)	(1,872,747)	(2,116,039)
Total Noncurrent Assets	<u>382,538</u>	<u>2,478,986</u>	<u>2,861,524</u>
Total Assets	<u>360,928</u>	<u>2,647,192</u>	<u>3,008,120</u>
Liabilities			
Current Liabilities			
Accounts payable	\$ 36,651	\$ 11,280	\$ 47,931
Payroll liabilities	1,183	6,521	7,704
Advance Deposits	-	2,470	2,470
Accrued Interest Payable	11,050	-	11,050
Current Portion of Notes Payable	16,645	16,674	33,319
Total Current Liabilities	<u>65,529</u>	<u>36,945</u>	<u>102,474</u>
Long-term liabilities			
Notes Payable	678,143	61,819	739,962
Total Long Term Liabilities	<u>678,143</u>	<u>61,819</u>	<u>739,962</u>
Total Liabilities	<u>743,672</u>	<u>98,764</u>	<u>842,436</u>
Net Position			
Net Investment in Capital Assets	(312,250)	2,400,493	2,088,243
Unrestricted	(70,494)	147,935	77,441
Total Net Position	<u>\$ (382,744)</u>	<u>\$ 2,548,428</u>	<u>\$ 2,165,684</u>

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

City of Sumpter, Oregon
Statement of Activities
For the Year Ended June 30, 2019

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	205,589	\$ 4,174	\$ -	\$ -	\$ (201,415)	\$ -	\$ (201,415)
Public Safety	13,684	9,940	-	-	(3,744)	-	(3,744)
Highway and streets	154,466	-	-	25,000	(129,466)	-	(129,466)
Parks	8,183	-	-	-	(8,183)	-	(8,183)
Interest on Debt Service Payments	31,751	-	-	-	(31,751)	-	(31,751)
Total Governmental Activities	413,673	14,114	-	25,000	(374,559)	-	(374,559)
Business-type Activities:							
Water Utility	\$ 160,402	\$ 107,038	\$ -	\$ -	-	(53,364)	(53,364)
Sewer Utility	70,775	122,715	-	-	-	51,940	51,940
Total Business-type Activities	231,177	229,753	-	-	-	(1,424)	(1,424)
Total Primary Government	\$ 644,850	\$ 243,867	\$ -	\$ 25,000	(374,559)	(1,424)	(375,983)

General Revenues:			
Property Taxes	173,907	-	173,907
Intergovernmental	21,086	-	21,086
Permits and Fees	43,579	-	43,579
Other	6,980	-	6,980
Total General Revenues and Special Items	245,552	-	245,552
Change in Net Position	(129,007)	(1,424)	(130,431)
Net Position, Beginning of Year	(253,737)	2,549,852	2,296,115
Net Position, End of Year	\$ (382,744)	\$ 2,548,428	\$ 2,165,684

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

City of Sumpter, Oregon
 Balance Sheet -
 Governmental Funds
 June 30, 2019

	General	Water Bonded Debt Fund	State Tax Street Fund	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
Property taxes receivable	5,030	8,732	-	13,762
Total Assets	\$ 5,030	\$ 8,732	\$ -	\$ 13,762
Liabilities, Deferred Inflows of Resources, and Fund Balance				
Liabilities				
Internal Balance	\$ 8,713	\$ 9,401	\$ 17,258	\$ 35,372
Account payable	35,022	-	1,629	36,651
Payroll liabilities	1,114	-	69	1,183
Total Liabilities	44,849	9,401	18,956	73,206
Deferred Inflows of Resources				
Deferred Revenue - Property Tax	4,741	8,566	-	13,307
Total Deferred Inflows	4,741	8,566	-	13,307
Fund Balances				
Unassigned	(44,560)	(9,235)	(18,956)	(72,751)
Total Fund Balances	(44,560)	(9,235)	(18,956)	(72,751)
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 5,030	\$ 8,732	\$ -	\$ 13,762

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

City of Sumpter, Oregon
 Reconciliation of the Balance Sheet of the
 Governmental Funds to the Statement of Net Position
 June 30, 2019

Total Fund Balances - Governmental Funds	\$	(72,751)
<p>Amounts reported for governmental activities in the Statement of Net Position are different because of the following:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. The cost of assets consist of:</p>		
Capital Assets, Net of \$243,292 Accumulated Depreciation		382,538
<p>Property taxes receivable will be collected this year, but are not available soon enough to pay for current period's expenditures, and, therefore, are deferred in the funds.</p>		
		13,307
<p>Long-term liabilities, applicable to the City's governmental activities, are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the Statement of Net Position.</p>		
Accrued Interest	\$ (11,050)	
Notes Payable	<u>(694,788)</u>	
		<u>(705,838)</u>
Net Position of Governmental Activities	\$	<u><u>(382,744)</u></u>

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

City of Sumpter, Oregon
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2019

	General	Water Bonded Debt Fund	State Tax Street Fund	Total Governmental Funds
Revenues				
Taxes	\$ 125,714	\$ 41,738	\$ -	\$ 167,452
Intergovernmental revenues	6,079	-	15,007	21,086
Grants	-	-	25,000	25,000
Permits and Franchise Fees	43,579	-	-	43,579
Charges for Services	4,174	-	-	4,174
Vendor Fees	-	-	9,940	9,940
Miscellaneous revenues	6,980	-	-	6,980
Total Revenues	<u>186,526</u>	<u>41,738</u>	<u>49,947</u>	<u>278,211</u>
Expenditures				
Current:				
General government	196,414	-	-	196,414
Parks	8,183	-	-	8,183
Highway and streets	-	-	152,137	152,137
Public safety	10,034	-	-	10,034
Capital outlay	301	-	2,329	2,630
Debt Service:				
Principal	-	15,926	-	15,926
Interest	-	32,027	-	32,027
Total Expenditures	<u>214,932</u>	<u>47,953</u>	<u>154,466</u>	<u>417,351</u>
Net Change in Fund Balances	(28,406)	(6,215)	(104,519)	(139,140)
Fund Balances - Beginning	(16,154)	(3,020)	85,563	66,389
Fund Balances - Ending	<u>\$ (44,560)</u>	<u>\$ (9,235)</u>	<u>\$ (18,956)</u>	<u>\$ (72,751)</u>

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

City of Sumpter, Oregon
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances of the
 Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2019

Total Net Change in Fund Balance - Governmental Funds \$ (139,140)

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their useful lives as depreciation expense. Because of this, gains or losses on disposals only appear in the Statement of Activities as well. In the current period these amounts are:

Capital Outlay	\$	-	
Depreciation Expense		(12,524)	
Net		<u>(12,524)</u>	(12,524)

Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are, instead, counted as unearned tax revenues. They are, however, recorded as revenues in the Statement of Activities. 6,455

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Proceeds received from issuance of debt		-	
Repayment of Bond and Municipal Lease Principal		16,202	

Change in Net Position of Governmental Activities \$ (129,007)

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

City of Sumpter, Oregon
Statement of Net Position - Proprietary Funds
June 30, 2019

	Water Utility Fund	Sewer Utility Fund	Total
Assets			
Current Assets:			
Cash and investments	\$ 34,551	\$ 88,601	\$ 123,152
Interenal Balance	-	35,372	35,372
Customer accounts receivable, net of allowance of doubtful accounts	6,631	3,051	9,682
Total Current Assets	41,182	127,024	168,206
Noncurrent Assets:			
Capital Assets:			
Land	2,250	232,419	234,669
Machinery and Equipment	31,833	8,192	40,025
Collection and Distribution System	3,095,150	981,889	4,077,039
Less: Accumulated Depreciation	(1,223,477)	(649,270)	(1,872,747)
Total Noncurrent Assets	1,905,756	573,230	2,478,986
Total Assets	1,946,938	700,254	2,647,192
Liabilities			
Current Liabilities:			
Accounts Payable	6,127	5,153	11,280
Payroll Liabilities	3,900	2,621	6,521
Advance Deposits	2,470	-	2,470
Current Portion of Notes Payable	-	16,674	16,674
Total Current Liabilities	12,497	24,448	36,945
Long-term Liabilities:			
Notes Payable, Due After One Year	-	61,819	61,819
Total Long-term Liabilities	-	61,819	61,819
Total Liabilities	12,497	86,267	98,764
Net Position			
Net Investment in Capital Assets	1,905,756	494,737	2,400,493
Unrestricted	28,685	119,250	147,935
Total Net Position	\$ 1,934,441	\$ 613,987	\$ 2,548,428

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

City of Sumpter, Oregon
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
For the Year Ended June 30, 2019

	<u>Water Utility Fund</u>	<u>Sewer Utility Fund</u>	<u>Total</u>
Operating Revenues			
Charges for Services	\$ 107,038	\$ 122,715	\$ 229,753
Total Operating Revenues	<u>107,038</u>	<u>122,715</u>	<u>229,753</u>
Operating Expenses			
Personal Services	59,238	12,112	71,350
Operating Expenses	36,038	34,056	70,094
Depreciation	65,126	19,990	85,116
Total Operating Expenses	<u>160,402</u>	<u>66,158</u>	<u>226,560</u>
Operating Income (Loss)	<u>(53,364)</u>	<u>56,557</u>	<u>3,193</u>
Nonoperating Revenues (Expenses)			
Interest expense	-	(4,617)	(4,617)
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>(4,617)</u>	<u>(4,617)</u>
Change in Net Position	(53,364)	51,940	(1,424)
Net Position - Beginning	1,987,805	562,047	2,549,852
Net Position - Ending	<u>\$ 1,934,441</u>	<u>\$ 613,987</u>	<u>\$ 2,548,428</u>

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

City of Sumpter, Oregon
Statement of Cash Flows -
Proprietary Funds
For the Year Ended June 30, 2019

	<u>Water Utility Fund</u>	<u>Sewer Utility Fund</u>	<u>Total</u>
Cash Flows From Operating Activities			
Receipts from Customers	\$ 106,168	\$ 123,958	\$ 230,126
Payments to Suppliers for Goods or Services	(29,911)	(28,863)	(58,774)
Payments to Employees for Services	(55,338)	(9,491)	(64,829)
Net Cash Provided (Used) by Operating Activities	<u>20,919</u>	<u>85,604</u>	<u>106,523</u>
Cash Flows From Noncapital Financing Activities			
Net Cash Provided (Used) by Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities			
Principal Paid on Capital Debt	-	(16,777)	(16,777)
Interest Paid on Capital Debt	-	(4,617)	(4,617)
Net Cash Used by Capital and Related Financing Activities	<u>-</u>	<u>(21,394)</u>	<u>(21,394)</u>
Cash Flows From Investing Activities			
Interest and Dividends	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	20,919	64,210	85,129
Cash and Cash Equivalents, Beginning	13,632	59,763	73,395
Cash and Cash Equivalents, Ending	<u>\$ 34,551</u>	<u>\$ 123,973</u>	<u>\$ 158,524</u>
Displayed As:			
Cash and Cash Equivalents	\$ 34,551	\$ 88,601	\$ 123,152
Internal Balance	-	35,372	35,372
	<u>\$ 34,551</u>	<u>\$ 123,973</u>	<u>\$ 158,524</u>

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

City of Sumpter, Oregon
Statement of Cash Flows -
Proprietary Funds (continued)
For the Year Ended June 30, 2019

	<u>Water Utility Fund</u>	<u>Sewer Utility Fund</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (53,364)	\$ 56,557	\$ 3,193
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	65,126	19,990	85,116
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(2,301)	1,243	(1,058)
Increase (Decrease) in Accounts Payable	6,127	5,193	11,320
Increase (Decrease) in Accrued Payroll and Benefits	3,900	2,621	6,521
Increase (Decrease) in Customer Deposits	1,431	-	1,431
Net Cash Provided by Operating Activities	<u>\$ 20,919</u>	<u>\$ 85,604</u>	<u>\$ 106,523</u>

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

City of Sumpter, Oregon
Notes to Financial Statements
For the Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The City of Sumpter is an Oregon municipal corporation governed by an elected five-member council, which includes a mayor. Since January 2017 there has been a vacancy on the council. The City operates under a revised charter dated June 22, 1972 using the Mayor-Council form of government. The accompanying financial statements present the City in its entirety and there are no other entities for which the City is considered to be financially accountable.

B. Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the City of Sumpter. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or 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 applicant 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.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

City of Sumpter, Oregon
Notes to Financial Statements
For the Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences are recorded only when payment is due.

Property taxes, state apportionments, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and unless immaterial have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

General Fund – The General Fund is the City’s primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

Street Fund – The Street Fund accounts for activity related to street construction and maintenance.

The City reports the following debt services funds:

Water Bonded Debt – The Water Bonded Debt Fund accounts for property tax assessments received from Baker County and related debt used to construct water system assets.

The City reports the following major proprietary funds:

Water Fund – The Water Utility Funds accounts for the operation and maintenance of the City’s water service and distribution facilities.

Sewer Fund – The Sewer Utility Fund accounts for the operation and maintenance of the City’s sewer system including the collection lines and the sewage treatment lagoons and land application site.

In the basic financial statements both the Water and Sewer Funds include related reserve funds.

City of Sumpter, Oregon
Notes to Financial Statements
For the Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, and 2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Utility and Sewer Utility funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the City to invest in obligations of the U.S Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool. Investments for the government are reported at cost which approximated market value. The State Treasurer's Investment Pool operated in accordance with appropriate state laws and regulation. The reported value of the pool is the same as the fair value of the participant balances.

2. Receivables and Payables

All trade receivables are presented net of an allowance for uncollectible accounts. The allowance for uncollectible accounts is considered to be minor. Property taxes receivable are deemed to be 100% collectible as they are secured by a lien on real property with foreclosure proceedings to commence at four years past due.

City of Sumpter, Oregon
Notes to Financial Statements
For the Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Net Position or Equity (continued)

2. Receivables and Payables (continued)

Property taxes are levied as of July 1 on property values assessed as of January 1. The tax levy is divided into three installments: the first installment is due on November 15, the second installment is due February 15 and the third installment is due on May 15. The taxes are considered past due after May 15, at which time the applicable property is subject to penalties and interest.

3. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets and similar items), are reported in the applicable governmental or business-type activities column in the government wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 for all infrastructure and \$1,000 for all other assets, and as estimated useful life in excess of one year. Such assets are recorded at historical cost or estimates historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation.

The costs of normal maintenance and repair that do not add to the value of the asset or material extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized cost of the assets constructed.

Property, plant, and equipment of the City is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings & Building Improvements	40
Public Domain Infrastructure	20-25
System Infrastructure	20-50
Vehicles	5-10
Equipment	5-10

City of Sumpter, Oregon
Notes to Financial Statements
For the Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Net Position or Equity (continued)

4. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation days and compensatory time. The City accrues a liability for compensated absences which meet the following criteria.

- (1) Obligation is attributable to services already rendered.
- (2) Obligation related to rights that vest or accumulate
- (3) Payment of compensation is probable
- (4) The amount can be easily estimated.

5. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. However, most of the City's current long-term debt has been acquired for water system improvements for which it is the City's intention to repay this debt by levy of property taxes (except for the Sewer Fund debt to the Rural Community Assistance Corporation (RCAC) for which the City intends to pay with additional charges to sewer system users). Consequently, except for the RCAC debt, this general obligation debt is not reflected as enterprise fund debt in the accompanying financial statements.

6. Fund Balance and Net Position

In the fund financial statements, the fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Non-spendable fund balance included items not immediately converted to cash, such as prepaid items and inventory. Restricted amounts include unexpended grants and state highway gas tax monies. Unrestricted resources include committed, assigned and unassigned amounts. Deficit fund balances are classified as unassigned. Other than normal budgetary appropriations, which lapse annually at fiscal year end, the City has not formally committed any other funds. Fund balances are considered assigned to the purpose for the fund except for the General Fund where part of the fund balance has been designated as Fire Department reserve (not in use at this time) and the remaining balance is reported as unassigned.

City of Sumpter, Oregon
Notes to Financial Statements
For the Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Net Position or Equity (continued)

6. Fund Balance and Net Position (continued)

In the government-wide statements the balance of the governmental activities net position is shown as invested in fixed assets, unrestricted (if applicable) or restricted if use is restricted by outside sources. For both reporting of fund balances and net position, when both restricted and unrestricted resources are available for expenditure, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

7. Use of Estimates

The preparation of general-purpose financial statements in conformity with accounting principles generally accepted in the United States of America required management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expense during the reporting period. Actual results could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with Oregon Local Budget Law for Municipal Corporations for all funds. All annual appropriations lapse at fiscal year-end.

Before June 30, the proposed budget is presented to the City Council for review. The Council holds public hearings and a final budget must be prepared and adopted no later than June 30.

The City is required by state law to budget substantially all funds. The resolution authorizing the appropriations for each fund sets the level of which expenditures cannot legally exceed appropriations.

The detailed budget document, however, is required to contain more specific detailed information regarding anticipated resources and expenditures. The budget once adopted by the City Council may be modified by the Council by the use of appropriation transfers, by passage of a supplemental budget or by Council resolution regarding grant funds specified for a particular purpose.

City of Sumpter, Oregon
Notes to Financial Statements
For the Year Ended June 30, 2019

3. CASH AND INVESTMENTS

As of June 30, 2019, the carrying amount of the City's deposits were \$21,266 and the respective bank balances totaled \$20,920. All of the total bank balance was insured or collateralized with pooled securities held by the pledging institution in the name of the City.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. As of June 30, 2019, all of the City's deposits were covered by the federal depository insurance or by collateral held by the City's agent or pledging financial institution's trust department or agent in the name of the City, and thus none was exposed to custodial credit risk. The City does not have a formal policy limiting its exposure to custodial credit risk.

Effective July 1, 2008, House Bill 2901 created a shared liability structure for participating bank depositories in Oregon. Barring any exceptions, a qualifying 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 100% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public bank depositories is available to repay the deposits of public funds of government entities.

Custodial Credit Risk – Investments

Custodial credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City does not have a formal policy limiting its custodial credit risk for investments.

Interest Rate Risk

The City does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

Investments

As of June 30, 2019, the City held \$101,886 of investments, which are all classified as cash and investments on the Statement of Net Position. The City does not have a policy for managing interest rate risk or credit risk.

City of Sumpter, Oregon
Notes to Financial Statements
For the Year Ended June 30, 2019

3. CASH AND INVESTMENTS (continued)

Investments (continued)

The City has invested funds in the Oregon Short-term Fund Local Government Investment Pool (LGIP) during the fiscal year 2019. The LGIP 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 external investment pool managed by the State Treasurer's office, which allows governments within the state to pool their funds for investment purposes. The amounts invested in the pool are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry form as defined by GASB Statement No. 40. The Oregon LGIP is unrated for credit quality.

In addition, the Oregon LGIP distributed investment income on an amortized cost basis and participant's equity in the pool is determined by the amount of participant deposits, adjusted for withdrawals and distributed income. Accordingly, the adjustment to fair value would not represent an expendable increase in the City's cash position.

Investments in the Oregon LGIP are made under the provisions of ORS 194.180. These funds are held in the City's name and are not subject to collateralization requirements of ORS 295.018. Investments are stated at cost, which is approximated fair value.

A separate financial report for the Oregon LGIP is prepared by the Secretary of State Audits Division in accordance with GASB Statement No. 31, *Accounting and financial Reporting for Certain Investment Pools*. Copies of the report can be obtained from the Oregon Audits Division, 255 Capital Street NE, Suite 500 Salem, OR 97310 or online at <http://www.sos.state.or.us/audits/index.html>.

Oregon statutes restrict the types of investments in which the City may invest. Authorized investments include obligations of the United States government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, banker's acceptances, time certificates of deposit, certain commercial paper, and the Oregon LGIP. As of June 30, 2019, and for the year then ended, the City was in compliance with the aforementioned Oregon statutes.

At June 30, 2019, cash and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ (137,258)	\$ 158,524	\$ 21,266
Investments categorized as cash	101,886	-	101,886
	\$ (35,372)	\$ 158,524	\$ 123,152

City of Sumpter, Oregon
Notes to Financial Statements
For the Year Ended June 30, 2019

4. RECEIVABLES

Receivables as of June 30, 2019, for the City's individual major funds and non-major funds in the aggregate, including the applicable allowance for uncollectible accounts are as follows:

	<u>General Fund</u>	<u>Water Bonded Debt Fund</u>	<u>Water Utility Fund</u>	<u>Sewer Utility Fund</u>	<u>Total</u>
Receivables:					
Property Taxes	\$5,030	\$ 8,732	\$ -	\$ -	\$ 13,762
Trade Accounts Receivable	-	-	6,631	3,051	9,682
Gross Receivables	<u>5,030</u>	<u>8,732</u>	<u>6,631</u>	<u>3,051</u>	<u>23,444</u>
Less: Allowance for Uncollectible	-	-	-	-	-
Net Total Receivables	<u>\$5,030</u>	<u>\$ 8,732</u>	<u>\$6,631</u>	<u>\$ 3,051</u>	<u>\$23,444</u>

Governmental funds report deferred revenue in connection with receivable for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. The end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

Delinquent Property Taxes Receivable	<u>Unavailable</u>
	<u>\$ 13,307</u>

City of Sumpter, Oregon
Notes to Financial Statements
For the Year Ended June 30, 2019

5. CAPITAL ASSETS

Capital asset activity for the year ended is as follows:

	Balance 6/30/2018	Additions	Disposals	Balance 6/30/2019
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 56,550	\$ -	\$ -	\$ 56,550
Non-Depreciable Infrastructure	88,440	-	-	88,440
Total Nondepreciable Assets	<u>144,990</u>	-	-	<u>144,990</u>
Capital Assets Being Depreciated:				
Depreciable Infrastructure	34,444	-	-	34,444
Buildings and Improvements	240,953	-	-	240,953
Machinery and Equipment	205,443	-	-	205,443
Total Depreciable Assets	<u>480,840</u>	-	-	<u>480,840</u>
Less: Accumulated Depreciation				
Depreciable Infrastructure	1,033	689	-	1,722
Buildings and Improvements	100,944	6,185	-	107,129
Machinery and Equipment	128,791	5,650	-	134,441
Total Accumulated Depreciation	<u>230,768</u>	<u>12,524</u>	-	<u>243,292</u>
Net Depreciable Assets	<u>250,072</u>	<u>(12,524)</u>	-	<u>237,548</u>
Governmental Activities Capital Assets - Net	<u>\$ 395,062</u>	<u>\$ (12,524)</u>	<u>\$ -</u>	<u>\$ 382,538</u>
	Balance 6/30/2018	Additions	Disposals	Balance 6/30/2019
<u>Business-type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 234,669	\$ -	\$ -	\$ 234,669
Total Nondepreciable Assets	<u>234,669</u>	-	-	<u>234,669</u>
Capital Assets Being Depreciated:				
Collection and Distribution System	4,077,039	-	-	4,077,039
Machinery and Equipment	40,025	-	-	40,025
Total Depreciable Assets	<u>4,117,064</u>	-	-	<u>4,117,064</u>
Less: Accumulated Depreciation				
Total Accumulated Depreciation	<u>1,787,631</u>	<u>85,116</u>	-	<u>1,872,747</u>
Net Depreciable Assets	<u>2,329,433</u>	<u>(85,116)</u>	-	<u>2,244,317</u>
Governmental Activities Capital Assets - Net	<u>\$ 2,564,102</u>	<u>\$ (85,116)</u>	<u>\$ -</u>	<u>\$ 2,478,986</u>

City of Sumpter, Oregon
Notes to Financial Statements
For the Year Ended June 30, 2019

5. CAPITAL ASSETS (continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 8,874
Public Safety	<u>3,650</u>
	<u>\$ 12,524</u>
 <u>Business-type Activities:</u>	
Water	\$ 65,126
Sewer	<u>19,990</u>
	<u>\$ 85,116</u>

6. Long-Term Debt

<u>Description</u>	<u>Maturity</u>	<u>Rate</u>	<u>6/30/2018</u>	<u>Increase</u>	<u>Decrease</u>	<u>6/30/2019</u>	<u>Current</u>
<u>Governmental Activities</u>							
Bond Series 2003	2/1/2043	4.500%	\$ 710,736	\$ -	\$ (15,948)	\$ 694,788	\$ 16,645
Total Governmental Activities			<u>\$ 710,736</u>	<u>\$ -</u>	<u>\$ (15,948)</u>	<u>\$ 694,788</u>	<u>\$ 16,645</u>
 <u>Business-Type Activities</u>							
Rural Community Assistance Corp #1	5/1/2020	6.25%	\$ 24,278	\$ -	\$ (12,305)	\$ 11,973	\$ 11,973
Rural Community Assistance Corp #2	5/1/2030	5.00%	70,992	-	(4,472)	66,520	4,701
Total Business-Type Activities			<u>\$ 95,270</u>	<u>\$ -</u>	<u>\$ (16,777)</u>	<u>\$ 78,493</u>	<u>\$ 16,674</u>

Future maturities of unmatured general obligation bond principal and interest for the fiscal years ending are as follows:

<u>June 30,</u>	<u>Governmental Activities</u>			<u>Business-Type Activities</u>			<u>Totals</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 16,645	\$ 31,266	\$ 47,911	\$ 16,674	\$ 3,597	\$ 3,118	\$ 33,319	\$ 34,863	\$ 68,182
2021	17,394	30,517	47,911	4,941	2,979	2,679	22,335	33,496	55,831
2022	18,176	29,735	47,911	5,194	2,726	2,225	23,370	32,461	55,831
2023	18,994	28,917	47,911	5,460	2,460	1,757	24,454	31,377	55,831
2024	19,849	28,062	47,911	5,739	2,181	1,275	25,588	30,243	55,831
2025 - 2029	113,475	126,080	239,555	33,412	6,188	39,600	146,887	132,268	279,155
2030 - 2034	141,410	98,145	239,555	7,073	175	7,248	148,483	98,320	246,803
2035 - 2039	176,223	63,332	239,555	-	-	-	176,223	63,332	239,555
2040 - 2043	172,622	19,908	192,530	-	-	-	172,622	19,908	192,530
	<u>\$ 694,788</u>	<u>\$ 455,962</u>	<u>\$ 1,150,750</u>	<u>\$ 78,493</u>	<u>\$ 20,306</u>	<u>\$ 57,902</u>	<u>\$ 773,281</u>	<u>\$ 476,268</u>	<u>\$ 1,249,549</u>

The general obligation bonds issued on February 21, 2003 are payable February 21st each year with the first payment made February 21, 2004 and is paid from Water Bonded Debt Fund. The Rural Community Assistance Corporation debt is record in and paid from the Sewer Utility Fund.

City of Sumpter, Oregon
Notes to Financial Statements
For the Year Ended June 30, 2019

7. RISK MANAGEMENT

The City is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past four years. The City obtains most of its insurance coverage through City County Insurance Services Trust of Oregon under an insurance pooling arrangement in which many cities and counties in Oregon participate. The risk of additional assessments to the City over contributions previously paid is presently deemed remote by City management.

8. CONTINGENT LIABILITIES

By letter dated December 14, 2012 the City was notified by the Oregon Department of Environmental Quality (DEQ) that the City had violated its permit to treat municipal waste water with a storage lagoon and a recycled irrigation system. The letter cites three specific violations and indicates the City must take immediate corrective action. The letter also indicates the violations posed the risk of significant environmental harm and the matters (the violations cited in the letter) are being referred to the DEQ's Office of Compliance and Enforcement. The DEQ assessed the City fines of \$9,907 dating back to the alleged violations since 2010. DEQ has allowed the City to pay 20% of the amount assessed as a fine, and the remaining 80% towards updating the effluent sprinkler system. The City has until June 2019 to spend these funds.

After fiscal year end, but prior to the issuance date of the audit report, two lawsuits were active for the City. One lawsuit involves the decision to vacate a City street, and the City and the Plaintiff have agreed to terms to end the lawsuit. No additional costs outside of legal fees were incurred. The other lawsuit was filed by former employees and alleges that they were not compensated correctly during their term of employment. This lawsuit is in its early stages and, at this time, no loss contingency can be reasonably estimated.

9. SUBSEQUENT EVENTS

Pending litigation involves a dispute between a City council member and the City of Sumpter regarding additional water and sewer lines for the council member's property. The council member applied for a permit to build temporary living quarters above a shop located on his property and he alleged that the permit allowed for additional water and sewer services to the shop. The council member filed a lawsuit against the City of Sumpter alleging breach of contract. The parties have reached a tentative settlement and are currently finalizing a written agreement.

Management considered all other subsequent events through the date of the report.

City of Sumpter, Oregon
Notes to Financial Statements
For the Year Ended June 30, 2019

10. LEGAL COMPLIANCE – BUDGETS

The City is required by state law to budget its governmental and proprietary fund types. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Appropriations lapse annually at fiscal year-end. Total appropriations by each department or other reporting category are the levels of control for each fund established by the resolution. The detail budget document, however, is required to contain more specific, detailed information for the above-mentioned expenditure categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget or an authorizing resolution. A supplemental budget generally requires hearings before the public, publications in newspapers (unless the estimated expenditures are increased by 10% or less of the original appropriations). Original supplemental budgets may be modified by the use of appropriation transfers between the levels of control.

The City provided for additional expenses by authorizing resolutions and also made appropriation transfers during the year ended June 30, 2019.

11. DEFICIT FUND BALANCES

At June 30, 2019 the General Fund had a deficit balance of \$44,560. The Water Bonded Debt Fund had a deficit balance of \$9,235 as expenditures exceeded resources for the year. The State Tax Street Fund has a deficit fund balance of \$18,956. All of the deficit fund balances have been financed mainly by interfund loans. The City intends to repay these loans by closely monitoring expenditures over a multi-year period.

12. INTERFUND BALANCES

A summary of interfund balances is as follows:

\$8,713	Loan from the Sewer Utility Fund to the General Fund to cover cash overdraft
9,401	Loan from the Sewer Utility Fund to the Water Bonded Debt Fund to cover cash overdraft
17,258	Loan from the Sewer Utility Fund to the State Tax Street Fund to cover cash overdraft
<u>\$35,372</u>	

REQUIRED SUPPLEMENTARY INFORMATION

City of Sumpter, Oregon
 Budgetary (GAAP Basis) Comparison Schedule
 General Fund
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Taxes	\$ 30,145	\$ 30,145	\$ 125,714	\$ 95,569
Intergovernmental revenues	31,700	31,700	6,079	(25,621)
Permits and Franchise Fees	20,000	20,000	4,174	(15,826)
Charges for Services	73,050	73,050	43,579	(29,471)
Vendor Fees	-	-	-	-
Miscellaneous revenues	16,490	16,490	6,980	(9,510)
Total Revenues	<u>171,385</u>	<u>171,385</u>	<u>186,526</u>	<u>15,141</u>
Expenditures				
Current:				
General government				
Personal Services	16,082	16,082	121,551	(105,469)
Materials and Services	50,938	50,938	74,863	(23,925)
Capital Outlay	23,385	23,385	301	23,084
Parks				
Personal Services	9,315	9,315	-	9,315
Materials and Services	29,000	29,000	8,183	20,817
Public safety				
Personal Services	2,550	2,550	73	2,477
Materials and Services	16,585	16,585	7,287	9,298
Capital Outlay	22,000	22,000	2,674	19,326
Total Expenditures	<u>169,855</u>	<u>169,855</u>	<u>214,932</u>	<u>(45,077)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,530</u>	<u>1,530</u>	<u>(28,406)</u>	<u>(29,936)</u>
Other Financing Sources (Uses)				
Transfers In	54,970	54,970	-	(54,970)
Transfers Out	(60,000)	(60,000)	-	60,000
Total Other Financing Sources (Uses)	<u>(5,030)</u>	<u>(5,030)</u>	<u>-</u>	<u>5,030</u>
Net Change in Fund Balances	(3,500)	(3,500)	(28,406)	(24,906)
Fund Balances - Beginning	3,500	3,500	(16,154)	(19,654)
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (44,560)</u>	<u>\$ (44,560)</u>

City of Sumpter, Oregon
 Budgetary (GAAP Basis) Comparison Schedule
 State Tax Street Fund
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Intergovernmental Revenues	\$ 36,000	\$ 36,000	\$ 15,007	\$ (20,993)
Vendor Fees	4,600	4,600	9,940	5,340
Grants	50,000	50,000	25,000	(25,000)
Miscellaneous revenues	7,185	7,185	-	(7,185)
Total Revenues	<u>97,785</u>	<u>97,785</u>	<u>49,947</u>	<u>(47,838)</u>
Expenditures				
Personal services	29,200	29,200	44,837	(15,637)
Materials and services	20,835	20,835	107,300	(86,465)
Capital outlay	130,500	130,500	2,329	128,171
Contingency	0	0	-	-
Total Expenditures	<u>180,535</u>	<u>180,535</u>	<u>154,466</u>	<u>26,069</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(82,750)</u>	<u>(82,750)</u>	<u>(104,519)</u>	<u>(21,769)</u>
Other Financing Sources (Uses)				
Sale of Assets	-	-	-	-
Transfers In	750	750	-	(750)
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>750</u>	<u>750</u>	<u>-</u>	<u>(750)</u>
Net Change in Fund Balances	<u>(82,000)</u>	<u>(82,000)</u>	<u>(104,519)</u>	<u>(22,519)</u>
Fund Balances - Beginning	82,000	82,000	85,563	3,563
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (18,956)</u>	<u>\$ (18,956)</u>

City of Sumpter, Oregon
Notes to Required Supplementary Information
For the Year Ended June 30, 2019

1. BUDGETS AND BUDGETARY ACCOUNTING

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- A. Prior to June 1, the Department Heads, the City Treasurer, Mayor, and City Council prepare a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- B. Public hearings are conducted at the City Hall to obtain landowner and resident comments.
- C. Prior to July 1, the budget is legally enacted through passage of an ordinance.
- D. The City is authorized to transfer budgeted amounts between departments within any non-enterprise fund; however, no revision can be made to increase the overall tax supported funds except when federal or state grants are approved. The City, however, must follow the same budgetary procedures as they followed when the original budget was approved. The budget for enterprise funds may also be revised in the same manner as those situations involving federal and state grants.
- E. Formal budgetary integration is employed as a management control device during the year for the General fund and Special Revenue funds.

SUPPLEMENTAL INFORMATION

City of Sumpter, Oregon
 Budgetary Comparison Schedule
 Water Bonded Debt Fund
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Taxes	\$ 48,900	\$ 48,900	\$ 41,738	\$ (7,162)
Total Revenues	<u>48,900</u>	<u>48,900</u>	<u>41,738</u>	<u>(7,162)</u>
Expenditures				
Debt Service:				
Principal	14,000	14,000	15,926	(1,926)
Interest	34,000	34,000	32,027	1,973
Contingency	900	900	-	900
Total Expenditures	<u>48,900</u>	<u>48,900</u>	<u>47,953</u>	<u>947</u>
Net Change in Fund Balances	-	-	(6,215)	(6,215)
Fund Balances - Beginning	-	-	(3,020)	(3,020)
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,235)</u>	<u>\$ (9,235)</u>

City of Sumpter, Oregon
 Budgetary (GAAP Basis) Comparison Schedule
 Water Utility Fund
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Charges for Services	\$ 131,490	\$ 131,490	\$ 107,042	(24,448)
Miscellaneous revenues	410	410	(4)	(414)
Total Revenues	<u>131,900</u>	<u>131,900</u>	<u>107,038</u>	<u>(24,862)</u>
Expenditures				
Personal Services	61,200	61,200	59,238	1,962
Operating Expenses	61,800	61,800	36,038	25,762
Capital Outlay	42,000	42,000	-	42,000
Depreciation	-	-	65,126	(65,126)
Contingency Reserve	400	400	-	400
Total Expenditures	<u>165,400</u>	<u>165,400</u>	<u>160,402</u>	<u>4,998</u>
Excess (Deficiency) of Revenues Over Expenditures				
	<u>(33,500)</u>	<u>(33,500)</u>	<u>(53,364)</u>	<u>(19,864)</u>
Other Financing Sources (Uses)				
Transfer to Water Reserve	13,000	13,000	-	(13,000)
Total Other Financing Sources (Uses)	<u>13,000</u>	<u>13,000</u>	<u>-</u>	<u>(13,000)</u>
Net Change in Fund Balances	(20,500)	(20,500)	(53,364)	(32,864)
Fund Balances - Beginning	20,500	20,500	1,987,805	1,967,305
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,934,441</u>	<u>\$ 1,934,441</u>

Note: For financial reporting purposes this fund is the combination of the Water Utility Fund and the Water Reserve Fund.

City of Sumpter, Oregon
 Budgetary (GAAP Basis) Comparison Schedule
 Sewer Utility Fund
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Charges for Services	\$ 143,300	\$ 143,300	\$ 122,715	(20,585)
Grants	430,000	430,000	-	(430,000)
Total Revenues	<u>573,300</u>	<u>573,300</u>	<u>122,715</u>	<u>(450,585)</u>
Expenditures				
Personal Services	58,400	58,400	12,112	46,288
Operating Expenses	44,600	44,600	34,056	10,544
Capital Outlay	514,280	514,280	-	514,280
Depreciation	-	-	19,990	(19,990)
Contingency Reserve	5,300	5,300	-	5,300
Total Expenditures	<u>622,580</u>	<u>622,580</u>	<u>66,158</u>	<u>556,422</u>
Excess (Deficiency) of Revenues Over Expenditures				
	<u>(49,280)</u>	<u>(49,280)</u>	<u>56,557</u>	<u>105,837</u>
Other Financing Sources (Uses)				
Interest Expense	-	-	(4,617)	(4,617)
Transfer to Water Reserve	32,280	32,280	-	(32,280)
Total Other Financing Sources (Uses)	<u>32,280</u>	<u>32,280</u>	<u>(4,617)</u>	<u>(36,897)</u>
Net Change in Fund Balances	(17,000)	(17,000)	51,940	68,940
Fund Balances - Beginning	17,000	17,000	562,047	545,047
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 613,987</u>	<u>\$ 613,987</u>

* Loan repayment for prior year loans are required to be budgeted but are not considered additional revenue or additional resources on a generally accepted accounting principle basis.

Note: For financial reporting purposes this fund is the combination of the Sewer Utility Fund and the Sewer Reserve Fund.

STATE REPORT



Independent Auditor's Report Required by Oregon State Regulations

Honorable Mayor
and City Council
City of Sumpter, Oregon

We have audited the basic financial statements of City of Sumpter, Oregon as of and for the year ended June 30, 2019 and have issued our report thereon dated December 6, 2021. We conducted our audit in accordance with auditing standards general accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-330 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 statement 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 include, 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.
- Authorized investment of surplus funds. (ORS Chapter 294)
- Public contracts and purchasing. (ORS Chapter 279A, 279B. and 279C)

In connection with our testing the below 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.

- The City was late in finishing their 2019 audit. They have not received an extension from the State for this audit. This has put them out of compliance with State requirements and their bond covenants.

- Funds with Expenditures over appropriations are as follows:

<u>Fund</u>	<u>Department/Category</u>	<u>Excess Amount</u>
General Fund	General Government: Personal Services	\$ 105,469
General Fund	General Government: Materials and Services	\$ 23,925
State Tax Street Fund	Personal Services	\$ 15,637
State Tax Street Fund	Materials and Services	\$ 86,465
Water Bounded Debt Fund	Debt Service: Principal	\$ 1,926
Water Utility Fund	Depreciation	\$ 65,126
Sewer Utility Fund	Depreciation	\$ 19,990

Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered the City of Sumpter, Oregon's internal control over financial reporting as a basis for designing our auditing procedures 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 of Sumpter, Oregon's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Sumpter, Oregon's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal controls that might be significant deficiencies or material weakness. We did identify certain deficiencies in internal controls over financial reporting, described below, that we consider to be material weakness as defined above.

2019-001: Segregation of Duties

Condition: The City lacks a segregation of duties over recording, reconciling, and approving transactions.

Cause: There was a lack of trained staff to be able to segregate these duties.

Effect: This caused expenses to be coded to incorrect accounts, causing the fund balances to be misstated. This lack of segregation of duties could also lead to other errors to not be deterred or prevented in the normal course of operations.

Recommendations: The City should have trained staff to be able to record and reconcile transactions on a timely basis to make sure items are being recorded correctly. The Mayor and Council should also be reviewing and approving monthly reports to make sure items are being recorded correctly.

View of Responsible Officials and Planned Corrective Actions: The City has hired an outside accountant to help support the finance staff and to review transactions to prevent future errors.

City's Responses to Findings

The City's response to findings identified in our audit is described above. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Zwyzart John & Associates, CPAs, PLLC

By: Jordan Zwyzart

Nampa, Idaho
December 6, 2021