

CITY OF SUMPTER, OREGON

Report on Audited
Basic
Financial Statements
and
Supplemental Information

For the Year Ended June 30, 2018

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City of Sumpter, Oregon
Principal Officers
For the Year Ended June 30, 2018

COMMON COUNCIL
GOVERNING BOARD

<u>NAME</u>	<u>ADDRESS</u>	<u>Term Expiration</u>
Cary Clarke, Mayor	Sumpter, Oregon	December 31, 2018
Robert Armbruster, President	Sumpter, Oregon	December 31, 2018
Samantha Rowan, Councilor	Sumpter, Oregon	December 31, 2018
Linda Wise, Councilor	Sumpter, Oregon	December 31, 2020

OTHER APPOINTED OFFICIALS

Julia McKinney, City Recorder	Sumpter, Oregon	June 14, 2010 - Present
LeAnne Woolf, City Bookkeeper	Sumpter, Oregon	March 14, 2017 – Present
Jeff McKinney, Utility Manager	Sumpter, Oregon	May 01, 2013 - Present



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, 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, 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.

Basis for Adverse Opinion

It was noted that expenses were not being recorded in the proper funds. This causes the expenditures and cash in each fund to be misstated due to expenditures being paid out of the incorrect funds. Expenditures should be recorded in the fund that the expenditure was appropriated to be spent out of. The cumulative effect on each fund cannot be reasonably estimated.

Opinions

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Sumpter, Oregon, as of June 30, 2018, or the changes in its financial position or 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 September 22, 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
September 22, 2021

City of Sumpter, Oregon
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets			
Cash and investments	\$ 67,910	\$ 73,394	\$ 141,304
Receivables			
Taxes	7,085	-	7,085
Customer accounts receivables, net of allowance for doubtful accounts	283	8,624	8,907
Total Current Assets	<u>75,278</u>	<u>82,018</u>	<u>157,296</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	40,256	245,699
Equipment and Vehicles	240,953	-	240,953
Collection and Distribution System	-	4,076,807	4,076,807
Less: Accumulated depreciation	(230,768)	(1,787,589)	(2,018,357)
Total Noncurrent Assets	<u>395,062</u>	<u>2,564,143</u>	<u>2,959,205</u>
Total Assets	<u>470,340</u>	<u>2,646,161</u>	<u>3,116,501</u>
Liabilities			
Current Liabilities			
Accounts payable	\$ 2,037	\$ -	\$ 2,037
Advance Deposits	-	1,039	1,039
Accrued Interest Payable	11,304	-	11,304
Current Portion of Notes Payable	15,928	16,777	32,705
Total Current Liabilities	<u>29,269</u>	<u>17,816</u>	<u>47,085</u>
Long-term liabilities			
Notes Payable	694,808	78,493	773,301
Total Long Term Liabilities	<u>694,808</u>	<u>78,493</u>	<u>773,301</u>
Total Liabilities	<u>724,077</u>	<u>96,309</u>	<u>820,386</u>
Net Position			
Net Investment in Capital Assets	(315,674)	2,468,873	2,153,199
Restricted for Streets	85,563	-	85,563
Unrestricted	(23,626)	80,979	57,353
Total Net Position	<u>\$ (253,737)</u>	<u>\$ 2,549,852</u>	<u>\$ 2,296,115</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, 2018

	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	\$ 108,149	\$ 31,873	\$ -	\$ -	\$ (76,276)	\$ -	\$ (76,276)
Public Safety	21,325	-	-	-	(21,325)	-	(21,325)
Highway and streets	4,881	-	-	-	(4,881)	-	(4,881)
Parks	21,193	-	-	-	(21,193)	-	(21,193)
Interest on Debt Service Payments	33,082	-	-	-	(33,082)	-	(33,082)
Total Governmental Activities	188,630	31,873	-	-	(156,757)	-	(156,757)
Business-type Activities:							
Water Utility	\$ 228,604	\$ 123,284	\$ -	\$ -	-	(105,320)	(105,320)
Sewer Utility	98,794	116,328	-	-	-	17,534	17,534
Total Business-type Activities	327,398	239,612	-	-	-	(87,786)	(87,786)
Total Primary Government	\$ 516,028	\$ 271,485	\$ -	\$ -	(156,757)	(87,786)	(244,543)
General Revenues:							
Property Taxes					106,299	-	106,299
Intergovernmental					30,102	-	30,102
Permits and Fees					29,936	-	29,936
Other					101,055	-	101,055
Total General Revenues and Special Items					267,392	-	267,392
Change in Net Position					110,635	(87,786)	22,849
Net Position, Beginning of Year					(364,372)	2,637,638	2,273,266
Net Position, End of Year					\$ (253,737)	\$ 2,549,852	\$ 2,296,115

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

City of Sumpter, Oregon
 Balance Sheet -
 Governmental Funds
 June 30, 2018

	General	Water Bonded Debt Fund	State Tax Street Fund	Non-Major Fund Governmental Funds (Oregon Rev. Sharing Fund)	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ -	\$ -	\$ 67,910	\$ -	\$ 67,910
Internal Balance	-	-	17,653	-	17,653
Property taxes receivable	2,579	4,506	-	-	7,085
Accounts receivable	283	-	-	-	283
Total Assets	\$ 2,862	\$ 4,506	\$ 85,563	\$ -	\$ 92,931
Liabilities, Deferred Inflows of Resources, and Fund Balance					
Liabilities					
Internal Balance	14,482	3,171	-	-	17,653
Account payable	2,037	-	-	-	2,037
Total Liabilities	16,519	3,171	-	-	19,690
Deferred Inflows of Resources					
Deferred Revenue - Property Tax	2,497	4,355	-	-	6,852
Total Deferred Inflows	2,497	4,355	-	-	6,852
Fund Balances					
Restricted	-	-	85,563	-	85,563
Unassigned	(16,154)	(3,020)	-	-	(19,174)
Total Fund Balances	(16,154)	(3,020)	85,563	-	66,389
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 2,862	\$ 4,506	\$ 85,563	\$ -	\$ 92,931

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, 2018

Total Fund Balances - Governmental Funds	\$	66,389
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Amounts reported for governmental activities in the Statement of Net Position are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. The cost of assets consist of:

Capital Assets, Net of \$230,768 Accumulated Depreciation	\$	395,062
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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.		6,852
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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.

Accrued Interest	\$	(11,304)	
Notes Payable		(710,736)	
			(722,040)

Net Position of Governmental Activities	\$	(253,737)
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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, 2018

	General	Water Bonded Debt Fund	State Tax Street Fund	Non-Major Fund Other Governmental Funds (Oregon Rev. Sharing Fund)	Total Governmental Funds
Revenues					
Taxes	\$ 65,746	\$ 38,723	\$ -	\$ -	\$ 104,469
Intergovernmental revenues	18,362	-	11,740	-	30,102
Permits and Franchise Fees	29,936	-	-	-	29,936
Charges for Services	31,873	-	-	-	31,873
Vendor Fees	-	-	-	-	-
Miscellaneous revenues	21,595	-	79,460	-	101,055
Total Revenues	<u>167,512</u>	<u>38,723</u>	<u>91,200</u>	<u>-</u>	<u>297,435</u>
Expenditures					
Current:					
General government	99,901	-	-	-	99,901
Parks	21,193	-	-	-	21,193
Highway and streets	-	-	4,881	-	4,881
Public safety	15,552	-	-	-	15,552
Debt Service:					
Principal	-	15,243	-	-	15,243
Interest	-	32,668	-	-	32,668
Total Expenditures	<u>136,646</u>	<u>47,911</u>	<u>4,881</u>	<u>-</u>	<u>189,438</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>30,866</u>	<u>(9,188)</u>	<u>86,319</u>	<u>-</u>	<u>107,997</u>
Other Financing Resources (Uses)					
Transfers In	3,836	-	-	-	3,836
Transfers Out	-	-	-	(3,836)	(3,836)
Total Other Financing Sources (Uses)	<u>3,836</u>	<u>-</u>	<u>-</u>	<u>(3,836)</u>	<u>-</u>
Net Change in Fund Balances	34,702	(9,188)	86,319	(3,836)	107,997
Fund Balances - Beginning	(50,856)	6,168	(756)	3,836	(41,608)
Fund Balances - Ending	<u>\$ (16,154)</u>	<u>\$ (3,020)</u>	<u>\$ 85,563</u>	<u>\$ -</u>	<u>\$ 66,389</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, 2018

Total Net Change in Fund Balance - Governmental Funds \$ 107,997

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		(14,021)	
Net		<u>(14,021)</u>	(14,021)

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. 1,830

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		14,829	

Change in Net Position of Governmental Activities \$ 110,635

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

City of Sumpter, Oregon
Statement of Net Position - Proprietary Funds
June 30, 2018

	Water Utility Fund	Sewer Utility Fund	Total
Assets			
Current Assets:			
Cash and investments	\$ 13,631	\$ 59,763	\$ 73,394
Customer accounts receivable, net of allowance of doubtful accounts	4,330	4,294	8,624
Total Current Assets	<u>17,961</u>	<u>64,057</u>	<u>82,018</u>
Noncurrent Assets:			
Capital Assets:			
Land	2,250	232,419	234,669
Machinery and Equipment	29,833	10,423	40,256
Collection and Distribution System	3,095,150	981,657	4,076,807
Less: Accumulated Depreciation	<u>(1,156,350)</u>	<u>(631,239)</u>	<u>(1,787,589)</u>
Total Noncurrent Assets	<u>1,970,883</u>	<u>593,260</u>	<u>2,564,143</u>
Total Assets	<u>1,988,844</u>	<u>657,317</u>	<u>2,646,161</u>
Liabilities			
Current Liabilities:			
Advance Deposits	1,039	-	1,039
Current Portion of Notes Payable	-	<u>16,777</u>	<u>16,777</u>
Total Current Liabilities	<u>1,039</u>	<u>16,777</u>	<u>17,816</u>
Long-term Liabilities:			
Notes Payable, Due After One Year	-	<u>78,493</u>	<u>78,493</u>
Total Long-term Liabilities	<u>-</u>	<u>78,493</u>	<u>78,493</u>
Total Liabilities	<u>1,039</u>	<u>95,270</u>	<u>96,309</u>
Net Position			
Net Investment in Capital Assets	1,970,883	497,990	2,468,873
Unrestricted	16,922	64,057	80,979
Total Net Position	<u>\$ 1,987,805</u>	<u>\$ 562,047</u>	<u>\$ 2,549,852</u>

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, 2018

	<u>Water Utility Fund</u>	<u>Sewer Utility Fund</u>	<u>Total</u>
Operating Revenues			
Charges for Services	\$ 123,284	\$ 116,328	\$ 239,612
Total Operating Revenues	<u>123,284</u>	<u>116,328</u>	<u>239,612</u>
Operating Expenses			
Personal Services	89,587	63,303	152,890
Operating Expenses	73,653	4,165	77,818
Depreciation	65,364	25,748	91,112
Total Operating Expenses	<u>228,604</u>	<u>93,216</u>	<u>321,820</u>
Operating Income (Loss)	<u>(105,320)</u>	<u>23,112</u>	<u>(82,208)</u>
Nonoperating Revenues (Expenses)			
Interest expense	-	(5,578)	(5,578)
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>(5,578)</u>	<u>(5,578)</u>
Change in Net Position	(105,320)	17,534	(87,786)
Net Position - Beginning	2,093,125	544,513	2,637,638
Net Position - Ending	<u>\$ 1,987,805</u>	<u>\$ 562,047</u>	<u>\$ 2,549,852</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, 2018

	<u>Water Utility Fund</u>	<u>Sewer Utility Fund</u>	<u>Total</u>
Cash Flows From Operating Activities			
Receipts from Customers	\$ 118,823	\$ 110,447	\$ 229,270
Payments to Suppliers for Goods or Services	(77,184)	(6,900)	(84,084)
Payments to Employees for Services	(92,203)	(65,918)	(158,121)
Net Cash Provided (Used) by Operating Activities	<u>(50,564)</u>	<u>37,629</u>	<u>(12,935)</u>
Cash Flows From Noncapital Financing Activities			
Repayment from Other Funds	<u>4,557</u>	<u>44,079</u>	<u>48,636</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>4,557</u>	<u>44,079</u>	<u>48,636</u>
Cash Flows From Capital and Related Financing Activities			
Principal Paid on Capital Debt	-	(15,814)	(15,814)
Interest Paid on Capital Debt	-	(5,578)	(5,578)
Net Cash Used by Capital and Related Financing Activities	<u>-</u>	<u>(21,392)</u>	<u>(21,392)</u>
Cash Flows From Investing Activities			
Interest and Dividends	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	(46,007)	60,316	14,309
Cash and Cash Equivalents, Beginning	59,638	(553)	59,085
Cash and Cash Equivalents, Ending	<u>\$ 13,631</u>	<u>\$ 59,763</u>	<u>\$ 73,394</u>
Displayed As:			
Cash and Cash Equivalents	<u>\$ 13,631</u>	<u>\$ 59,763</u>	<u>\$ 73,394</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, 2018

	<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)	\$ (105,320)	\$ 23,112	\$ (82,208)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	65,364	25,748	91,112
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(2,773)	(2,143)	(4,916)
(Increase) Decrease in Prepaid Items	-	1,359	1,359
Increase (Decrease) in Accounts Payable	(3,531)	(4,094)	(7,625)
Increase (Decrease) in Compensated Absences	(2,616)	(2,615)	(5,231)
Increase (Decrease) in Customer Deposits	(1,688)	(3,738)	(5,426)
Net Cash Provided by Operating Activities	<u>\$ (50,564)</u>	<u>\$ 37,629</u>	<u>\$ (12,935)</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, 2018

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, 2018

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, 2018

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, 2018

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 estimate 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, 2018

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, 2018

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, 2018

3. CASH AND INVESTMENTS

As of June 30, 2018, the carrying amount of the City's deposits was \$141,304 and the respective bank balances totaled \$153,958. 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, 2018, 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, 2018, the City held \$134,182 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, 2018

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 2018. 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, 2018, and for the year then ended, the City was in compliance with the aforementioned Oregon statutes.

At June 30, 2018, cash and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ (66,272)	\$ 73,394	\$ 7,122
Investments categorized as cash	134,182	-	134,182
	<u>\$ 67,910</u>	<u>\$ 73,394</u>	<u>\$ 141,304</u>

City of Sumpter, Oregon
Notes to Financial Statements
For the Year Ended June 30, 2018

4. RECEIVABLES

Receivables as of June 30, 2018, 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	\$ 2,579	\$ 4,506	\$ -	\$ -	\$ 7,085
State Apportionments	283	-	-	-	283
Trade Accounts Receivable	-	-	4,330	4,294	8,624
Gross Receivables	<u>2,862</u>	<u>4,506</u>	<u>4,330</u>	<u>4,294</u>	<u>15,992</u>
Less: Allowance for Uncollectible	-	-	-	-	-
Net Total Receivables	<u>\$ 2,862</u>	<u>\$ 4,506</u>	<u>\$ 4,330</u>	<u>\$ 4,294</u>	<u>\$ 15,992</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:

	<u>Unavailable</u>
Delinquent Property Taxes Receivable	<u>\$ 6,852</u>

City of Sumpter, Oregon
Notes to Financial Statements
For the Year Ended June 30, 2018

5. CAPITAL ASSETS

Capital asset activity for the year ended is as follows:

	<u>Balance</u> <u>6/30/2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>6/30/2018</u>
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 56,550	\$ -	\$ -	\$ 56,550
Non-Depreciable Infrastructure	<u>88,440</u>	<u>-</u>	<u>-</u>	<u>88,440</u>
Total Nondepreciable Assets	<u>144,990</u>	<u>-</u>	<u>-</u>	<u>144,990</u>
Capital Assets Being Depreciated:				
Depreciable Infrastructure	34,444	-	-	34,444
Buildings and Improvements	291,161	-	-	291,161
Machinery and Equipment	<u>155,233</u>	<u>-</u>	<u>-</u>	<u>155,233</u>
Total Depreciable Assets	<u>480,838</u>	<u>-</u>	<u>-</u>	<u>480,838</u>
Less: Accumulated Depreciation				
Depreciable Infrastructure	344	689	-	1,033
Buildings and Improvements	99,701	6,185	-	105,886
Machinery and Equipment	<u>116,700</u>	<u>7,954</u>	<u>-</u>	<u>124,654</u>
Total Accumulated Depreciation	<u>216,745</u>	<u>14,828</u>	<u>-</u>	<u>231,573</u>
Net Depreciable Assets	<u>264,093</u>	<u>(14,828)</u>	<u>-</u>	<u>249,265</u>
Governmental Activities Capital Assets - Net	<u>\$ 409,083</u>	<u>\$ (14,828)</u>	<u>\$ -</u>	<u>\$ 394,255</u>
	<u>Balance</u> <u>6/30/2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>6/30/2018</u>
<u>Business-type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 234,669	\$ -	\$ -	\$ 234,669
Total Nondepreciable Assets	<u>234,669</u>	<u>-</u>	<u>-</u>	<u>234,669</u>
Capital Assets Being Depreciated:				
Collection and Distribution System	4,076,807	-	-	4,076,807
Machinery and Equipment	<u>40,256</u>	<u>-</u>	<u>-</u>	<u>40,256</u>
Total Depreciable Assets	<u>4,117,063</u>	<u>-</u>	<u>-</u>	<u>4,117,063</u>
Less: Accumulated Depreciation				
Total Accumulated Depreciation	<u>1,696,477</u>	<u>91,112</u>	<u>-</u>	<u>1,787,589</u>
Net Depreciable Assets	<u>2,420,586</u>	<u>(91,112)</u>	<u>-</u>	<u>2,329,474</u>
Governmental Activities Capital Assets - Net	<u>\$ 2,655,255</u>	<u>\$ (91,112)</u>	<u>\$ -</u>	<u>\$ 2,564,143</u>

City of Sumpter, Oregon
Notes to Financial Statements
For the Year Ended June 30, 2018

5. CAPITAL ASSETS (continued)

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

<u>Governmental Activities:</u>	
General Government	\$ 9,055
Public Safety	5,773
	<u>\$ 14,828</u>
 <u>Business-type Activities:</u>	
Water	\$ 65,364
Sewer	25,748
	<u>\$ 91,112</u>

6. Long-Term Debt

<u>Description</u>	<u>Maturity</u>	<u>Rate</u>	<u>6/30/2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>6/30/2018</u>	<u>Current</u>
<u>Governmental Activities</u>							
Bond Series 2003	2/1/2043	4.500%	\$ 725,979	\$ -	\$ (15,243)	\$ 710,736	\$ 15,928
Total Governmental Activities			<u>\$ 725,979</u>	<u>\$ -</u>	<u>\$ (15,243)</u>	<u>\$ 710,736</u>	<u>\$ 15,928</u>
 <u>Business-Type Activities</u>							
Rural Community Assistance Corp #1	5/1/2020	6.25%	\$ 35,839	\$ -	\$ (11,561)	\$ 24,278	\$ 12,305
Rural Community Assistance Corp #2	5/1/2030	5.00%	75,243	-	(4,253)	70,990	4,472
Total Business-Type Activities			<u>\$ 111,082</u>	<u>\$ -</u>	<u>\$ (15,814)</u>	<u>\$ 95,268</u>	<u>\$ 16,777</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>
2019	\$ 15,928	\$ 31,983	\$ 47,911	\$ 16,777	\$ 4,617	\$ 3,118	\$ 32,705	\$ 36,600	\$ 69,305
2020	16,645	31,266	47,911	16,674	3,597	2,679	33,319	34,863	68,182
2021	17,394	30,517	47,911	4,941	2,979	2,225	22,335	33,496	55,831
2022	18,176	29,735	47,911	5,194	2,726	1,757	23,370	32,461	55,831
2023	18,994	28,917	47,911	5,460	2,460	1,275	24,454	31,377	55,831
2024 - 2028	108,588	130,967	239,555	31,786	7,814	39,600	140,374	138,781	279,155
2029 - 2033	135,321	104,234	239,555	14,438	730	15,168	149,759	104,964	254,723
2034 - 2038	168,634	70,921	239,555	-	-	-	168,634	70,921	239,555
2039 - 2043	211,056	29,406	240,462	-	-	-	211,056	29,406	240,462
	<u>\$ 710,736</u>	<u>\$ 487,946</u>	<u>\$ 1,198,682</u>	<u>\$ 95,270</u>	<u>\$ 24,923</u>	<u>\$ 65,822</u>	<u>\$ 806,006</u>	<u>\$ 512,869</u>	<u>\$ 1,318,875</u>

The general obligation bonds issues February 21, 2003 are payable February 21st each year with the first payment made February 21, 2004. The bonds are all 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, 2018

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

On May 8, 2012 certain citizens filed a formal complaint in the Circuit Court State of Oregon alleging, among other things, the City had violated its own City charter as well as certain state laws in awarding the contract to construct a storage shed and public restrooms. The suit was closed by settlement at the end of March 2018.

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 vacate of 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, 2018

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, 2018.

11. DEFICIT FUND BALANCES

At June 30, 2018 the General Fund had a deficit balance of \$16,154. As noted above, the General Fund deficit has been financed mainly by interfund loans. The City intends to repay these loans by closely monitoring General Fund expenditures over a multi-year period. The Water Bonded Debt Fund had a deficit balance of \$3,020 as expenditures exceeded resources for the year.

12. TRANSFERS

During the year ended June 30, 2018 the following transfers took place between funds:

 \$3,836 To the General Fund from the Revenue Sharing Fund to close fund.

13. INTERFUND BALANCES

A summary of interfund balances is as follows:

\$14,482 Loan from the State Tax Street Fund to the General Fund to cover cash overdraft.
 3,171 Loan from the State Tax Street Fund to the Water Bonded Debt Fund to cover cash overdraft.
\$17,653

REQUIRED SUPPLEMENTARY INFORMATION

City of Sumpter, Oregon
 Budgetary (GAAP Basis) Comparison Schedule
 General Fund
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Taxes	\$ 23,520	\$ 23,520	\$ 65,746	\$ 42,226
Intergovernmental revenues	44,800	44,800	18,362	(26,438)
Permits and Franchise Fees	31,000	31,000	31,873	873
Charges for Services	48,561	48,561	29,936	(18,625)
Vendor Fees	-	-	-	-
Miscellaneous revenues	201,010	201,010	21,595	(179,415)
Total Revenues	<u>348,891</u>	<u>348,891</u>	<u>167,512</u>	<u>(181,379)</u>
Expenditures				
Current:				
General government				
Personal Services	35,223	35,223	8,340	26,883
Materials and Services	248,500	248,500	91,561	156,939
Capital Outlay	10,000	10,000	-	10,000
Operating Contingency	1,068	1,068	-	1,068
Parks				
Personal Services	-	-	20,278	(20,278)
Materials and Services	31,000	31,000	915	30,085
Capital Outlay	-	-	-	-
Public safety				
Personal Services	-	-	-	-
Materials and Services	8,000	8,000	3,156	4,844
Capital Outlay	-	-	12,396	(12,396)
Total Expenditures	<u>333,791</u>	<u>333,791</u>	<u>136,646</u>	<u>197,145</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>15,100</u>	<u>15,100</u>	<u>30,866</u>	<u>15,766</u>
Other Financing Sources (Uses)				
Transfers In	57,014	57,014	3,836	(53,178)
Transfers Out	(79,764)	(79,764)	-	79,764
Total Other Financing Sources (Uses)	<u>(22,750)</u>	<u>(22,750)</u>	<u>3,836</u>	<u>26,586</u>
Net Change in Fund Balances	(7,650)	(7,650)	34,702	42,352
Fund Balances - Beginning	7,650	7,650	(50,856)	(58,506)
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (16,154)</u>	<u>\$ (16,154)</u>

City of Sumpter, Oregon
 Budgetary (GAAP Basis) Comparison Schedule
 State Tax Street Fund
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Intergovernmental Revenues	\$ 35,500	\$ 35,500	\$ 11,740	\$ (23,760)
Grants	50,000	50,000	-	(50,000)
Miscellaneous revenues	700	700	79,460	78,760
Total Revenues	<u>86,200</u>	<u>86,200</u>	<u>91,200</u>	<u>5,000</u>
Expenditures				
Personal services	13,670	13,670	4,724	8,946
Materials and services	21,030	21,030	157	20,873
Capital outlay	55,500	55,500	-	55,500
Total Expenditures	<u>90,200</u>	<u>90,200</u>	<u>4,881</u>	<u>85,319</u>
Net Change in Fund Balances	(4,000)	(4,000)	86,319	90,319
Fund Balances - Beginning	4,000	4,000	(756)	(4,756)
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,563</u>	<u>\$ 85,563</u>

City of Sumpter, Oregon
Notes to Required Supplementary Information
For the Year Ended June 30, 2018

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, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Taxes	\$ 49,400	\$ 49,400	\$ 38,723	\$ (10,677)
Total Revenues	<u>49,400</u>	<u>49,400</u>	<u>38,723</u>	<u>(10,677)</u>
Expenditures				
Debt Service:				
Principal	13,994	13,994	15,243	(1,249)
Interest	34,100	34,100	32,668	1,432
Contingency	-	-	-	-
Total Expenditures	<u>48,094</u>	<u>48,094</u>	<u>47,911</u>	<u>183</u>
Net Change in Fund Balances	1,306	1,306	(9,188)	(10,494)
Fund Balances - Beginning	8,600	8,600	6,168	(2,432)
Fund Balances - Ending	<u>\$ 9,906</u>	<u>\$ 9,906</u>	<u>\$ (3,020)</u>	<u>\$ (12,926)</u>

City of Sumpter, Oregon
 Budgetary (GAAP Basis) Comparison Schedule
 Water Utility Fund
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Charges for Services	\$ 162,400	\$ 162,400	\$ 123,284	(39,116)
Vendor Fees	-	-	-	-
Repayment of Loan - General Fund*	4,557	4,557	-	(4,557)
Miscellaneous revenues	150	150	-	(150)
Total Revenues	<u>167,107</u>	<u>167,107</u>	<u>123,284</u>	<u>(43,823)</u>
Expenditures				
Personal Services	63,584	63,584	89,587	(26,003)
Operating Expenses	77,312	77,312	73,653	3,659
Capital Outlay	47,634	47,634	-	47,634
Depreciation	-	-	65,364	(65,364)
Loan to General Fund	4,557	4,557	-	4,557
Total Expenditures	<u>193,087</u>	<u>193,087</u>	<u>228,604</u>	<u>(35,517)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(25,980)</u>	<u>(25,980)</u>	<u>(105,320)</u>	<u>(79,340)</u>
Other Financing Sources (Uses)				
Sale of Assets	-	-	-	-
Transfer to Water Reserve	(8,000)	(8,000)	-	8,000
Transfers In	6,480	6,480	-	(6,480)
Total Other Financing Sources (Uses)	<u>(1,520)</u>	<u>(1,520)</u>	<u>-</u>	<u>1,520</u>
Net Change in Fund Balances	(27,500)	(27,500)	(105,320)	(77,820)
Fund Balances - Beginning	27,500	27,500	2,093,125	2,065,625
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,987,805</u>	<u>\$ 1,987,805</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 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, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Charges for Services	\$ 162,025	\$ 162,025	\$ 116,328	(45,697)
Grants	430,000	430,000	-	(430,000)
Repayment of Loan - General Fund*	52,457	52,457	-	(52,457)
Miscellaneous revenues	125	125	-	(125)
Total Revenues	<u>644,607</u>	<u>644,607</u>	<u>116,328</u>	<u>(528,279)</u>
Expenditures				
Personal Services	64,896	64,896	63,303	1,593
Operating Expenses	63,500	63,500	4,165	59,335
Capital Outlay	508,434	508,434	-	508,434
Depreciation	-	-	25,748	(25,748)
Loan to General Fund	52,547	52,547	-	52,547
Total Expenditures	<u>689,377</u>	<u>689,377</u>	<u>93,216</u>	<u>596,161</u>
Excess (Deficiency) of Revenues Over Expenditures				
	<u>(44,770)</u>	<u>(44,770)</u>	<u>23,112</u>	<u>67,882</u>
Other Financing Sources (Uses)				
Interest Expense	-	-	(5,578)	(5,578)
Transfer to Water Reserve	(3,000)	(3,000)	-	3,000
Transfers In	3,000	3,000	-	(3,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(5,578)</u>	<u>(5,578)</u>
Net Change in Fund Balances	<u>(44,770)</u>	<u>(44,770)</u>	<u>17,534</u>	<u>62,304</u>
Fund Balances - Beginning	44,770	44,770	544,513	499,743
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 562,047</u>	<u>\$ 562,047</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, 2018 and have issued our report thereon dated September 22, 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 has not had an annual audit done since 2017. They have not received extension from the State for these audits. This has put them out of compliance with State requirements and their bond covenants.

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.

2018-001: 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
September 22, 2021