



**CITY OF LOWELL
LANE COUNTY, OREGON**

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018

CITY OF LOWELL

CITY OFFICIALS

June 30, 2018

ELECTED OFFICIALS

<u>Name and Address</u>	<u>Position</u>	<u>Term Expires</u>
Don Bennett, Mayor 540 Sunridge Lane Lowell, Oregon 97452	Position 1	December 31, 2022
Patricia Jo Angelini 239 S Pioneer Street Lowell, Oregon 97452	Position 2	December 31, 2020
Jim Burford 160 Wetlau Dr. Lowell, Oregon 97452	Position 3 Council President	December 31, 2020
Maggie Osgood PO Box 6 Lowell, Oregon 97452	Position 4	December 31, 2022
Gail Harris P.O. Box 328 Lowell, Oregon 97452	Position 5	December 31, 2020

APPOINTED OFFICIALS

<u>Name</u>	<u>Position</u>	<u>Appointed</u>
Jared Cobb	City Administrator	June 30, 2015
Milo Mecham	Legal Counsel Attorney at Law	

Mailing Address

City of Lowell
107 East Third Street
P.O. Box 490
Lowell, Oregon 97452
(541) 937-2157 • Facsimile (541) 937-2936

CITY OF LOWELL
ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS

For the Year Ended June 30, 2018

Page

INDEPENDENT AUDITOR'S REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS.....	i-viii
---	--------

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements

Statement of Net Position (Modified Cash Basis)	1
Statement of Activities (Modified Cash Basis)	2

Fund Financial Statements

Balance Sheet – Governmental Funds (Modified Cash Basis)	3
Reconciliation of Balance Sheet of Governmental funds to the Statement of Net Position	4
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds (Modified Cash Basis)	5
Reconciliation of Statement of Revenues, Expenditures and changes in Fund Balances of Governmental funds to Statement of Activities	6
Balance Sheet – Proprietary Funds (Modified Cash Basis).....	7
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds (Modified Cash Basis)	8
Statement of Cash Flows - Proprietary Funds (Modified Cash Basis)	9

Notes to the Basic Financial Statements	10-22
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SUPPLEMENTARY INFORMATION

Combining Balance Sheet - Nonmajor Governmental Funds (Modified Cash Basis)	23
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds (Modified Cash Basis)	24

Budgetary Comparison Schedules of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual (Cash Basis):

General Fund	25
Street Fund	26
SDC Fund	27
Debt Reserve Fund	28
Blackberry Jam Festival Fund	28
Equipment Fund	30
Water Operating Fund	31
Water Reserve Fund.....	32
Sewer Operating Fund.....	33
Sewer Reserve Fund	34

CITY OF LOWELL

ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS (CONTINUED)

For the Year Ended June 30, 2018

Page

REPORT OF THE INDEPENDENT AUDITORS REQUIRED BY THE STATE OF OREGON MINIMUM STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS.....	35-36
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	37-38

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

Mayor and Members of the City Council
City of Lowell
Lane County, Oregon

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lowell, Oregon, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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 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 internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each minor fund and the aggregate remaining fund Information of the City of Lowell, as of June 30, 2018, and the respective changes in financial position and where applicable, cash flows thereof, for the year then ended in accordance with the modified cash basis of accounting described in note 1.

Other Matters

Other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The Management's Discussion and Analysis on pages i-ix is presented for purposes of additional analysis and is not a required part of the basic financial statements. We have applied certain limited procedures to this 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.

The combining statements of remaining aggregate fund information and the budgetary schedules presented as supplementary information on pages 23-34 are for the purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relate 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Other Legal and Regulatory Requirements

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract, and grant agreements and other matters. 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 internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Other Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 31, 2018, on our consideration of the City's internal control over financial reporting and on tests of its compliance with the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-320. 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.

Emerald CPA Group LLP

Eugene, Oregon
December 31, 2018

MANAGEMENT'S DISCUSSION & ANALYSIS

CITY OF LOWELL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ending June 30, 2018

Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes. This MD&A is based on currently known facts, decisions, and conditions that existed as of the date of the independent auditor's report. Please read it in conjunction with the City's financial statements, which follow this discussion and analysis.

This discussion and analysis present the highlights of financial activities and the financial position of the City of Lowell. The analysis focuses on significant financial issues, major financial activities and resulting changes in financial position, debt administration, capital assets, budget changes and variances from the budget, specific issues related to funds and the economic factors affecting the City.

FINANCIAL HIGHLIGHTS

- The City's total Assets as of June 30, 2018 are \$8,822,134, a decrease of \$10,896 from the previous year primarily as a result of capital asset depreciation.
- The City's total Liabilities are \$1,644,202, a decrease of \$64,015 from the previous year, primarily as a result of debt principle payments.
- The City's total debt outstanding decreased \$61,527 or 4% during the current fiscal year. No debt was refinanced or acquired during the fiscal year.
- The City's Net Position increased \$62,809 in governmental activities and decreased \$22,585 in business type activities for a combined increase of \$40,224 over the previous year.
- For its governmental activities, the City received \$140,307 in tax revenue, up \$5,326, or 4% over the prior year.
- For its business type activities, the City recognized \$639,959 in program revenue including \$690,422 in charges for services.
- The City's governmental funds reported a combined fund balance of \$840,535, an increase of \$122,060 over the previous fiscal year. Of the total fund balance reported, \$615,140 is considered nonspendable, restricted, committed or assigned. The remaining \$225,395 is available for spending at the government's discretion.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- Government-wide financial statements
- Fund Financial statements
- Notes to the basic financial statements
- Supplementary information

CITY OF LOWELL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ending June 30, 2018

Government-wide financial statements

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

The *Statement of Net Position* presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the City's net assets changed during the most recent fiscal year. Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes, fees, and inter-governmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The governmental activities of the City include the following:

- General Government
- Public Works, Streets
- Infrastructure Systems Development
- Debt Reserve
- Blackberry Jam Festival

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

- Water Utility
- Sewer Utility

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to demonstrate and ensure compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: Governmental funds and Proprietary funds.

Governmental funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial decisions. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations can be found in the basic financial statements.

CITY OF LOWELL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ending June 30, 2018

The City maintains six individual governmental funds: The General Fund, Street Fund, Blackberry Jam Fund, Equipment Fund, Systems Development Charges (SDC) Fund and the Debt Service Fund. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for each of those funds.

The City adopts an annual appropriated budget for all governmental funds. To demonstrate compliance with the budget, budgetary comparison statements have been provided in the Supplementary Information section.

Proprietary funds

Proprietary funds are used to account for activities where the emphasis is placed on net income determination. The City maintains one type of proprietary fund known as an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water utility and sewer utility operations and for reserves for water and sewer utility capital improvements. The water and sewer funds, both of which are considered major funds of the City, are combined with their associated reserve fund in the basic financial statements.

The City also adopts an annual appropriated budget for all proprietary funds. The proprietary fund financial statements can be found in the Basic Financial Statements. To demonstrate compliance with the budget, budgetary comparison statements have been provided in the Supplementary Information section.

Notes to the basic financial statements

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

Other supplementary information

The combining statements and schedules referred to earlier follow the notes in this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

One important question asked about the City's finances is, "Is the City better or worse off as a result of the year's activities?" The information in the government-wide financial statements helps answer this question. These statements include all assets and liabilities, with the addition of reporting depreciation on capital assets. This is similar to the basis of accounting used by most private-sector companies.

The change in net position over time is one indicator of whether the City's financial health is improving or deteriorating. However, there are other non-financial factors that influence the City's fiscal health, such as changes in the economy and changes in the City's tax base, etc. This report includes a comparison to the prior year to assist the reader in determining the status of the City's fiscal standing over time. At the close of the most recent fiscal year, the City's assets exceeded liabilities (net position) by \$7,165,037.

**CITY OF LOWELL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ending June 30, 2018**

CITY OF LOWELL – NET POSITION

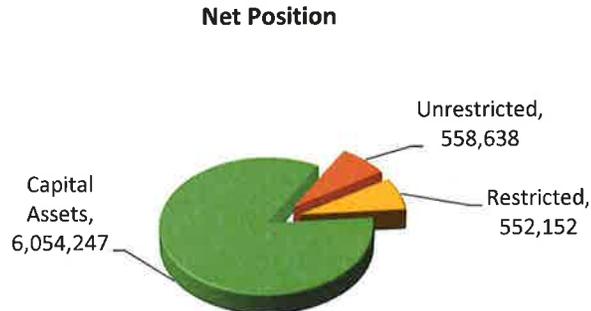
The table below reflects a summary of net position compared to the prior fiscal year, the following notes summarize the major changes to net position.

	Government		Business		Total		Change
	June 2018	June 2017	June 2018	June 2017	June 2018	June 2017	
Current and other assets	\$ 843,012	\$ 724,930	\$ 315,710	\$ 217,077	\$ 1,158,722	\$ 942,007	\$ 216,715
Capital assets	3,083,574	3,129,930	4,579,838	4,761,093	7,663,412	7,891,023	(227,611)
Total assets	\$ 3,926,586	\$ 3,854,860	\$ 4,895,548	\$ 4,978,170	\$ 8,822,134	\$ 8,833,030	\$ (10,896)
Current liabilities	\$ 2,477	\$ 6,455	\$ 32,560	\$ 31,070	\$ 35,037	\$ 37,525	\$ (2,488)
Non-current liabilities	-	-	1,609,165	1,670,692	1,609,165	1,670,692	(61,527)
Total liabilities	\$ 2,477	\$ 6,455	\$ 1,641,725	\$ 1,701,762	\$ 1,644,202	\$ 1,708,217	\$ (64,015)
Net position:							
Net investment in capital assets	\$ 3,083,574	\$ 3,129,930	\$ 2,970,673	\$ 3,090,401	\$ 6,054,247	\$ 6,220,331	\$ (166,084)
Restricted	552,152	495,677	-	-	552,152	495,677	56,475
Unrestricted	275,488	222,798	283,150	186,007	558,638	408,805	149,833
Total net position	\$ 3,911,214	\$ 3,848,405	\$ 3,253,823	\$ 3,276,408	\$ 7,165,037	\$ 7,124,813	\$ 40,224

Changes in net position

The entire balance of unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors within the fund they are located. The City's current and other assets equal \$1,158,722, an increase of \$216,715 from the previous year. The City's total non-current liabilities equal \$1,609,165, a decrease of \$61,527 from the previous fiscal year.

84.5% of the City's net position is invested in capital assets (e.g. land, buildings, equipment, and infrastructure, less accumulated depreciation), and reported net of any related debt. The City uses these capital assets to provide services to its citizens, thus, they do not represent resources available for future spending. 7.7% of the City's net position is restricted and represents cash and investments that are legally restricted for capital expansion or debt service. Finally, the remaining 7.8% is unrestricted, meaning it is available for meeting the City's ongoing obligations. The following chart displays the three components of net position as of June 30th.



CITY OF LOWELL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ending June 30, 2018

CITY OF LOWELL – STATEMENT OF ACTIVITIES

As with the Statement of Net Position, the Statement of Activities reports activities on a consolidated basis. A summary of significant activities follows the table below.

	Government		Business		Total		Change
	June 2018	June 2017	June 2018	June 2017	June 2018	June 2017	
Revenues:							
Program revenues:							
Charges for service	79,364	64,349	690,422	605,236	769,786	669,585	100,201
Operating grants	27,649	20,140	-	-	27,649	20,140	7,509
Total program revenues	\$ 107,013	\$ 84,489	\$ 690,422	\$ 605,236	\$ 797,435	\$ 689,725	\$ 107,710
General revenues:							
Property taxes	\$ 140,307	\$ 134,981	\$ -	\$ -	\$ 140,307	\$ 134,981	\$ 5,326
Franchise & public service taxes	130,777	95,459	-	-	130,777	95,459	35,318
Investment earnings	6,921	7,782	3,265	-	10,186	7,782	2,404
Other	61,215	75,076	272	309	61,487	75,385	(13,898)
Gain (loss) on sale of asset	16,419	-	-	-	16,419	-	16,419
Total general revenues	355,639	313,298	3,537	309	359,176	313,607	45,569
Total revenues:	\$ 462,652	\$ 397,787	\$ 693,959	\$ 605,545	\$ 1,156,611	\$ 1,003,332	\$ 153,279
Expenses:							
General government	\$ 118,225	\$ 223,034	\$ -	\$ -	\$ 118,225	\$ 223,034	\$ (104,809)
Community Development	42,730	-	-	-	42,730	-	42,730
Culture & recreation	67,812	19,376	-	-	67,812	19,376	48,436
Tourism	9,695	-	-	-	9,695	-	9,695
Public safety	30,200	-	-	-	30,200	-	30,200
Municipal court	10,294	-	-	-	10,294	-	10,294
Highways & streets	101,427	96,103	-	-	101,427	96,103	5,324
Water	-	-	358,810	348,683	358,810	348,683	10,127
Sewer	-	-	377,194	387,717	377,194	387,717	(10,523)
Total expenses:	380,383	338,513	736,004	736,400	1,116,387	1,074,913	41,474
Increase in net position before transfers	82,269	59,274	(42,045)	(130,855)	40,224	(71,581)	111,805
Transfer to or (from) other funds	(19,460)	(91,924)	19,460	91,924	-	-	-
Change in net position	62,809	(32,650)	(22,585)	(38,931)	40,224	(71,581)	111,805
Beginning net position	3,848,405	3,881,055	3,276,408	3,315,339	7,124,813	7,196,394	(71,581)
Ending net position	\$ 3,911,214	\$ 3,848,405	\$ 3,253,823	\$ 3,276,408	\$ 7,165,037	\$ 7,124,813	\$ 40,224

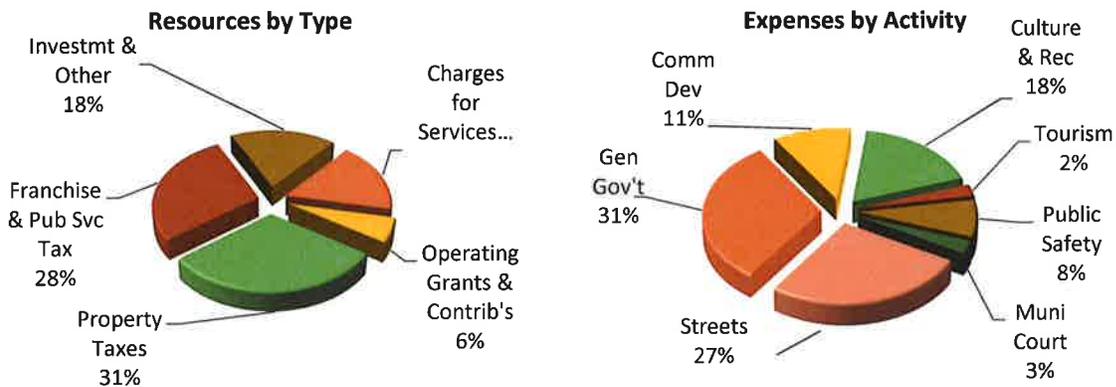
**CITY OF LOWELL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ending June 30, 2018**

Governmental Activities

The net position for governmental activities increased \$62,809 over the prior year. This increase is mainly due to overall increases to charges for services, franchise fees and shared revenues, along with the sale of fixed assets.

Financial highlights from governmental activities for the year include:

- Property taxes comprise approximately 30.3% of governmental resources. For operating purposes, property tax revenues increase \$5,326 over last year, as allowed by statute.
- Charges for services represent 17.2% of governmental resources which include: Building & electrical permits, land use and other permits, animal licenses and library fees.
- Operating grants and contributions increased by \$7,509 over the prior year. This increase is mainly due to an increase to the Rural Tourism Marketing Program Grant, and a \$1,000 DLCD grant.
- Total governmental activity expense increased \$41,870 over last year.

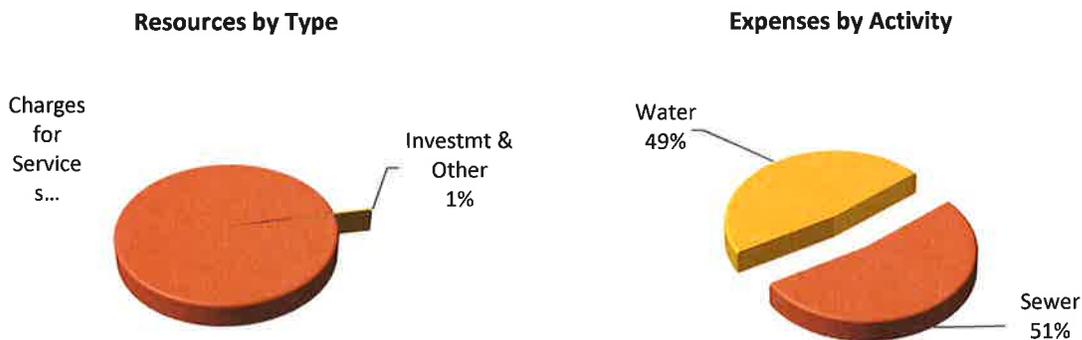


Business Activities

Business-type activities resulted in a \$22,585 decrease to net position from the prior year.

Key activities during the fiscal year include:

- Charges for services in the water and sewer funds generated the majority of the \$693,959 in revenues for all business-type activities.
- Expenses remained consistent with last year, with an overall decrease of \$396.



CITY OF LOWELL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ending June 30, 2018

FUND FINANCIAL ANALYSIS

As previously discussed, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A summary of the City's fund balances and fund types follows the table below.

	Government		Business		Total		Change
	June 2018	June 2017	June 2018	June 2017	June 2018	June 2017	
General Fund	\$ 225,395	\$ 184,077	\$ -	\$ -	\$ 225,395	\$ 184,077	\$ 41,318
Street Fund	126,292	126,877	-	-	126,292	126,877	(585)
SDC Fund	397,391	316,946	-	-	397,391	316,946	80,445
Equipment Fund	43,614	17,195	-	-	43,614	17,195	26,419
BBJ Festival Fund	19,374	21,526	-	-	19,374	21,526	(2,152)
Debt Service Fund	28,469	51,854	-	-	28,469	51,854	(23,385)
Water Operating Fund	-	-	1,548,912	1,597,381	1,548,912	1,597,381	(48,469)
Water Reserve Fund	-	-	15,752	11,814	15,752	11,814	3,938
Sewer Operating fund	-	-	1,682,489	1,662,118	1,682,489	1,662,118	20,371
Sewer Reserve Fund	-	-	6,670	5,095	6,670	5,095	1,575
Total:	\$ 840,535	\$ 718,475	\$ 3,253,823	\$ 3,276,408	\$ 4,094,358	\$ 3,994,883	\$ 99,475

Governmental funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$840,535, of which \$225,395 is unassigned fund balance. Of the remaining amount \$523,683 is restricted for streets and systems development and \$91,457 is assigned for equipment, debt service and the Blackberry Jam.

Business-type (Proprietary) funds

The Water and Sewer funds ended the year with a \$22,585 decrease in net position, for a combined net position of \$3,253,823.

The Water fund ended the fiscal year with a net position of \$1,564,664, with \$325,415 of that amount unrestricted and the remaining balance restricted for or invested (net) in capital assets.

The Sewer fund ended the fiscal year with a net position of \$1,689,159, with \$177,579 of that amount unrestricted and the remaining balance restricted for or invested (net) in capital assets.

GENERAL FUND BUDGETARY HIGHLIGHTS

The budgetary statement for the General Fund shows the original budget, final budget, actual revenues, expenditures, debt service and transfers for the fiscal year ending June 30, 2018. Five budgetary adjustments were approved by Council during the fiscal year. The adjustments included an increase of \$4,200 to police services, an increase of \$16,130 for building permits and the following grants: Parks Master Plan \$32,000, Downtown Master Plan \$30,000, Oregon Department of Land Conservation and Development \$1,000, Lane Library League \$400. Final budgeted expense amounts for program appropriations differ from the original budget appropriations by \$20,300, or 2.4%, with amounts funded through contingency.

CITY OF LOWELL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ending June 30, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2018 was \$7,663,412 (net of accumulated depreciation). This investment in capital assets includes land, right-of-way, buildings and improvements, improvements other than buildings (such as parks and park improvements), equipment, and infrastructure (streets, water, storm water, and wastewater).

	Government		Business		Total		Change
	June 2018	June 2017	June 2018	June 2017	June 2018	June 2017	
Land	\$ 1,969,035	\$ 1,969,035	\$ 92,179	\$ 92,179	\$ 2,061,214	\$ 2,061,214	\$ -
Construction in progress	9,005	9,005	13,508	13,508	22,513	22,513	-
Buildings	252,538	252,538	44,347	44,347	296,885	296,885	-
Infrastructure	1,295,704	1,295,704	9,041,101	9,041,101	10,336,805	10,336,805	-
Furnishings and equipment	61,487	71,437	119,545	94,905	181,032	166,342	14,690
Total:	3,587,769	3,597,719	9,310,680	9,286,040	12,898,449	12,883,759	14,690
Accum depreciation:	(504,195)	(467,789)	(4,730,842)	(4,524,947)	(5,235,037)	(4,992,736)	(242,301)
Net capital assets:	\$ 3,083,574	\$ 3,129,930	\$ 4,579,838	\$ 4,761,093	\$ 7,663,412	\$ 7,891,023	\$ (227,611)

Debt Administration

Debt outstanding of \$1,609,165 includes notes payable through Business Oregon and United States Department of Agriculture – Rural Utilities Services (USDA RUS) for water and sewer system improvements. None of this debt is paid with general obligation bonds.

During the fiscal year, all scheduled debt service payments were met. Debt service requirements are met by revenue generated by the water and sewer utilities, water and sewer system development charges, reimbursement district assessments and/or applicable existing debt reserve. The decrease of \$61,527 from the previous year reflects principal payment on long-term debt. Of the total debt, \$63,309 is due within one year, and \$1,545,857 is due within more than one year.

	Government		Business		Total		Change
	June 2018	June 2017	June 2018	June 2017	June 2018	June 2017	
Long term obligations:							
Notes payable:							
Business Oregon (S0006)	\$ -	\$ -	\$ 47,413	\$ 61,851	\$ 47,413	\$ 61,851	\$ (14,438)
Business Oregon (J05001)	-	-	130,248	137,960	130,248	137,960	(7,712)
Business Oregon (G02002)	-	-	224,268	242,306	224,268	242,306	(18,038)
USDA RUS (91-03)	-	-	862,443	877,687	862,443	877,687	(15,244)
USDA RUS (92-05)	-	-	344,793	350,888	344,793	350,888	(6,095)
Total obligations:	\$ -	\$ -	\$ 1,609,165	\$ 1,670,692	\$ 1,609,165	\$ 1,670,692	\$ (61,527)

CITY OF LOWELL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ending June 30, 2018

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Lowell is in a stable financial position and continues to experience a slow growth rate and expansion of its infrastructure. The fiscal year 2018-2019 budget was approved by the City Council on June 5, 2018, in the total amount of \$2,760,223, including \$560,790 in ending fund balances, \$442,505 in inter-fund transfers, \$115,993 in debt service and \$269,445 in capital outlay. The budget reflects the City is dedicated to investing in its infrastructure while ensuring that it is able to maintain high quality services to the City.

Property taxes are the primary resource for the General Fund. The City's permanent tax rate is \$2.1613 per \$1,000 of assessed valuation. Taxes from the permanent rate are recorded in the General Fund as discretionary revenues to support General Fund programs such as Police, Municipal Court, Library, Parks and Recreation and Community Development. Property taxes are budgeted at \$138,610 for the 2018-2019 fiscal year.

Franchise fees and privilege taxes are the second largest revenue source for the General Fund, budgeted at \$54,279, and have proven to be largely stable. These fees are charged to various utility companies for use of public right-of-way based upon a percentage of net sales within city limits.

Intergovernmental revenues, budgeted at \$32,151, originate from state and county shared revenues. The state shared revenues include liquor and cigarette excise taxes, state shared revenues and others. The revenues are allocated by various formulas, but utilize a per capita rate. Increases in next year's budget are due primarily to the addition of marijuana tax revenue and an anticipated increase to liquor tax revenue.

Utility rates are reviewed regularly and adjusted by the City Council to ensure charges are sufficient to finance all related operating, capital outlay, debt service expenses, and operating reserves, as such:

- Water rates will increase 3% effective July 1, 2018
- Sewer rates will increase 3% effective July 1, 2018

The personal services budget includes a 5% step increase for employees that receive a satisfactory performance evaluation. Medical benefits are anticipated to increase 6%, and Public Employees Retirement System (PERS) rates are expected to remain flat at 11.5%.

Uncertainties about future economic changes and financial impacts are common to all cities. While the local economy may be characterized as stable, significant economic growth is not anticipated for the ensuing fiscal year. The 2018 population estimate is 1,075, an increase of just 0.05%, as provided by the Population Research Center at Portland State University. Revenues are expected to grow slowly at or near the rate of inflation.

REQUESTS FOR INFORMATION

The financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact:

Jared Cobb, City Administrator
City of Lowell
P. O. Box 490
Lowell, OR 97452

BASIC FINANCIAL STATEMENTS

CITY OF LOWELL
Statement of Net Position
Modified Cash Basis
June 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents	\$ 843,012	\$ 315,710	\$ 1,158,722
Capital Assets			
Land and construction in progress	1,978,040	105,687	2,083,727
Infrastructure	1,295,704	-	1,295,704
Buildings and improvements	252,538	9,090,836	9,343,374
Equipment and Furniture, net of depreciation	61,487	114,157	175,644
Less: Accumulated depreciation	<u>(504,195)</u>	<u>(4,730,842)</u>	<u>(5,235,037)</u>
Net Capital assets	<u>3,083,574</u>	<u>4,579,838</u>	<u>7,663,412</u>
Total Assets	<u>\$ 3,913,691</u>	<u>\$ 4,895,548</u>	<u>\$ 8,809,239</u>
LIABILITIES			
Due to other governmental agencies	\$ 2,477	\$ -	\$ 2,477
Utility deposits	-	32,560	32,560
Long-term liabilities			
Due within one year			
Bonds, capital leases and contracts	-	63,309	63,309
Due in more than one year			
Bonds, capital leases and contracts	<u>-</u>	<u>1,545,856</u>	<u>1,545,856</u>
Total liabilities	<u>2,477</u>	<u>1,641,725</u>	<u>1,644,202</u>
NET POSITION			
Net investment in capital assets	3,083,574	2,970,673	6,054,247
Restricted for:			
Streets	126,292	-	126,292
Capital projects (SDC funds)	397,391	-	397,391
Unrestricted	<u>303,957</u>	<u>283,150</u>	<u>587,107</u>
Total net position	<u>\$ 3,911,214</u>	<u>\$ 3,253,823</u>	<u>\$ 7,165,037</u>

The accompanying notes are an integral part of these financial statements

CITY OF LOWELL
Statement of Activities
Modified Cash Basis
For the Year Ended June 30, 2018

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government						
Governmental Activities						
General Government	\$ 118,225	\$ 49,458	\$ 16,888	\$ (51,879)	\$ -	\$ (51,879)
Community Development	42,730	-	-	(42,730)	-	(42,730)
Public Safety	30,200	-	-	(30,200)	-	(30,200)
Tourism	9,695	-	-	(9,695)	-	(9,695)
Highways and Streets	101,427	8,007	-	(93,420)	-	(93,420)
Culture and Recreation	67,812	21,899	10,761	(35,152)	-	(35,152)
Municipal Court	10,294	-	-	(10,294)	-	(10,294)
Total governmental activities	<u>380,383</u>	<u>79,364</u>	<u>27,649</u>	<u>(273,370)</u>	<u>-</u>	<u>(273,370)</u>
Business-type activities:						
Water FD	358,810	308,138	-	-	(50,672)	(50,672)
Sewer FD	377,194	382,284	-	-	5,090	5,090
Total business-type activities	<u>736,004</u>	<u>690,422</u>	<u>-</u>	<u>-</u>	<u>(45,582)</u>	<u>(45,582)</u>
Total primary government	<u>\$ 1,116,387</u>	<u>\$ 769,786</u>	<u>\$ 27,649</u>	<u>(273,370)</u>	<u>(45,582)</u>	<u>(318,952)</u>
General revenues:						
Taxes:						
Property taxes, levied for general purposes				140,307	-	140,307
Franchise fees				130,777	-	130,777
Unrestricted investment earnings				6,921	3,265	10,186
Miscellaneous				61,215	272	61,487
Gain on sale of asset				16,419	-	16,419
Transfers				(19,460)	19,460	-
Total general revenues and transfers				<u>336,179</u>	<u>22,997</u>	<u>359,176</u>
Change in net position				62,809	(22,585)	40,224
Net position - beginning				<u>3,848,405</u>	<u>3,276,408</u>	<u>7,124,813</u>
Net position - ending				<u>\$ 3,911,214</u>	<u>\$ 3,253,823</u>	<u>\$ 7,165,037</u>

The accompanying notes are an integral part of these financial statements

CITY OF LOWELL
Balance Sheet
Modified Cash Basis
Governmental Funds
June 30, 2018

	<u>General Fund</u>	<u>Street Fund</u>	<u>SDC Fund</u>	<u>Debt Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 227,872	\$ 126,292	\$ 397,391	\$ 28,469	\$ 62,988	\$ 843,012
Total assets	<u>\$ 227,872</u>	<u>\$ 126,292</u>	<u>\$ 397,391</u>	<u>\$ 28,469</u>	<u>\$ 62,988</u>	<u>\$ 843,012</u>
LIABILITIES, AND FUND BALANCES						
Liabilities:						
Payable to other governments	\$ 2,477	-	-	-	-	\$ 2,477
Total liabilities	<u>2,477</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,477</u>
Fund Equity:						
Restricted for:						
Streets	-	126,292	-	-	-	126,292
SDC	-	-	397,391	-	-	397,391
Assigned for:						
Debt service	-	-	-	28,469	-	28,469
Blackberry Jam Festival	-	-	-	-	19,374	19,374
Capital projects	-	-	-	-	43,614	43,614
Unassigned	<u>225,395</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>225,395</u>
Total fund balances	<u>225,395</u>	<u>126,292</u>	<u>397,391</u>	<u>28,469</u>	<u>62,988</u>	<u>840,535</u>
Total liabilities and fund balances	<u>\$ 227,872</u>	<u>\$ 126,292</u>	<u>\$ 397,391</u>	<u>\$ 28,469</u>	<u>\$ 62,988</u>	<u>\$ 843,012</u>

The accompanying notes are an integral part of these financial statements

CITY OF LOWELL
Reconciliation of the Governmental Funds Balance Sheet to the Statement of
Net Position
Modified Cash Basis
June 30, 2018

Total fund balance, governmental funds \$ 840,535

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. 3,083,574

Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. -

The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.

Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position. -

Payment on interfund loan in the governmental funds (12,895)

Net Position of Governmental Activities in the Statement of Net Position \$ 3,911,214

The accompanying notes are an integral part of these financial statements

CITY OF LOWELL
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Modified Cash Basis
For the Year Ended June 30, 2018

	<u>General Fund</u>	<u>Street Fund</u>	<u>SDC Fund</u>	<u>Debt Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Property Taxes	\$ 140,307	\$ -	\$ -	\$ -	\$ -	\$ 140,307
Fees and fines	3,726	-	67,208	-	-	70,934
Licenses and permits	91,134	1,340	-	-	-	92,474
Intergovernmental	35,419	67,914	-	-	-	103,333
Charges for services	4,956	-	-	-	-	4,956
Investment earnings	6,398	94	342	75	12	6,921
Miscellaneous	15,108	4,289	-	-	-	19,397
Blackberry Jam Festival receipts	-	-	-	-	20,806	20,806
Total revenues	<u>297,048</u>	<u>73,637</u>	<u>67,550</u>	<u>75</u>	<u>20,818</u>	<u>459,128</u>
EXPENDITURES						
Current:						
General government	103,074	-	-	-	-	103,074
Community Development	42,730	-	-	-	-	42,730
Public Safety	30,200	-	-	-	-	30,200
Tourism	9,695	-	-	-	-	9,695
Highways and Streets	-	70,222	-	-	-	70,222
Culture and recreation	44,842	-	-	-	22,970	67,812
Municipal Court	10,294	-	-	-	-	10,294
Total Expenditures	<u>240,835</u>	<u>70,222</u>	<u>-</u>	<u>-</u>	<u>22,970</u>	<u>334,027</u>
Excess (deficiency) of revenues over expenditures	<u>56,213</u>	<u>3,415</u>	<u>67,550</u>	<u>75</u>	<u>(2,152)</u>	<u>125,101</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of capital assets	-	-	-	-	16,419	16,419
Proceeds from payment of interfund loan	-	-	12,895	-	-	12,895
Payment of interfund loan	(12,895)	-	-	-	-	(12,895)
Transfers in	-	-	-	-	10,000	10,000
Transfers out	(2,000)	(4,000)	-	(23,460)	-	(29,460)
Total other financing sources and uses	<u>(14,895)</u>	<u>(4,000)</u>	<u>12,895</u>	<u>(23,460)</u>	<u>26,419</u>	<u>(3,041)</u>
Net change in fund balances	41,318	(585)	80,445	(23,385)	40,686	138,479
Fund balances - beginning	<u>184,077</u>	<u>126,877</u>	<u>316,946</u>	<u>51,854</u>	<u>38,721</u>	<u>718,475</u>
Fund balances - ending	<u>\$ 225,395</u>	<u>\$ 126,292</u>	<u>\$ 397,391</u>	<u>\$ 28,469</u>	<u>\$ 79,407</u>	<u>\$ 856,954</u>

The accompanying notes are an integral part of these financial statements

CITY OF LOWELL
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
Modified Cash Basis
For the Year Ended June 30, 2018

Net change in fund balances - total governmental funds:	\$	138,479
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
This is the amount by which capital outlays \$0 were less than depreciation of \$46,356 in the current period.		(46,356)
Payment on interfund loan in the governmental funds		<u>(12,895)</u>
Change in net position of governmental activities	\$	<u>62,809</u>

The accompanying notes are an integral part of these financial statements

CITY OF LOWELL
Statement of Net Position
Proprietary Funds
Modified Cash Basis
June 30, 2018

	Enterprise Funds		
	Water Operating Fund	Sewer Operating Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 187,421	\$ 128,289	\$ 315,710
Total current assets	<u>187,421</u>	<u>128,289</u>	<u>315,710</u>
Non-current assets:			
Capital Assets:			
Land and improvements	81,179	11,000	92,179
Utility System	4,298,779	4,792,057	9,090,836
Construction in Progress	6,754	6,754	13,508
Equipment and Furniture	82,621	31,536	114,157
Less Accumulated depreciation	<u>(2,084,549)</u>	<u>(2,646,293)</u>	<u>(4,730,842)</u>
Total non-current assets	<u>2,384,784</u>	<u>2,195,054</u>	<u>4,579,838</u>
Total assets	<u>\$ 2,572,205</u>	<u>\$ 2,323,343</u>	<u>\$ 4,895,548</u>
LIABILITIES			
Current Liabilities:			
Utility Deposits	\$ 32,560	\$ -	\$ 32,560
Bonds, notes and loans payable	<u>34,820</u>	<u>28,489</u>	<u>63,309</u>
Total current liabilities	<u>67,380</u>	<u>28,489</u>	<u>95,869</u>
Non-current liabilities:			
Bonds, notes and loans payable	<u>940,161</u>	<u>605,695</u>	<u>1,545,856</u>
Total non-current liabilities	<u>940,161</u>	<u>605,695</u>	<u>1,545,856</u>
Total liabilities	<u>1,007,541</u>	<u>634,184</u>	<u>1,641,725</u>
NET POSITION			
Net investment in capital assets	1,239,249	1,511,580	2,750,829
Unrestricted	<u>325,415</u>	<u>177,579</u>	<u>502,994</u>
Total net position	<u>\$ 1,564,664</u>	<u>\$ 1,689,159</u>	<u>\$ 3,253,823</u>

The accompanying notes are an integral part of these financial statements

CITY OF LOWELL
Statement of Revenues, Expenses and Changes in Fund Net Position
Modified Cash Basis
Proprietary Funds
For the Year Ended June 30, 2018

	Enterprise Funds		
	Water Operating Fund	Sewer Operating Fund	Total
REVENUES			
Charges for services	\$ 301,704	\$ 337,157	\$ 638,861
Miscellaneous	6,707	45,125	51,832
Total operating revenues	<u>308,411</u>	<u>382,282</u>	<u>690,693</u>
OPERATING EXPENSES			
Personal services	144,507	144,511	289,018
Contractual services	14,293	11,559	25,852
Utilities	19,706	38,794	58,500
Repairs and maintenance	-	3,864	3,864
Other supplies and expenses	50,109	36,187	86,296
Insurance claims and expenses	5,731	5,731	11,462
Depreciation	93,923	111,972	205,895
Total Operating Expenses	<u>328,269</u>	<u>352,618</u>	<u>680,887</u>
Operating income (loss)	<u>(19,858)</u>	<u>29,664</u>	<u>9,806</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	153	3,112	3,265
Interest expense	(30,541)	24,575	(5,966)
Total non-operating revenue (expenses)	<u>(30,388)</u>	<u>27,687</u>	<u>(2,701)</u>
Income (loss) before contributions and transfers	<u>(50,246)</u>	<u>8,201</u>	<u>(42,045)</u>
Transfers in	11,653	17,320	28,973
Transfers out	(5,938)	(3,575)	(9,513)
Change in net position	<u>(44,531)</u>	<u>21,946</u>	<u>(22,585)</u>
Total net position - beginning	<u>1,609,195</u>	<u>1,667,213</u>	<u>3,276,408</u>
Total net position - ending	<u>\$ 1,564,664</u>	<u>\$ 1,689,159</u>	<u>\$ 3,253,823</u>

The accompanying notes are an integral part of these financial statements

CITY OF LOWELL
Statement of Cash Flows - Proprietary Funds
Modified Cash Basis
For the Year Ended June 30, 2018

	Enterprise Funds		
	Water Operating Fund	Sewer Operating Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 303,195	\$ 337,157	\$ 640,352
Miscellaneous operating revenue	6,707	45,125	51,832
Payments to suppliers	(89,839)	(96,135)	(185,974)
Payments to employees	(144,507)	(144,511)	(289,018)
Net cash provided (used) by operating activities	<u>75,556</u>	<u>141,636</u>	<u>217,192</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Payments on Loans	(33,539)	(27,989)	(61,528)
Purchases of capital assets	(24,640)	-	(24,640)
Interest paid on capital debts	(30,541)	(24,575)	(55,116)
Non capital financing activities - transfers	5,715	13,745	19,460
Net cash provided (used) by capital related financing activities	<u>(83,005)</u>	<u>(38,819)</u>	<u>(121,824)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on investments	153	3,112	3,265
Net cash provided (used) by investing activities	<u>153</u>	<u>3,112</u>	<u>3,265</u>
Net increase (decrease) in cash and cash equivalents	<u>(7,296)</u>	<u>105,929</u>	<u>98,633</u>
Cash Balances - beginning of the year	<u>194,717</u>	<u>22,360</u>	<u>217,077</u>
Cash Balances - end of the year	<u>\$ 187,421</u>	<u>\$ 128,289</u>	<u>\$ 315,710</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (Loss)	\$ (19,858)	\$ 29,664	\$ 9,806
Adjustments to reconcile operating income:			
Depreciation expense	93,923	111,972	205,895
Rounding	1	-	1
Increase (decrease) in deposits	1,490	-	1,490
Net cash provided (used) by operating activities	<u>\$ 75,556</u>	<u>\$ 141,636</u>	<u>\$ 217,192</u>

The accompanying notes are an integral part of these financial statements

NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF LOWELL

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Lowell, Oregon, operates under a Council-Manager form of government. The governing body consists of five elected council members, of which one is selected as Mayor by a majority of the Council.

The City of Lowell, Oregon, is a primary government. A primary government is financially accountable for the organizations (component units) that make up its legal entity. The City has considered all organizations for which the City is financially accountable. Financial accountability may be evidenced by the ability to appoint the voting majority of the governing body, and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific burdens on, the primary government; or a fiscal dependency or intergovernmental relationship so close that exclusion from the primary government would render the financial statements incomplete or misleading. The City has determined that there are no component units required to be included in these financial statements.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on the entire City. For the most part, the effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 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. General and other governmental other 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 a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues and expenditures when they result from cash transactions with a provision for capital assets and depreciation and recognition of long-term debts. The modified cash basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting is specifically allowed under Oregon rules, and the City considers the use of this basis to be an appropriate reflection of the City's financial status and results of operations.

CITY OF LOWELL

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City reports the following major governmental funds:

The *General Fund* is the general operating fund of the City. It is used to account for all financial sources except for those required to be accounted for in another fund. The principal revenue sources are property taxes.

The *Street Fund* accounts for receipts for state gasoline taxes and interest. The monies are expended primarily for the repair and maintenance of the City roads and buildings.

The *System Development Charge (SDC) Fund* accounts for receipts of the City's system development charges and related expenses.

The *Debt Reserve Fund* accounts for resources set aside for payments on current and future debt incurred.

The City reports the following major proprietary funds:

The *Water Fund* accounts for the operations of the City's water department. Primary revenues are the sale of water to users and connection fees.

The *Sewer Fund* accounts for the operations of the City's sewer department. Primary revenues are charges for services and connection fees.

Additionally, the City reports the following fund types:

Special Revenue Funds are primarily operating funds that account for specific taxes or other revenue sources, which are legally restricted to finance particular functions or activities.

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

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include operating grants and contributions and capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

CITY OF LOWELL

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

D. Assets, Liabilities, and Net Position

Cash and investments

The cash and investments reported on the statement of net position include checking account, state Local Government Investment Pool (LGIP), and petty cash balances. The City invests in the LGIP, which is managed by the State Treasurer's office. These investments are managed in accordance with the "prudent person rule" and administrative regulations of the State Treasurer, which may change. Eligible investments are those allowed by Oregon law and are not leveraged and do not contain any derivative products. The City reports the fair value of their position in the pool as the same as the value of the pool shares.

Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" or "advances to/from other funds". All other outstanding balances between funds are reported as "due to/from other funds."

Lane County makes all assessments of property value, and levies and collects the taxes for the City. Assessments of property values are as of January 1 of each year. Real property taxes are levied and attach as an enforceable lien on property on July 1. Taxes are payable in three installments on November 15, February 15, and May 15. A 3% discount is allowed for payment in full on November 15. Property taxes unpaid and outstanding on May 16 are considered to be delinquent.

For the current year the City levied taxes at the rate of 2.1613 per \$1,000 of assessed value within the City limits. Measure 50 establishes the permanent rate and allows for an increase of the assessed value of 3% per year.

Capital assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as any capital purchase, donation or dedication of land, infrastructure, buildings and/or equipment that exceeds \$5,000 for a single acquisition. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

CITY OF LOWELL

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

<u>Assets</u>	<u>Years</u>
Equipment	10
Buildings	20
Infrastructure	40

Long-term Obligations

General obligation bonds and other revolving loans, issued for sewer and water system construction, are reported as long-term debts in the government-wide financial statements.

Use of Estimates

The preparation of basic financial statements in conformity with the modified cash basis requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Compliance

Budgets are prepared and adopted, and expenditures are appropriated, in accordance with Oregon Local Budget Law. Budgets are adopted on the cash-basis of accounting, which is not in conformity with generally accepted accounting principles, but is an acceptable method for Oregon Municipal Corporations under Oregon Local Budget Law. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

On or before June 30 of each year, the City enacts a resolution approving the budget, appropriating the expenditures, and levying the property taxes. Prior to enacting this resolution, the proposed budget is presented to a budget committee consisting of members the City Council and a like number of interested citizens. The budget committee presents the budget to the City Council for budget hearings prior to enactment of the resolution.

CITY OF LOWELL

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

The budget is prepared by fund, and line item, and includes information of the past year, current year estimates, and requested appropriations for the next fiscal year. Expenditures may not exceed legally budgeted appropriations at the level of programs, or alternatively, materials and services, personal services, capital outlay, debt service, transfers out, or other expenditures for each fund.

CITY OF LOWELL

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

3. CASH AND INVESTMENTS

Cash and investments consist of the following as of June 30, 2018:

Cash in bank	\$ 609,280
Cash on hand	250
Local government investment pool (LGIP)	<u>549,192</u>
Total	<u>\$ 1,158,722</u>

Deposits: Deposits with financial institutions are comprised of bank demand deposits and a certificate of deposit. Total bank balances of the checking accounts, as shown on the banks' records at year-end were \$625,903, The amount in the LGIP was \$549,903.

Custodial credit risk – deposits: This is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. In order to minimize this risk, the State of Oregon established the Public Funds Collateralization Program (PFCP).

PFCP is an application created by the Office of the State Treasurer (OST) to facilitate bank depository, custodian and public official compliance with Oregon Revised Statutes 295 (ORS) effective on July 1, 2008. Requirements described on PFCP for depository banks, custodian banks and local governments are set forth as the following:

Banks are required to report quarterly to the State Treasurer, providing quarter-end public funds balance in excess of the FDIC limits, net worth, and FDIC capitalization information. The FDIC assigns each bank with a capitalization category quarterly, either well capitalized, adequately capitalized or undercapitalized. The PFCP calculates, based on this information, the bank's minimum collateral (maximum liability) that must be pledged with the custodian for the next quarter. The maximum liability is reported to the bank, OST and custodian.

The custodian banks hold the collateral pledged by the banks. OST provides the custodian the maximum liability for each bank. Banks will request security pledges, releases and substitutions through the PFCP. The custodian will process the transactions as approved by OST and maintain an inventory of pledged securities. OST will monitor that adequate collateral is pledged at all times and that all banks comply with the requirements of ORS.

Public officials are required to verify that deposit accounts in excess of deposit insurance limits are only maintained at financial institutions included on the list of qualified depositories found on the OST's web site. Public officials are also required to report at least annually, or within 10 days of a change, the banks they do business with, and contact information for the public official. It is the responsibility of the public official to ensure compliance with these requirements in order to eliminate personal liability in the event of a bank loss.

The City's depository bank was listed on the Treasurer's web site, "Qualified Depositories for Public Fund", throughout the fiscal year.

CITY OF LOWELL

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

3. CASH AND INVESTMENTS (Continued)

Investments: The only investments held by the City at June 30, 2018, were funds in the LGIP, which is part of the Oregon Short-Term Fund (OSTF). The OSTF is a cash and investment pool available for use by all state agencies and eligible local governments. Then LGIP is an open-ended, no-load diversified portfolio offered to eligible participants who by law are made custodian of, or have control over, any public funds. The City's investment in the LGIP is carried at cost, which approximates fair value. The State of Oregon's investments policies used in administering the LGIP are governed by statute and the Oregon Investment Council (the Council). The State Treasurer is the investment officer for the Council and is responsible for the funds on deposit in the state treasury. The OST's investments in short-term securities are limited by the portfolio rules established by the OSTF Board and the Council. In accordance with Oregon statutes, the investments funds are invested, and the investments of those funds managed, as a prudent investor would do – exercising reasonable care, skill, and caution. The LGIP's portfolio rules provide that broker/dealers meet certain qualifications and that investments and delivered to and held by a third-party custodian that hold the securities in the State of Oregon's name. The LGIP is not registered with the Securities Exchange Commission and is not rated.

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

Governmental activities:	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets:				
Capital assets not being depreciated:				
Land and land improvements	\$ 1,969,035	\$ -	\$ -	\$ 1,969,035
Construction in progress	9,005	-	-	9,005
Capital assets not being depreciated	<u>1,978,040</u>	-	-	<u>1,978,040</u>
Capital assets being depreciated				
Buildings and improvements	252,538	-	-	252,538
Infrastructure	1,295,704	-	-	1,295,704
Furniture, fixtures and equipment	71,437	-	9,950	61,487
Capital assets being depreciated	<u>1,619,679</u>	-	9,950	<u>1,609,729</u>
Total Capital assets	<u>3,597,719</u>	-	9,950	<u>3,587,769</u>
Accumulated depreciation:				
Buildings and improvements	116,188	11,501	-	127,689
Infrastructure	299,296	32,336	-	331,632
Furniture, fixtures and equipment	52,305	2,519	9,950	44,874
Total accumulated depreciation	<u>467,789</u>	<u>46,356</u>	<u>9,950</u>	<u>504,195</u>
Capital assets, net, governmental activities	<u>\$ 3,129,930</u>	<u>\$ (46,356)</u>	<u>\$ -</u>	<u>\$ 3,083,574</u>
Governmental activities:				
General government				\$ 14,020
Highways and streets				31,205
Culture and recreation				<u>1,131</u>
Total depreciation expense - government activities				<u>\$ 46,356</u>

CITY OF LOWELL

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

4. CAPITAL ASSETS (Continued)

<i>Business type activities:</i>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<i>Capital assets:</i>				
Capital assets not being depreciated:				
Land and land improvements	\$ 92,179	\$ -	\$ -	\$ 92,179
Construction in progress	13,508	-	-	13,508
Capital assets not being depreciated	<u>105,687</u>	<u>-</u>	<u>-</u>	<u>105,687</u>
Capital assets being depreciated				
Buildings	44,347	-	-	44,347
Infrastructure	9,041,101	-	-	9,041,101
Furniture, fixtures and equipment	94,905	24,640	-	119,545
Capital assets being depreciated	<u>9,180,353</u>	<u>24,640</u>	<u>-</u>	<u>9,204,993</u>
Total Capital assets	<u>9,286,040</u>	<u>24,640</u>	<u>-</u>	<u>9,310,680</u>
<i>Accumulated depreciation:</i>				
Buildings	17,825	882	-	18,707
Infrastructure	4,403,875	203,781	-	4,607,656
Furniture, fixtures and equipment	103,247	1,232	-	104,479
Total accumulated depreciation	<u>4,524,947</u>	<u>205,895</u>	<u>-</u>	<u>4,730,842</u>
Capital assets, net, business type activities	<u>\$ 4,761,093</u>	<u>\$ (181,255)</u>	<u>\$ -</u>	<u>\$ 4,579,838</u>
Business type activities:				
Water				\$ 93,923
Sewer				111,972
Total depreciation expense - business-type activities				<u>\$ 205,895</u>

5. LONG-TERM DEBT

SAFE DRINKING WATER REVOLVING LOAN FUND

On August 7, 2002, the City was granted a Water Drinking Revolving Loan in the amount of \$223,000 from the State of Oregon Economic and Community Development Department (OECD). The loan was the part of total amount of \$868,000 for the Project of Construction of Water System Improvements, which consisted of Oregon Community Development Block Grant (\$645,000) and this loan. The loan agreement requires 20 annual payments and carries an interest rate of 4.59%, and maturity date on December 1, 2020. The balance of the loan at June 30, 2018 was \$47,413.

WASTEWATER PROJECT LOAN

On December 4, 2002, the City was granted a loan for Phase I of its Water/Wastewater construction project in the amount of \$425,000 from the State of Oregon Economic and Community Development Department (OECD). Proceeds in the amount of \$161,939 were received during the 2002-03 fiscal year, with the remaining loan proceeds of \$263,061 received during the 2003-2004 fiscal year. The loan agreement requires 25 annual payments and carries an interest rate of 5.35%, and maturity date on December 1, 2027. The balance of the loan at

CITY OF LOWELL

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

5. LONG-TERM DEBT (continued)

June 30, 2018 was \$224,268.

PIONEER STREET RELOCATION PROJECT LOAN

On May 11, 2005, the City was granted a loan for the Pioneer Street Water/Sewer Line Relocation Project in the amount of \$200,000 from the State of Oregon Economic and Community Development Department (OECD). The loan principal is split between the Water and Sewer Funds equally. The loan agreement requires 24 annual payments of \$14,845 beginning December 1, 2006, and carries an interest rate of 5.17%, and maturity date is December 1, 2029. The balance of the loan at June 30, 2018 was \$130,248 apportioned \$65,125 to the water fund and \$65,123 to the sewer fund.

WATER REVENUE LOAN

On April 6, 2012, a water revenue loan for capital improvements to the water system including improving the water treatment facility, constructing a water storage reservoir and extending water services in the amount of \$948,000 was entered into with the United States Department of Agriculture, Rural Development Utilities Services (RUS). The loan financed improvements to the water system including capital improvements to the water treatment facility, construction of a water storage reservoir and extending water service lines. The loan agreement requires 40 annual payments of \$39,380 beginning April 6, 2012, carries an interest rate of 2.75% and a maturity date of April 6, 2052. The balance of the loan at June 30, 2018 was \$862,443.

SEWER REVENUE LOAN

On April 6, 2012, a sewer revenue loan for capital improvements to the sewer system including extending sewer services in the amount of \$379,000 was entered into with the United States Department of Agriculture, Rural Development Utilities Services (RUS). The loan financed capital improvements to the sewer system including extending sewer service lines. The loan agreement requires 40 annual payments of \$15,744 beginning April 6, 2012, carries an interest rate of 2.75% and a maturity date of April 6, 2052. The balance of the loan at June 30, 2018 was \$344,793.

The changes in long-term debt were as follows:

	Fund	Balance Beginning	Additions	Repayment	Balance Ending	Due within one year
Business Oregon (formerly OECD) Drinking Water (S0006)	Water	\$ 61,851	\$ -	\$ 14,438	\$ 47,413	\$ 15,101
Business Oregon (formerly OECD) Pioneer St Reloc. (J05001)	Water/Sewer	68,981	-	3,856	65,125	4,056
USDA Water Revenue Loan	Water	877,687	-	15,244	862,443	15,663
Subtotal Water Fund		1,008,519	-	33,538	974,981	34,820
Business Oregon (formerly OECD) Wastewater (G2002)	Sewer	242,306	-	18,038	224,268	18,171
Business Oregon (formerly OECD) Pioneer St Reloc. (J05001)	Sewer	68,979	-	3,856	65,123	4,056
USDA Sewer Revenue Loan	Water/Sewer	350,888	-	6,095	344,793	6,262
Subtotal Sewer Fund		662,173	-	27,989	634,184	28,489
Totals		\$ 1,670,692	\$ -	\$ 61,527	\$ 1,609,165	\$ 63,309

CITY OF LOWELL

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

5. LONG-TERM DEBT (continued)

Long-term debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 63,308	\$ 52,680	\$ 115,988
2020	65,166	50,146	115,312
2021	67,104	47,519	114,623
2022	51,848	44,792	96,640
2023	58,162	42,766	100,928
2024-2028	317,401	177,986	495,387
2029-2033	179,327	125,847	305,174
2034-2038	173,988	101,632	275,620
2039-2043	199,263	76,357	275,620
2044-2048	228,211	47,409	275,620
2049-2053	205,387	14,273	219,660
Total	\$ 1,609,165	\$ 781,407	\$ 2,390,572

6. INTERFUND BALANCES AND TRANSFERS

The Operating transfers for the year are as follows:

Description	Transfer Out	Transfer In
Transfer out From General Fund	\$ 2,000	\$ -
Transfer in to Equipment Fund from General Fund		2,000
Transfer out from Street Fund	4,000	
Transfer in to Equipment Fund from Street Fund	-	4,000
Transfer out from Debt Reserve Fund	23,460	
Transfer in to Water Operating Fund from Debt Reserve Fund		7,715
Transfer in to Sewer Operating Fund from Debt Reserve Fund		15,745
Transfer out from Water Operating Fund	5,938	
Transfer in from Water Operating Fund to Equipment Fund		2,000
Transfer in from Water Operating Fund to Water Reserve Fund		3,938
Transfer out from Sewer Fund	3,575	
Transfer in from Sewer Operating Fund to Equipment Fund		2,000
Transfer in from Sewer Operating Fund to Sewer Reserve Fund		1,575
Total Transfers	\$ 38,973	\$ 38,973

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

6. INTERFUND BALANCES AND TRANSFERS (Continued)

Transfers are used to move revenues that budget requires to collect and expend them, use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and transfer residual equity to the general fund.

In 2010 the General Fund borrowed \$30,000 from the SDC Fund at 2.5% interest and a term of ten years. At June 30, 2018 the balance of the loan was \$0. The loan has been repaid through payments from the General Fund to the SDC Fund.

7. PENSION PLAN

A. Plan Description

The City contributes to the State of Oregon Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Oregon Public Employees Retirement System. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan member and beneficiaries. The Oregon Public Employees Retirement Fund ("OPERF") applies to the City's contribution for qualifying employees who were hired before August 29, 2003. Oregon Revised Statutes 238 assigns the authority to establish and amend benefit provisions to the PERS Board of Trustees and the State Legislature.

In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for PERS. The Oregon Public Service Retirement Plan ("OPSRP") is effective for all new employees hired on or after August 29, 2003, and applies to any inactive PERS members who return to employment following a six month or greater break in service. The new plan consists of a defined benefit program (the "Pension Program") and a defined contribution portion (the Individual Account Program or "IAP"). The Pension Program portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service and a factor that varies based on type of service (general versus police or fire).

Beginning January 1, 2004, all PERS member's contributions go into the IAP portion of OPSRP. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account. Those employees who had established a PERS membership prior to creation of OPSRP will be members of both the PERS and OPSRP system as long as they remain in covered employment.

Both PERS and OPSRP are administered by the Oregon Public Employees Retirement Board ("OPERB"). The comprehensive annual financial report for the funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700, by calling (503) 598-7377, or by accessing the PERS web site at www.pers.state.or.us.

CITY OF LOWELL

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

7. PENSION PLAN (Continued)

B. Funding Policy

Members of PERS are required to contribute 6.00% of their salary covered under the plan, which is invested in the OPSRP Individual Account Program. The City is required by ORS 238.225 to contribute at an actuarially determined rate for all the qualifying employees under the OPERF plan, and a general service rate for the qualifying employees under the OPSRP plan. The OPERF and OPSRP rates in effect for the year ended June 30, 2018 were 19.33% and 11.50% respectively. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

C. Annual Pension Cost

Employer contributions are calculated in conformance with the provisions of GASB Statement No. 27 as a percentage of covered payroll. Therefore, the contributions transmitted to the System are equal to the Annual Required Contribution (ARC), and there is no Net Pension Obligation (NPO) necessary to amortize any unmade contributions.

For the year ended June 30, 2018, the City's annual pension cost of \$27,309 was equal to the required and actual contributions of the City. The required contribution was determined as part of the December 31, 2015, actuarial valuation using the entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 7.5% per year, (b) projected salary increases of 4.5% per year attributable to general wage adjustments, with additional increases for promotion and longevity that vary by age and service, (c) projected automatic cost-of-living benefit increases of 2.0% per year, and (d) CPI increases of 3.5% per year, and (e) demographic assumptions that were chosen to reflect the best estimate of emerging experience of the members of the System.

D. Three-year Trend Information

Three-year trend information for the City of Lowell is as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/16	\$23,520	100%	\$0
06/30/17	\$27,309	100%	\$0
06/30/18	\$32,340	100%	\$0

8. CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time although management expects such amounts, if any, to be immaterial.

CITY OF LOWELL

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

8. CONTINGENCIES (Continued)

Management believes that there are no liabilities that could result from pending suits, judgments or claims where the amount in excess of insurance coverage would be material to the financial statements.

9. RISK MANAGEMENT

The City is operated under various risks and the City participates in various insurance programs to hedge against those risks. The insurance coverage includes general and auto liability, property/mobile equipment, boiler & machinery, excess earthquake, excess crime and others. There have been no losses in excess of insurance coverage for the past three years.

SUPPLEMENTARY INFORMATION

CITY OF LOWELL
Balance Sheet
Other Governmental Funds
Modified Cash Basis
June 30, 2018

	Blackberry Jam Festival Fund	Equipment Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 19,374	\$ 43,614	\$ 62,988
Total assets	\$ 19,374	\$ 43,614	\$ 62,988
Fund balances:			
Assigned	\$ 19,374	\$ 43,614	\$ 62,988
Total fund balances	19,374	43,614	62,988
Total liabilities and fund balances	\$ 19,374	\$ 43,614	\$ 62,988

CITY OF LOWELL
Statement of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds
Modified Cash Basis
For the Year Ended June 30, 2018

	Blackberry Jam Festival Fund	<u>Equipment</u> Fund	Total-Other Governmental Funds
REVENUES			
Investment earnings	\$ 12	\$ -	\$ 12
Blackberry Jam Festival receipts	20,806	-	20,806
Total revenues	<u>20,818</u>	<u>-</u>	<u>20,818</u>
EXPENDITURES			
Current:			
Culture and recreation	22,970	-	22,970
Total Expenditures	<u>22,970</u>	<u>-</u>	<u>22,970</u>
Excess (deficiency) of revenues over expenditures	<u>(2,152)</u>	<u>-</u>	<u>(2,152)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	10,000	10,000
Transfers out	-	-	-
Total other financing sources and uses	<u>-</u>	<u>10,000</u>	<u>10,000</u>
Net change in fund balances	<u>(2,152)</u>	<u>26,419</u>	<u>24,267</u>
Fund balances - beginning	<u>21,526</u>	<u>17,195</u>	<u>38,721</u>
Fund balances - ending	<u>\$ 19,374</u>	<u>\$ 43,614</u>	<u>\$ 62,988</u>

CITY OF LOWELL
Budget and Actual (with Variances)
General Fund
For the year ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property Taxes	\$ 136,081	\$ 136,081	\$ 140,307	\$ 4,226
Fees and fines	3,000	3,000	3,726	726
Licenses and permits	75,818	75,818	91,134	15,316
Intergovernmental	26,457	26,457	35,419	8,962
Charges for services	2,900	2,900	4,956	2,056
Investment earnings	522	522	6,398	5,876
Miscellaneous	17,082	80,482	15,108	(65,374)
Total revenues	<u>261,860</u>	<u>325,260</u>	<u>297,048</u>	<u>(28,212)</u>
EXPENDITURES				
Current:				
General government	152,993	152,993	92,901	60,092
Public Safety - Police	27,720	31,920	30,200	1,720
Highways and roads - Tourism	21,850	21,850	9,695	12,155
Community Development	37,685	84,815	42,730	42,085
Library	7,915	8,315	7,789	526
Code enforcement	13,230	13,230	10,173	3,057
Parks & recreation	88,944	120,944	37,053	83,891
Municipal court	13,075	13,075	10,294	2,781
Debt Service:				
Principal	12,895	12,895	12,895	-
Contingency	72,660	52,330	-	52,330
Total Expenditures	<u>448,967</u>	<u>512,367</u>	<u>253,730</u>	<u>258,637</u>
Excess (deficiency) of revenues over expenditures	<u>(187,107)</u>	<u>(187,107)</u>	<u>43,318</u>	<u>230,425</u>
OTHER FINANCING SOURCES (USES)				
Loan Proceeds	50,000	50,000	-	50,000
Proceeds from capital leases	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(2,000)	(2,000)	(2,000)	-
Total other financing sources and uses	<u>48,000</u>	<u>48,000</u>	<u>(2,000)</u>	<u>50,000</u>
Net change in fund balances	(139,107)	(139,107)	41,318	180,425
Fund balances - beginning	<u>147,607</u>	<u>147,607</u>	<u>184,077</u>	<u>36,470</u>
Fund balances - ending	<u>\$ 8,500</u>	<u>\$ 8,500</u>	<u>\$ 225,395</u>	<u>\$ 216,895</u>

CITY OF LOWELL
Budget and Actual (with Variances)
Street Fund
For the year ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Licenses and permits	\$ 749	\$ 749	\$ 1,340	\$ 591
Intergovernmental	65,402	65,402	67,914	2,512
Investment earnings	500	500	94	(406)
Miscellaneous	-	-	4,288	4,288
Total revenues	<u>66,651</u>	<u>66,651</u>	<u>73,636</u>	<u>6,985</u>
EXPENDITURES				
Current:				
Personal Services	41,712	41,712	38,816	2,896
Materials and Services	33,291	33,291	31,355	1,936
Capital Outlay	90,469	90,469	50	90,419
Contingency	23,349	23,349	-	23,349
Total Expenditures	<u>188,821</u>	<u>188,821</u>	<u>70,221</u>	<u>118,600</u>
Excess (deficiency) of revenues over expenditures	<u>(122,170)</u>	<u>(122,170)</u>	<u>3,415</u>	<u>125,585</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	<u>(4,000)</u>	<u>(4,000)</u>	<u>(4,000)</u>	<u>-</u>
Total other financing sources and uses	<u>(4,000)</u>	<u>(4,000)</u>	<u>(4,000)</u>	<u>-</u>
Net change in fund balances	(126,170)	(126,170)	(585)	125,585
Fund balances - beginning	<u>126,170</u>	<u>126,170</u>	<u>126,877</u>	<u>707</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 126,292</u>	<u>\$ 126,292</u>

CITY OF LOWELL
Budget and Actual (with Variances)
SDC Fund
For the year ended June 30, 2018

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
SDC Fees	\$ 47,950	\$ 47,950	\$ 67,208	\$ 19,258
Investment earnings	500	500	342	(158)
Total revenues	<u>48,450</u>	<u>48,450</u>	<u>67,550</u>	<u>19,100</u>
EXPENDITURES				
Current:				
Capital Outlay	214,186	214,186	-	214,186
Total Expenditures	<u>214,186</u>	<u>214,186</u>	<u>-</u>	<u>214,186</u>
Excess (deficiency) of revenues over expenditures	<u>(165,736)</u>	<u>(165,736)</u>	<u>67,550</u>	<u>233,286</u>
OTHER FINANCING SOURCES (USES)				
Prtoceeds from repayment of interfund loar	12,895	12,895	12,895	-
Transfers out	<u>(180,493)</u>	<u>(180,493)</u>	<u>-</u>	<u>180,493</u>
Total other financing sources and uses	<u>(167,598)</u>	<u>(167,598)</u>	<u>12,895</u>	<u>180,493</u>
Net change in fund balances	(333,334)	(333,334)	80,445	413,779
Fund balances - beginning	<u>333,334</u>	<u>333,334</u>	<u>316,946</u>	<u>(16,388)</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 397,391</u>	<u>\$ 397,391</u>

CITY OF LOWELL
Budget and Actual (with Variances)
Debt Reserve Fund
For the year ended June 30, 2018

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Investment earnings	\$ 300	\$ 300	\$ 75	\$ (225)
Total revenues	<u>300</u>	<u>300</u>	<u>75</u>	<u>(225)</u>
EXPENDITURES				
Current:				
Debt Service:				
Principal	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>300</u>	<u>300</u>	<u>75</u>	<u>(225)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	180,493	180,493	-	180,493
Transfers out	<u>(55,126)</u>	<u>(55,126)</u>	<u>(23,460)</u>	<u>(31,666)</u>
Total other financing sources and uses	<u>125,367</u>	<u>125,367</u>	<u>(23,460)</u>	<u>148,827</u>
Net change in fund balances	125,667	125,667	(23,385)	(149,052)
Fund balances - beginning	<u>52,154</u>	<u>52,154</u>	<u>51,854</u>	<u>(300)</u>
Fund balances - ending	<u>\$ 177,821</u>	<u>\$ 177,821</u>	<u>\$ 28,469</u>	<u>\$ (149,352)</u>

CITY OF LOWELL
Budget and Actual (with Variances)
Blackberry Jam Festival Fund
For the year ended June 30, 2018

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Festival revenue	\$ 14,834	\$ 14,834	\$ 20,806	\$ 5,972
Investment earnings	10	10	12	2
Total revenues	<u>14,844</u>	<u>14,844</u>	<u>20,818</u>	<u>5,974</u>
EXPENDITURES				
Current:				
Materials and Services	26,277	30,959	22,970	7,989
Contingency	4,939	257	-	257
Total Expenditures	<u>31,216</u>	<u>31,216</u>	<u>22,970</u>	<u>8,246</u>
Excess (deficiency) of revenues over expenditures	<u>(16,372)</u>	<u>(16,372)</u>	<u>(2,152)</u>	<u>14,220</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(16,372)	(16,372)	(2,152)	14,220
Fund balances - beginning	<u>16,372</u>	<u>16,372</u>	<u>21,526</u>	<u>5,154</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,374</u>	<u>\$ 19,374</u>

CITY OF LOWELL
Budget and Actual (with Variances)
Equipment Fund
For the year ended June 30, 2018

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Current:				
Capital Outlay	\$ 40,995	\$ 40,995	\$ -	\$ 40,995
Total Expenditures	40,995	40,995	-	40,995
Excess (deficiency) of revenues over expenditures	(40,695)	(40,695)	-	40,695
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	16,419	(16,419)
Transfers in	10,000	10,000	10,000	-
Total other financing sources and uses	10,000	10,000	26,419	(16,419)
Net change in fund balances	(30,695)	(30,695)	26,419	57,114
Fund balances - beginning	31,995	31,995	17,195	(14,800)
Fund balances - ending	\$ 1,300	\$ 1,300	\$ 43,614	\$ 42,314

CITY OF LOWELL
Budget and Actual (with Variances)
Water Operating Fund
For the year ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, Budgetary Basis	Final Budget - Positive (Negative)
REVENUES				
Charges for services	\$ 279,881	\$ 279,881	\$ 287,577	\$ 7,696
Water connections and permits	5,913	5,913	7,475	1,562
Reimbursement of SDC fees	4,851	4,851	6,653	1,802
Investment earnings	300	300	153	(147)
Miscellaneous	5,000	5,000	6,706	1,706
Total revenues	<u>295,945</u>	<u>295,945</u>	<u>308,564</u>	<u>12,619</u>
EXPENDITURES				
Current:				
Personal services	157,548	157,548	144,507	13,041
Materials and services	103,987	103,987	89,688	14,299
Capital outlay	35,955	35,955	24,790	11,165
Debt Service:				
Principal	33,538	33,538	33,538	-
Interest and other charges	30,542	30,542	30,542	-
Contingency	91,800	91,800	-	91,800
Total Expenditures	<u>453,370</u>	<u>453,370</u>	<u>323,065</u>	<u>130,305</u>
Excess (deficiency) of revenues over expenditures	<u>(157,425)</u>	<u>(157,425)</u>	<u>(14,501)</u>	<u>142,924</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	39,381	39,381	7,715	31,666
Transfers out	(5,938)	(5,938)	(5,938)	-
Total other financing sources and uses	<u>33,443</u>	<u>33,443</u>	<u>1,777</u>	<u>31,666</u>
Net change in fund balances	(123,982)	(123,982)	(12,724)	111,258
Fund balances - beginning	<u>152,358</u>	<u>152,358</u>	<u>151,833</u>	<u>(525)</u>
Fund balances - ending	<u>\$ 28,376</u>	<u>\$ 28,376</u>	<u>139,109</u>	<u>\$ 110,733</u>
Reconciliation to modified cash basis:				
Net capital assets			2,384,784	
Long-term debt			<u>(974,981)</u>	
Net position, modified cash basis			<u>\$ 1,548,912</u>	

CITY OF LOWELL
Budget and Actual (with Variances)
Water Reserve Fund
For the year ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 3,938	\$ 3,938	\$ 3,938	\$ -
Total other financing sources and uses	3,938	3,938	3,938	-
Net change in fund balances	3,938	3,938	3,938	-
Fund balances - beginning	11,814	11,814	11,814	-
Fund balances - ending	\$ 15,752	\$ 15,752	\$ 15,752	\$ -

CITY OF LOWELL
Budget and Actual (with Variances)
Sewer Operating Fund
For the year ended June 30, 2018

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 327,989	\$ 327,989	\$ 331,624	\$ 3,635
Reimbursement of SDC fees	4,123	4,123	5,533	1,410
Investment earnings	50	50	3,112	3,062
Miscellaneous	4,500	4,500	45,126	40,626
Total revenues	<u>336,662</u>	<u>336,662</u>	<u>385,395</u>	<u>48,733</u>
EXPENDITURES				
Current:				
Health and sanitation	-	-	-	-
Personal services	157,547	157,547	144,511	13,036
Materials and services	125,086	125,086	95,986	29,100
Debt Service:				
Principal	27,989	27,989	27,989	-
Interest and other charges	24,576	24,577	24,575	2
Capital Outlay	7,955	7,955	150	7,805
Contingency	6,138	6,137	-	6,137
Total Expenditures	<u>349,291</u>	<u>349,291</u>	<u>293,211</u>	<u>56,080</u>
Excess (deficiency) of revenues over expenditures	<u>(12,629)</u>	<u>(12,629)</u>	<u>92,184</u>	<u>104,813</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	15,745	15,745	15,745	-
Transfers out	(3,575)	(3,575)	(3,575)	-
Total other financing sources and uses	<u>12,170</u>	<u>12,170</u>	<u>12,170</u>	<u>-</u>
Net change in fund balances	(459)	(459)	104,354	104,813
Fund balances - beginning	459	459	17,265	16,806
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>121,619</u>	<u>\$ 121,619</u>

Reconciliation to modified cash basis:

Net capital assets	2,195,054
Long-term debt	<u>(634,184)</u>
Net position, modified cash basis	<u>\$1,682,489</u>

CITY OF LOWELL
Budget and Actual (with Variances)
Sewer Reserve Fund
For the year ended June 30, 2018

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,575	\$ 1,575	\$ 1,575	\$ -
Total other financing sources and uses	1,575	1,575	1,575	-
Net change in fund balances	1,575	1,575	1,575	-
Fund balances - beginning	6,670	6,670	5,095	(1,575)
Fund balances - ending	\$ 8,245	\$ 8,245	\$ 6,670	\$ (1,575)

***REPORT OF THE INDEPENDENT AUDITORS REQUIRED BY
THE STATE OF OREGON MINIMUM STANDARDS FOR
AUDITS OF OREGON MUNICIPAL CORPORATIONS***

REPORT OF THE INDEPENDENT AUDITORS REQUIRED BY THE STATE OF
OREGON MINIMUM STANDARDS FOR AUDITS OF OREGON MUNICIPAL
CORPORATIONS

Honorable Mayor and City Council
City of Lowell
107 East Third Street
Post Office Box 490
Lowell, Oregon 97452

We have audited the basic financial statements of City of Lowell (the City) as of and for the year ended June 30, 2018, and have issued our report thereon dated December 31, 2018.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Highway revenues used for public highways, roads, and streets.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

Honorable Mayor and City Council
City of Lowell
Page 2 of 2

In connection with our testing nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the City'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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Communication on the City's internal control over financial reporting is issued in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* on pages 37-35.

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

EMERALD CPA GROUP, LLP

Certified Public Accountants

Eugene, Oregon
December 31, 2018

***REPORT ON INTERNAL CONTROL OVER FINANCING REPORTING AND
ON COMPLIANCE AND OTHER MATTER BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS***

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTER BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Lowell
Lowell, Oregon

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lowell (the City) 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, and have issued our report thereon dated December 31, 2018.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Our consideration of internal control was for the limited purposes described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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 City'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.

Prior Year Findings

Finding 2017-1 Significant deficiency: Segregation of duties and review.

The City has engaged an experienced municipal accountant to review and reconcile the City's financial records. The City council retains monthly oversight of the financial reports. We consider this finding closed.

Finding 2017-2 Material Weakness: Inadequate accounting software.

The City has purchased adequate financial accounting software that will be fully implemented during the 2018-19 year. We consider this finding closed.

Finding 2017-3 Significant Deficiency: Financial statements.

The combination of the experience of the City Administrator and of the the contract accountant has given the city a knowledgeable team for review and preparation of schedules for the financial statements. We consider this finding closed.

EMERALD CPA GROUP, LLP

Certified Public Accountants

Eugene, Oregon
December 31, 2018