

CITY OF UMATILLA, OREGON

**Financial Statements and
Independent Auditors' Report**

June 30, 2018

CITY OF UMATILLA, OREGON

City Hall
Umatilla, Oregon

Mayor and City Council
June 30, 2018

Name

Term Expires

Mayor:

Daren Dufloth

December 31, 2018

Council Members:

Mark Keith

December 31, 2018

Michael Roxbury

December 31, 2020

Mel Ray

December 31, 2018

Selene Torres-Medrano

December 31, 2018

Roak TenEyck

December 31, 2020

Ashley Wheeler

December 31, 2020

Appointed Official:

Tamra Mabbott, Interim City Administrator

Address:

P. O. Box 130

Umatilla, OR 97882

Telephone: (541) 922-3226

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INDEPENDENT AUDITORS' REPORT

Mayor and Council Members
City of Umatilla, Oregon

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Umatilla, Oregon, as of June 30, 2018, and the respective changes in modified cash basis financial position, the respective budgetary comparisons for the General Fund, State Street Tax Fund, Refuse Collection Fund, and Building Department Fund, and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the City of Umatilla, Oregon's basic financial statements. The supplementary information and other financial schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information on Pages 53-64 and other financial schedules on Pages 65-70 are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the basic financial statements as a whole.


The management's discussion and analysis on Pages 43-52 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Mayor and Council Members
City of Umatilla, Oregon
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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 on December 21, 2018, on our consideration of the City of Umatilla, Oregon's compliance with certain provision of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Barnett & Moro, P.C.

By: 

Kristie L. Shasteen, Shareholder
Hermiston, Oregon
December 21, 2018

CITY OF UMATILLA, OREGON

Statement of Net Position - Modified Cash Basis
June 30, 2018

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 4,860,840	\$ 2,329,878	\$ 7,190,718
Capital assets:			
Non-depreciable	792,052	-	792,052
Depreciable, net of depreciation	3,185,558	10,099,706	13,285,264
	<u>8,838,450</u>	<u>12,429,584</u>	<u>21,268,034</u>
Total assets			
<u>LIABILITIES</u>			
Notes payable:			
Due within one year	129,504	-	129,504
Due in more than one year	563,986	385,839	949,825
Bonds payable:			
Due within one year	-	257,915	257,915
Due in more than one year	-	1,005,000	1,005,000
	<u>693,490</u>	<u>1,648,754</u>	<u>2,342,244</u>
Total liabilities			
<u>NET POSITION</u>			
Net investment in capital assets	3,284,120	8,450,952	11,735,072
Restricted for:			
Highways and streets	403,405	-	403,405
Debt service	19,754	-	19,754
Unrestricted	4,437,681	2,329,878	6,767,559
	<u>8,144,960</u>	<u>10,780,830</u>	<u>18,925,790</u>
Total net position			

The notes to the basic financial statements are an integral part of this statement.

CITY OF UMATILLA, OREGON

Statement of Activities - Modified Cash Basis
Year Ended June 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Change in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental activities:							
General government	\$ 838,821	\$ 1,070,585	\$ -	\$ -	\$ 231,764	\$ -	\$ 231,764
Public safety	1,943,928	760,691	32,242	-	(1,150,995)	-	(1,150,995)
Highways and streets	591,367	-	-	-	(591,367)	-	(591,367)
Library	199,785	-	2,863	-	(196,922)	-	(196,922)
Cultural and recreation	580,049	-	-	37,500	(542,549)	-	(542,549)
Sanitation	715,614	1,045,646	-	-	330,032	-	330,032
Interest on long-term debt	33,530	-	-	-	(33,530)	-	(33,530)
Total governmental activities	<u>4,903,094</u>	<u>2,876,922</u>	<u>35,105</u>	<u>37,500</u>	<u>(1,953,567)</u>	<u>-</u>	<u>(1,953,567)</u>
Business-type activities:							
Water	1,165,094	1,144,842	-	-	-	(20,252)	(20,252)
Sewer	1,514,545	1,574,551	-	-	-	60,006	60,006
Interest on long-term debt	37,691	-	-	-	-	(37,691)	(37,691)
Total business-type activities	<u>2,717,330</u>	<u>2,719,393</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,063</u>	<u>2,063</u>
Total government	<u>\$ 7,620,424</u>	<u>\$ 5,596,315</u>	<u>\$ 35,105</u>	<u>\$ 37,500</u>	<u>(1,953,567)</u>	<u>2,063</u>	<u>(1,951,504)</u>
General revenues:							
Taxes							
					935,648	-	935,648
					27,824	-	27,824
					768,107	-	768,107
					459,079	-	459,079
					234,068	-	234,068
					74,962	-	74,962
					177,185	-	177,185
					65,784	33,603	99,387
					507,719	139,033	646,752
					39,607	(39,607)	-
					<u>3,289,983</u>	<u>133,029</u>	<u>3,423,012</u>
					1,336,416	135,092	1,471,508
					6,808,544	10,645,738	17,454,282
					<u>\$ 8,144,960</u>	<u>\$ 10,780,830</u>	<u>\$ 18,925,790</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF UMATILLA, OREGON

Balance Sheet - Modified Cash Basis

Governmental Funds

June 30, 2018

	<u>General</u>	<u>State Tax Street</u>	<u>Refuse Collection</u>	<u>Capital Reserve</u>	<u>Building Department</u>	<u>Debt Service</u>	<u>Other Governmental</u>	<u>Total</u>
<u>ASSETS:</u>								
Cash and cash equivalents	\$ 1,594,422	\$ 403,405	\$ 86,023	\$ 1,201,357	\$ 1,101,949	\$ 19,754	\$ 453,930	\$ 4,860,840
<u>LIABILITIES</u>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>FUND BALANCES:</u>								
Restricted	-	403,405	-	-	-	19,754	-	423,159
Committed	-	-	86,023	1,201,357	1,101,949	-	453,930	2,843,259
Unassigned	1,594,422	-	-	-	-	-	-	1,594,422
Total fund balances	<u>1,594,422</u>	<u>403,405</u>	<u>86,023</u>	<u>1,201,357</u>	<u>1,101,949</u>	<u>19,754</u>	<u>453,930</u>	<u>4,860,840</u>
Total liabilities and fund balances	<u><u>\$ 1,594,422</u></u>	<u><u>\$ 403,405</u></u>	<u><u>\$ 86,023</u></u>	<u><u>\$ 1,201,357</u></u>	<u><u>\$ 1,101,949</u></u>	<u><u>\$ 19,754</u></u>	<u><u>\$ 453,930</u></u>	<u><u>\$ 4,860,840</u></u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF UMATILLA, OREGON

**Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position-Modified Cash Basis
June 30, 2018**

<u>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</u>	\$ 4,860,840
 Capital assets used in governmental activities are not financial resources, therefore, are not reported on the governmental funds balance sheet.	
Acquisition cost	\$ 7,352,735
Accumulated depreciation	<u>(3,375,125)</u>
	<u>3,977,610</u>
 Long-term liabilities, including capital lease obligations, are not due in the current period and, therefore, are not reported on the governmental funds balance sheet.	
	<u>(693,490)</u>
 <u>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</u>	 <u>\$ 8,144,960</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF UMATILLA, OREGON

Statement of Revenues, Expenditures and Changes in Fund Balances - Modified Cash Basis

Governmental Funds

Year Ended June 30, 2018

	General	State Tax Street	Refuse Collection	Capital Reserve	Building Department	Debt Service	Other Governmental	Total
<u>REVENUES:</u>								
Property taxes	\$ 935,648	\$ -	\$ -	\$ -	\$ -	\$ 27,824	\$ -	\$ 963,472
Franchise fees	768,107	-	-	-	-	-	-	768,107
Intergovernmental	266,310	459,079	-	37,500	-	-	180,048	942,937
Fees, licenses, and permits	116,496	-	-	-	954,089	-	74,962	1,145,547
Fines and forfeitures	760,691	-	-	-	-	-	-	760,691
Charges for services	303,670	-	741,976	-	-	-	-	1,045,646
Investment interest	21,300	7,289	-	16,408	11,843	711	8,233	65,784
Miscellaneous	324,215	3,432	-	46,576	-	-	133,496	507,719
Total revenues	<u>3,496,437</u>	<u>469,800</u>	<u>741,976</u>	<u>100,484</u>	<u>965,932</u>	<u>28,535</u>	<u>396,739</u>	<u>6,199,903</u>
<u>EXPENDITURES:</u>								
Current:								
General government	407,294	-	-	72,312	258,355	-	-	737,961
Public safety	1,889,144	-	-	16,054	-	-	-	1,905,198
Highways and streets	-	486,825	-	2,720	-	-	-	489,545
Library	-	-	-	5,470	-	-	194,315	199,785
Cultural and Recreation	459,438	-	-	3,275	-	-	84,280	546,993
Sanitation	-	-	715,614	-	-	-	-	715,614
Debt service:								
Principal	-	-	-	44,000	-	-	83,691	127,691
Interest	-	-	-	-	-	-	33,530	33,530
Capital outlay	17,013	48,069	-	126,166	-	-	-	191,248
Total Expenditures	<u>2,772,889</u>	<u>534,894</u>	<u>715,614</u>	<u>269,997</u>	<u>258,355</u>	<u>-</u>	<u>395,816</u>	<u>4,947,565</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>	<u>723,548</u>	<u>(65,094)</u>	<u>26,362</u>	<u>(169,513)</u>	<u>707,577</u>	<u>28,535</u>	<u>923</u>	<u>1,252,338</u>
<u>OTHER FINANCING SOURCES (USES):</u>								
Transfers in	11,500	4,000	-	392,500	-	21,000	59,720	488,720
Transfers out	(312,920)	(49,000)	-	(5,331)	-	(63,062)	(18,800)	(449,113)
Total other financing sources (uses)	<u>(301,420)</u>	<u>(45,000)</u>	<u>-</u>	<u>387,169</u>	<u>-</u>	<u>(42,062)</u>	<u>40,920</u>	<u>39,607</u>
<u>NET CHANGE IN FUND BALANCES</u>	<u>422,128</u>	<u>(110,094)</u>	<u>26,362</u>	<u>217,656</u>	<u>707,577</u>	<u>(13,527)</u>	<u>41,843</u>	<u>1,291,945</u>
<u>FUND BALANCES, BEGINNING OF YEAR</u>	<u>1,172,294</u>	<u>513,499</u>	<u>59,661</u>	<u>983,701</u>	<u>394,372</u>	<u>33,281</u>	<u>412,087</u>	<u>3,568,895</u>
<u>FUND BALANCES, END OF YEAR</u>	<u>\$ 1,594,422</u>	<u>\$ 403,405</u>	<u>\$ 86,023</u>	<u>\$ 1,201,357</u>	<u>\$ 1,101,949</u>	<u>\$ 19,754</u>	<u>\$ 453,930</u>	<u>\$ 4,860,840</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF UMATILLA, OREGON

**Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
Year Ended June 30, 2018**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 1,291,945

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Expenditures for capital assets	\$ 191,248	
Less current year depreciation	<u>(274,468)</u>	(83,220)

Repayments of long-term debt use current financial resources and are reported as expenditures in governmental funds. However, it is reported as a decrease in liabilities in the Statement of Net Position.

127,691

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,336,416

The notes to the basic financial statements are an integral part of this statement.

CITY OF UMATILLA, OREGON

General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget (Non-GAAP Budgetary Basis) to Actual (Modified-Cash)
Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
<u>REVENUES:</u>				
Property taxes:				
Current levy	\$ 706,624	\$ 706,624	\$ 918,600	\$ 211,976
Previously levied	15,261	15,261	17,048	1,787
Franchise fees	755,282	755,282	768,107	12,825
Intergovernmental	274,662	274,662	266,310	(8,352)
Fees, licenses, and permits	83,977	83,977	116,496	32,519
Fines and forfeitures	710,000	755,000	760,691	5,691
Charges for services	294,300	294,300	303,670	9,370
Miscellaneous:				
Interest on investments	9,000	9,000	21,300	12,300
Other	55,250	55,250	324,215	268,965
	<u>2,904,356</u>	<u>2,949,356</u>	<u>3,496,437</u>	<u>547,081</u>
<u>OTHER FINANCING SOURCES:</u>				
Operating transfers in	<u>11,500</u>	<u>11,500</u>	<u>11,500</u>	<u>-</u>
Total revenues and transfers	2,915,856	2,960,856	3,507,937	547,081
<u>BEGINNING FUND BALANCE AVAILABLE</u>				
<u>FOR APPROPRIATION</u>	<u>1,163,246</u>	<u>1,163,246</u>	<u>1,172,294</u>	<u>9,048</u>
	<u>\$4,079,102</u>	<u>\$ 4,124,102</u>	<u>\$4,680,231</u>	<u>\$ 556,129</u>

(continued on next page)

The notes to the basic financial statements are an integral part of this statement.

CITY OF UMATILLA, OREGON

(continued)

General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget (Non-GAAP Budgetary Basis) to Actual (Modified-Cash)
Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
<u>EXPENDITURES:</u>				
Current:				
General government:				
Administration:				
Personal services	\$ 46,548	\$ 46,548	\$ 42,276	\$ 4,272
Material and services	128,900	128,900	105,330	23,570
Planning:				
Personal services	175,727	175,727	155,414	20,313
Material and services	64,360	114,360	104,274	10,086
	<u>415,535</u>	<u>465,535</u>	<u>407,294</u>	<u>58,241</u>
Public safety:				
Police:				
Personal services	1,321,907	1,321,907	1,229,787	92,120
Materials and services	178,760	178,760	155,076	23,684
Capital Outlay	9,200	9,200	3,380	5,820
Municipal court:				
Personal services	59,034	59,034	56,347	2,687
Materials and services	422,925	467,925	443,434	24,491
911 System:				
Materials and services	1,250	1,250	1,120	130
Capital Outlay	500	500	-	500
	<u>1,993,576</u>	<u>2,038,576</u>	<u>1,889,144</u>	<u>149,432</u>
Recreation:				
Parks and recreation:				
Personal services	150,495	150,495	130,764	19,731
Materials and services	60,625	60,625	30,845	29,780
Marina and RV park:				
Materials and services	337,150	362,150	310,921	51,229
Capital Outlay	5,000	5,000	3,921	1,079
	<u>553,270</u>	<u>578,270</u>	<u>476,451</u>	<u>101,819</u>
Contingency	<u>171,457</u>	<u>96,457</u>	<u>-</u>	<u>96,457</u>
	<u>3,133,838</u>	<u>3,178,838</u>	<u>2,772,889</u>	<u>405,949</u>
<u>OTHER FINANCING USES:</u>				
Operating transfers out	<u>312,920</u>	<u>312,920</u>	<u>312,920</u>	<u>-</u>
Total expenditures and transfers	<u>3,446,758</u>	<u>3,491,758</u>	<u>3,085,809</u>	<u>\$ 405,949</u>
<u>UNAPPROPRIATED BALANCE</u>	<u>632,344</u>	<u>632,344</u>	<u>1,594,422</u>	
	<u>\$ 4,079,102</u>	<u>\$ 4,124,102</u>	<u>\$ 4,680,231</u>	

The notes to the basic financial statements are an integral part of this statement.

CITY OF UMATILLA, OREGON

State Tax Street Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget (Non-GAAP Budgetary Basis) to Actual (Modified-Cash)
Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
<u>REVENUES:</u>				
State gasoline tax	\$ 415,944	\$ 455,944	\$ 459,079	\$ 3,135
STP funds	608,434	608,434	-	(608,434)
Interest income	3,500	3,500	7,289	3,789
Miscellaneous	1,000	1,000	3,432	2,432
Total revenues	<u>1,028,878</u>	<u>1,068,878</u>	<u>469,800</u>	<u>(599,078)</u>
<u>TRANSFERS FROM OTHER FUNDS:</u>				
From General Fund	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>	<u>-</u>
<u>BEGINNING FUND BALANCE AVAILABLE</u>				
<u>FOR APPROPRIATION</u>	<u>502,198</u>	<u>502,198</u>	<u>513,499</u>	<u>11,301</u>
	<u>\$1,535,076</u>	<u>\$1,575,076</u>	<u>\$ 987,299</u>	<u>\$ (587,777)</u>
<u>EXPENDITURES:</u>				
Current:				
Highways and streets:				
Personal services	\$ 326,917	\$ 381,917	\$ 370,806	\$ 11,111
Materials and services	930,159	930,159	158,810	771,349
Capital outlay	14,000	14,000	5,278	8,722
Operating contingency	15,000	-	-	-
	<u>1,286,076</u>	<u>1,326,076</u>	<u>534,894</u>	<u>791,182</u>
<u>TRANSFERS TO OTHER FUNDS:</u>				
To Capital Reserve Fund	<u>49,000</u>	<u>49,000</u>	<u>49,000</u>	<u>-</u>
Total expenditures and transfers	<u>1,335,076</u>	<u>1,375,076</u>	<u>583,894</u>	<u>\$ 791,182</u>
<u>UNAPPROPRIATED BALANCE</u>	<u>200,000</u>	<u>200,000</u>	<u>403,405</u>	
	<u>\$1,535,076</u>	<u>\$1,575,076</u>	<u>\$ 987,299</u>	

The notes to the basic financial statements are an integral part of this statement.

CITY OF UMATILLA, OREGON

Refuse Collection Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget (Non-GAAP Budgetary Basis) to Actual (Modified-Cash)
Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
<u>REVENUES:</u>				
Refuse collections	<u>\$ 617,149</u>	<u>\$ 717,149</u>	<u>\$ 741,976</u>	<u>\$ 24,827</u>
<u>BEGINNING FUND BALANCE AVAILABLE</u>				
<u>FOR APPROPRIATION</u>	<u>37,648</u>	<u>37,648</u>	<u>59,661</u>	<u>22,013</u>
	<u>\$ 654,797</u>	<u>\$ 754,797</u>	<u>\$ 801,637</u>	<u>\$ 46,840</u>
<u>EXPENDITURES:</u>				
Current:				
Sanitation:				
Materials and services	<u>\$ 519,605</u>	<u>\$ 603,605</u>	<u>\$ 591,487</u>	<u>\$ 12,118</u>
<u>TRANSFERS TO OTHER FUNDS:</u>				
Franchise fees to General Fund	<u>98,744</u>	<u>114,744</u>	<u>124,127</u>	<u>(9,383)</u>
Total expenditures and transfers	<u>618,349</u>	<u>718,349</u>	<u>715,614</u>	<u>\$ 2,735</u>
<u>UNAPPROPRIATED BALANCE</u>	<u>36,448</u>	<u>36,448</u>	<u>86,023</u>	
	<u>\$ 654,797</u>	<u>\$ 754,797</u>	<u>\$ 801,637</u>	

The notes to the basic financial statements are an integral part of this statement.

CITY OF UMATILLA, OREGON

Building Department Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget (Non-GAAP Budgetary Basis) to Actual (Modified-Cash)
Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
<u>REVENUES:</u>				
Building permits	\$ 175,000	\$ 175,000	\$ 383,035	\$ 208,035
Community development	100,000	100,000	231,657	131,657
Electrical permits	76,000	76,000	217,023	141,023
Electrical plan reviews	20,000	20,000	47,540	27,540
State surcharges	30,120	30,120	74,834	44,714
Interest income	1,600	1,600	11,843	10,243
Total revenues	<u>402,720</u>	<u>402,720</u>	<u>965,932</u>	<u>563,212</u>
<u>BEGINNING FUND BALANCE AVAILABLE</u>				
<u>FOR APPROPRIATION</u>	<u>257,243</u>	<u>257,243</u>	<u>394,372</u>	<u>137,129</u>
	<u>\$ 659,963</u>	<u>\$ 659,963</u>	<u>\$1,360,304</u>	<u>\$ 700,341</u>
<u>EXPENDITURES:</u>				
Current:				
Building department:				
Personal services	\$ 118,143	\$ 118,143	\$ 101,626	\$ 16,517
Materials and services	101,620	151,620	156,729	(5,109)
Operating contingency	50,000	-	-	-
Total expenditures	<u>269,763</u>	<u>269,763</u>	<u>258,355</u>	<u>11,408</u>
<u>UNAPPROPRIATED BALANCE</u>	<u>390,200</u>	<u>390,200</u>	<u>1,101,949</u>	
	<u>\$ 659,963</u>	<u>\$ 659,963</u>	<u>\$1,360,304</u>	

The notes to the basic financial statements are an integral part of this statement.

CITY OF UMATILLA, OREGON

Statement of Net Position - Modified Cash Basis

Proprietary Funds

June 30, 2018

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Water Reserve</u>	<u>Sewer Reserve</u>	<u>Total</u>
<u>ASSETS</u>					
<u>CURRENT ASSETS:</u>					
Cash and investments	\$ 108,446	\$ 566,008	\$ 417,556	\$ 1,237,868	\$ 2,329,878
<u>CAPITAL ASSETS:</u>					
Capital assets, net	2,956,226	7,143,480	-	-	10,099,706
Total assets	3,064,672	7,709,488	417,556	1,237,868	12,429,584
<u>LIABILITIES</u>					
<u>CURRENT LIABILITIES:</u>					
Bonds payable, current portion	17,915	240,000	-	-	257,915
	17,915	240,000	-	-	257,915
<u>LONG TERM LIABILITIES:</u>					
Bonds payable, long-term portion	-	1,005,000	-	-	1,005,000
Notes payable, long-term portion	-	385,839	-	-	385,839
	-	1,390,839	-	-	1,390,839
Total liabilities	17,915	1,630,839	-	-	1,648,754
<u>NET POSITION</u>					
Net investment in capital assets	2,938,311	5,512,641	-	-	8,450,952
Unrestricted	108,446	566,008	417,556	1,237,868	2,329,878
Total net position	\$3,046,757	\$ 6,078,649	\$ 417,556	\$ 1,237,868	\$ 10,780,830

The notes to the basic financial statements are an integral part of this statement.

CITY OF UMATILLA, OREGON

Statement of Revenues, Expenses, and Changes in Fund Net Position - Modified Cash Basis

Proprietary Funds

Year Ended June 30, 2018

Business-Type Activities - Proprietary Funds

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Water Reserve</u>	<u>Sewer Reserve</u>	<u>Total</u>
<u>OPERATING REVENUES:</u>					
Charges for sales and services:					
Water	\$1,078,047	\$ -	\$ 66,795	\$ -	\$ 1,144,842
Sewer	-	1,528,257	-	46,294	1,574,551
Miscellaneous revenues	3,943	988	-	134,102	139,033
Total operating revenue	<u>1,081,990</u>	<u>1,529,245</u>	<u>66,795</u>	<u>180,396</u>	<u>2,858,426</u>
<u>OPERATING EXPENSES:</u>					
Cost of sales and services	900,590	879,072	62,623	310,266	2,152,551
Depreciation and amortization	201,881	325,207	-	-	527,088
Total operating expenses	<u>1,102,471</u>	<u>1,204,279</u>	<u>62,623</u>	<u>310,266</u>	<u>2,679,639</u>
<u>OPERATING INCOME (LOSS)</u>	<u>(20,481)</u>	<u>324,966</u>	<u>4,172</u>	<u>(129,870)</u>	<u>178,787</u>
<u>NONOPERATING REVENUES (EXPENSES):</u>					
Interest on investments	1,983	7,238	7,476	16,906	33,603
Interest expense	(3,155)	(34,536)	-	-	(37,691)
Total nonoperating revenue (expenses)	<u>(1,172)</u>	<u>(27,298)</u>	<u>7,476</u>	<u>16,906</u>	<u>(4,088)</u>
<u>INCOME (LOSS) BEFORE TRANSFERS</u>					
	(21,653)	297,668	11,648	(112,964)	174,699
Transfers in	165,427	12,990	75,000	323,670	577,087
Transfers out	(131,000)	(375,670)	(97,034)	(12,990)	(616,694)
<u>CHANGE IN NET POSITION</u>	<u>12,774</u>	<u>(65,012)</u>	<u>(10,386)</u>	<u>197,716</u>	<u>135,092</u>
<u>TOTAL NET POSITION - BEGINNING</u>					
	<u>3,033,983</u>	<u>6,143,661</u>	<u>427,942</u>	<u>1,040,152</u>	<u>10,645,738</u>
<u>TOTAL NET POSITION - ENDING</u>					
	<u>\$3,046,757</u>	<u>\$6,078,649</u>	<u>\$ 417,556</u>	<u>\$1,237,868</u>	<u>\$10,780,830</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF UMATILLA, OREGON

Statement of Cash Flows - Modified Cash Basis

Proprietary Funds

Year Ended June 30, 2018

	Business-Type Activities - Enterprise Funds				Total
	Water Utility	Sewer Utility	Water Reserve	Sewer Reserve	
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>					
Cash receipts from customers	\$1,081,990	\$ 1,529,245	\$ 66,795	\$ 180,396	\$ 2,858,426
Cash payments to suppliers	(398,015)	(241,818)	(62,623)	(310,266)	(1,012,722)
Cash payments to employees	(502,575)	(637,254)	-	-	(1,139,829)
Net cash provided by(used in) operating activities	<u>181,400</u>	<u>650,173</u>	<u>4,172</u>	<u>(129,870)</u>	<u>705,875</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>					
Transfer from other funds	165,427	12,990	75,000	323,670	577,087
Transfer to other funds	(131,000)	(375,670)	(97,034)	(12,990)	(616,694)
Net cash provided by(used in) noncapital financing activities	<u>34,427</u>	<u>(362,680)</u>	<u>(22,034)</u>	<u>310,680</u>	<u>(39,607)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>					
Acquisition and construction of capital assets	(102,365)	(24,414)	-	-	(126,779)
Interest paid on bonds and notes	(3,155)	(34,536)	-	-	(37,691)
Proceeds from long-term debt	-	123,670	-	-	123,670
Principal paid on bonds and notes	(59,907)	(235,000)	-	-	(294,907)
Net cash used in capital and related financing activities	<u>(165,427)</u>	<u>(170,280)</u>	<u>-</u>	<u>-</u>	<u>(335,707)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>					
Interest received	1,983	7,238	7,476	16,906	33,603
Net cash provided by investing activities	<u>1,983</u>	<u>7,238</u>	<u>7,476</u>	<u>16,906</u>	<u>33,603</u>
<u>NET INCREASE(DECREASE) IN CASH</u>	<u>52,383</u>	<u>124,451</u>	<u>(10,386)</u>	<u>197,716</u>	<u>364,164</u>
<u>CASH AND INVESTMENTS, JULY 1</u>	<u>56,063</u>	<u>441,557</u>	<u>427,942</u>	<u>1,040,152</u>	<u>1,965,714</u>
<u>CASH AND INVESTMENTS, JUNE 30</u>	<u>\$ 108,446</u>	<u>\$ 566,008</u>	<u>\$ 417,556</u>	<u>\$ 1,237,868</u>	<u>\$ 2,329,878</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY(USED IN) OPERATING ACTIVITIES:</u>					
Operating income (loss)	\$ (20,481)	\$ 324,966	\$ 4,172	\$ (129,870)	\$ 178,787
<u>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY(USED IN) OPERATING ACTIVITIES:</u>					
Depreciation and amortization	201,881	325,207	-	-	527,088
<u>NET CASH PROVIDED BY(USED IN) OPERATING ACTIVITIES</u>	<u>\$ 181,400</u>	<u>\$ 650,173</u>	<u>\$ 4,172</u>	<u>\$ (129,870)</u>	<u>\$ 705,875</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements

June 30, 2018

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City of Umatilla, Umatilla County, Oregon, is incorporated as a municipal corporation. The City operates under a charter adopted November 2, 1942; this charter was amended May 20, 1986, March 31, 1987 and January 1, 2007. The government of the City of Umatilla is vested in a City Council and a Mayor. The Council is composed of six council members elected at large, three of whom are chosen biennially to serve terms of four years. The mayor is elected to serve a term of four years. The administration of day-to-day City affairs is the responsibility of the City Administrator who is appointed by the City Council. The City of Umatilla, Oregon provides the following services as authorized by its charter: public safety (police), highway and streets, water and sanitation services, culture and recreational services (including library services), public improvements, inspection, planning and zoning, and general administrative services.

Scope of reporting entity:

A component unit is a separate legal organization for which the City is considered to be financially accountable. The City has determined that no other organization meets the criteria to be included as a component unit in the City's financial statements.

Government-wide and fund financial statements:

The government-wide financial statements include the statement of net position and the statement of activities. These statements report information on activity as a whole. Governmental activities, which are generally supported by taxes and intergovernmental revenues, and other nonexchange transactions are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. The statement of activities separates program revenues from general revenues. Program revenues include: 1) charges for goods, services and privileges, 2) operating grants and contributions, 3) capital grants and contributions. Indirect expenses are allocated to functions in the statement of activities based upon time records, usage or other reasonable means.

The government-wide financial statements are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets, and liabilities resulting from cash transactions, adjusted for modifications that have substantial support in generally accepted accounting principles.

While separate government-wide and fund financial statements are presented they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

The government-wide financial statements are presented on the modified cash basis of accounting. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements

June 30, 2018

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Measurement focus, basis of accounting and financial statement presentation:

The City's fund financial statements report the following major funds:

Major Governmental Funds

General Fund

This fund accounts for the City's general operations. It is used to account for all transactions not specifically related to the City's other funds. Its major sources of revenue are property taxes, grants, franchise fees, and shared state taxes.

State Tax Street Fund

This fund accounts for revenues received from state gasoline taxes which are to be expended as outlined in the Constitution of the State of Oregon.

Debt Service Fund

This fund accounts for the payment of principal and interest on general obligation debt. The principal source of revenue is property taxes and transfers from other funds.

Refuse Collection Fund

This governmental fund accounts for sanitation fees collected from the citizens of the City.

Building Department Fund

This governmental fund accounts for revenues received in association with building and electrical permits and fees.

Capital Reserve Fund

This fund accounts for cash received for the purchase of capital projects. Transfers from other funds are its principal revenue.

Major Proprietary Funds

Water Utility Fund

This fund accounts for the water utility operations of the City. User fees are its principal revenue.

Sewer Utility Fund

This fund accounts for the sewer utility operations of the City. User fees are its principal revenue.

Water Reserve Fund

This fund accounts for resources received to maintain and improve the City's water system. The principal source of revenue is system development charges and transfers from other funds.

Sewer Reserve Fund

This fund accounts for resources received to maintain and improve the City's sewer system. The principal source of revenue is system development charges and transfers from other funds.

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements

June 30, 2018

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Measurement focus, basis of accounting and financial statement presentation (continued):

The City's financial statements include the accounts of all City operations. The financial statements have been presented on a modified cash basis of accounting. The City only recognizes items that involve receipts or disbursements of cash, except for the following modifications which have substantial support in generally accepted accounting principles:

The City capitalizes assets with an original cost over \$2,500 and an estimated useful life longer than one year. Capital assets are depreciated using the straight-line method over estimated useful lives. The City reports long-term debt that relates to the acquisition of capital assets.

Except for the modifications listed above, the City does not record transactions relating to revenues earned or expenses incurred until the period in which the cash is received or disbursed. Accordingly, receivables, payables, and accrued expenses are not reported.

Cash and cash equivalents:

Cash includes demand deposits and short-term investments. The City combines each funds' cash in a cash pool which is accounted for monthly.

For purposes of the statement of cash flows, the proprietary fund types consider all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents.

State statutes authorize the City to invest in certificates of deposit, passbooks, bankers' acceptances, and other available bank investments provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds.

In addition, the City can invest in direct debt securities of the United States unless such an investment is expressly prohibited. Presently all investments are in the State of Oregon local government investment pool (LGIP).

The Oregon Short Term Fund (OSTF) is the LGIP for local governments and was established by the State Treasurer. OSTF investments are regulated by the Oregon Short Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). The fair value of the City's position in the pool is the same as the value of its pool shares.

Investments are stated at cost under the modified cash basis of accounting; market value of investments is approximately the same as cost.

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements

June 30, 2018

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Capital assets and long-term liabilities:

The City capitalizes assets purchased or constructed with an individual cost more than \$2,500 and an estimated useful life in excess of one year. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair values on the date donated. Public Domain ("infrastructure") assets consisting of certain improvements other than buildings, but including roads, bridges, curbs and gutters, streets, drainage systems, and lighting constructed before July 1, 2003 are not capitalized. Infrastructure assets acquired since July 1, 2004 are recorded at cost.

Capital assets are comprehensively reported in the government-wide financial statements. Proprietary capital assets are also reported on their respective fund financial statements. Capital assets acquired for use in governmental fund operations are reported as capital outlay expenditures on their respective fund financial statements. Maintenance and repairs are charged to expenditures in various budgetary funds as incurred and are not capitalized. Upon disposal, the cost and applicable accumulated depreciation are removed from the respective account, and the resulting gain or loss is recorded in operations.

Depreciation of capital assets is computed on the straight-line method over the following estimated useful lives of the related assets:

Buildings	20 to 35 years
Building improvements	10 to 20 years
Water and sewer utility systems and improvements	10 to 40 years
Street system and improvements	10 to 40 years
Machinery and equipment	5 to 10 years

Interest costs are capitalized when incurred by proprietary funds on debt where proceeds were used to finance the construction of assets. No interest costs were capitalized during the year.

Long-term debt and other long-term obligations are reported as liabilities in the government-wide financial statements and the fund financial statements of the proprietary funds.

Restricted net position:

Revenue from taxes on motor vehicle use fuel is required by the Oregon Constitution and other statutes to be expended on streets, roads, and highways. All funds restricted for these purposes are accounted for in the State Tax Street Fund. When the option is available to use restricted or unrestricted resources for any purpose, the City will expend restricted resources first.

Inventories:

The City does not have any significant inventories. Inventory items are recorded as expenditures when purchased.

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements

June 30, 2018

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Accounting estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accrued vacations:

Accrued vacations are not recorded because the City uses a modified cash basis of accounting.

Interfund transactions:

Interfund services provided and used are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expense in the fund that is reimbursed. All other interfund transactions are reported as transfers.

Property taxes:

Umatilla County assesses, collects, and distributes taxes for all local governments within the County. Property taxes are billed in October of each year. Unpaid personal and real property taxes become liens against the property on January 1 and July 1, respectively. Property taxes are payable in three installments due November 15, February 15, and May 15. A 3% discount is allowed for full payment by November 15. Interest at 16% annually is charged for late payments.

The 2017-18 tax levy was adopted June 6, 2017. The levy is within the available tax base, including debt service levy.

Income taxes:

The City is a municipal corporation exempt from federal and state income taxes.

Post-employment health care benefits:

The City does not provide any significant post-employment health care benefits. Retired employees are allowed to continue their group health care insurance at their own expense.

Credit risk:

The City grants credit to utility customers, substantially all of whom are local residents.

Fund balance:

In the fund financial statements, the fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements

June 30, 2018

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Fund balance (continued):

Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash and include inventories and prepaid amounts.

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

Fund balance is reported as committed when the City Council passes a resolution that places specific constraints on how the resources may be used. The City Council can modify or rescind the resolution at any time through passage of an additional resolution.

Fund balance is reported as assigned when resources are constrained by the government's intent to use them for a specific purpose, but are neither restricted nor committed. Intent is expressed when the City council approves which resources should be assigned to expenditures of particular purposes during the adoption of the annual budget. The City's Finance Director uses that information to determine whether those resources should be classified as assigned or unassigned for presentation in the City's fund financial statements.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned.

When the option is available to use restricted or unrestricted resources for any purpose, the City expends restricted resources first. When the option is available to use committed, assigned, or unassigned resources for any purpose, the City expends committed resources before assigned resources, and assigned resources before unassigned resources.

	General	State Street Tax	Refuse Collection	Debt Service	Other Governmental Funds	Total Governmental Funds
<u>Fund balances:</u>						
Restricted:						
Debt service	-	-	-	19,754	-	19,754
Highways and streets	-	403,405	-	-	-	403,405
Total restricted	-	403,405	-	19,754	-	423,159
Committed:						
Culture and recreation	-	-	-	-	348,410	348,410
Capital projects	-	-	-	-	1,306,877	1,306,877
Refuse Collection	-	-	86,023	-	-	86,023
Building department	-	-	-	-	1,101,949	1,101,949
Total committed	-	-	86,023	-	2,757,236	2,843,259
Unassigned	1,594,422	-	-	-	-	1,594,422
Ending net assets	\$ 1,594,422	\$ 403,405	\$ 86,023	\$ 19,754	\$ 2,757,236	\$ 4,860,840

\$403,405 is restricted for highways and streets by enabling legislation.

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements

June 30, 2018

NOTE 2 -- STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budget procedures:

A budget is prepared for each fund in accordance with the cash basis of accounting and legal requirements set forth in the Oregon Local Budget Law. Budget amounts shown in the financial statements include the original and supplemental budget amounts and all appropriation transfers approved by the City Council.

The City employs the following procedures in establishing the budgetary data reflected in the financial statements.

The appointed budget officer develops a proposed budget for submission to the budget committee appointed by the City Council. The operating budget includes proposed expenditures and the means for financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years.

After the proposed budget is prepared, the budget officer publishes a "Notice of Budget Committee Meeting" in at least one newspaper of general circulation. At the budget committee meeting, the budget message is delivered explaining the proposed budget and any significant changes in the City's financial position. The budget committee meets thereafter as many times as necessary until the budget document is completed.

After approval by the budget committee and the required public hearing, and prior to July 1, the budget is adopted by the City Council, and appropriations are enacted by resolution. Appropriations control expenditures in broad categories as required by Oregon Local Budget Law. More detailed classifications of budgeted expenditures are adopted for administrative control purposes. Budget appropriations lapse at year end.

Management is not allowed to modify the budget without action by the governing body. The governing body is authorized to modify the original budget appropriation ordinance in the following ways:

- a. Transfer of budget appropriations within a fund are authorized by resolution of the governing body.
- b. Budget revisions that increase total expenditures in any fund require a supplemental budget to be adopted. If a supplemental budget increases a fund's expenditures by less than 10%, the City can adopt it by publishing a notice five days before a meeting is held to pass the adoption resolution. If a supplemental budget increases a fund's expenditures by more than 10%, the City must hold a special hearing to discuss and adopt the supplemental budget. Notice of the hearing must be published five to thirty days before the hearing.

A supplemental budget was adopted during the year ended June 30, 2018; income increased in the general, state tax street, refuse, water reserve, and sewer reserve funds. Allocated as follows: to the general fund materials and services, increasing it by \$45,000, state tax street personal services, increasing it by \$40,000, refuse collection materials and services and transfers increasing them by \$84,000 and \$16,000, respectively, water reserve fund materials and services, increasing it by \$25,000, and sewer reserve fund materials and services, increasing it by \$235,000.

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements

June 30, 2018

NOTE 2 -- STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued):

Budget procedures (continued):

The following funds legally adopt annual budgets:

General fund	All proprietary funds	All capital projects funds
All special revenue funds	All debt service funds	

Expenditures may not legally exceed budget appropriations at the following legal level of control for each fund:

Personal services	Capital outlay
Materials and services	Debt service

Appropriations are made at the same legal level of control described above, with the exception of the general fund. General fund expenditures are appropriated by department.

Oregon state local budget laws prohibit over expenditure of budgeted appropriations. The City over expended the budget appropriations in the following funds during the year ended June 30, 2018:

- a. Refuse collection fund transfers was over expended by \$9,383
- b. Building department fund materials and services was over expended by \$5,109.

NOTE 3 -- CASH AND CASH EQUIVALENTS:

Cash and cash equivalents consisted of the following:

Cash on hand	\$ 630
Bank checking accounts	2,929,027
Local government investment pool	4,261,061
Total cash and cash equivalents	<u>\$ 7,190,718</u>

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned. ORS Chapter 295 governs the collateralization of Oregon public funds and provides the statutory requirements for the Public Funds Collateralization Program. The Public Funds Collateralization Program was created by the Office of the State Treasurer to facilitate bank depository, custodian and public official compliance with ORS 295. ORS 295 requires the depository institution to pledge collateral against any public funds deposits in excess of deposit insurance amounts. As of June 30, 2018, the total bank balance was \$2,929,027. Of these deposits, \$250,000 was covered by federal depository insurance. The City maintains its funds at a financial institution deemed to be a qualified depository by the Office of the State Treasurer. The City's remaining deposits in excess of federal deposit insurance are considered by management to be fully collateralized. The City has not adopted a formal investment policy addressing this risk.

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements

June 30, 2018

NOTE 3 -- CASH AND CASH EQUIVALENTS (continued):

Credit Risk – Investments

The Local Government Investment Pool's credit risk is not rated.

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City would not be able to recover the value of its investments. The City has not adopted a formal investment policy addressing this risk. The Local Government Investment Pool is not subject to custodial credit risk because it is not evidenced by securities that exist in physical or book entry form.

Fair Value Measurements

The Local Government Investment Pool is not subject to custodial credit risk because it is not evidenced by securities that exist in physical or book entry form. The pool is not required to be categorized within the fair value hierarchy required for other investments.

NOTE 4 -- RISK MANAGEMENT:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance coverage from coverage in the prior year.

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements
June 30, 2018

NOTE 5 -- CAPITAL ASSETS:

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

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 792,052	\$ -	\$ -	\$ 792,052
Total assets not being depreciated	<u>792,052</u>	<u>-</u>	<u>-</u>	<u>792,052</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 3,197,574	\$ 28,405	\$ -	\$ 3,225,979
Equipment	1,006,066	55,695	-	1,061,761
Vehicles	721,507	59,079	(21,765)	758,821
Infrastructure	1,466,053	48,069	-	1,514,122
Total capital assets being depreciated	<u>6,391,200</u>	<u>191,248</u>	<u>(21,765)</u>	<u>6,560,683</u>
Less: Accumulated depreciation:				
Buildings and improvements	\$ (971,604)	\$ (81,216)	\$ -	\$ (1,052,820)
Equipment	(670,276)	(83,280)	-	(753,556)
Vehicles	(655,749)	(28,890)	21,765	(662,874)
Infrastructure	(824,793)	(81,082)	-	(905,875)
Total accumulated depreciation	<u>(3,122,422)</u>	<u>(274,468)</u>	<u>21,765</u>	<u>(3,375,125)</u>
Total capital assets being depreciated, net	<u>3,268,778</u>	<u>(83,220)</u>	<u>-</u>	<u>3,185,558</u>
Governmental activities capital assets, net	<u>\$ 4,060,830</u>	<u>\$ (83,220)</u>	<u>\$ -</u>	<u>\$ 3,977,610</u>
<u>Business-type activities:</u>				
Capital assets being depreciated:				
Sewer utility system and equipment	\$ 13,692,627	\$ 24,414	\$ -	\$ 13,717,041
Water utility system and equipment	6,686,843	102,365	-	6,789,208
Total capital assets being depreciated	<u>20,379,470</u>	<u>126,779</u>	<u>-</u>	<u>20,506,249</u>
Less: Accumulated depreciation:				
Sewer utility system and equipment	\$ (6,248,354)	\$ (325,207)	\$ -	\$ (6,573,561)
Water utility system and equipment	(3,631,101)	(201,881)	-	(3,832,982)
Total accumulated depreciation	<u>(9,879,455)</u>	<u>(527,088)</u>	<u>-</u>	<u>(10,406,543)</u>
Total capital assets being depreciated, net	<u>10,500,015</u>	<u>(400,309)</u>	<u>-</u>	<u>10,099,706</u>
Business-type activities capital assets, net	<u>\$ 10,500,015</u>	<u>\$ (400,309)</u>	<u>\$ -</u>	<u>\$ 10,099,706</u>
Depreciation was charged to functions and programs as follows:				
Governmental activities:				
General government			\$ 100,860	
Public safety			38,730	
Highways and streets			101,822	
Recreation			33,056	
Total depreciation expense governmental activities			<u>\$ 274,468</u>	
Business-type activities:				
Water			\$ 201,881	
Sewer			325,207	
Total depreciation expense business-type activities			<u>\$ 527,088</u>	

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements

June 30, 2018

NOTE 6 -- LONG-TERM DEBT:

Bonds Payable:

The City issues bonds to provide funds for the acquisition and construction of major capital facilities.

Series 1978 Water Bond:

The City issued general obligation water bonds in 1978 to finance the water utility system. The debt service for these bonds is being paid with property tax funding by the governmental debt service fund. These bonds are reported as a debt of the water utility fund because they are directly related to the water utility assets.

Series 2014 Sewer Revenue Refunding Bonds:

The City issued sewer revenue refunding bonds in March of 2014 for \$2,160,000 to retire bonds issued in 2000. This refunding was performed to obtain a more favorable interest rate for the taxpayers of the City of Umatilla, Oregon. Due to the favorable rate, the reduction in total debt service payments over ten years was approximately \$668,000. The present value of those savings were approximately \$603,000. The 2000 series bonds had required the City to restrict \$271,750, an amount equal to one payment. The City used those restricted assets to pay down the 2000 series bonds prior to the refunding. Thus making the net present value savings approximately \$331,000. The refunding bonds carry a fixed interest rate of 2% and mature annually through October 1, 2024. These bonds are reported as a debt of the sewer utility fund.

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
Business-type activities:		
1978 Water Bond	5.0%	\$ 17,915
2014 Sewer Refunding Bond	2.0%	1,245,000
Total bonds		<u>\$ 1,262,915</u>

Annual debt service requirements to maturity for bonds payable are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 257,915	\$ 28,048
2020	245,000	22,750
2021	250,000	17,800
2022	260,000	11,400
2023	250,000	3,750
	<u>\$ 1,262,915</u>	<u>\$ 83,748</u>

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements

June 30, 2018

NOTE 6 -- LONG-TERM DEBT (continued):

Notes payable:

Port of Umatilla:

The City purchased land from the Port of Umatilla on February 18, 2015 for \$176,000. The City will make four annual payments of \$44,000 to the Port of Umatilla beginning July 1, 2015. This note is reported as a debt of the governmental funds.

Banner Bank:

The City borrowed \$1,500,000 from Banner Bank on April 13, 2010. The note proceeds were used to construct the new city hall building. This note is recorded as a debt of the governmental funds.

IFA:

The City received fund advances from Oregon Infrastructure Finance Authority (IFA) on several dates during the current and previous fiscal year, the total loan amount is expected to be \$403,000 and payments will commence when the project has been completed and all funds have been disbursed. The loan will be due in six payments and will carry interest at 1.42% from the date of disbursement. This note is reported as a debt of the enterprise funds.

Clean Water Loan:

The City received fund advances from the State of Oregon Department of Environmental Quality Clean Water State Revolving Loan Fund totalling \$26,040 during the fiscal year, the total loan amount is expected to be \$2,342,420 and payments will commence when the project has been completed and all funds have been disbursed. The loan will be due in ten payments and will carry interest at 1.56% from the date of disbursement. This note is reported as debt of the enterprise funds.

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
Governmental activities:		
Banner Bank	4.90%	\$ 649,490
Port of Umatilla	no stated interest rate	44,000
		<u>\$ 693,490</u>
Business-type activities:		
DEQ	1.56%	\$ 26,040
IFA	1.42%	359,799
		<u>\$ 385,839</u>

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements

June 30, 2018

NOTE 6 -- LONG-TERM DEBT (continued):

Annual debt service requirements to maturities for notes payable are as follows:

Fiscal Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 129,504	\$ 31,717	\$ -	\$ 4,406
2020	89,694	27,528	90,861	5,723
2021	94,089	23,133	65,742	4,802
2022	98,699	18,522	66,675	3,869
2023	103,535	13,686	67,622	2,922
2024-2028	177,969	11,904	94,939	2,950
	<u>\$ 693,490</u>	<u>\$ 126,490</u>	<u>\$ 385,839</u>	<u>\$ 24,672</u>

Changes in long-term debt

Long-term liability activity for the year follows:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2018	Amount due within one year
Governmental activities:					
Note Payable:					
Banner Bank	\$ 733,181	-	83,691	\$ 649,490	85,504
Port of Umatilla	88,000	-	44,000	44,000	44,000
Total Governmental activities	<u>\$ 821,181</u>	<u>\$ -</u>	<u>\$ 127,691</u>	<u>\$ 693,490</u>	<u>\$ 129,504</u>
Business-Type Activities:					
Bonds payable:					
1978 Water Bonds	\$ 77,822	\$ -	\$ 59,907	\$ 17,915	\$ 17,915
Sewer Refunding Bonds	1,480,000	-	235,000	1,245,000	240,000
IFA	262,169	97,630	-	359,799	-
DEQ Clean Water Loan	-	26,040	-	26,040	-
Total Business-Type Activities	<u>\$ 1,819,991</u>	<u>\$ 123,670</u>	<u>\$ 294,907</u>	<u>\$ 1,648,754</u>	<u>\$ 257,915</u>

NOTE 7 -- GARBAGE DISPOSAL CONTRACT:

The City contracts for garbage disposal with a third party. Under terms of the agreement the City remits eighty-four percent of collected sanitation fees to the contracting party, with the General Fund retaining sixteen percent of the fees as compensation for billing and collection services.

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements

June 30, 2018

NOTE 8 -- CONTINGENT LIABILITIES:

Amounts received or receivable from state and federal grants 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 amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

NOTE 9 -- RELATED PARTY:

The City contracts with Cris, Inc. to manage the marina and RV park acquired by the City in September 2013. Larry Ray is the president of Cris, Inc. Larry Ray is the son of council member, Mel Ray. The City entered into the management contract with Cris, Inc. prior to Mel Ray being appointed to the city council.

NOTE 10 -- INTERFUND TRANSACTIONS:

Transfer Out:	Transfer In:									
	General	State Street tax	Capital Reserve	Water Utility	Sewer Utility	Water Reserve	Sewer Reserve	Debt Service	Nonmajor Governmental	Total Transfers Out
General	\$ -	\$ 4,000	\$ 249,200	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 59,720	\$ 312,920
Water utility	-	-	35,000	-	-	75,000	-	21,000	-	131,000
Sewer utility	-	-	52,000	-	-	-	323,670	-	-	375,670
Water reserve	-	-	-	97,034	-	-	-	-	-	97,034
State street tax	-	-	49,000	-	-	-	-	-	-	49,000
Debt service	-	-	-	63,062	-	-	-	-	-	63,062
Sewer reserve	-	-	-	-	12,990	-	-	-	-	12,990
Capital reserve	-	-	-	5,331	-	-	-	-	-	5,331
Nonmajor governmental	11,500	-	7,300	-	-	-	-	-	-	18,800
Total transfers in	\$ 11,500	\$ 4,000	\$ 392,500	\$ 165,427	\$ 12,990	\$ 75,000	\$ 323,670	\$ 21,000	\$ 59,720	\$ 1,065,807

Net transfers from business-type activities to governmental activities reported on the statement of activities are reported as follows:

<u>Net transfer from business-type activities:</u>		<u>Net transfers to governmental activities:</u>	
Transfers out:		Transfers out:	
Water utility fund	\$ (131,000)	General fund	\$(312,920)
Sewer utility fund	(375,670)	State street tax fund	(49,000)
Sewer reserve fund	(12,990)	Debt service fund	(63,062)
Water reserve fund	(97,034)	Capital reserve fund	(5,331)
Transfers in:		Non-major governmental funds	(18,800)
Water utility fund	165,427	Transfers in:	
Sewer utility fund	12,990	General fund	11,500
Water reserve fund	75,000	State street tax fund	4,000
Sewer reserve fund	323,670	Capital reserve fund	392,500
		Debt service fund	21,000
		Non-major governmental funds	59,720
	<u>\$ (39,607)</u>		<u>\$ 39,607</u>

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements

June 30, 2018

NOTE 10 -- INTERFUND TRANSACTIONS (continued):

The City makes routine transfers between funds as follows:

Amounts designated for future improvements are transferred to one of the City's four reserve funds.

Amounts designated for debt service are transferred to the Debt Service Fund.

Budgetary basis transfers reported on the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual differ from those reported on the modified cash basis in the fund financial statements because:

The City budgets debt service payments of proprietary and governmental debt in the Debt Service Fund. The proprietary fund financial statements report debt service payments as reductions of long-term debt and interest expense.

Expenditures for proprietary fund capital assets are made by the City's four reserve funds. The City budgets these expenditures as capital outlay, but the fund financial statements report them as transfers.

NOTE 11 -- DEFINED BENEFIT PENSION PLAN:

Because the financial statements have been prepared on a modified cash basis of accounting, pension liabilities and the related deferred inflows and outflows of resources have not been recorded in the financial statements. Pension expenditures are recorded when the disbursements are made. If the financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, the following information would have been included:

The Oregon Public Employees Retirement System consists of a single cost-sharing multiple employer defined benefit pension plan, which provides pension, death and disability benefits.

Tier One/Tier Two Retirement Benefit (Chapter 238):

Tier One/Tier Two Retirement Benefit plan is closed to new members hired on or after August 29, 2003.

Pension Benefits:

The PERS retirement allowance is payable monthly for life. The basic benefit is based on years of service and final average salary. Generally, a percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier Two members are eligible for full benefits at age 60.

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements

June 30, 2018

NOTE 11 -- DEFINED BENEFIT PENSION PLAN (continued):

Tier One/Tier Two Retirement Benefit (Chapter 238) (continued):

Death Benefits:

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, if certain conditions are met.

Disability Benefits:

Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

Benefit Changes After Retirement

Members may choose to continue participation in a variable equities investment accounts after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

OPSRP Pension Program (ORS Chapter 238A):

Pension Benefits:

The Pension Program provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are based on years of service and final average salary.

For police and fire, 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire member, is age 60 or age 53 with 25 years of retirement credit.

For general service, 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the OPSRP Pension Program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

Death Benefits:

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements

June 30, 2018

NOTE 11 -- DEFINED BENEFIT PENSION PLAN (continued):

OPSRP Pension Program (ORS Chapter 238A) (continued):

Disability Benefits:

A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

Benefit Changes After Retirement:

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

OPSRP Individual Account Program (OPSRP IAP):

Pension Benefits:

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

Death Benefits:

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Recordkeeping:

PERS contracts with VOYA Financial to maintain IAP participant records.

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements

June 30, 2018

NOTE 11 -- DEFINED BENEFIT PENSION PLAN (continued):

Contributions:

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. Employer contribution rates during the period were based on the December 31, 2015 actuarial valuation. Covered employees are required to contribute 6.00% of wages and the employer is required to contribute 13.42% of Tier 1/Tier 2 wages, 5.61% of OPSRP General service wages, and 10.38% of OPSRP Police and Fire wages.

Pension Liabilities, Pension Expense, and Deferred Inflows and Outflows of Resources:

At June 30, 2018, the City reported a liability of \$2,295,171 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. At June 30, 2017, the City's proportionate share was 0.01702644%, which was higher than its proportionate share measured as of June 30, 2016 which was .01649748%.

For the year ended June 30, 2018, the City recognized pension expense of \$491,534, and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 110,995	\$ -
Changes in assumptions	418,369	-
Net differences between projected and actual earnings on investments	23,646	-
Changes in proportionate share	144,879	-
Differences between employer contributions and proportionate share of contributions	-	145,208
Contributions subsequent to measurement date	205,203	-
	<u>\$ 903,092</u>	<u>\$ 145,208</u>

Oregon PERS produces an independently audited CAFR which can be found at:
<http://www.oregon.gov/pers/Documents/Financials/CAFR/2017-CAFR.pdf>

Changes in Plan Provisions:

No changes occurred since the measurement date that must be reported.

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements

June 30, 2018

NOTE 12 -- POSTEMPLOYMENT HEALTH INSURANCE PLAN:

Plan description:

ORS 238.420 established the Retirement Health Insurance Account (RHIA) and authorizes a payment of up to \$60 from RHIA toward the monthly cost of health insurance for eligible PERS members. RHIA is a cost-sharing multiple-employer Other Postemployment Benefit (OPEB) plan. The plan was closed to new entrants hired on or after August 29, 2003. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan.

Contributions:

PERS employers contribute 0.08 percent of PERS-covered salaries for Tier One and Tier Two members to fund the normal cost portion of RHIA benefits. PERS employers contributed 0.45 percent of all PERS-covered salaries to amortize the unfunded actuarial accrued liability.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

At June 30, 2018, the City reported an asset of \$7,953 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2017. The total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2015 and rolled forward to the measurement date of June 30, 2017. The basis for the employer's proportion is determined by comparing the employer's actual, legally required contributions made during the fiscal year to the Plan with the total actuarial contributions in the fiscal year of all employers. At June 30, 2018 the City's proportion was 0.01905740% compared to its proportion of 0.02027720% as of June 30, 2017.

For the year ended June 30, 2018, the City recognized OPEB expense of \$0. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net differences between projected and actual earnings on	\$ -	\$ 3,684
Changes in proportionate share	-	242
Contributions subsequent to the measurement date	10,471	-
	<u>\$ 10,471</u>	<u>\$ 3,926</u>

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements

June 30, 2018

NOTE 12 -- POSTEMPLOYMENT HEALTH INSURANCE PLAN(CONTINUED):

Actuarial assumptions:

Experience studies are performed as of December 31 of even numbered years. The methods and assumptions are based on the 2014 experience study, which reviewed the experience for the four-year period ended on December 31, 2014. The Retirement Health Insurance Account is a benefit of the Oregon Public Employees Retirement System. Actuarial methods and assumptions, including the long-term expected rate of return, are the same as reported for the City's pension plan.

Discount rate:

The discount rate used to measure the total OPEB liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions will be made at contractually required rates, actuarially determined. Based on this assumption, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on the OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Oregon PERS produces an independently audited CAFR which can be found at:
<http://www.oregon.gov/pers/Documents/Financials/CAFR/2017-CAFR.pdf>

NOTE 13 -- TAX ABATEMENTS:

The City is subject to tax abatements granted by Umatilla County. Umatilla County grants exemptions from property taxes within enterprise zones and under the strategic investment program as authorized by ORS 285C.

City property tax revenues were reduced as follows:

Enterprise zones	\$2,306,083
Strategic investment programs	-
	<u>\$2,306,083</u>

NOTE 14 -- SUBSEQUENT EVENTS:

The City purchased the old post office building from a private citizen on July 11, 2018. The total purchase price was \$250,000. The City paid \$50,000 down plus closing costs in August 2018.

Subsequent events have been evaluated through the date of this report which is the date the financial statements were available to be issued. There are no events, including instances of noncompliance, that have occurred subsequent to the date of this report that would require adjustment to or disclosure in the financial

SUPPLEMENTARY INFORMATION

MANAGEMENT DISCUSSION
AND ANALYSIS

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of the City of Umatilla’s annual financial report presents our discussion and analysis of the City’s financial performance during the fiscal year ended June 30, 2018. Please read it in conjunction with the City’s financial statements, which precede this section.

Financial Planning Process

The budget process begins with a meeting between the City Manager, Department Heads and the Finance Director for an in-depth financial review of the current fiscal year – for an evaluation of the current financial position, and a review of the long-term fiscal plan. Project and fiscal objectives for the coming year are then combined into a draft budget to be submitted to the budget committee for discussion, direction, and consideration. The Budget Committee meets twice – the first time to review requested funding and projects and make recommendations for the budgeting process and the second time to consider the Finance Director’s recommended budget. After consideration and amendment, the budget committee forwards the recommended, proposed budget to the city council where it is reviewed and adopted at the June council meeting.

The budget committee consists of the city council, mayor, and six citizen members appointed at large. The City Manager and the Finance Director serve in a support capacity. The committee generally meets in March and April, with the final adoption of the budget by the city council in June.

Financial Highlights

- The net position of the City of Umatilla exceeded its liabilities at the close of the most recent fiscal year by \$18,925,790. Of this amount, \$6,767,559 may be used to meet the government’s ongoing obligations to citizens and creditors. This is an increase from last fiscal year of \$1,779,730 to meet ongoing obligations.
- The government’s total net position increased by \$1,471,508.
- As of the close of the current fiscal year, the City of Umatilla’s governmental funds reported combined ending fund balances of \$4,860,840. Only 32.8% of this total amount, \$1,594,422, is available for spending at the government’s discretion. The remainder is reserved for streets, debt service, culture and recreation and capital projects.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$1,594,422, or 32.8% of total general fund expenditures. This is an increase from last year of \$422,128.
- The City of Umatilla’s total secured debt decreased by \$294,907 (16.2%) during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Umatilla’s basic financial statements. The City’s basic financial statements comprise three components:

- Government-wide financial statements

- Fund Financial statements
- Notes to the basic financial statements

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The City still uses a modified cash basis of accounting as the members of the Council are most familiar with that system.

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 government's net position changed during the most recent fiscal year. All changes in net position are reported according to the timing of related cash flows. Thus, revenues and expenses are reported in this statement for those items that resulted in cash flows in this fiscal period.

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

- General Government
- Public Safety (Police and courts)
- Highways and streets
- Sanitation
- Library
- Culture and Recreation (Parks)

The business-type activities of the City of Umatilla include Water and Sewer operations and their reserves.

The government-wide financial statements can be found on pages 8-9 of the basic financial statements.

Fund Financial Statements

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide

financial statements, governmental fund financial statements focus on the acquisition and use of current expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing 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 statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and government activities. The reconciliations can be found on pages 11 and 13 in the basic financial statements.

The City maintains 9 individual government funds. 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 those funds that are considered significant (major) to the City taken as a whole. These financial statements report six funds: General Fund, State Tax Street Fund, Refuse Collection, Capital Reserve, Building Department and Debt Service Fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for all governmental funds. To demonstrate compliance with the budget, budgetary comparison statements have been provided for the General Fund and the major special revenue funds as required supplementary information on pages 14-18. Budgetary comparisons for all other governmental funds have been provided elsewhere in this report.

The governmental fund financial statements can be found at pages 10 and 12 in the basic financial statements.

Proprietary funds. The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in government-wide financial statements. The City uses enterprise funds to account for its Local Sewer services and Water services.

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer Fund (and Sewer Reserve) and the Water Fund (and Water Reserve), all of these are considered to be major funds of the City.

The proprietary fund financial statements can be found on pages 19-21 in the basic financial statements.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-41 of this report.

Other supplementary information. The combining statements referred to earlier in connection with non major governmental funds, the schedule of property tax transactions, the schedule of bonded debt transactions and future requirements for bonded debt and four schedules required to demonstrate compliance with bond indenture requirements are included in this report and can be found on pages 53-70.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$18,925,790 at the close of the most recent fiscal year.

The largest portion of the City's net position, \$11,735,072, or 62% reflects its investment in capital assets (e.g., land and right-of-way, buildings, improvements, equipment, and infrastructure, net of accumulated depreciation) less any debt related to the acquisition of those assets. The City uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Umatilla's Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2018	2017	2018	2017	2018
Current and other assets	\$ 3,568,895	\$ 4,860,840	\$ 1,965,714	\$ 2,329,878	\$ 5,534,609	\$ 7,190,718
Fixed assets, net, where applicable, of accumulated depreciation	4,060,830	3,977,610	10,500,015	10,099,706	14,560,845	14,077,316
Total assets	<u>7,629,725</u>	<u>8,838,450</u>	<u>12,465,729</u>	<u>12,429,584</u>	<u>20,095,454</u>	<u>21,268,034</u>
Non-current liabilities	695,671	563,986	1,507,169	1,390,839	2,202,840	1,954,825
Other liabilities	<u>125,510</u>	<u>129,504</u>	<u>312,822</u>	<u>257,915</u>	<u>438,332</u>	<u>387,419</u>
Total liabilities	<u>821,181</u>	<u>693,490</u>	<u>1,819,991</u>	<u>1,648,754</u>	<u>2,641,172</u>	<u>2,342,244</u>
Net position:						
Net investment in capital assets	3,239,649	3,284,120	8,680,024	8,450,952	11,919,673	11,735,072
Restricted	546,780	423,159	-	-	546,780	423,159
Unrestricted	<u>3,022,115</u>	<u>4,437,681</u>	<u>1,965,714</u>	<u>2,329,878</u>	<u>4,987,829</u>	<u>6,767,559</u>
Total net position	<u>\$ 6,808,544</u>	<u>\$ 8,144,960</u>	<u>\$ 10,645,738</u>	<u>\$ 10,780,830</u>	<u>\$ 17,454,282</u>	<u>\$ 18,925,790</u>

A portion of the City's net position, \$423,159, represents resources that are subject to external restrictions on how they may be used. These include debt service and street taxes. The remaining balance of unrestricted net position, \$6,767,559, or 35.8% may be used to meet the government's ongoing obligations to citizens and creditors. This is an increase from last year of \$1,779,730.

City of Umatilla's Change in Net Position

	Governmental		Business-type		Total	
	Activities		Activities			
	2017	2018	2017	2018	2017	2018
Program revenues:						
Charges for services	\$ 2,319,112	\$ 2,876,922	\$ 2,424,042	\$ 2,719,393	\$ 4,743,154	\$ 5,596,315
Contributions and grants	16,087	72,605	-	-	16,087	72,605
General revenues:						
Taxes (all sources)	818,949	1,038,434	-	-	818,949	1,038,434
Shared revenue	834,444	870,332	-	-	834,444	870,332
Use of money and property	33,601	65,784	17,573	33,603	51,174	99,387
Transfers	16,816	39,607	(16,816)	(39,607)	-	-
Gain/(loss) on sale of assets	-	-	-	-	-	-
Miscellaneous receipts	1,099,450	1,275,826	10,514	139,033	1,109,964	1,414,859
Total Revenues	5,138,459	6,239,510	2,435,313	2,852,422	7,573,772	9,091,932
Expenses:						
General government	561,048	872,351	-	-	561,048	872,351
Sanitation	605,203	715,614	-	-	605,203	715,614
Streets	559,791	591,367	-	-	559,791	591,367
Library	179,452	199,785	-	-	179,452	199,785
Police	1,805,409	1,943,928	-	-	1,805,409	1,943,928
Recreation	514,138	580,049	-	-	514,138	580,049
Sewer and water	-	-	2,686,190	2,717,330	2,686,190	2,717,330
Total expenses	4,225,041	4,903,094	2,686,190	2,717,330	6,911,231	7,620,424
Net position - beginning,						
as adjusted	5,895,126	6,808,544	10,896,615	10,645,738	16,791,741	17,454,282
Change in net position	913,418	1,336,416	(250,877)	135,092	662,541	1,471,508
Net position, end of year	\$ 6,808,544	\$ 8,144,960	\$ 10,645,738	\$ 10,780,830	\$ 17,454,282	\$ 18,925,790

Governmental Activities. Governmental activities increased the City's net position by \$1,336,416.

Business-type activities. Business-type activities increased the City's net position by \$135,092.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned 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 \$4,860,840. Approximately 32.8% of this total amount, \$1,594,422, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *restricted or committed* to indicate that it is not available for new spending because it has already been designated for a variety of purposes.

The general fund is the chief operating fund of the City of Umatilla. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,594,422. As a measure of the general fund's liquidity it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 51.7% of total general fund expenditures of \$3,085,809. This ratio is an increase from 42.1% in the prior year.

The fund balance of the City's general fund increased by \$422,128 during the fiscal year. The fund experienced increases in property tax revenue, court collections and miscellaneous revenue, a slight decrease in franchise revenue, and slightly increased expenditures in comparison to the previous fiscal year. There was a decreased amount of transfers out into the Capital Reserve Fund.

The Street fund has total fund ending balance of \$403,405, a decrease of \$110,094 from the prior year. This decrease is primarily due to increased personnel costs and initial payments to the Oregon Department of Transportation for the City's upcoming 6th Street Downtown Revitalization Project.

Other governmental funds remained relatively stable during the year.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Sewer fund, both operating and reserve, at the end of the year amounted to \$1,803,876. The Water fund, both operating and reserve, had unrestricted net position of \$526,002.

General Fund Budgetary Highlights

For the year ended June 30, 2018 there was a slight variation between the budgeted revenue and the actual revenues received in the General Fund. Collections for property tax were 30% more than budgeted resulting from a significant increase in total assessed value attributable to the data centers. The City received its second community service fee that resulted from the data center property tax abatements which was over \$229,000.

This amount was not included in the budget and was included in the Other Revenue line item. Expenditures were under budget in all operating departments.

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, amounted to \$14,077,316 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment and roads.

City of Umatilla's Capital Assets (net of depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	2017	2018	2017	2018	2017	2018
Land	\$ 792,052	\$ 792,052	\$ -	\$ -	\$ 792,052	\$ 792,052
Buildings	2,225,970	2,173,159	-	-	2,225,970	2,173,159
Infrastructure	641,260	608,247	-	-	641,260	608,247
Sewer	-	-	7,444,273	7,143,480	7,444,273	7,143,480
Water	-	-	3,055,742	2,956,226	3,055,742	2,956,226
Machinery and						
Equipment	335,790	308,205	-	-	335,790	308,205
Vehicles	65,758	95,947	-	-	65,758	95,947
Total	\$ 4,060,830	\$ 3,977,610	\$ 10,500,015	\$ 10,099,706	\$ 14,560,845	\$ 14,077,316

Additional information on the City's capital assets can be found in note 5 in the Notes to the Basic Financial Statement section of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$1,262,915. This debt represents bonds secured solely by specified revenue sources.

City of Umatilla's Outstanding Debt General Obligation and Revenue Bonds & Other

	Governmental		Business-type		Total	
	Activities		Activities			
	2017	2018	2017	2018	2017	2018
Special Assessment debt with governmental Commitment	\$ 821,181	\$ 693,490	\$ -	\$ -	\$ 821,181	\$ 693,490
Special Assessment debt with enterprise fund Commitment	\$ -	\$ -	\$ 262,169	\$ 385,839	\$ 262,169	\$ 385,839
Revenue Bonds	-	-	1,557,822	1,262,915	1,557,822	1,262,915
Total	\$ 821,181	\$ 693,490	\$ 1,819,991	\$ 1,648,754	\$ 2,641,172	\$ 2,342,244

The City's total debt decreased by \$298,928 (11.3%) during the current fiscal year. Additional information on the City's outstanding debt can be found in note 6 in Notes to the Basic Financial Statement section of this report.

Economic Factors and Next Year's Budgets and Rates

During the preparation of the budget for the ensuing fiscal year, the long-term impacts of the local economy were examined in conjunction with business decisions made by the City. The following are the major assumptions used in developing the FY2019 budget:

- Assessed values, the basis of property tax revenues, will grow by 3%. In the previous fiscal year, we saw a 24.7% increase in value due to data center activity that was not eligible for tax abatements.
- Contributions in lieu of tax revenues for the enterprise zone agreement will continue per the agreement.
- Interest rates on investments will be ½ %.
- Insurance costs will be slightly higher for the FY2019 budget. Liability insurance and auto physical damage will remain flat. Property insurance will increase by 7.5%.
- There will be a 2% COLA in the next budget cycle for all non-union employees.
- The City is entering into a new three year bargaining agreement with the Umatilla Public Safety Association. In lieu of a wage increase or COLA for the FY2019 budget, the union wage scale includes an additional step on the pay scale to allow those officers who are maxed out room to advance their salaries. Council also approved the creation of an additional sergeant position.
- New PERS rates took effect July 1, 2017 and are locked in until June 30, 2019. Rates are 13.42% for Tier 1 and Tier 2, 11.61% for OPSRP General Schedule and 10.38% for OPSRP Police. In addition to the employer's portion, the City pays the employee's 6% required match.
- Health insurance costs will increase by approximately 9.1% and dental insurance will remain flat.
- Over the past few years, the City has continued to save funds to have matching funds available for the 6th Street project. The total cost of the project is \$4,575,000, with the City's matching portion estimated at just under \$650,000. The bulk of these matching funds will come from the Reserved STP exchange funds. The City will also need to allocate funds to cover the lighting shortfall of \$500,000. We currently have \$340,000 set aside in reserves for Downtown Revitalization. Any additional shortfall would need to be funded from either the Enterprise Zone Community Service Fees or SIP funds.
- In preparation for the 6th Street Project, the City will be issuing an RFP to complete a water line installation and hydrant meter replacement. This project will cost approximately \$650,000 and will initially funded through an interim financing agreement with Business Oregon, before going to the Oregon Bond Bank.
- The City is working on a multi-phase Waste Water Re-use system. Phase 1 of the re-use project will be the required infrastructure to pipe industrial water to the Bureau or Reclamations irrigation canal and from there to the West Extension Irrigation Districts canal for carriage downstream for beneficial use. In November 2016 the City executed \$403,000 in loan funding for the final design and construction bid documents to install approximately 2.5 miles of underground pipeline. This portion of the project is nearing completion. The first interest payment will be due in December 2018.
The next phase of this project will be the actual construction of the pipeline. To fund this the City Council approved the execution of a \$2.3 million loan from the DEQ Clean Water State Revolving Fund (CWSRF) with a 30 year repayment term. The loan agreement allows for \$500,000 principal forgiveness upon completion of the project. The construction is anticipated to be completed by the fall of 2019. This budget cycle will only see one interest payment due. In subsequent budget cycles the total interest and principal

payments will total over \$111,000. One condition of the loan is that the City establishes a Loan Reserve that equals one half the average annual debt service, or \$49,064.

Request for Information

This financial report is designed to provide a general overview of the City's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Melissa Ince, CPA
Deputy City Manager / Finance Director
City of Umatilla
P O Box 130
Umatilla, OR 97882

CITY OF UMATILLA, OREGON

Non-major Governmental Funds

June 30, 2018

SPECIAL REVENUE FUNDS:

Special revenue funds are used to account for specific revenues that are restricted to expenditure for particular purposes.

Library Fund

Accounts for receipt and expenditure of monies received from the Umatilla County Special Library District.

Transient Room Tax Fund

Accounts for the receipts of monies received from motel room taxation.

CAPITAL PROJECT FUNDS:

Capital project funds are used to account for revenues that are committed to future capital projects.

Building Reserve Fund

This fund accounts for cash received for future building purchases and building improvements.

CITY OF UMATILLA, OREGON

Non-major Governmental Funds
Combining Balance Sheet - Modified Cash Basis
June 30, 2018

	<u>Special Revenue Funds</u>		<u>Capital Project Fund</u>	
	<u>Library</u>	<u>Transient Room Tax</u>	<u>Building Reserve</u>	<u>Total Non-major Governmental Funds</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 132,492	\$ 215,918	\$ 105,520	\$ 453,930
<u>LIABILITIES</u>	\$ -	\$ -	\$ -	\$ -
<u>FUND BALANCES:</u>				
Committed	132,492	215,918	105,520	453,930
Total liabilities and fund balances	\$ 132,492	\$ 215,918	\$ 105,520	\$ 453,930

See accompanying independent auditors' report.

CITY OF UMATILLA, OREGON

Non-major Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Modified Cash Basis

Year Ended June 30, 2018

	Special Revenue Funds		Capital Project Fund	Total Non-major Governmental Funds
	Library	Transient Room Tax	Building Reserve	
<u>REVENUES:</u>				
Intergovernmental	\$ 180,048	\$ -	\$ -	\$ 180,048
Fees, licenses, and permits	-	74,962	-	74,962
Investment interest	2,202	3,595	2,436	8,233
Miscellaneous	574	-	132,922	133,496
Total revenues	<u>182,824</u>	<u>78,557</u>	<u>135,358</u>	<u>396,739</u>
<u>EXPENDITURES:</u>				
Current:				
Library	194,315	-	-	194,315
Cultural and recreation	-	84,280	-	84,280
Debt service:				
Principal	-	-	83,691	83,691
Interest	-	-	33,530	33,530
Capital outlay	-	-	-	-
Total expenditures	<u>194,315</u>	<u>84,280</u>	<u>117,221</u>	<u>395,816</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>	<u>(11,491)</u>	<u>(5,723)</u>	<u>18,137</u>	<u>923</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Proceeds from long-term debt	-	-	-	-
Operating transfers in	35,000	24,720	-	59,720
Operating transfers out	(7,300)	(11,500)	-	(18,800)
Total other financing sources (uses)	<u>27,700</u>	<u>13,220</u>	<u>-</u>	<u>40,920</u>
<u>NET CHANGE IN FUND BALANCES</u>	<u>16,209</u>	<u>7,497</u>	<u>18,137</u>	<u>41,843</u>
<u>FUND BALANCES, BEGINNING OF YEAR</u>	<u>116,283</u>	<u>208,421</u>	<u>87,383</u>	<u>412,087</u>
<u>FUND BALANCES, END OF YEAR</u>	<u>\$ 132,492</u>	<u>\$ 215,918</u>	<u>\$ 105,520</u>	<u>\$ 453,930</u>

See accompanying independent auditors' report.

CITY OF UMATILLA, OREGON

Library Fund
Budgetary Comparison Schedule - Modified Cash Basis
Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts	Final Budget- Positive (Negative)
<u>REVENUES:</u>				
Library district	\$ 160,000	\$ 160,000	\$ 177,185	\$ 17,185
Grants	3,380	3,380	2,863	(517)
Interest income	1,000	1,000	2,202	1,202
Other	1,250	1,250	574	(676)
Total revenues	<u>165,630</u>	<u>165,630</u>	<u>182,824</u>	<u>17,194</u>
<u>TRANSFERS FROM OTHER FUNDS:</u>				
From the General Fund	<u>35,000</u>	<u>35,000</u>	<u>35,000</u>	<u>-</u>
<u>BEGINNING FUND BALANCE AVAILABLE FOR APPROPRIATION</u>	<u>104,946</u>	<u>104,946</u>	<u>116,283</u>	<u>11,337</u>
	<u>\$ 305,576</u>	<u>\$ 305,576</u>	<u>\$ 334,107</u>	<u>\$ 28,531</u>
<u>EXPENDITURES:</u>				
Current:				
Library:				
Personal services	\$ 168,025	\$ 168,025	\$ 165,023	\$ 3,002
Materials and services	30,650	31,650	28,135	3,515
Capital outlay	2,500	2,500	1,157	1,343
Operating contingency	1,000	-	-	-
Total expenditures	<u>202,175</u>	<u>202,175</u>	<u>194,315</u>	<u>7,860</u>
<u>TRANSFERS TO OTHER FUNDS:</u>				
To the Capital Reserve Fund	<u>7,300</u>	<u>7,300</u>	<u>7,300</u>	<u>-</u>
Total expenditures and transfers	<u>209,475</u>	<u>209,475</u>	<u>201,615</u>	<u>\$ 7,860</u>
<u>UNAPPROPRIATED BALANCE</u>	<u>96,101</u>	<u>96,101</u>	<u>132,492</u>	
	<u>\$ 305,576</u>	<u>\$ 305,576</u>	<u>\$ 334,107</u>	

See accompanying independent auditors' report.

CITY OF UMATILLA, OREGON

Transient Room Tax Fund
Budgetary Comparison Schedule - Modified Cash Basis
Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
<u>REVENUES:</u>				
Motel tax	\$ 73,053	\$ 73,053	\$ 74,962	\$ 1,909
Interest income	1,250	1,250	3,595	2,345
Total revenues	74,303	74,303	78,557	4,254
<u>TRANSFERS FROM OTHER FUNDS:</u>				
From the General Fund	24,720	24,720	24,720	-
<u>BEGINNING FUND BALANCE AVAILABLE</u>				
<u>FOR APPROPRIATION</u>	209,789	209,789	208,421	(1,368)
	<u>\$ 308,812</u>	<u>\$ 308,812</u>	<u>\$ 311,698</u>	<u>\$ 2,886</u>
<u>EXPENDITURES:</u>				
Current:				
Culture and recreation:				
Materials and services	\$ 203,658	\$ 203,658	\$ 84,280	\$ 119,378
Capital outlay	87,065	87,065	-	87,065
	290,723	290,723	84,280	206,443
<u>TRANSFERS TO OTHER FUNDS:</u>				
To the General Fund	11,500	11,500	11,500	-
Total expenditures and transfers	302,223	302,223	95,780	<u>\$ 206,443</u>
<u>UNAPPROPRIATED BALANCE</u>				
	6,589	6,589	215,918	
	<u>\$ 308,812</u>	<u>\$ 308,812</u>	<u>\$ 311,698</u>	

See accompanying independent auditors' report.

CITY OF UMATILLA, OREGON

Capital Reserve Fund
Budgetary Comparison Schedule - Modified Cash Basis
Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
<u>REVENUES:</u>				
Interest income	\$ 8,300	\$ 8,300	\$ 16,408	\$ 8,108
Grants	-	-	37,500	37,500
Calpine co-gen plant and other	47,103	47,103	46,576	(527)
	<u>55,403</u>	<u>55,403</u>	<u>100,484</u>	<u>45,081</u>
<u>TRANSFERS FROM OTHER FUNDS:</u>				
From the Sewer Fund	52,000	52,000	52,000	-
From the Water Fund	35,000	35,000	35,000	-
From the Library Fund	7,300	7,300	7,300	-
From the General Fund	249,200	249,200	249,200	-
From the State Tax Street Fund	49,000	49,000	49,000	-
	<u>392,500</u>	<u>392,500</u>	<u>392,500</u>	<u>-</u>
Total revenues and transfers	447,903	447,903	492,984	45,081
<u>BEGINNING FUND BALANCE AVAILABLE</u>				
<u>FOR APPROPRIATION</u>	<u>982,427</u>	<u>982,427</u>	<u>983,701</u>	<u>1,274</u>
	<u>\$ 1,430,330</u>	<u>\$ 1,430,330</u>	<u>\$ 1,476,685</u>	<u>\$ 46,355</u>
<u>EXPENDITURES:</u>				
Current:				
General government:				
Materials and services	\$ 83,900	\$ 83,900	\$ 76,457	\$ 7,443
Capital outlay	716,100	716,100	198,871	517,229
Total expenditures	800,000	800,000	275,328	<u>\$ 524,672</u>
<u>UNAPPROPRIATED BALANCE</u>				
	<u>630,330</u>	<u>630,330</u>	<u>1,201,357</u>	
	<u>\$ 1,430,330</u>	<u>\$ 1,430,330</u>	<u>\$ 1,476,685</u>	

See accompanying independent auditors' report.

CITY OF UMATILLA, OREGON

Building Reserve Fund
Budgetary Comparison Schedule - Modified Cash Basis
Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
<u>REVENUES:</u>				
Interest	\$ 1,000	\$ 1,000	\$ 2,436	\$ 1,436
Calpine co-gen plant	132,922	132,922	132,922	-
	<u>133,922</u>	<u>133,922</u>	<u>135,358</u>	<u>1,436</u>
<u>BEGINNING FUND BALANCE AVAILABLE</u>				
<u>FOR APPROPRIATION</u>	<u>87,007</u>	<u>87,007</u>	<u>87,383</u>	<u>376</u>
	<u>\$ 220,929</u>	<u>\$ 220,929</u>	<u>\$ 222,741</u>	<u>\$ 1,812</u>
<u>EXPENDITURES:</u>				
Debt service	\$ 117,222	\$ 117,222	\$ 117,221	\$ 1
<u>UNAPPROPRIATED BALANCE</u>	<u>103,707</u>	<u>103,707</u>	<u>105,520</u>	
	<u>\$ 220,929</u>	<u>\$ 220,929</u>	<u>\$ 222,741</u>	

See accompanying independent auditors' report.

CITY OF UMATILLA, OREGON

Debt Service Fund
Budgetary Comparison Schedule - Modified Cash Basis
Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget- Positive (Negative)</u>
<u>REVENUES:</u>				
Property taxes:				
Current	\$ 25,758	\$ 25,758	\$ 26,076	318
Prior	2,337	2,337	1,748	(589)
Interest income	162	162	711	549
	<u>28,257</u>	<u>28,257</u>	<u>28,535</u>	<u>278</u>
<u>TRANSFERS FROM OTHER FUNDS:</u>				
From the Water Fund	<u>21,000</u>	<u>21,000</u>	<u>21,000</u>	<u>-</u>
Total revenues and transfers	<u>49,257</u>	<u>49,257</u>	<u>49,535</u>	<u>278</u>
<u>BEGINNING FUND BALANCE AVAILABLE FOR APPROPRIATION</u>				
	<u>32,208</u>	<u>32,208</u>	<u>33,281</u>	<u>1,073</u>
	<u>\$ 81,465</u>	<u>\$ 81,465</u>	<u>\$ 82,816</u>	<u>\$ 1,351</u>
<u>EXPENDITURES:</u>				
Debt service:				
Principal retirement	\$ 59,908	\$ 59,908	\$ 59,904	4
Interest	3,154	3,154	3,158	(4)
Total expenditures	<u>63,062</u>	<u>63,062</u>	<u>63,062</u>	<u>\$ -</u>
<u>UNAPPROPRIATED BALANCE</u>	<u>18,403</u>	<u>18,403</u>	<u>19,754</u>	
	<u>\$ 81,465</u>	<u>\$ 81,465</u>	<u>\$ 82,816</u>	

See accompanying independent auditors' report.

CITY OF UMATILLA, OREGON

Water Utility Fund
Budgetary Comparison Schedule - Modified Cash Basis
Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
<u>REVENUES:</u>				
Water service	\$ 1,003,678	\$ 1,003,678	\$ 1,031,174	\$ 27,496
Service connections	7,000	7,000	29,473	22,473
Interest and other	19,850	44,850	23,326	(21,524)
Total revenues	1,030,528	1,055,528	1,083,973	28,445
<u>BEGINNING FUND BALANCE AVAILABLE</u>				
<u>FOR APPROPRIATION</u>	50,590	50,590	56,063	5,473
	<u>\$ 1,081,118</u>	<u>\$ 1,106,118</u>	<u>\$ 1,140,036</u>	<u>\$ 33,918</u>
<u>EXPENDITURES:</u>				
Personal services	\$ 505,088	\$ 512,588	\$ 502,575	\$ 10,013
Materials and services	387,200	419,700	391,084	28,616
Capital outlay	19,000	19,000	6,931	12,069
Contingency	15,000	-	-	-
	<u>926,288</u>	<u>951,288</u>	<u>900,590</u>	<u>50,698</u>
<u>TRANSFERS TO OTHER FUNDS:</u>				
To the Capital Reserve Fund	35,000	35,000	35,000	-
To the Debt Service Fund	21,000	21,000	21,000	-
To the Water Reserve Fund	75,000	75,000	75,000	-
	<u>131,000</u>	<u>131,000</u>	<u>131,000</u>	<u>-</u>
Total expenditures and transfers	1,057,288	1,082,288	1,031,590	<u>\$ 50,698</u>
<u>UNAPPROPRIATED BALANCE</u>	23,830	23,830	108,446	
	<u>\$ 1,081,118</u>	<u>\$ 1,106,118</u>	<u>\$ 1,140,036</u>	

See accompanying independent auditors' report.

CITY OF UMATILLA, OREGON

Sewer Utility Fund
Budgetary Comparison Schedule - Modified Cash Basis
Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final	Amounts	Final Budget- Positive (Negative)
<u>REVENUES:</u>				
Sewer service	\$ 1,437,394	\$ 1,437,394	\$ 1,515,868	\$ 78,474
Interest income	2,500	2,500	7,238	4,738
Other income	2,500	237,500	13,376	(224,124)
Total revenues	1,442,394	1,677,394	1,536,482	(140,912)
<u>BEGINNING FUND BALANCE</u>				
<u>AVAILABLE FOR APPROPRIATION</u>	462,590	462,590	441,557	(21,033)
	<u>\$ 1,904,984</u>	<u>\$ 2,139,984</u>	<u>\$ 1,978,039</u>	<u>\$ (161,945)</u>
<u>EXPENDITURES:</u>				
Personal services	\$ 650,033	\$ 650,033	\$ 637,254	\$ 12,779
Materials and service	246,485	501,485	241,817	259,668
Capital outlay	11,500	11,500	11,424	76
Debt service	328,238	328,238	269,536	58,702
Contingency	200,000	180,000	-	180,000
	<u>1,436,256</u>	<u>1,671,256</u>	<u>1,160,031</u>	<u>511,225</u>
<u>TRANSFERS TO OTHER FUNDS:</u>				
To the Sewer Reserve Fund	\$ 200,000	\$ 200,000	\$ 200,000	\$ -
To the Capital Reserve Fund	52,000	52,000	52,000	-
	<u>252,000</u>	<u>252,000</u>	<u>252,000</u>	<u>-</u>
Total expenditures and transfers	1,688,256	1,923,256	1,412,031	<u>\$ 511,225</u>
<u>UNAPPROPRIATED BALANCE</u>	<u>216,728</u>	<u>216,728</u>	<u>566,008</u>	
	<u>\$ 1,904,984</u>	<u>\$ 2,139,984</u>	<u>\$ 1,978,039</u>	

See accompanying independent auditors' report.

CITY OF UMATILLA, OREGON

Water Reserve Fund
Budgetary Comparison Schedule - Modified Cash Basis
Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
<u>REVENUES:</u>				
SDC for water system improvement	\$ 5,145	\$ 5,145	\$ 66,795	\$ 61,650
Miscellaneous	-	25,000	-	(25,000)
Interest income	4,000	4,000	7,476	3,476
	<u>9,145</u>	<u>34,145</u>	<u>74,271</u>	<u>40,126</u>
<u>TRANSFERS FROM OTHER FUNDS:</u>				
From the Water Fund	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	<u>-</u>
Total revenues and transfers	84,145	109,145	149,271	40,126
<u>BEGINNING FUND BALANCE AVAILABLE</u>				
<u>FOR APPROPRIATION</u>	<u>410,716</u>	<u>410,716</u>	<u>427,942</u>	<u>17,226</u>
	<u>\$ 494,861</u>	<u>\$ 519,861</u>	<u>\$ 577,213</u>	<u>\$ 57,352</u>
<u>EXPENDITURES:</u>				
Materials and services	\$ 25,000	\$ 75,000	\$ 48,232	\$ 26,768
Capital outlay	<u>300,000</u>	<u>275,000</u>	<u>111,425</u>	<u>163,575</u>
Total expenditures	325,000	350,000	159,657	<u>\$ 190,343</u>
<u>UNAPPROPRIATED BALANCE</u>	<u>169,861</u>	<u>169,861</u>	<u>417,556</u>	
	<u>\$ 494,861</u>	<u>\$ 519,861</u>	<u>\$ 577,213</u>	

CITY OF UMATILLA, OREGON

Sewer Reserve Fund
Budgetary Comparison Schedule - Modified Cash Basis
Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
SDC for sewer system improvement	\$ 7,430	\$ 7,430	\$ 46,294	\$ 38,864
Interest	8,000	8,000	16,906	8,906
Other income	-	235,000	257,772	22,772
	<u>15,430</u>	<u>250,430</u>	<u>320,972</u>	<u>70,542</u>
<u>TRANSFERS FROM OTHER FUNDS:</u>				
From the Sewer Fund	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Total revenues and transfers	215,430	450,430	520,972	70,542
<u>BEGINNING FUND BALANCE AVAILABLE FOR APPROPRIATION</u>				
	<u>1,037,924</u>	<u>1,037,924</u>	<u>1,040,152</u>	<u>2,228</u>
	<u>\$ 1,253,354</u>	<u>\$ 1,488,354</u>	<u>\$ 1,561,124</u>	<u>\$ 72,770</u>
<u>EXPENDITURES:</u>				
Materials and services	\$ 50,000	\$ 335,000	\$ 303,227	\$ 31,773
Capital outlay	<u>235,782</u>	<u>185,782</u>	<u>20,029</u>	<u>165,753</u>
Total expenditures	285,782	520,782	323,256	<u>\$ 197,526</u>
<u>UNAPPROPRIATED BALANCE</u>				
	<u>967,572</u>	<u>967,572</u>	<u>1,237,868</u>	
	<u>\$ 1,253,354</u>	<u>\$ 1,488,354</u>	<u>\$ 1,561,124</u>	

CITY OF UMATILLA, OREGON

All Enterprise Funds
Reconciliation of Revenues and Expenditures (Budgetary Basis)
to Statement of Revenues, Expenses, and Changes in Fund Net Position
(Modified Cash Basis)
Year Ended June 30, 2018

	<u>Water</u> <u>Utility</u>	<u>Sewer</u> <u>Utility</u>	<u>Water</u> <u>Reserve</u>	<u>Sewer</u> <u>Reserve</u>	<u>Total</u>
<u>REVENUES</u>	\$1,083,973	\$1,536,482	\$ 74,271	\$ 320,972	\$3,015,698
<u>EXPENDITURES</u>	(900,590)	(1,160,031)	(159,657)	(323,256)	(2,543,534)
<u>REVENUES OVER EXPENDITURES</u>					
<u>-- BUDGETARY BASIS</u>	183,383	376,451	(85,386)	(2,284)	472,164
<u>TRANSFERS (MODIFIED CASH</u>					
<u> BASIS):</u>					
Operating transfers in	-	-	75,000	200,000	275,000
Operating transfers out	(131,000)	(252,000)	-	-	(383,000)
	<u>(131,000)</u>	<u>(252,000)</u>	<u>75,000</u>	<u>200,000</u>	<u>(108,000)</u>
<u>ADJUSTMENTS:</u>					
Principal payments on debt	-	235,000	-	-	235,000
Interest expense	(3,155)	-	-	-	(3,155)
Capital outlay transfers	102,365	24,414	-	-	126,779
Debt service transfers	63,062	(123,670)	-	-	(60,608)
Depreciation and amortization	(201,881)	(325,207)	-	-	(527,088)
	<u>(39,609)</u>	<u>(189,463)</u>	<u>-</u>	<u>-</u>	<u>(229,072)</u>
<u>CHANGE IN NET POSITION PER</u>					
<u> STATEMENT OF REVENUES,</u>					
<u> EXPENSES, AND CHANGES IN</u>					
<u> FUND NET POSITION - MODIFIED</u>					
<u> CASH BASIS</u>	<u>\$ 12,774</u>	<u>\$ (65,012)</u>	<u>\$ (10,386)</u>	<u>\$ 197,716</u>	<u>\$ 135,092</u>

See accompanying independent auditors' report.

CITY OF UMATILLA, OREGON

All Enterprise Funds
Reconciliation of Fund Balance (Budgetary Basis)
to Net Position -- Proprietary Funds Statement of Net Position
(Modified Cash Basis)
June 30, 2018

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Water Reserve</u>	<u>Sewer Reserve</u>	<u>Total</u>
<u>FUND BALANCE</u> <u>(Budgetary Basis)</u>	\$ 108,446	\$ 566,008	\$ 417,556	\$ 1,237,868	\$ 2,329,878
<u>ADD (DEDUCT):</u>					
Fixed assets	2,956,226	7,143,480	-	-	10,099,706
Notes payable to bank	<u>(17,915)</u>	<u>(1,630,839)</u>	<u>-</u>	<u>-</u>	<u>(1,648,754)</u>
<u>NET POSITION</u>	<u>\$ 3,046,757</u>	<u>\$ 6,078,649</u>	<u>\$ 417,556</u>	<u>\$ 1,237,868</u>	<u>\$ 10,780,830</u>

See accompanying independent auditors' report.

CITY OF UMATILLA, OREGON

Statement of Net Position - Modified Cash Basis

Proprietary Funds

June 30, 2018

(with comparative totals for June 30, 2017)

	Water Utility		Sewer Utility		Water Reserve		Sewer Reserve		Totals June 30,	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017	6/30/2018	6/30/2017	6/30/2018	6/30/2017	2018	2017
<u>ASSETS:</u>										
Cash and cash equivalents	\$ 108,446	\$ 56,063	\$ 566,008	\$ 441,557	\$ 417,556	\$ 427,942	\$ 1,237,868	\$ 1,040,152	\$ 2,329,878	\$ 1,965,714
Capital assets, less accumulated depreciation	2,956,226	3,055,742	7,143,480	7,444,273	-	-	-	-	10,099,706	10,500,015
	<u>3,064,672</u>	<u>3,111,805</u>	<u>7,709,488</u>	<u>7,885,830</u>	<u>417,556</u>	<u>427,942</u>	<u>1,237,868</u>	<u>1,040,152</u>	<u>12,429,584</u>	<u>12,465,729</u>
<u>LIABILITIES:</u>										
Note payable	-	-	385,839	262,169	-	-	-	-	385,839	262,169
Bonds payable	17,915	77,822	1,245,000	1,245,000	-	-	-	-	1,262,915	1,322,822
Total liabilities	<u>17,915</u>	<u>77,822</u>	<u>1,630,839</u>	<u>1,507,169</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,648,754</u>	<u>1,584,991</u>
<u>NET POSITION:</u>										
Net investment in capital assets	2,938,311	2,977,920	5,512,641	5,702,104	-	-	-	-	8,450,952	8,680,024
Unrestricted	108,446	56,063	566,008	441,557	417,556	427,942	1,237,868	1,040,152	2,329,878	1,965,714
Total net position	<u>\$ 3,046,757</u>	<u>\$ 3,033,983</u>	<u>\$ 6,078,649</u>	<u>\$ 6,143,661</u>	<u>\$ 417,556</u>	<u>\$ 427,942</u>	<u>\$ 1,237,868</u>	<u>\$ 1,040,152</u>	<u>\$ 10,780,830</u>	<u>\$ 10,645,738</u>

See accompanying independent auditors' report.

CITY OF UMATILLA, OREGON

Statement of Revenues, Expenses, and Changes in Fund Net Position - Modified Cash Basis

Proprietary Funds

June 30, 2018

(with comparative totals for June 30, 2017)

	Water Utility		Sewer Utility		Water Reserve		Sewer Reserve		Totals June 30,	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017	6/30/2018	6/30/2017	6/30/2018	6/30/2017	2018	2017
<u>OPERATING REVENUES:</u>										
Charges for sales and services:										
Water	\$ 1,078,047	\$ 981,505	\$ -	\$ -	\$ 66,795	\$ 11,319	\$ -	\$ -	\$ 1,144,842	\$ 992,824
Sewer	-	-	1,528,257	1,423,045	-	-	46,294	8,173	1,574,551	1,431,218
Miscellaneous revenues	3,943	2,359	988	7,412	-	-	134,102	743	139,033	10,514
Total operating revenue	1,081,990	983,864	1,529,245	1,430,457	66,795	11,319	180,396	8,916	2,858,426	2,434,556
<u>OPERATING EXPENSES:</u>										
Cost of sales and services	900,590	849,020	879,072	834,348	62,623	116,787	310,266	305,144	2,152,551	2,105,299
Depreciation and amortization	201,881	202,533	325,207	335,326	-	-	-	-	527,088	537,859
Total operating expenses	1,102,471	1,051,553	1,204,279	1,169,674	62,623	116,787	310,266	305,144	2,679,639	2,643,158
<u>OPERATING INCOME (LOSS)</u>	<u>(20,481)</u>	<u>(67,689)</u>	<u>324,966</u>	<u>260,783</u>	<u>4,172</u>	<u>(105,468)</u>	<u>(129,870)</u>	<u>(296,228)</u>	<u>178,787</u>	<u>(208,602)</u>
<u>NONOPERATING REVENUES</u>										
<u>(EXPENSES):</u>										
Interest on investments	1,983	561	7,238	3,196	7,476	4,671	16,906	9,145	33,603	17,573
Bond premium received	-	-	-	-	-	-	-	-	-	-
Interest expense	(3,155)	(6,044)	(34,536)	(36,988)	-	-	-	-	(37,691)	(43,032)
Bond issuance costs	-	-	-	-	-	-	-	-	-	-
Total nonoperating revenue (expenses)	(1,172)	(5,483)	(27,298)	(33,792)	7,476	4,671	16,906	9,145	(4,088)	(25,459)
<u>INCOME (LOSS) BEFORE TRANSFERS</u>	<u>(21,653)</u>	<u>(73,172)</u>	<u>297,668</u>	<u>226,991</u>	<u>11,648</u>	<u>(100,797)</u>	<u>(112,964)</u>	<u>(287,083)</u>	<u>174,699</u>	<u>(234,061)</u>
Transfers in (out)	34,427	(39,948)	(362,680)	(495,893)	(22,034)	56,856	310,680	462,169	(39,607)	(16,816)
<u>CHANGE IN NET POSITION</u>	<u>12,774</u>	<u>(113,120)</u>	<u>(65,012)</u>	<u>(268,902)</u>	<u>(10,386)</u>	<u>(43,941)</u>	<u>197,716</u>	<u>175,086</u>	<u>135,092</u>	<u>(250,877)</u>
<u>TOTAL NET POSITION - BEGINNING</u>	<u>3,033,983</u>	<u>3,147,103</u>	<u>6,143,661</u>	<u>6,412,563</u>	<u>427,942</u>	<u>471,883</u>	<u>1,040,152</u>	<u>865,066</u>	<u>10,645,738</u>	<u>10,896,615</u>
<u>TOTAL NET POSITION - ENDING</u>	<u>\$ 3,046,757</u>	<u>\$ 3,033,983</u>	<u>\$ 6,078,649</u>	<u>\$ 6,143,661</u>	<u>\$ 417,556</u>	<u>\$ 427,942</u>	<u>\$ 1,237,868</u>	<u>\$ 1,040,152</u>	<u>\$ 10,780,830</u>	<u>\$ 10,645,738</u>

See accompanying independent auditors' report.

CITY OF UMATILLA, OREGON

**Schedule of Future Debt Service Requirements
of Long-Term Debt
June 30, 2018**

Maturing During year Ending June 30,	FmHA Water Bonds Issued December 1, 1978		Port of Umatilla February 18, 2015		US Bank Refunding Bonds March 11, 2014		DEQ Clean Water Loan To be determined	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2019	\$ 17,915	\$ 448	\$ 44,000	\$ -	\$ 240,000	\$ 27,600	\$ -
2020	-	-	-	-	245,000	22,750	26,040	-
2021	-	-	-	-	250,000	17,800	-	-
2022	-	-	-	-	260,000	11,400	-	-
2023	-	-	-	-	250,000	3,750	-	-
2024-2028	-	-	-	-	-	-	-	-
	<u>\$ 17,915</u>	<u>\$ 448</u>	<u>\$ 44,000</u>	<u>\$ -</u>	<u>\$ 1,245,000</u>	<u>\$ 83,300</u>	<u>\$ 26,040</u>	<u>\$ -</u>

Maturing During year Ending June 30,	Banner Bank April 13, 2009		IFA To be determined		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
	2019	\$ 85,504	\$ 31,717	\$ -	\$ 4,406	\$ 387,419
2020	89,694	27,528	64,821	5,723	425,555	56,001
2021	94,089	23,133	65,742	4,802	409,831	45,735
2022	98,699	18,522	66,675	3,869	425,374	33,791
2023	103,535	13,686	67,622	2,922	421,157	20,358
2024-2028	177,969	11,904	94,939	2,950	272,908	14,854
	<u>\$ 649,490</u>	<u>\$ 126,490</u>	<u>\$ 359,799</u>	<u>\$ 24,672</u>	<u>\$ 2,342,244</u>	<u>\$ 234,910</u>

See accompanying independent auditors' report.

CITY OF UMATILLA, OREGON

Schedule of Long-Term Debt Transactions
Year Ended June 30, 2018

	Interest Rate	Amount of Original Issue	DEBT PRINCIPAL				INTEREST			
			Outstanding July 1, 2018	Debt Issued During Year	Matured and Paid During Year	Outstanding June 30, 2018	Outstanding July 1, 2018	Matured During Year	Paid During Year	Matured and Outstanding June 30, 2018
Water bonds issued to FmHA December 1, 1978	5.0 %	\$ 1,073,000	\$ 77,822	\$ -	\$ 59,907	17,915	\$ -	\$ 3,155	\$ 3,155	\$ -
Port of Umatilla February 18, 2015	- %	176,000	88,000	-	44,000	44,000	-	-	-	-
Banner Bank April 13, 2009	4.9 %	1,500,000	733,181	-	83,691	649,490	-	33,530	33,530	-
IFA Loan To be determined	1.4 %	403,000	262,169	97,630	-	359,799	-	2,234	2,234	-
DEQ clean water loan To be determined	1.6	2,342,420	-	26,040	-	26,040	-	-	-	-
US Bank sewer refunding bonds March 11, 2014	2 %	2,160,000	<u>1,480,000</u>	<u>-</u>	<u>235,000</u>	<u>1,245,000</u>	<u>-</u>	<u>32,302</u>	<u>32,302</u>	<u>-</u>
Totals			<u>\$2,641,172</u>	<u>\$ 123,670</u>	<u>\$ 422,598</u>	<u>\$ 2,342,244</u>	<u>\$ -</u>	<u>\$ 71,221</u>	<u>\$ 71,221</u>	<u>\$ -</u>

See accompanying independent auditors' report.

INDEPENDENT AUDITORS' REPORT
REQUIRED BY OREGON STATE REGULATIONS

Mayor and City Council
City of Umatilla, Oregon

We have audited the basic financial statements of the City of Umatilla, Oregon as of and for the year ended June 30, 2018, and have issued our report thereon dated December 21, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the City of Umatilla'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).

Mayor and City Council
City of Umatilla
Page two

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

- Budget over expenditures disclosed in Note 2 to the financial statements.

OAR 162-10-0230 Internal Control

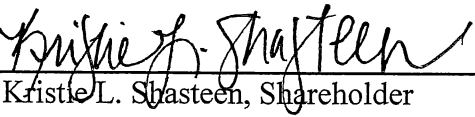
In planning and performing our audit of the financial statements, we considered City of Umatilla, Oregon's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Barnett & Moro, P.C.

By: 

Kristie L. Shasteen, Shareholder
Hermiston, Oregon
December 21, 2018