

CITY OF ONTARIO, OREGON

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2017



**CITY OF ONTARIO, OREGON
JUNE 30, 2017**

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INTRODUCTORY SECTION

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CITY OF ONTARIO, OREGON
CITY COUNCIL AND OFFICIALS
June 30, 2017

<u>NAME</u>	<u>ADDRESS</u>	<u>POSITION</u>
CITY COUNCIL		
Ronald Verini	Ontario	Mayor
Norm Crume	Ontario	Council President
Ramon Palomo	Ontario	Councilor
Thomas Jost	Ontario	Councilor
Tessa Winebarger	Ontario	Councilor
Betty Carter	Ontario	Councilor
Martin Justus	Ontario	Councilor
OFFICIALS		
Adam Brown	Ontario	City Manager
Tori Barnett	Ontario	City Recorder
Cal Kunz	Ontario	Chief of Police
Terry Leighton	Ontario	Fire Chief
Dan Cummings	Ontario	Community Development Director
Cliff Leeper	Ontario	Public Works Director (CH2M Hill)
Kari Ott	Ontario	Finance Director (Oster Professional Group)
Debbie Jeffries	Ontario	Recreation Manager
Anita Zink	Ontario	Human Resources Manager

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FINANCIAL SECTION

LEWIS, POE, MOELLER, GUNDERSON & ROBERTS, LLC

CERTIFIED PUBLIC ACCOUNTANTS

1121 ADAMS AVENUE • P.O. BOX 1024

LA GRANDE, OREGON 97850-1024

Independent Auditors' Report

To the City Council
City of Ontario, Oregon

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Ontario, Oregon, as of and for the year ended June 30, 2017, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Ontario, as of June 30, 2017, and the respective changes in financial positions and, when applicable cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension liability information, and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context.

We have applied certain limited procedures to the MD&A and pension liability information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the MD&A and pension liability information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison information is the responsibility of management and was derived from, and, relate directly to, the underlying accounting and other records used to prepare the financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ontario, Oregon's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and other financial schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory section 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 them.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 26, 2017 on our considerations of the City of Ontario's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

LEWIS, POE, MOELLER, GUNDERSON & ROBERTS, LLC
Certified Public Accountants

By Chelsea A. Herron
Chelsea A. Herron, CPA
Owner/Member

La Grande, Oregon
December 26, 2017

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**MANAGEMENT'S
DISCUSSION AND ANALYSIS**



CITY OF ONTARIO, OREGON
Management's Discussion & Analysis
June 30, 2017

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As management of the City of Ontario, Oregon, (city) we offer readers of the city's financial statements this narrative overview and analysis of the financial activities of the city for the fiscal year ended June 30, 2017. This Management's Discussion and Analysis (MD&A) is based upon currently known facts, decisions, and conditions that existed as of the date of the independent auditor's report.

The emphasis of discussions about these statements will be on current year data. This information is provided for use in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- ❖ The governmental assets and deferred outflows of the city exceeded its liabilities and deferred inflows at June 30, 2017 by \$23,615,215 (net position). Of this amount, \$2,067,226 was unrestricted net position and may be used to meet the government's ongoing obligations to citizens and creditors.
- ❖ At June 30, 2017, the General Fund total fund balance was \$2,788,700.

USING THE ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the city as a whole and present a longer-term view of the city's finances. Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the city's operations in more detail than the government-wide statements by providing information about the city's most significant funds.

This discussion and analysis is intended to serve as an introduction to the city's basic financial statements which is comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

One of the most important questions asked about the city's finances is, "Is the City as a whole better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the city as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.



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These two statements report the city's *net position* and changes in them. You can think of the city's net position—the differences between assets, deferred outflows, deferred inflows and liabilities—as one way to measure the city's financial health, or *financial position*. Over time, *increases or decreases* in the city's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the city's property tax base and the condition of the city's roads, to assess the *overall health* of the city.

The Statement of Net Position and the Statement of Activities present information about the following:

- ❖ Governmental activities—All of the city's basic services are considered to be governmental activities, including general government, community development, public safety, culture and recreation, and highways and streets. Property taxes, intergovernmental revenues, transient occupancy taxes, user fees, and franchise fees finance most of these activities.
- ❖ Business-Type activities—Operation of the city's utility system and the golf course are considered to be business-type activities, whereby all or a significant portion of the cost of operation is intended to be recovered through user fees and charges. The city's business-type activities are water, sewer, storm and golf.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the city as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council, with the help of the city's budget committee, establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The city's three kinds of funds—*governmental, proprietary and fiduciary*—use different accounting approaches.

- ❖ *Governmental funds*—Most of the city's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash.

The governmental fund statements provide a detailed short-term view of the city's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources that can be spent in the near future to finance the city's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation section that follows the fund financial statements.



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- ❖ *Proprietary funds*—When the city charges for certain services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.
- ❖ *Fiduciary funds*—The city has an agency fund which accounts for monies belonging to the recreation board. This fund has no measurement focus, but employs the accrual basis of accounting for purposes of asset and liability recognition.

THE CITY AS A WHOLE

Our analysis focuses on the net position and changes in the city's net position (Tables 1 and 2).

Table 1. Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Current and other assets	\$ 10,016,375	\$ 10,568,985	\$ 3,506,821	\$ 3,937,611	\$ 13,523,196	\$ 14,506,596
Capital assets	21,108,230	29,222,531	41,773,809	33,775,562	62,882,039	62,998,093
Total assets	<u>31,124,605</u>	<u>39,791,516</u>	<u>45,280,630</u>	<u>37,713,173</u>	<u>76,405,235</u>	<u>77,504,689</u>
Deferred outflows of resources	<u>5,965,086</u>	<u>836,257</u>	<u>-</u>	<u>10,321</u>	<u>5,965,086</u>	<u>846,578</u>
Current liabilities	859,495	1,083,194	462,843	368,550	1,322,338	1,451,744
Noncurrent liabilities						
Due within one year	677,578	132,476	590,257	567,044	1,267,835	699,520
Due in more than one year	11,541,918	5,287,243	6,353,566	6,994,393	17,895,484	12,281,636
Total liabilities	<u>13,078,991</u>	<u>6,502,913</u>	<u>7,406,666</u>	<u>7,929,987</u>	<u>20,485,657</u>	<u>14,432,900</u>
Deferred inflow of resources	<u>1,254,980</u>	<u>1,515,520</u>	<u>-</u>	<u>25,123</u>	<u>1,254,980</u>	<u>1,540,643</u>
Net investment in capital assets	20,769,320	28,751,145	34,829,986	26,264,695	55,599,306	55,015,840
Restricted net position	778,669	1,205,688	327,465	328,242	1,106,134	1,533,930
Unrestricted net position	2,067,226	2,652,507	2,716,513	3,175,447	4,783,739	5,827,954
Total net position	<u>\$ 23,615,215</u>	<u>\$ 32,609,340</u>	<u>\$ 37,873,964</u>	<u>\$ 29,768,384</u>	<u>\$ 61,489,179</u>	<u>\$ 62,377,724</u>

Governmental Activities

The city's net position from governmental activities decreased by 27.58% from \$32,609,340 to \$23,615,215. This decrease of \$8,994,125 comes from a \$7,624,188 restatement of net position and a current year decrease of \$1,369,937 as recorded in the Statement of Activities and flows through the Statement of Net Position. The following is an explanation of the changes between fiscal years as shown in Table 1:

- ❖ Current and other assets decreased by \$552,610 which is mostly made up of a \$293,108 decrease of unrestricted cash and a \$202,885 decrease in other accounts receivable.



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- ❖ Capital assets had a net decrease of \$8,114,301, which is mostly due to a \$7,401,623 restatement to move capital assets to the airport fund. Also, there was \$757,428 in current depreciation expense.
- ❖ Current liabilities decreased by \$223,699, made up mostly of a decrease in accounts payable and payroll liabilities.
- ❖ Long term debt decreased by \$132,476 due to principal payments on the existing debt.
- ❖ Unrestricted net position decreased by \$585,281 mostly due to the unfunded PERS liability.

Business-Type Activities

The city's net position from business-type activities increased by 27.22% from \$29,768,384 to \$37,873,964. This increase of \$8,105,580 comes from the current year change in net position as recorded in the Statement of Activities and a \$7,586,844 increase restatement of beginning net position.

- ❖ Current and other assets decreased by \$430,790 largely due to a decrease in unrestricted cash.
- ❖ Capital assets increased by \$7,998,247 largely due to a \$7,401,623 restatement moving assets to the airport fund and also a large water treatment plant improvement.
- ❖ Long term debt decreased by \$516,474 due to principal payments on the existing debt with no new debt in the current year.
- ❖ Unrestricted net position decreased by \$458,934 mainly due to a decreased cash position.



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Table 2. Condensed Statement of Activities

	Governmental Activities		Business-Type Activities		Total Primary Government	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Revenues						
Program revenues						
Charges for services	\$ 2,387,401	\$ 1,762,395	\$ 6,294,135	\$ 6,034,982	\$ 8,681,536	\$ 7,797,377
Operating contributions	1,028,966	965,744	107,243	68,584	1,136,209	1,034,328
Capital contributions	80,464	645,432	-	-	80,464	645,432
General revenues:						
Property taxes	3,438,294	3,327,771	-	-	3,438,294	3,327,771
Local taxes and fees	2,342,809	2,249,623	-	-	2,342,809	2,249,623
Unrestricted grants	120,635	138,917	-	-	120,635	138,917
Investment income	30,470	19,790	92,385	56,041	122,855	75,831
Miscellaneous	81,439	85,703	-	-	81,439	85,703
Total revenues	9,510,478	9,195,375	6,493,763	6,159,607	16,004,241	15,354,982
Expenses						
Governmental Activities						
General government	2,582,328	2,865,331	-	-	2,582,328	2,865,331
Highways and streets	2,168,609	2,092,910	-	-	2,168,609	2,092,910
Public safety	5,588,692	8,206,472	-	-	5,588,692	8,206,472
Parks and recreation	390,940	398,069	-	-	390,940	398,069
Interest on debt	16,338	16,031	-	-	16,338	16,031
Business-Type Activities						
Water	-	-	2,753,540	2,749,849	2,753,540	2,749,849
Sewer	-	-	2,838,631	2,760,363	2,838,631	2,760,363
Golf course	-	-	-	62,467	-	62,467
Storm sewer	-	-	192,585	190,891	192,585	190,891
Airport	-	-	309,990	51,582	309,990	51,582
Aquatic	-	-	17,578	43,723	17,578	43,723
Total Expenses	10,746,907	13,578,813	6,112,324	5,858,875	16,859,231	19,437,688
Transfers in (out)	-	(59,520)	-	59,520	-	-
Capital contributions	(137,297)	(398,217)	137,297	398,217	-	-
Gain (loss) on sale of asset	3,789	5,191	-	-	3,789	5,191
Increase in net position	(1,369,937)	(4,835,984)	518,736	758,469	(851,201)	(4,077,515)
Net position - beginning	32,609,340	37,170,358	29,768,384	29,022,154	62,377,724	66,192,512
Restatements	(7,624,188)	274,966	7,586,844	(12,239)	(37,344)	262,727
Net position - as restated	24,985,152	37,445,324	37,355,228	29,009,915	62,340,380	66,455,239
Net position, ending	\$ 23,615,215	\$ 32,609,340	\$ 37,873,964	\$ 29,768,384	\$ 61,489,179	\$ 62,377,724

Governmental Activities

The city's total revenues from governmental activities increased from the prior fiscal year by \$315,103 (3.4%) and the total cost of all governmental programs and services decreased by \$2,831,906 (20.8%). The increases in revenues came from motel occupancy tax, community development block grant and Brownfield Grant. The decreases in expenses were primarily from PERS related accruals.



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Business-Type Activities

The city's business-type activities revenues increased \$334,156 (5.4%) from the prior fiscal year and the total costs of the business-type activities increased \$253,449 (4.3%). The total business-type revenues increased because of water and sewer rate increases. The expenses increased mainly due to the increase in contract with CH2M Hill and increase in airport depreciation.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

At year-end, the city's governmental funds reported combined fund balances of \$9,446,643 which is an increase of \$212,671, after restatement (2.3%) from the prior fiscal year.

- ❖ The largest decrease in fund balance was in the Street Fund. The Street Fund had a net change of (\$500,344). This was mainly due street revenues received by the state are less than the operating costs.
- ❖ The General Fund had a net increase of \$8,544. This increase was mainly due to conservative spending and some capital projects pushed to the next year.
- ❖ The largest increase was in the Capital Projects Fund. The Capital Projects fund had a net increase of \$349,181, this was due to more Utility Capitalization Fees received than what was spent for projects.

At year-end, the city's proprietary funds reported combined net position of \$37,873,964 for enterprise funds. This is a combined increase in net position of \$8,105,580, after restatements. This is mostly due the water and sewer rate increases and a large restatement to move capital assets to the airport fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The city is continuing to operate on an annual budget.

Expenditures

The final appropriations of the budget for personal services for the General Fund were \$4,911,145 and the actual expenditures were \$4,751,607. This is 96.8% of the budget expended.

The final appropriations of the budget for materials and services for the General Fund were \$1,743,528 while actual expenditures were \$1,551,973. This is 89% of the budget expended.

Overall, appropriations were \$8,591,078 and total expenditures were \$6,419,241. This shows that 74.7% of the appropriated budget was expended in the fiscal year ended June 30, 2017.



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Revenues

102.6% of the budgeted revenues for the 2016-2017 budget was received.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the city shows \$62,882,039 of capital assets, net of depreciation, this is a decrease of \$116,054 from the prior year. The city has \$21,108,230 of capital assets in governmental activities and \$41,773,809 in business-type activities. The governmental activities reflect that the city had some holding cell improvements, an underground sprinkler system installed, a new phone system, new police cars, and began some street projects. The business-type activities had some sewer line replacements, finished Eastside #2 Reservoir repair and Water Treatment plant improvements.

Debt

The city had a total of \$7,282,733 in long-term debt at June 30, 2017; this is a decrease of \$699,520. The decrease is due to payments being applied to the principal of the debt. There was no new debt in the current year. \$6,943,823 of this debt is being paid out of the proprietary funds and the remaining \$338,910 is paid from governmental activities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The economy of the city is based primarily on agriculture; however, there is a great deal of retail jobs within Ontario as it serves as the shopping hub for the Treasure Valley.

The city utilizes an annual budget that takes into account the projected property tax rates and valuations, historical trends in transient occupancy taxes, rate increases as allowed by ordinance for water services and the balance of project expenditures.

The city continues to struggle to fund the city services at a level the citizens of Ontario deserve. There are difficult decisions required to be made by management, the budget committee and the city council on an ongoing basis to attempt to balance funding with services provided.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City of Ontario's finances and to show the city's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department at 444 SW 4th Street, Ontario, Oregon 97914.

BASIC FINANCIAL STATEMENTS

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**GOVERNMENT-WIDE FINANCIAL
STATEMENTS**

CITY OF ONTARIO, OREGON
STATEMENT OF NET POSITION
June 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 8,325,867	\$ 2,338,245	\$ 10,664,112
Receivables			
Property tax	239,762	-	239,762
Customer accounts receivable	51,298	694,361	745,659
Accounts	686,752	13,294	700,046
Street assessments	124,311	-	124,311
Loans	157,976	-	157,976
Restricted cash			
System development charges	138,574	-	138,574
Customer deposits	-	119,885	119,885
Held in evidence fund	14,338	-	14,338
Deposits held in trust	277,497	-	277,497
Debt service	-	327,465	327,465
Chemicals	-	13,571	13,571
Capital assets not being depreciated	2,161,864	7,854,888	10,016,752
Capital assets being depreciated (net of accumulated depreciation)	18,946,366	33,918,921	52,865,287
Total assets	<u>31,124,605</u>	<u>45,280,630</u>	<u>76,405,235</u>
DEFERRED OUTFLOWS OF RESOURCES			
Prepaid contract services	585,816	-	585,816
Deferred outflows related to PERS	5,379,270	-	5,379,270
Total deferred outflows	<u>5,965,086</u>	<u>-</u>	<u>5,965,086</u>
LIABILITIES			
Accounts payable	274,085	165,603	439,688
Accrued liabilities	137,265	-	137,265
Accrued interest payable	3,727	177,355	181,082
Customer deposits	-	119,885	119,885
Unearned rent income	1,500	-	1,500
Held in evidence fund	14,338	-	14,338
Deposits held in trust	246,663	-	246,663
Long-term liabilities			
Portion due or payable within one year			
Current portion of note payable	134,697	590,257	724,954
Current portion of compensated absences	47,220	-	47,220
Portion due or payable after one year			
Note payable	204,213	6,353,566	6,557,779
Compensated absences	250,732	-	250,732
Net pension liability	10,905,056	-	10,905,056
Total liabilities	<u>12,219,496</u>	<u>7,406,666</u>	<u>19,626,162</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to PERS	1,254,980	-	1,254,980
Total deferred inflows	<u>1,254,980</u>	<u>-</u>	<u>1,254,980</u>
NET POSITION			
Net investment in capital assets	20,769,320	34,829,986	55,599,306
Restricted for			
Street projects	316,234	-	316,234
Debt service	99,366	327,465	426,831
System development	223,024	-	223,024
Building inspection	114,231	-	114,231
Aquatic Center	25,814	-	25,814
Unrestricted	2,067,226	2,716,513	4,783,739
Total net position	<u>\$ 23,615,215</u>	<u>\$ 37,873,964</u>	<u>\$ 61,489,179</u>

CITY OF ONTARIO, OREGON
STATEMENT OF ACTIVITIES
For the Year Ended
June 30, 2017

Functions/ Programs	Program Revenues				Net (Expense) Revenue and Change in Net Position		Total
	Expenses	Charges for services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Primary Government							
Governmental activities							
General government	\$ 2,582,328	\$ 1,242,775	\$ 157,046	\$ -	\$ (1,182,507)	\$ -	\$ (1,182,507)
Highways and streets	2,168,609	464,780	685,873	7,077	(1,010,879)	-	(1,010,879)
Public works	-	457,619	-	35,958	493,577	-	493,577
Public safety	5,588,692	165,808	165,471	5,436	(5,251,977)	-	(5,251,977)
Parks and recreation	390,940	56,419	20,576	-	(313,945)	-	(313,945)
Capital outlay	-	-	-	31,993	31,993	-	31,993
Interest on long term debt	16,338	-	-	-	(16,338)	-	(16,338)
Total governmental activities	<u>10,746,907</u>	<u>2,387,401</u>	<u>1,028,966</u>	<u>80,464</u>	<u>(7,250,076)</u>	<u>-</u>	<u>(7,250,076)</u>
Business-Type activities							
Water	2,753,540	2,912,627	-	-	-	159,087	159,087
Sewer	2,838,631	3,224,134	-	-	-	385,503	385,503
Storm sewer	192,585	106,772	-	-	-	(85,813)	(85,813)
Airport	309,990	50,602	-	-	-	(259,388)	(259,388)
Aquatic	17,578	-	107,243	-	-	89,665	89,665
Total business type activities	<u>6,112,324</u>	<u>6,294,135</u>	<u>107,243</u>	<u>-</u>	<u>-</u>	<u>289,054</u>	<u>289,054</u>
Total primary government	<u>\$ 16,859,231</u>	<u>\$ 8,681,536</u>	<u>\$ 1,136,209</u>	<u>\$ 80,464</u>	<u>(7,250,076)</u>	<u>289,054</u>	<u>(6,961,022)</u>
			General revenues:				
			Property and other city tax levied for:				
			General purposes		3,438,294	-	3,438,294
			Local transit taxes and fees		2,342,809	-	2,342,809
			Grants and contributions not restricted to specific purpose		120,635	-	120,635
			Unrestricted investments earnings		30,470	92,385	122,855
			Miscellaneous		81,439	-	81,439
			Total general revenues		<u>6,013,647</u>	<u>92,385</u>	<u>6,106,032</u>
			Special items:				
			Capital asset transfers		(137,297)	137,297	-
			Gain (loss) on sale of asset		3,789	-	3,789
			Changes in net position		<u>(1,369,937)</u>	<u>518,736</u>	<u>(851,201)</u>
			Net position, July 1, 2016, before restatement		<u>32,609,340</u>	<u>29,768,384</u>	<u>62,377,724</u>
			Restatement, see note 11		<u>(7,624,188)</u>	<u>7,586,844</u>	<u>(37,344)</u>
			Net position, July 1, 2016, after restatement		<u>24,985,152</u>	<u>37,355,228</u>	<u>62,340,380</u>
			Net position, June 30, 2017		<u>\$ 23,615,215</u>	<u>\$ 37,873,964</u>	<u>\$ 61,489,179</u>

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FUND FINANCIAL STATEMENTS

CITY OF ONTARIO, OREGON
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	General Fund	Street Fund	Capital Projects Fund	Nonmajor Funds	Total June 30, 2017
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Assets					
Cash and investments	\$ 1,954,141	\$ 241,877	\$ 3,163,764	\$ 2,966,085	\$ 8,325,867
Receivables					
Property taxes	239,762	-	-	-	239,762
Customer accounts, net allowance	-	-	44,351	6,947	51,298
Special assessments	-	-	49,888	232,399	282,287
Other	502,304	86,957	-	97,491	686,752
Due from other funds	2,633	-	-	-	2,633
Prepaid expenses	585,816	-	-	-	585,816
Restricted cash					
Cash held in trust	-	-	-	277,497	277,497
Held in evidence fund	14,338	-	-	-	14,338
System development charges	-	-	-	138,574	138,574
Total assets	<u>3,298,994</u>	<u>328,834</u>	<u>3,258,003</u>	<u>3,718,993</u>	<u>10,604,824</u>
Deferred outflows of resources	-	-	-	-	-
Total assets and deferred outflows	<u>\$ 3,298,994</u>	<u>\$ 328,834</u>	<u>\$ 3,258,003</u>	<u>\$ 3,718,993</u>	<u>\$ 10,604,824</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Current liabilities					
Accounts payable	\$ 157,995	\$ 12,386	\$ 18,416	\$ 85,288	\$ 274,085
Payroll liabilities	137,051	214	-	-	137,265
Due to other funds	-	-	-	2,633	2,633
Unearned rent income	1,500	-	-	-	1,500
Held by evidence fund	14,338	-	-	-	14,338
Deposits held in trust	-	-	-	246,663	246,663
Total current liabilities	<u>310,884</u>	<u>12,600</u>	<u>18,416</u>	<u>334,584</u>	<u>676,484</u>
Total liabilities	<u>310,884</u>	<u>12,600</u>	<u>18,416</u>	<u>334,584</u>	<u>676,484</u>
Deferred inflows of resources					
Unavailable property tax revenues	199,410	-	-	-	199,410
Unavailable special assessment revenues	-	-	49,888	74,423	124,311
Unavailable economic development loans	-	-	-	157,976	157,976
Total deferred inflows	<u>199,410</u>	<u>-</u>	<u>49,888</u>	<u>232,399</u>	<u>481,697</u>
Fund balances					
Nonspendable	588,449	-	-	-	588,449
Spendable					
Restricted	-	316,234	-	462,435	778,669
Committed	-	-	3,189,699	2,697,671	5,887,370
Unassigned	2,200,251	-	-	(8,096)	2,192,155
Total fund balances	<u>2,788,700</u>	<u>316,234</u>	<u>3,189,699</u>	<u>3,152,010</u>	<u>9,446,643</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 3,298,994</u>	<u>\$ 328,834</u>	<u>\$ 3,258,003</u>	<u>\$ 3,718,993</u>	<u>\$ 10,604,824</u>

CITY OF ONTARIO, OREGON
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT TO NET POSITION
June 30, 2017

TOTAL FUND BALANCES		\$ 9,446,643
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets are not financial resources and, therefore, are not reported in the governmental funds</p>		
Cost	\$ 39,053,202	
Accumulated depreciation	<u>(17,944,972)</u>	21,108,230
<p>Compensated absences are not due in the current period and, therefore, are not reported as liabilities in the fund financial statements.</p>		
		(297,952)
<p>Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.</p>		
		481,697
<p>Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest in long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.</p>		
Net pension liability	(10,905,056)	
Note payable	(338,910)	
Accrued interest	<u>(3,727)</u>	(11,247,693)
<p>Current year PERS contributions are deferred outflows of resources that will be a recognized expense in the subsequent period.</p>		
		5,379,270
<p>City's proportionate share of differences between projected and actual earnings on investments, and the differences between employer contributions and the proportionate share of contributions will be amortized over the next five years.</p>		
		(1,254,980)
TOTAL NET POSITION		<u><u>\$ 23,615,215</u></u>

CITY OF ONTARIO, OREGON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended
June 30, 2017

	General Fund	Street Fund	Capital Projects Fund	Nonmajor Funds	Total June 30, 2017
Revenues					
Taxes					
Property taxes	\$ 3,429,412	\$ -	\$ -	\$ -	\$ 3,429,412
Other taxes	5	225,210	-	631,341	856,556
Intergovernmental revenues	605,539	679,014	-	202,731	1,487,284
Charges for services	106,818	3,753	2,520	94,323	207,414
Licenses and permits	6,558	-	-	199,689	206,247
Fines and forfeits	3,475	-	-	-	3,475
Miscellaneous					
Franchise fees	1,695,704	-	-	-	1,695,704
Special assessments collected	-	-	-	26,464	26,464
Miscellaneous revenues	95,450	10,124	7,571	18,864	132,009
Interest on investments	26,956	162	1,490	11,910	40,518
Loan repayments	-	-	-	18,373	18,373
Utilities capitalization charges	-	-	456,768	-	456,768
Administration	497,148	412,535	-	-	909,683
Total revenues	<u>6,467,065</u>	<u>1,330,798</u>	<u>468,349</u>	<u>1,288,145</u>	<u>9,554,357</u>
Expenditures					
Current					
General government	1,319,944	-	69	585,526	1,905,539
Highways and streets	-	1,683,640	-	-	1,683,640
Public safety	4,620,498	-	-	-	4,620,498
Parks and recreation	363,138	-	-	-	363,138
Capital outlay	92,289	51,734	119,099	326,922	590,044
Debt service					
Principal	19,599	63,176	-	55,377	138,152
Interest	3,773	-	-	8,707	12,480
Total expenditures	<u>6,419,241</u>	<u>1,798,550</u>	<u>119,168</u>	<u>976,532</u>	<u>9,313,491</u>
Excess of revenues over (under) expenditures	47,824	(467,752)	349,181	311,613	240,866
Other financing sources (uses)					
Operating transfers in	30,720	-	-	75,000	105,720
Operating transfers out	(45,000)	(30,000)	-	(30,720)	(105,720)
Capital asset sales	-	-	-	9,150	9,150
Total other sources (uses)	<u>(14,280)</u>	<u>(30,000)</u>	<u>-</u>	<u>53,430</u>	<u>9,150</u>
Net change in fund balances	33,544	(497,752)	349,181	365,043	250,016
Fund balances, July 1, before restatement	2,780,156	816,578	2,840,518	2,796,720	9,233,972
Restatement, see note 11	(25,000)	(2,592)	-	(9,753)	(37,345)
Fund balances, July 1, after restatement	<u>2,755,156</u>	<u>813,986</u>	<u>2,840,518</u>	<u>2,786,967</u>	<u>9,196,627</u>
Fund balances, June 30	<u>\$ 2,788,700</u>	<u>\$ 316,234</u>	<u>\$ 3,189,699</u>	<u>\$ 3,152,010</u>	<u>\$ 9,446,643</u>

CITY OF ONTARIO, OREGON
**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Year Ended
June 30, 2017

NET CHANGE IN FUND BALANCES \$ 250,016

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

Governmental funds report capital outlay 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	\$ 235,331	
Current year dispositions	(5,361)	
Less current year depreciation	<u>(757,428)</u>	(527,458)

Repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Position.

Debt principal repaid	132,476
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Interest on long-term debt is not accrued in the governmental funds but is expensed when paid.

Interest accrued	1,818
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Certain revenues not collected for several months after year end are not considered available revenue and is deferred in the governmental funds. The change in deferred revenue is not reflected in the governmental funds, but is in the Statement of Activities as a change in revenues.

(43,879)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Compensated absences	(29,740)
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Changes in net pension liability, the related changes in deferred outflows and deferred inflows of resources are not recognized as expenses in the governmental funds.

(1,153,170)

CHANGE IN NET POSITION

\$ (1,369,937)

CITY OF ONTARIO, OREGON
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
June 30, 2017

	Enterprise Funds				Total June 30, 2017	Internal Service Fund
	Water Fund	Sewer Fund	Airport Fund	Nonmajor Funds		
ASSETS						
Current assets						
Cash and investments	\$ 818,464	\$ 887,324	\$ 5,072	\$ 627,385	\$ 2,338,245	\$ -
Receivables						
Customer accounts receivable, net allowance for doubtful accounts	311,178	363,208	11,146	8,829	694,361	-
Other receivables	-	-	-	13,294	13,294	-
Restricted cash						
Customer deposits	11,103	-	-	1,000	12,103	107,782
Debt service	-	327,465	-	-	327,465	-
Long-term assets						
Inventories	13,571	-	-	-	13,571	-
Capital assets, net of accumulated depreciation	13,403,984	17,934,676	8,088,331	2,346,818	41,773,809	-
Total assets	14,558,300	19,512,673	8,104,549	2,997,326	45,172,848	107,782
DEFERRED OUTFLOWS OF RESOURCES						
	-	-	-	-	-	-
LIABILITIES						
Current liabilities						
Accounts payable	40,656	115,834	1,664	7,449	165,603	-
Accrued interest	80,768	96,587	-	-	177,355	-
Deposit liability	11,103	-	-	1,000	12,103	107,782
Current portion of non-current liabilities	156,961	433,296	-	-	590,257	-
Total current liabilities	289,488	645,717	1,664	8,449	945,318	107,782
Non-current liabilities						
Notes payable	3,066,491	3,287,075	-	-	6,353,566	-
Total liabilities	3,355,979	3,932,792	1,664	8,449	7,298,884	107,782
DEFERRED INFLOWS OF RESOURCES						
	-	-	-	-	-	-
NET POSITION						
Net investment in capital assets	10,180,532	14,214,305	8,088,331	2,346,818	34,829,986	-
Restricted net position						
Debt service	-	327,465	-	-	327,465	-
Unrestricted net position	1,021,789	1,038,111	14,554	642,059	2,716,513	-
Total net position	\$ 11,202,321	\$ 15,579,881	\$ 8,102,885	\$ 2,988,877	\$ 37,873,964	\$ -

CITY OF ONTARIO, OREGON
**RECONCILIATION OF ENTERPRISE FUNDS STATEMENT OF FUND NET POSITION
 TO THE STATEMENT OF NET POSITION**
 June 30, 2017

TOTAL ENTERPRISE FUNDS NET POSITION \$37,873,964

Amounts reported for business-type activities in the Statement of Net Position are different because:

The internal service fund is used by management to charge the costs of certain activities to individual funds. The internal service fund predominately serves the enterprise funds, so the assets and liabilities of the internal service fund is included in Business-Type Activities in the Statement of Net Position as follows:

Cash and cash equivalents	\$ 107,782	
Deposit liability	<u>(107,782)</u>	-

TOTAL NET POSITION \$37,873,964

CITY OF ONTARIO, OREGON
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended
June 30, 2017

	Enterprise Funds				Total June 30, 2017	Internal Service Fund
	Water Fund	Sewer Fund	Airport Fund	Nonmajor Funds		
Operating revenues						
Consumer receipts	\$ 2,903,770	\$ 3,214,223	\$ 49,102	\$ 106,772	\$ 6,273,867	\$ -
Miscellaneous	8,857	9,911	1,500	-	20,268	-
Total operating revenues	<u>2,912,627</u>	<u>3,224,134</u>	<u>50,602</u>	<u>106,772</u>	<u>6,294,135</u>	<u>-</u>
Operating expenses						
Employee benefits	(31,445)	(31,445)	-	(1,282)	(64,172)	-
Contract services	1,686,872	1,513,424	38,222	81,141	3,319,659	-
Depreciation	462,420	558,133	234,429	104,472	1,359,454	-
Insurance	57,777	57,777	2,915	2,358	120,827	-
Miscellaneous expense	2,287	11,907	5,806	473	20,473	-
Repairs and maintenance	-	-	6,420	170	6,590	-
Supplies - general	12,794	12,795	8,227	178	33,994	-
Supplies - petroleum	-	-	947	-	947	-
Telephone	111	71	1,765	-	1,947	-
Utilities	1,499	14,832	11,142	11,428	38,901	-
Projects	10,747	98,053	-	-	108,800	-
Fees	199,637	205,764	-	7,403	412,804	-
Administrative	209,341	218,361	-	3,822	431,524	-
Capital outlay	525	525	117	-	1,167	-
Total operating expenses	<u>2,612,565</u>	<u>2,660,197</u>	<u>309,990</u>	<u>210,163</u>	<u>5,792,915</u>	<u>-</u>
Net income from operations	300,062	563,937	(259,388)	(103,391)	501,220	-
Non operating income (expenses)						
Interest earned on investments	38,368	52,448	-	1,569	92,385	-
Interest expenses	(140,975)	(178,434)	-	-	(319,409)	-
Other taxes	-	-	-	107,243	107,243	-
Total non operating income (expenses)	<u>(102,607)</u>	<u>(125,986)</u>	<u>-</u>	<u>108,812</u>	<u>(119,781)</u>	<u>-</u>
Net income	197,455	437,951	(259,388)	5,421	381,439	-
Other items						
Capital contribution (distribution)	99,863	8,832	28,602	-	137,297	-
Transfers in	-	-	40,000	-	40,000	-
Transfers out	-	-	-	(40,000)	(40,000)	-
Total other items	<u>99,863</u>	<u>8,832</u>	<u>68,602</u>	<u>(40,000)</u>	<u>137,297</u>	<u>-</u>
Change in net position	297,318	446,783	(190,786)	(34,579)	518,736	-
Net position beginning of year, before restatement	10,905,003	15,133,098	20,865	3,709,418	29,768,384	-
Restatement, see note 11	-	-	8,272,806	(685,962)	7,586,844	-
Net position beginning of year, after restatement	<u>10,905,003</u>	<u>15,133,098</u>	<u>8,293,671</u>	<u>3,023,456</u>	<u>37,355,228</u>	<u>-</u>
Net position end of year	<u>\$ 11,202,321</u>	<u>\$ 15,579,881</u>	<u>\$ 8,102,885</u>	<u>\$ 2,988,877</u>	<u>\$ 37,873,964</u>	<u>\$ -</u>

CITY OF ONTARIO, OREGON
**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET POSITION OF
ENTERPRISE FUNDS TO THE STATEMENT OF POSITION**

For the Year Ended
June 30, 2017

NET CHANGE IN ENTERPRISE FUNDS NET POSITION	\$ 518,736
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Amounts reported for business-type activities in the Statement of
Activities are different because:

Internal service funds are used by management to charge the
costs of certain activities to individual funds. The net revenue
(expense) of the internal service fund is allocated to
business-type activities.

-

CHANGE IN NET POSITION	<u>\$ 518,736</u>
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CITY OF ONTARIO, OREGON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended
June 30, 2017

	Enterprise Funds					Internal Service Fund
	Water Fund	Sewer Fund	Airport Fund	Nonmajor Funds	Total	
Cash flows from operating activities						
Cash received from customers	\$ 2,917,739	\$ 3,083,254	\$ 33,516	\$ 106,637	\$ 6,141,146	\$ 2,680
Cash payment to employees for services	(588)	(1,046)	-	(24)	(1,658)	-
Cash payment to suppliers for goods and services	(2,179,836)	(2,024,691)	(75,372)	(100,872)	(4,380,771)	-
Other operating revenues	8,857	9,911	1,500	104,830	125,098	-
Net cash provided by operating activities	<u>746,172</u>	<u>1,067,428</u>	<u>(40,356)</u>	<u>110,571</u>	<u>1,883,815</u>	<u>2,680</u>
Cash flows from noncapital financing activities						
Operating transfers-out to other funds	-	-	-	(40,000)	(40,000)	-
Operating transfers-in from funds	-	-	40,000	-	40,000	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>40,000</u>	<u>(40,000)</u>	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities						
Acquisition and construction of capital assets	(1,628,592)	-	-	(4,968)	(1,633,560)	-
Interest paid on notes payable	(144,497)	(186,485)	-	-	(330,982)	-
Payment on notes	(150,924)	(416,120)	-	-	(567,044)	-
Net cash used for capital and related financing activities	<u>(1,924,013)</u>	<u>(602,605)</u>	<u>-</u>	<u>(4,968)</u>	<u>(2,531,586)</u>	<u>-</u>
Cash flows from investing activities						
Interest and dividends on investments	38,368	52,448	-	1,569	92,385	-
Net cash provided (used) in investing activities	<u>38,368</u>	<u>52,448</u>	<u>-</u>	<u>1,569</u>	<u>92,385</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(1,139,473)	517,271	(356)	67,172	(555,386)	2,680
Cash and cash equivalents at beginning of year	1,969,040	697,518	5,428	561,213	3,233,199	105,102
Cash and cash equivalents at end of year	<u>\$ 829,567</u>	<u>\$ 1,214,789</u>	<u>\$ 5,072</u>	<u>\$ 628,385</u>	<u>\$ 2,677,813</u>	<u>\$ 107,782</u>
Reconciliation of operating income to net cash provided by operating activities						
Net Income	\$ 300,062	\$ 563,937	\$ (259,388)	\$ 3,852	\$ 608,463	\$ -
Adjustments to reconcile net income to net cash provided (used) by operating activities:						
Depreciation expense	462,420	558,133	234,429	104,472	1,359,454	-
(Increase) decrease in accounts receivable	13,969	(130,969)	(2,368)	(2,548)	(121,916)	-
Increase (decrease) in prepaid rent	-	-	(13,218)	-	(13,218)	-
Increase (decrease) in accounts payable	1,754	108,818	189	6,101	116,862	-
Increase (decrease) in payroll liabilities	-	(458)	-	-	(458)	-
Net increase (decrease) in customer deposits	-	-	-	-	-	2,680
Changes in net pension liability	(24,779)	(24,779)	-	(1,012)	(50,570)	-
Deferred current year PERS contributions	5,057	5,057	-	207	10,321	-
PERS deferred inflows	(12,311)	(12,311)	-	(501)	(25,123)	-
Total adjustments	446,110	503,491	219,032	106,719	1,275,352	2,680
Net cash provided (used) by operating activities	<u>\$ 746,172</u>	<u>\$ 1,067,428</u>	<u>\$ (40,356)</u>	<u>\$ 110,571</u>	<u>\$ 1,883,815</u>	<u>\$ 2,680</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on the Statement of Net Position						
Current assets						
Cash and investments	\$ 818,464	\$ 887,324	\$ 5,072	\$ 627,385	\$ 2,338,245	\$ -
Restricted assets						
Customer deposits	11,103	-	-	1,000	12,103	107,782
Debt service	-	327,465	-	-	327,465	-
Total cash and cash equivalents at year end	<u>\$ 829,567</u>	<u>\$ 1,214,789</u>	<u>\$ 5,072</u>	<u>\$ 628,385</u>	<u>\$ 2,677,813</u>	<u>\$ 107,782</u>
Non cash capital financing transactions						
Capital contributions from (to) other funds	\$ 99,863	\$ 8,832	\$ 28,602	\$ -	\$ 137,297	\$ -

CITY OF ONTARIO, OREGON
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2017

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 1,340
Total assets	<u>1,340</u>
 LIABILITIES	
Current liabilities	
Held in trust for other governments	<u>1,340</u>
Total current liabilities	<u>1,340</u>
Total liabilities	<u><u>\$ 1,340</u></u>

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**NOTES TO BASIC FINANCIAL
STATEMENTS**

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2017

Note 1. Significant Accounting Policies

Organizational Authority

The City of Ontario operates under a charter adopted in 1954. The City Council, composed of the mayor and six council members, comprises the legislative branch of the city. Each councilor and the mayor are elected for a term of four years. Individual departments are under direction of the City Manager, who is appointed by the City Council. The City of Ontario provides numerous services to citizens, including public safety, public works, parks and recreation and general government services. It also operates the airport and provides water and sewer utilities.

A. The Reporting Entity

The City Council exercises governance responsibilities over all entities related to city activity. The city receives funding from local, state, and federal sources. However, the City of Ontario is not included in any other governmental reporting entity as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Council members are elected by the public and have decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

In evaluating how to define the city for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the primary government's financial accountability. The criteria used to determine financial accountability include whether the primary government appoints a voting majority, the primary government can impose its will on the component unit, whether there is financial benefit or burden on the primary government, and if the component unit has a fiscal dependency on the primary government. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the city is financially accountable. No other entities met requirements for inclusion in the basic financial statements of the City of Ontario.

B. Fund Accounting

City resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The funds are grouped, in the financial statements in this report, into two broad fund categories: governmental funds and proprietary funds.

GOVERNMENTAL FUNDS

General Fund—The General Fund is the general operating fund of the city. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds—Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds—Debt service funds are used to account for interest and principal payments for debt.

Capital Project Funds—Capital project funds are generally used to account for financial resources to be used for the acquisitions or construction of major capital facilities.

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

PROPRIETARY FUNDS

Enterprise Funds—Enterprise funds are used to account for water and sewer services and golf course services provided to the community. Principal revenue sources are fees charged to consumers for services.

Internal Service Fund—The internal service fund is used to charge the costs of certain activities to individual funds. The internal service fund is predominately used by enterprise funds.

C. Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information on all the nonfiduciary activities of the city. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are financed primarily through property taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The Statement of Net Position presents the city's assets, deferred outflows, deferred inflows and liabilities, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities presents a comparison between direct expenses and program revenues for each of its functions/programs. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to that function. Eliminations have been made to minimize the double counting of internal activities in the Statement of Activities. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The fund financial statements provide information about the city's funds. Separate financial statements are provided for each fund category (governmental and proprietary). The emphasis of fund financial statements is on major funds, each displayed in a separate column. The nonmajor funds are shown in the aggregate.

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2017

The city reports the following major governmental funds:

General Fund—The General Fund is the general operating fund of the city. It is used to account for all financial resources except those required to be accounted for in another fund.

Street Fund— The Street Fund is a special revenue fund used to account for maintenance of the city’s streets and street lighting. The major sources of revenue for the Street Fund come from the state of Oregon with tax on motor vehicle fuel and the Surface Transportation Program funds.

Capital Projects Fund—The Capital Projects Fund is used to account for financial resources to be used for the acquisitions or construction of major capital facilities.

The city reports on the following major proprietary funds:

Water Fund – The Water Fund is an enterprise fund used to account for the operation of the city’s water system.

Sewer Fund – The Sewer Fund is an enterprise fund used to account for the operation of the city’s sewer system.

Airport Fund – The Airport Fund is an enterprise fund used to account for the operation of the city’s airport.

Public Works Internal Service Fund – The Public Works Internal Service Fund is used to charge the costs of certain activities to individual funds. The internal service fund is predominately used by enterprise funds. This fund accounts for water & sewer deposits.

Additionally, the city reports the following fund types:

Agency Fund-The agency fund is used to account for the donations held for and spent by the recreation board.

D. Measurement Focus and Basis of Accounting

Government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Fiduciary fund financial statements (city has agency funds only) have no measurement focus, but do employ the accrual basis of accounting for purposes of asset and liability recognition. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the city receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. With the accrual basis of accounting revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Under terms of grant agreements, the city funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the city’s policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (when they are measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. A six-month availability period is used for revenue recognition for all reimbursable grants. The city considers property taxes

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2017

and other revenues as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, which is recognized when the obligations are expected to be liquidated with expendable available financial resources. Property taxes, interest and special assessments are susceptible to accrual. Other receipts and taxes become measurable and available when the cash is received by the government and are recognized as revenue at that time. Entitlements and shared revenues are recorded at the time of receipt or earlier if the “susceptible to accrual” criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from long-term debt and acquisitions under capital leases are reported as other financing sources.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the city’s proprietary funds are charges for services, operating grants and other miscellaneous revenues. Operating expenses for the proprietary funds include personnel and materials and supplies. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

E. Budgets and Budgetary Accounting

An annual budget is prepared for each city fund in accordance with the modified accrual basis of accounting and legal requirements set forth in the Oregon local budget law. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total personal services, materials and services, capital outlay, debt service, transfers and contingencies by fund are the levels of control. The detail budget document, however, is required to contain more specific detailed information for the above-mentioned expenditure categories. All appropriations lapse at June 30.

Unexpected additional resources may be added to the budget by a supplemental budget and appropriations resolution. A supplemental budget may require hearings before the public, publications in newspapers, and approval by the council. Original and supplemental budgets may be modified by using appropriations transfers between the levels of control. Such transfers require approval by the council. The budget for the General Fund, special revenue funds, and proprietary funds includes capital outlay expenditures in each program for capital outlay applicable to that program.

The city had one budget over expenditure violations for the fiscal year ending June 30, 2017 as follows:

Reserve Fund	Materials and Services	\$1,649
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CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2017

F. Capital Assets

Capital assets, which include property, equipment, vehicles, and infrastructure assets (e.g. roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government) are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at original or estimated original cost. Donated capital assets are recorded at their estimated fair market value on the date donated. The city defines capital assets as assets with an initial cost of more than \$5,000 and an estimated life in excess of one reporting period. The cost of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives.

Buildings and improvements	20 to 50 years
Improvements other than buildings	20 years
Equipment	5 to 30 years
Vehicles	8 years
Infrastructure	10 to 100 years

G. Property Taxes Receivable

Property taxes assessed but not yet collected are reported on the balance sheet, but are offset by deferred revenue accounts. The city levies taxes on a fiscal year from July 1 to June 30. The current levy becomes a lien on July 1. Taxes are due November 15 and become delinquent May 15. Foreclosure is started three years after taxes become delinquent. The city turns all tax collection duties over to Malheur County, Oregon.

Uncollected property taxes are recorded on the Statement of Net Position. Uncollected taxes are deemed to be substantially collected or recoverable through liens; therefore, no allowance for uncollectible taxes has been established. All property taxes receivable is due from property owners within the city.

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until then. The City has one item that qualifies for reporting in this category. It is the deferred amounts relating to pensions. This amount is deferred and recognized as an outflow of resources in the period when the City's recognizes pension expense/expenditures. Deferred outflows are included in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three items that qualify for reporting in this category. Unavailable revenue from property taxes is reported in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that amount becomes available. The City also reports deferred amounts related to pensions and unearned rental revenue. This amount is deferred and recognized as an inflow of resources in the period when the City's recognizes pension income. Deferred inflows are included in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position.

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

I. Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts

The city maintains a policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for non-vested unpaid accumulated sick pay benefits. All vacation pay and vested sick pay benefits is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. For fiscal year ended June 30, 2017 benefits are paid from the General and Water, Sewer and Storm Sewer Funds. The compensated absences liability was \$297,952 at June 30, 2017 and \$268,212 at June 30, 2016.

J. Cash and Investments

The city's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. All short-term cash surpluses are maintained in savings accounts and the state of Oregon Local Government Investment Pool and allocated to each fund based on the amount of excess cash each fund has deposited.

Oregon statutes and local ordinances authorize the city to invest (short-term and long-term) in certificates of deposit (considered deposits for risk categorization purposes), certain bond obligations of civil subdivisions, general obligations of the states of Oregon, Washington, Idaho, and California, certain interest bearing bonds of a county, port, or school district, certain interest bearing bonds of any city in the state of Oregon, life insurance and annuity contracts, pooled deferred compensation trusts, banker's acceptances, and certain corporate bonds.

K. Encumbrances

The city does not use encumbrance accounting.

L. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

M. Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

N. Statement of Cash Flows

For purposes of the Statement of Cash Flows, the city considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All cash and investments of the proprietary fund types are pooled with the city's pooled cash and investments.

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

O. Other Asset

Water and wastewater treatment thirty-day chemical inventory will have to be left with the city if the public works CH2M Hill contract is terminated. An asset of \$13,571 is booked for this value as shown by the Appendix G of the contract.

P. Use of Estimates

The preparation of basic financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the basic financial statements and reported amounts of revenues and expenses/expenditures during the reporting period.

Q. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

R. Fund Balances

GASB Statement No. 54 requires analysis and presentation of fund balances in five categories; the fund balance categories are:

- *Nonspendable*— Fund balance is reported as nonspendable when the resources cannot ever be spent, whether due to legal restrictions (such as corpus) or items not spendable in form such as prepaid items, interfund receivables and inventory.
- *Restricted*—Includes items that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.
- *Committed*—Fund balance is reported as committed when the council passes a resolution, the formal action of the city's highest decision-making level of authority, to establish a specific spending constraint on how the resources may be used. The council can also modify or rescind the resolution through the passage of another formal resolution. Includes items committed by city council; commitments are required to be made, modified or rescinded by formal council resolution.
- *Assigned*—Fund balance is reported as assigned by city policy when the council or designee assign portions of revenue sources or ending fund balance, which are not determined to be non-spendable, restricted or committed by formal written notice. Authority is granted to the individuals by the city council and such authority may only be established, modified or rescinded by the council.
- *Unassigned*—This is the residual classification used for those balances not assigned to another category.

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

The city council can commit fund balances anytime before the end of the fiscal year. The commitment of fund balances has to be done by formal council resolution.

The council is authorized to make assignments of ending fund balance. Assignments of fund balances can be done at any time, including after fiscal year end date.

GASB 54 requires a spending policy, as it relates to ending fund balance. The spending policy states in what order fund balance categories are spent. The council approved the following fund balance order of spending policy:

1. Restricted Fund Balance
2. Committed Fund Balance
3. Assigned Fund Balance
4. Unassigned Fund Balance

Note 2. Retirement Plans

PERS

General Information about the Pension Plan

Plan Description

Employees of the City are provided with pensions through the Oregon Public Employees Retirement System (OPERS) a cost-sharing multiple-employer defined benefit pension plan, the Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the system. All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The Pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. OPERS issues a publicly available Comprehensive Annual Financial Report and Actuarial Valuation that can be obtained at http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx.

Benefits Provided

1. Tier One/Tier Two Retirement Benefit ORS Chapter 238

Pension Benefits

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. 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. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

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 One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

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, provided one or more of the following conditions are met:

- the member was employed by a PERS employer at the time of death,
- the member died within 120 days after termination of PERS-covered employment,
- the member died as a result of injury sustained while employed in a PERS-covered job, or
- the member was on an official leave of absence from a PERS-covered job at the time of death.

Disability Benefits

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. 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 account 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.

2. OPSRP Pension Program (OPSRP DB)

Pension Benefits

The Pension Program (ORS Chapter 238A) 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 calculated with the following formula for members who attain normal retirement age:

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 members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

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

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

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.

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.

3. 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

OPERS contracts with VOYA Financial to maintain IAP participant records.

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

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. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation as subsequently modified by 2015 legislated changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2015. Employer contributions for the year ended June 30, 2017 were \$538,316, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2017 were 22.69 percent for Tier One/Tier Two General Service Member, 14.89 percent for Tier One/Tier Two Police and Fire, 19 percent for OPSRP Pension Program Police and Fire Members, and 6 percent for OPSRP Individual Account Program.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the City reported a liability of \$10,905,056 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to June 30, 2016. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2016, the City's proportion was 0.07264 percent, which was decreased from its proportion of 0.0871 percent measured as of June 30, 2015.

For the year ended June 30, 2017, the City's recognized pension expense (income) of \$1,633,954. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 360,787	\$ -
Changes of assumptions	2,325,786	-
Net difference between projected and actual earnings on investments	2,154,381	-
Changes in proportion	-	808,914
Differences between employer contributions and proportionate share of contributions	-	446,066
Total (prior to post-MD contributions)	4,840,954	1,254,980
Contributions subsequent to the MD	538,316	-
Total	\$ 5,379,270	\$ 1,254,980

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2017

Deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred Outflows		Deferred Inflows	
Amortization Period		Amortization Period	
FY2018	\$ 1,396,931	FY2018	\$ 320,092
FY2019	858,615	FY2019	320,092
FY2020	1,652,912	FY2020	311,531
FY2021	1,275,751	FY2021	241,999
FY2022	195,061	FY2022	61,266
Total	\$ 5,379,270	Total	\$ 1,254,980

Actuarial Assumptions

The employer contribution rates effective July 1, 2013, through June 30, 2015 and effective July 1, 2015, through June 30, 2017, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

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The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2014
Measurement Date	June 30, 2016
Experience Study Report	2014, published September 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.5 percent (reduced from 2.75%)
Long-Term Expected Rate of Return ¹	7.5 percent (reduced from 7.75%)
Discount Rate	7.5 percent (reduced from 7.75%)
Projected Salary Increases	3.5 percent (reduced from 3.75%)
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and grade COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision, blend based on service
Mortality	<p>Health retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.</p> <p>Active Members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 sex-distinct, generational per Scale BB, disabled mortality table.</p>
¹ At its September 25, 2015 meeting the PERS Board reduced the assumed rate of return on investments from 7.75 percent to 7.50 percent.	

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2014 Experience Study which reviewed experience for the four-year period ending on December 31, 2014.

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Long-term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman’s capital market assumptions team and the Oregon Investment Council’s (OIC) investment advisors. The table below shows Milliman’s assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Compounded Annual Return (Geometric)</u>
Core Fixed Income	8.00%	4.00%
Short-Term Bonds	8.00%	3.61%
Bank/Leveraged Loans	3.00%	5.42%
High Yield Bonds	1.00%	6.20%
Large/Mis Cap US Equities	15.75%	6.70%
Small Cap US Equities	1.31%	6.99%
Micro Cap US Equities	1.31%	7.01%
Developed Foreign Equities	13.13%	6.73%
Emerging Foreign Equities	4.12%	7.25%
Non-US Small Cap Equities	1.88%	7.22%
Private Equities	17.50%	7.97%
Real Estate (Property)	10.00%	5.84%
Real Estate (REITS)	2.50%	6.69%
Hedge Fund of Funds - Diversified	2.50%	4.64%
Hedge Fund - Event-driven	0.63%	6.72%
Timber	1.88%	5.85%
Farmland	1.88%	6.37%
Infrastructure	3.75%	7.13%
Commodities	1.88%	4.58%
Total	<u>100.00%</u>	

Assumed Inflation - Mean 2.50%

Depletion Date Projection

GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan’s Fiduciary Net Position is projected to cover benefit payments and administrative expenses. A 20-year high quality

CITY OF ONTARIO, OREGON
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(AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for PERS:

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is PERS' independent actuary's opinion that the detailed depletion date projections outlined in GASB 68 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's proportionate share of the net pension liability (asset)	\$ 17,608,029	\$ 10,905,056	\$ 5,302,543

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

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Payables to the Pension Plan

The city reported payables of legally required contributions to the pension plan in the amount of \$71,221 at June 30, 2017.

Changes in Plan Provisions During the Measurement Period

As reflected in the December 31, 2014 actuarial valuation, the system-wide actuarial accrued liability has increased primarily due to the Moro decision and assumption changes, along with interest on the liability as current active members get closer to retirement. The Oregon Supreme Court decision in *Moro v. State of Oregon*, issued on April 30, 2015 reversed a significant portion of the reductions passed by the 2013 Oregon Legislature, which increased the benefits projected to be paid by Employers compared to those previously developed and consequently increased plan liabilities. The employers' projected long-term contribution effort reflects the estimated impact of the Moro Decision. Following the completion of the December 31, 2014 actuarial valuation, the PERS Board adopted several assumption changes, including lowering the investment return assumption from 7.75% to 7.5%.

Changes in Plan Provisions Subsequent to Measurement Date

At its July 28, 2017 meeting, the PERS Board lowered the assumed rate to 7.2 percent. For member transactions this rate will take effect January 1, 2018. The current assumed rate is 7.5 percent and has been in effect for member transactions since January 1, 2016.

Deferred Compensation Plan

Plan Description – The city offers employees a deferred compensation plan (the plan) sponsored by the city. The plan is a defined contribution plan created in accordance with Internal Revenue Code Section 457. The plan is available to all represented and non-represented city employees, and permits them to defer a portion of their salary until future years. Contributions are made through salary deductions from participating employees up to the amounts specified in the Internal Revenue Code Section 457. No contributions are required from the city. As of June 30, 2017, 60 individuals were participating in the Internal Revenue Code Section 457 plans. Amounts deferred are not available to employees until termination, retirement, death, or unforeseeable emergency. All assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. No plan assets have been used for purposes other than the payment of benefits.

At June 30, 2017, the amount deferred and investments earnings thereon, adjusted to fair market value, amount to \$2,340,497. The plan assets are held in custodial accounts by the plan provider for the exclusive benefit of the participants or their beneficiaries. The city does not perform the investing function and has no fiduciary accountability for the plan. Therefore, plan assets and any related liability to plan participants are not reported in the city financial statements as of June 30, 2017.

Note 3. Other Post Employment Benefits

PERS Retirement Health Insurance Account

Plan Description

The district contributes to the PERS Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by PERS. RHIA pays a monthly contribution toward the cost of Medicare companion health

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insurance premiums of eligible retirees. ORS 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004, PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700.

Funding Policy

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the RHIA established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. 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 (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating employers are contractually required to contribute to RHIA at the rate assessed each year by PERS, currently 0.49% Tier 1 and Tier 2 payroll and 0.19% of OPSRP annual covered payroll. The Oregon PERS Board of Trustees sets the employer contribution rate. It is based on the annual required contribution of the combined participant employers. This is an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a closed period not to exceed 30 years. The city's contributions to RHIA for the year ended June 30, 2017 are included in the PERS annual pension amount.

GASB 45

For the fiscal year ended June 30, 2009, the city implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*. This statement addresses how state and local governments should account for and report their costs and obligations related to Other Postemployment Benefits (OPEB). The statement generally requires that state and local governmental employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. For the fiscal year ended June 30, 2016, the city's participation in the City County Insurance Services (CCIS) health plans have been determined to constitute community-rated coverage, as allowed by GASB 45, therefore, there is no implicit subsidy to value and no liability accrued in the financial statements.

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Note 4. Accounts Receivable

The governmental funds of the city have accounts receivable as follows:

General Fund	Property taxes	\$ 239,762
General Fund	Other	502,304
Street Fund	Other	59,039
Street Fund	Occupancy tax	27,918
Nonmajor funds	Service billing revenues	6,947
Nonmajor funds	Special assessments	232,399
Nonmajor funds	Grants	19,229
Nonmajor funds	Occupancy tax	78,262
Capital Projects Fund	Local Improvement District	49,888
Capital Projects Fund	Service billing revenues	<u>44,351</u>
	TOTAL	<u><u>\$ 1,260,099</u></u>

The proprietary funds of the city have service billing revenues receivable as follows:

	Accounts Receivable	Allowance for Doubtful Accounts	Net Receivable
Water Fund	\$ 320,165	\$ (8,987)	\$ 311,178
Sewer Fund	371,546	(8,338)	363,208
Airport Fund	11,146		11,146
Nonmajor funds	9,093	(264)	8,829
TOTAL	<u>\$ 711,950</u>	<u>\$ (17,589)</u>	<u>\$ 694,361</u>

The proprietary funds of the city have other receivables as follows:

Aquatic Fund	Occupancy tax	\$ 13,294
	TOTAL	<u><u>\$ 13,294</u></u>

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Note 5. Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2017 is as follows:

Description	Balance 6/30/2016	Increases	Decreases	Balance 6/30/2016	Due within one year
GOVERNMENTAL ACTIVITIES					
US Bank--LID 44 and 45	\$ 193,819	\$ -	\$ 55,376	\$ 138,443	\$ 55,377
Police car lease	41,893	-	20,641	21,252	21,252
Sweeper lease	235,674	-	56,459	179,215	58,068
BUSINESS-TYPE ACTIVITIES					
WTP Upgrade OECDD	3,374,376	-	150,924	3,223,452	156,961
OECDD-Wastewater System Improvements	3,244,151	-	120,949	3,123,202	126,787
Oregon DEQ loans	892,340	-	295,171	597,169	306,509
Total Long-term Debt	<u>\$ 7,982,253</u>	<u>\$ -</u>	<u>\$ 699,520</u>	<u>\$ 7,282,733</u>	<u>\$ 724,954</u>

Governmental Activities

US Bank Special Assessment Debt

The city issued \$830,650 of special assessment debt to provide funding for local improvement districts previously funded by the city. These bonds bear interest rates of 4.75%, payable first from collections of assessment liens receivable and second, if necessary, from general property taxes. Payments are made from the Debt Service Fund. Final payment is due September 1, 2019.

Fiscal Year Ending June 30,	Principal	Interest	Remaining Balance
			\$ 138,443
2018	\$ 55,377	\$ 5,918	83,066
2019	55,377	3,288	27,689
2020	27,689	658	-
	<u>\$ 138,443</u>	<u>\$ 9,864</u>	

Financial Pacific Leasing Police Car Capital Lease

The city entered into a lease purchase agreement with Financial Pacific Leasing, Inc. in July 2015 to purchase two police cars for \$41,893. Interest is computed at 2.965% payable in three installments with the first installment due November 1, 2015. Payments are made from the General Fund.

Fiscal Year Ending June 30,	Principal	Interest	Remaining Balance
			\$ 21,252
2018	\$ 21,252	\$ 630	-
	<u>\$ 21,252</u>	<u>\$ 630</u>	

CITY OF ONTARIO, OREGON
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Mountain West Bank Street Sweeper Capital Lease

The city entered into a lease purchase agreement with Mountain West Bank in April of 2016 to purchase a 2016 Elgin Eagle 4M Street Sweeper for \$298,850. Interest is computed at 2.85% payable in five installments with the first installment due April 18, 2016. Payments are made from the Street Fund.

Fiscal Year Ending June 30,	Principal	Interest	Remaining Balance
			\$ 179,215
2018	\$ 58,068	\$ 5,108	121,147
2019	59,723	3,453	61,424
2020	61,424	1,751	-
	<u>\$ 179,215</u>	<u>\$ 10,312</u>	

Business-Type Activities

Water Treatment Plant Upgrade Oregon Economic Community Development Department

The city converted water treatment facility improvements interim-financing from the Oregon Economic and Community Development Department (OECD) to a promissory note in the amount of \$4,482,580 on May 1, 2007. Principal and interest, at rates from 4.0% to 4.375%, is payable annually. The final payment is due December 1, 2031. The city has pledged its full faith and credit and the net operating revenues of the water system to repay the note.

Fiscal Year Ending June 30,	Principal	Interest	Remaining Balance	Interest Rate
			\$ 3,223,452	
2018	\$ 156,961	\$ 138,460	3,066,491	4.0%
2019	163,040	132,181	2,903,451	4.0%
2020	169,162	125,660	2,734,289	4.0%
2021	180,364	118,682	2,553,925	4.0%
2022	186,640	111,106	2,367,285	4.0%
2023-2027	1,059,741	428,516	1,307,544	4.0%
2028-2032	1,307,544	176,167	0	4.0%
	<u>\$ 3,223,452</u>	<u>\$ 1,230,772</u>		

CITY OF ONTARIO, OREGON
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Wastewater System Improvements - Oregon Economic and Community Development Department

The city converted sewer treatment facilities improvements interim-financing from the Oregon Economic and Community Development Department (OECD) to a promissory note in the amount of \$3,976,600 on May 27, 2009. Principal and interest, at rates from 3.0% to 5.25%, is payable annually. The final payment is due December 1, 2033. The city has pledged its full faith and credit and the net operating revenues of the sewer system to repay the note.

Fiscal Year Ending June 30,	Principal	Interest	Balance	Interest Rate
			\$ 3,123,202	
2018	\$ 126,787	\$ 147,078	2,996,415	4.0%
2019	132,658	142,007	2,863,757	4.3%
2020	133,621	136,369	2,730,136	4.5%
2021	144,684	130,356	2,585,452	4.0%
2022	145,672	124,569	2,439,780	5.0%
2023-2027	853,129	509,259	1,586,651	4% to 5.25%
2028-2032	1,078,244	279,208	508,407	4.5% to 5.25%
2033-2034	508,407	36,510	0	4.75%
	<u>\$ 3,123,202</u>	<u>\$ 1,505,356</u>		

Oregon Department of Environmental Quality

The city has notes payable to the state of Oregon Department of Environmental Quality for utility system improvements. Interest rates range from 3.0% to 3.98% over a term of 20 years. Semi-annual payments of principal and interest are required and recorded in the Sewer Fund.

Loan 70611 - 3.98% interest

Fiscal Year Ending June 30,	Principal	Interest	Fees	Balance
				\$ 121,390
2018	\$ 121,390	\$ 3,635	\$ 306	-
	<u>\$ 121,390</u>	<u>\$ 3,635</u>	<u>\$ 306</u>	

Loan 70612 - 3.69% interest

Fiscal Year Ending June 30,	Principal	Interest	Fees	Balance
				\$ 475,779
2018	\$ 185,119	\$ 15,864	\$ 1,920	290,660
2019	192,011	8,971	978	98,649
2020	98,649	1,820	-	-
	<u>\$ 475,779</u>	<u>\$ 26,655</u>	<u>\$ 2,898</u>	

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Total DEQ				
Fiscal Year Ending June 30,	Principal	Interest	Fees	Balance
				\$ 597,169
2018	306,509	19,499	2,226	290,660
2019	192,011	8,971	978	98,649
2020	98,649	1,820	-	-
	\$ 597,169	\$ 30,290	\$ 3,204	

Note 6. Risk Management

The city is exposed to various risks of loss related to torts; theft or damage to and destruction of assets; errors and omissions; and natural disasters for which the city carries commercial insurance. The city does not engage in risk financing activities where the risk is retained (self-insurance).

The City of Ontario is a member of the City County Insurance Services (CCIS) trust. This trust was established in 1981, by the League of Oregon Cities (LOC) and the Association of Oregon Counties (AOC) to provide risk management services including insurance and loss control to member entities. The city participates for property and liability insurance coverage. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 7. Deposits and Investments

The city maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as cash and investments.

Cash and investments are comprised of the following at June 30, 2017:

Deposits with banks	\$ 650,805
Investments	10,306,923
Cash on hand	1,155
Certificates of Deposit	584,328
	\$ 11,543,211

Cash and investments are shown on the basic financial statements as:

Statement of Net Position	
Cash and investments	\$ 10,664,112
Restricted cash	877,759
Statement of Fiduciary Net Position	
Cash and investments	1,340
	\$ 11,543,211

As of June 30, 2017, the city held the following investments and maturities:

Investment type	Fair Value	% of investment portfolio
Local Government Investment Pool	\$ 10,306,923	100.0%

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Deposits

The Governmental Accounting Standards Board has adopted accounting principles generally accepted in the United States of America (GAAP), which include standards to categorize deposits to give an indication of the level of custodial risk assumed by the city at June 30, 2017. If bank deposits at year end are not entirely insured or collateralized with securities held by the city or by its agent in the city’s name, the city must disclose the custodial credit risk (below) that exists. Deposits with financial institutions are comprised of bank demand deposits. For deposits in excess of federal depository insurance, Oregon Revised Statutes require depository institutions to be in compliance with ORS 295.

At June 30, 2017, the carrying amount of the city’s deposits was \$1,235,133 and the bank balance was \$1,774,854. Of these deposits, all were covered by federal depository insurance or were in qualified depositories. The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. Federal depository insurance (FDIC) of \$250,000 applies to the deposits in each depository. Where balances continually exceed \$250,000, ORS 295.018 requires the depositor to verify that deposit accounts are only maintained at financial institutions on the list of qualified depositories found on the Oregon state treasurer’s website. Qualifying depository banks must pledge securities with a particular value based on the banks level of capitalization. The city deposits were in compliance with requirements of ORS 295.018.

Custodial credit risk—Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government’s deposits may not be returned to it. The city does not have a policy for custodial credit risk for deposits.

Effective July 1, 2008, House Bill 2901 created a shared liability structure for participating bank depositories in Oregon. Barring any exceptions, a qualifying bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized, or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public bank depositories is available to repay the deposits of public funds of government entities.

Investments

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
<i>Cash and cash equivalents</i>			
Local Government Investment Pool (LGIP)	\$ 10,306,923	50% less than 90-days, no more than 25% over one year, and no investment over three years	Unrated
<i>Total cash and cash equivalents</i> 100.00%	<u>\$ 10,306,923</u>		

At June 30, 2017, the city held \$10,306,923 of investments, which is all classified as cash and investments on the Statement of Net Position. The city has no formal policy for managing interest rate risk or credit risk.

The city has invested funds in the Oregon Short-term Fund Local Government Investment Pool (LGIP) during fiscal year 2017. The Local Government Investment Pool was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). The Local Government

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Investment Pool is an external investment pool managed by the State Treasurer's office, which allows governments within the state to pool their funds for investment purposes. The amounts invested in the pool are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry form as defined by GASB Statement No. 40. Oregon LGIP is unrated for credit quality.

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

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

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

Oregon statutes restrict the types of investments in which the city may invest. Authorized investments included obligations of the United States Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, time certificates of deposit, certain commercial paper, and the Oregon Local Government Investment Pool. As of June 30, 2016, and for the year then ended, the city was in compliance with the aforementioned Oregon statutes.

Credit Risk—Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes authorize the city to invest primarily in general obligations of the United States Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial paper, and the Oregon Local Government Investment Pool, among others. The city has no formal investment policy that further restricts its investment choices.

Concentration of Credit Risk—Concentration of credit risk is the risk of a loss attributed to the magnitude of a government's investment in a single issuer. The city is required to provide information about the concentration of credit risk associated with its investments in one issuer that represents 5 percent or more of the total investments, excluding investments in external investment pools or those issued and explicitly guaranteed by the United States Government. The city has no such investments.

Interest Rate Risk—The city's investment policy limits long-term investments to 25% of the investment portfolio using specific identification. The city defines long-term as having a maturity of greater than 18 months to a maximum of 36 months. As of June 30, 2016, all of the city's investments were classified as short-term.

Foreign Currency Risk—The city is prohibited from investments that are not US dollar-denominated; therefore, the city is not exposed to this risk.

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June 30, 2017

Note 8. Commitments and Contingencies

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

Note 9. Interfund Receivables and Payables

The interfund receivable and payables to be paid within the next fiscal year at June 30, 2017 consist of the following:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor gov't	\$ 2,633
	TOTAL	\$ 2,633

The purpose of the interfund receivable and payable balances is to account for expenses paid by the receivable fund for the payable fund, or revenue received in the payable fund that should be accounted for in the receivable fund.

Note 10. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2017 is as follows:

Governmental Funds			Proprietary Funds		
Transfers in	Transfer from	Amount	Transfers in	Transfer from	Amount
General Fund	Nonmajor funds	\$ 30,720	Airport Fund	Nonmajor prop	\$ 40,000
Street Fund	Nonmajor funds	30,000			
Nonmajor governmental	General Fund	45,000			
Total transfers in for governmental funds		\$ 105,720	Total transfers in for proprietary funds		\$ 40,000
Transfers out	Transfer to		Transfers out	Transfer to	
General Fund	Nonmajor gov't	\$ (45,000)	Nonmajor prop	Airport Fund	\$ (40,000)
Street Fund	Grant Fund	(30,000)			
Nonmajor governmental	General Fund	(30,720)			
Total transfers out for governmental funds		(105,720)	Total transfers out for proprietary funds		(40,000)
Total transfers for governmental funds		\$ -	Total transfers for proprietary funds		\$ -

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. These transfers represent budgeted expectations.

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2017

Note 11. Accounting Changes and Restatements

Governmental Activities: The following items caused beginning net position to be restated:

- The General Fund beginning balance was decreased by \$25,000 to correct accounts receivable balances.
- The Street Fund beginning balance was decreased by \$2,592 to correct accounts receivable balances.
- The Trust Fund Fund beginning balance was decreased by \$2,389 to correct accounts receivable balances.
- The Revolving Loan Fund beginning balance was decreased by \$3,193 to correct accounts receivable balances.
- The Debt Service Fund beginning balance was decreased by \$4,171 to correct accounts receivable balances.

The governmental activities net position was decreased by \$7,586,843 to transfer airport capital assets to the proprietary airport fund.

Recalculation of Net Position

Net position at July 1, 2016, as previously reported	\$ 32,609,340
Accounts receivable restatement	(37,344)
Capital asset restatement	<u>(7,586,844)</u>
 Net position at July 1, 2016, as restated	 <u><u>\$ 24,985,152</u></u>

Business-Type Activities: The following items caused beginning net position to be restated:

- The airport fund beginning balance was increased by \$7,586,844 to transfer capital assets to the airport fund.
- \$685,962 of capital assets was transferred from the proprietary golf fund to the proprietary airport fund. There was no net affect.

Recalculation of Net Position

Net position at July 1, 2016, as previously reported	\$ 29,768,384
Airport Fund capital asset restatement	<u>7,586,844</u>
 Net position at July 1, 2016, as restated	 <u><u>\$ 37,355,228</u></u>

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

Note 12. Schedule of Capital Assets

Capital assets activity for the year ended June 30, 2017 was as follows:

	Balance June 30, 2016	Restatements	Additions	Deletions	Balance June 30, 2017
Governmental activities					
Capital assets not being depreciated					
Land	\$ 4,770,446	\$ (2,970,230)	\$ -	\$ -	\$ 1,800,216
Construction in progress	540,764	(205,796)	36,670	9,990	361,648
Total capital assets not being depreciated	<u>5,311,210</u>	<u>(3,176,026)</u>	<u>36,670</u>	<u>9,990</u>	<u>2,161,864</u>
Capital assets being depreciated					
Equipment and vehicles	5,495,245	-	116,827	336,013	5,276,059
Buildings and improvements	8,900,402	(1,084,055)	81,421	-	7,897,768
Infrastructure	28,869,467	(5,162,359)	10,404	-	23,717,512
Total capital assets being depreciated	<u>43,265,114</u>	<u>(6,246,414)</u>	<u>208,652</u>	<u>336,013</u>	<u>36,891,339</u>
Less accumulated depreciation for					
Equipment and vehicles	4,089,382	-	206,821	330,652	3,965,551
Buildings and improvements	4,989,554	(1,008,930)	188,660	-	4,169,284
Infrastructure	10,274,857	(826,666)	361,947	-	9,810,138
Total accumulated depreciation	<u>19,353,793</u>	<u>(1,835,596)</u>	<u>757,428</u>	<u>330,652</u>	<u>17,944,973</u>
Total capital assets being depreciated, net	23,911,321	(4,410,818)	(548,776)	5,361	18,946,366
Governmental activities capital assets, net	<u>\$ 29,222,531</u>	<u>\$ (7,586,844)</u>	<u>\$ (512,106)</u>	<u>\$ 15,351</u>	<u>\$ 21,108,230</u>
Business-type activities					
Capital assets not being depreciated					
Land	\$ 2,645,560	\$ 2,970,230	\$ -	\$ -	\$ 5,615,790
Construction in progress	730,287	205,796	1,706,922	403,907	2,239,098
Total capital assets not being depreciated	<u>3,375,847</u>	<u>3,176,026</u>	<u>1,706,922</u>	<u>403,907</u>	<u>7,854,888</u>
Capital assets being depreciated					
Equipment and vehicles	35,415,476	-	-	-	35,415,476
Buildings and improvements	31,986,331	1,084,055	-	-	33,070,386
Infrastructure	9,663,378	5,162,359	467,842	-	15,293,579
Total capital assets being depreciated	<u>77,065,185</u>	<u>6,246,414</u>	<u>467,842</u>	<u>-</u>	<u>83,779,441</u>
Less accumulated depreciation for					
Equipment and vehicles	31,746,900	-	347,970	-	32,094,870
Buildings and improvements	13,570,005	1,008,930	667,823	-	15,246,758
Infrastructure	1,348,565	826,666	343,661	-	2,518,892
Total accumulated depreciation	<u>46,665,470</u>	<u>1,835,596</u>	<u>1,359,454</u>	<u>-</u>	<u>49,860,520</u>
Total capital assets being depreciated, net	30,399,715	4,410,818	(891,612)	-	33,918,921
Business-type activities capital assets, net	<u>\$ 33,775,562</u>	<u>\$ 7,586,844</u>	<u>\$ 815,310</u>	<u>\$ 403,907</u>	<u>\$ 41,773,809</u>

Depreciation expense for the year was charged to the following programs:

Governmental Activities	
General government	\$ 324,195
Highways and streets	433,233
Business-Type Activities	
Water	462,420
Sewer	558,133
Storm Sewer	104,472
Airport	234,429

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2017

Note 13. Fund Balance Classifications

Below is a schedule of ending fund balances, based on GASB Statement No. 54 requirements:

Fund Balances	General Fund	Street Fund	Capital Projects Fund	Nonmajor Funds	Total
<u>Nonspendable</u>					
Interfund Receivables	\$ 588,449	\$ -	\$ -	\$ -	\$ 588,449
<u>Restricted</u>					
System development charges	-	-	-	223,024	223,024
Street projects	-	316,234	-	-	316,234
Debt Service	-	-	-	99,366	99,366
Building inspection	-	-	-	114,231	114,231
Aquatic Center	-	-	-	25,814	25,814
	-	316,234	-	462,435	778,669
<u>Committed to</u>					
Capital Projects	-	-	3,189,699	1,793,018	4,982,717
Funds held for other departments	-	-	-	375,181	375,181
Revolving loan fund program	-	-	-	529,472	529,472
	-	-	3,189,699	2,697,671	5,887,370
<u>Unassigned</u>					
	2,200,251	-	-	(8,096)	2,192,155
TOTAL FUND BALANCES	\$ 2,788,700	\$ 316,234	\$ 3,189,699	\$ 3,152,010	\$ 9,446,643

GASB 54 requires city council approved action to authorize commitments of fund balances. These commitments, outlined in the table above, were approved by the city council on June 20, 2017. Commitments of fund balances must be made prior to the end of the fiscal year.

Note 14. Post Retirement Benefits

In addition to providing pension benefits, the city provides certain benefits for retired city employees. The city allows a city service credit for retired supervisors having 15 years or more employment with the city. This credit is a maximum of \$300 per year until the retiree death. The credit may be used only for city services to include; use of the city's aquatic center, health insurance and city utilities. No carry forward from year to year is allowed.

For the year ended June 30, 2017, there were 12 active participants. The total cost of \$3,600 in retiree benefits are current year expenditures and were charged to the fund for which the participant was employed.

Note 15. Deficit Fund Balances

At June 30, 2017, the city reported the following deficit fund balance:

Grants Fund	\$ (8,096)	Transfer funds from the General Fund to cover deficit
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**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
(BUDGET BASIS)
For the Year Ended
June 30, 2017

	Original Budget	Final Budget	Current Year Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Property taxes	\$ 3,318,702	\$ 3,318,702	\$ 3,429,412	\$ 110,710
Other taxes	-	-	5	5
Franchise fees	1,665,241	1,665,241	1,695,704	30,463
Licenses and permits	4,350	4,350	6,558	2,208
Intergovernmental	616,831	616,831	605,539	(11,292)
Charges for services	104,353	104,353	106,818	2,465
Fines and forfeits	2,300	2,300	3,475	1,175
Miscellaneous	55,995	78,111	95,450	17,339
Interest on investments	11,000	11,000	26,956	15,956
Administrative	497,145	497,145	497,148	3
Total revenues	<u>6,275,917</u>	<u>6,298,033</u>	<u>6,467,065</u>	<u>169,032</u>
Expenditures				
Personal services	4,910,900	4,911,145	4,751,607	159,538
Materials and services	1,640,943	1,743,528	1,551,973	191,555
Capital outlay	121,900	123,948	92,289	31,659
Debt service	23,541	23,541	23,372	169
Contingency	1,854,433	1,788,916	-	1,788,916
Total expenditures	<u>8,551,717</u>	<u>8,591,078</u>	<u>6,419,241</u>	<u>2,171,837</u>
Excess of revenues over (under) expenditures	(2,275,800)	(2,293,045)	47,824	2,340,869
Other financing sources (uses)				
Transfers in	20,800	38,045	30,720	(7,325)
Transfers out	(45,000)	(45,000)	(45,000)	-
Total other sources (uses)	<u>(24,200)</u>	<u>(6,955)</u>	<u>(14,280)</u>	<u>(7,325)</u>
Net change in fund balance	(2,300,000)	(2,300,000)	33,544	2,333,544
Fund balance, July 1, before restatement	2,300,000	2,300,000	2,780,156	480,156
Restatement, see note 11	-	-	(25,000)	(25,000)
Fund balance, July 1, after restatement	<u>2,300,000</u>	<u>2,300,000</u>	<u>2,755,156</u>	<u>455,156</u>
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,788,700</u>	<u>\$ 2,788,700</u>

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - STREET FUND
(BUDGET BASIS)
For the Year Ended
June 30, 2017

	Original Budget	Final Budget	Current Year Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Intergovernmental	\$ 655,000	\$ 655,000	\$ 679,014	\$ 24,014
Interest on investments	-	-	162	162
Charges for services	2,500	2,500	3,753	1,253
Other taxes	180,000	180,000	225,210	45,210
Administrative	412,535	412,535	412,535	-
Miscellaneous	5,000	5,000	10,124	5,124
Total revenues	<u>1,255,035</u>	<u>1,255,035</u>	<u>1,330,798</u>	<u>75,763</u>
Expenditures				
Materials and services	1,695,725	1,696,116	1,683,640	12,476
Capital outlay	61,760	61,900	51,734	10,166
Debt service	63,176	63,176	63,176	-
Contingency	169,374	168,843	-	168,843
Total expenditures	<u>1,990,035</u>	<u>1,990,035</u>	<u>1,798,550</u>	<u>191,485</u>
Excess of revenues over (under) expenditures	(735,000)	(735,000)	(467,752)	267,248
Other financing sources (uses)				
Transfers out	(30,000)	(30,000)	(30,000)	-
Total other sources (uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
Net change in fund balance	(765,000)	(765,000)	(497,752)	267,248
Fund balance, July 1, before restatement	765,000	765,000	816,578	51,578
Restatement, see note 11	-	-	(2,592)	(2,592)
Fund balance, July 1	<u>765,000</u>	<u>765,000</u>	<u>813,986</u>	<u>48,986</u>
Fund balance, June 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 316,234</u></u>	<u><u>\$ 316,234</u></u>

CITY OF ONTARIO, OREGON
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
Last 10 Fiscal Years*

Year Ended June 30,	(a) City's proportion of the net pension liability (asset)	(b) City's proportionate share of the net pension liability (asset)	(c) City's covered payroll	(b/c) City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.07264070%	\$ 10,905,056	\$ 2,878,700	378.82%	80.50%
2016	0.08706674%	4,998,903	2,795,527	178.82%	91.90%
2015	0.08950110%	(2,028,735)	4,561,292	-44.48%	103.60%
2014	0.08706674%	673,613	4,563,227	14.76%	91.97%

SCHEDULE OF CITY CONTRIBUTIONS
OREGON PUBLIC RETIREMENT SYSTEM
Last 10 Fiscal Years*

Year Ended June 30,	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution deficiency (excess)	(c) City's covered payroll	(b/c) Contributions as a percent of covered payroll
2017	\$ 538,316	\$ 538,316	\$ -	2,873,938	18.73%
2016	577,012	577,012	-	2,878,700	20.04%
2015	733,439	733,439	-	2,795,527	26.24%
2014	764,158	764,158	-	4,561,292	16.75%

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date.

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

CITY OF ONTARIO, OREGON
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended
June 30, 2017

BUDGETARY REPORTING

An annual budget is prepared for each city fund in accordance with the modified accrual basis of accounting and legal requirements set forth in the state of Oregon's local budget law. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total personal services, materials and services, capital outlay, debt service, transfers and contingencies are the levels of control for all funds. The detail budget document, however, is required to contain more specific, detailed information for the above mentioned expenditure categories.

Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriations resolution. A supplemental budget requires a hearing before the public, publications in newspapers, and approval by the city council. Original and supplemental budgets may be modified by the use of appropriations transfers between the levels of control. Such transfers require approval by the city council. Budget appropriations lapse at June 30. Encumbrance accounting is not utilized in the preparation of budgeted funds.

The budgets include capital outlay expenditures in each program for capital outlay applicable to that program.

During the year ended June 30, 2017 the General Fund and major special revenue funds of the city had no over expenditure of appropriations.

OREGON PUBLIC RETIREMENT SYSTEM INFORMATION

Changes in Benefit Terms

The Oregon Supreme Court on April 30, 2015, ruled that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. OPERS will make restoration payments to those benefit recipients.

OPERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire.

This is a change in benefit terms was not included in the net pension liability (asset) proportionate shares provided by OPERS for the years ending June 30, 2015 and June 30, 2014.

Changes of Assumptions

Details and a comprehensive list of changes in methods and assumptions can be found in the 2012 and 2014 Experience Study for the System, which were published on September 18, 2013 and September 23, 2015. These reports can be found at: http://www.oregon.gov/pers/Pages/section/financial_reports/mercereports.aspx.

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SUPPLEMENTARY INFORMATION

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CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
(BUDGET BASIS)
For the Year Ended
June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Current Year Actual</u>	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Charges for services	\$ 1,745	\$ 1,745	\$ 2,520	\$ 775
Miscellaneous	-	-	7,571	7,571
Interest on investments	1,790	1,790	1,490	(300)
Utilities capitalization charges	<u>445,369</u>	<u>445,369</u>	<u>456,768</u>	<u>11,399</u>
Total revenues	<u>448,904</u>	<u>448,904</u>	<u>468,349</u>	<u>19,445</u>
Expenditures				
Materials and services	1,000	1,000	69	931
Capital outlay	549,108	549,108	119,099	430,009
Contingency	<u>2,405,055</u>	<u>2,405,055</u>	-	<u>2,405,055</u>
Total expenditures	<u>2,955,163</u>	<u>2,955,163</u>	<u>119,168</u>	<u>2,835,995</u>
Net change in fund balance	(2,506,259)	(2,506,259)	349,181	2,855,440
Fund balance, July 1	<u>2,506,259</u>	<u>2,506,259</u>	<u>2,840,518</u>	<u>334,259</u>
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,189,699</u>	<u>\$ 3,189,699</u>

CITY OF ONTARIO, OREGON
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017

	Special Revenue Funds		
	Grant Fund	Building Fund	Reserve Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Assets			
Cash and investments	\$ -	\$ 126,982	\$ 1,758,954
Accounts receivable			
Assessments	-	-	-
Customer accounts, net of allowance	-	-	6,147
Other	19,229	-	27,917
Restricted cash			
Cash held in trust	-	-	-
System development charges	-	-	-
Total assets	<u>19,229</u>	<u>126,982</u>	<u>1,793,018</u>
Deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows	<u>\$ 19,229</u>	<u>\$ 126,982</u>	<u>\$ 1,793,018</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 24,692	\$ 12,751	\$ -
Interfund payable	2,633	-	-
Deposits held in trust	-	-	-
Total liabilities	<u>27,325</u>	<u>12,751</u>	<u>-</u>
Deferred inflows of resources			
Unearned special assessment revenues	-	-	-
Unavailable economic development loans	-	-	-
Total deferred inflows	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances			
Spendable			
Restricted	-	114,231	-
Committed	-	-	1,793,018
Unassigned	<u>(8,096)</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>(8,096)</u>	<u>114,231</u>	<u>1,793,018</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 19,229</u>	<u>\$ 126,982</u>	<u>\$ 1,793,018</u>

Special Revenue Funds				Capital Projects Fund	Total June 30, 2016
Trust Fund	Revolving Loan Fund	Aquatic Donations Fund	Debt Service Fund	SDC Fund	
\$ 341,047	\$ 529,472	\$ 25,814	\$ 99,366	\$ 84,450	\$ 2,966,085
-	157,976	-	74,423	-	232,399
800	-	-	-	-	6,947
50,345	-	-	-	-	97,491
277,497	-	-	-	-	277,497
-	-	-	-	138,574	138,574
<u>669,689</u>	<u>687,448</u>	<u>25,814</u>	<u>173,789</u>	<u>223,024</u>	<u>3,718,993</u>
-	-	-	-	-	-
<u>\$ 669,689</u>	<u>\$ 687,448</u>	<u>\$ 25,814</u>	<u>\$ 173,789</u>	<u>\$ 223,024</u>	<u>\$ 3,718,993</u>
\$ 47,845	\$ -	\$ -	\$ -	\$ -	\$ 85,288
-	-	-	-	-	2,633
<u>246,663</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>246,663</u>
<u>294,508</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>334,584</u>
-	-	-	74,423	-	74,423
-	157,976	-	-	-	157,976
-	157,976	-	74,423	-	232,399
-	-	25,814	99,366	223,024	462,435
375,181	529,472	-	-	-	2,697,671
-	-	-	-	-	(8,096)
<u>375,181</u>	<u>529,472</u>	<u>25,814</u>	<u>99,366</u>	<u>223,024</u>	<u>3,152,010</u>
<u>\$ 669,689</u>	<u>\$ 687,448</u>	<u>\$ 25,814</u>	<u>\$ 173,789</u>	<u>\$ 223,024</u>	<u>\$ 3,718,993</u>

CITY OF ONTARIO, OREGON
**SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES**
NONMAJOR FUNDS
 For the Year Ended
 June 30, 2017

	Special Revenue Funds		
	Grant Fund	Building Fund	Reserve Fund
Revenues			
Taxes			
Other taxes	\$ -	\$ -	\$ 225,210
Intergovernmental revenues	190,436	-	12,295
Charges for services	-	-	78,523
Licenses and permits	-	199,689	-
Miscellaneous			
Special assessments	-	-	-
Miscellaneous	-	200	18,664
Interest on investments	-	-	1,876
Loan repayments	-	-	-
Total revenues	<u>190,436</u>	<u>199,889</u>	<u>336,568</u>
Expenditures			
<i>Current</i>			
Personal services	-	80,496	-
Materials and services	-	91,289	1,649
Capital outlay	224,607	185	102,130
<i>Debt service</i>			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>224,607</u>	<u>171,970</u>	<u>103,779</u>
Excess of revenues over (under) expenditures	(34,171)	27,919	232,789
Other financing sources (uses)			
Operating transfers in	47,600	-	27,400
Operating transfers out	-	-	(9,920)
Capital asset sales	-	-	9,150
Total other financing sources (uses)	<u>47,600</u>	<u>-</u>	<u>26,630</u>
Net change in fund balances	13,429	27,919	259,419
Fund balances, July 1, before restatement	(21,525)	86,312	1,533,599
Restatement, see note 11	-	-	-
Fund balances, July 1, after restatement	<u>(21,525)</u>	<u>86,312</u>	<u>1,533,599</u>
Fund balances, June 30	<u>\$ (8,096)</u>	<u>\$ 114,231</u>	<u>\$ 1,793,018</u>

Special Revenue Funds				Capital Projects Fund	Total June 30, 2017
Trust Fund	Revolving Loan Fund	Aquatic Donations Fund	Debt Service Fund	SDC Fund	
\$ 406,131	\$ -	\$ -	\$ -	\$ -	\$ 631,341
-	-	-	-	-	202,731
15,800	-	-	-	-	94,323
-	-	-	-	-	199,689
-	-	-	26,464	-	26,464
-	-	-	-	-	18,864
409	6,878	-	2,747	-	11,910
-	18,373	-	-	-	18,373
<u>422,340</u>	<u>25,251</u>	<u>-</u>	<u>29,211</u>	<u>84,450</u>	<u>1,288,145</u>
-	-	-	-	-	80,496
404,110	7,982	-	-	-	505,030
-	-	-	-	-	326,922
-	-	-	55,377	-	55,377
-	-	-	8,707	-	8,707
<u>404,110</u>	<u>7,982</u>	<u>-</u>	<u>64,084</u>	<u>-</u>	<u>976,532</u>
18,230	17,269	-	(34,873)	84,450	311,613
-	-	-	-	-	75,000
(20,800)	-	-	-	-	(30,720)
-	-	-	-	-	9,150
<u>(20,800)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,430</u>
(2,570)	17,269	-	(34,873)	84,450	365,043
380,140	515,396	25,814	138,410	138,574	2,796,720
(2,389)	(3,193)	-	(4,171)	-	(9,753)
<u>377,751</u>	<u>512,203</u>	<u>25,814</u>	<u>134,239</u>	<u>138,574</u>	<u>2,786,967</u>
<u>\$ 375,181</u>	<u>\$ 529,472</u>	<u>\$ 25,814</u>	<u>\$ 99,366</u>	<u>\$ 223,024</u>	<u>\$ 3,152,010</u>

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GRANTS FUND
(BUDGET BASIS)
For the Year Ended
June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Current Year Actual</u>	<u>Favorable (Unfavorable) Variance with Final Budget</u>
Revenues				
Intergovernmental	\$ 429,900	\$ 432,400	\$ 190,436	\$ (241,964)
Total revenues	<u>429,900</u>	<u>432,400</u>	<u>190,436</u>	<u>(241,964)</u>
Expenditures				
Capital outlay	<u>477,500</u>	<u>480,000</u>	<u>224,607</u>	<u>255,393</u>
Total expenditures	<u>477,500</u>	<u>480,000</u>	<u>224,607</u>	<u>255,393</u>
Excess of revenues over (under) expenditures	(47,600)	(47,600)	(34,171)	13,429
Other financing sources (uses)				
Transfers in	<u>47,600</u>	<u>47,600</u>	<u>47,600</u>	<u>-</u>
Total other financing sources (uses)	<u>47,600</u>	<u>47,600</u>	<u>47,600</u>	<u>-</u>
Net change in fund balance	-	-	13,429	13,429
Fund balance, July 1	<u>-</u>	<u>-</u>	<u>(21,525)</u>	<u>(21,525)</u>
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,096)</u>	<u>\$ (8,096)</u>

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUILDING FUND
(BUDGET BASIS)
For the Year Ended
June 30, 2017

	Original Budget	Final Budget	Current Year Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Licenses and permits	\$ 100,000	\$ 119,500	\$ 199,689	\$ 80,189
Miscellaneous	-	-	200	200
Total revenues	<u>100,000</u>	<u>119,500</u>	<u>199,889</u>	<u>80,389</u>
Expenditures				
Personal services	84,715	84,715	80,496	4,219
Materials and services	64,771	113,761	91,289	22,472
Capital outlay	29,100	275	185	90
Contingency	20,514	19,849	-	19,849
Total expenditures	<u>199,100</u>	<u>218,600</u>	<u>171,970</u>	<u>46,630</u>
Excess of revenues over (under) expenditures	(99,100)	(99,100)	27,919	127,019
Net change in fund balance	(70,000)	(70,000)	27,919	97,919
Fund balance, July 1	<u>70,000</u>	<u>70,000</u>	<u>86,312</u>	<u>16,312</u>
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 114,231</u>	<u>\$ 114,231</u>

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - RESERVE FUND
(BUDGET BASIS)
For the Year Ended
June 30, 2017

	Original Budget	Final Budget	Current Year Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Intergovernmental	\$ 6,500	\$ 6,500	\$ 12,295	\$ 5,795
Miscellaneous	-	-	18,664	18,664
Charges for service	-	-	78,523	78,523
Other taxes	180,000	180,000	225,210	45,210
Interest on investments	-	-	1,876	1,876
Total revenues	<u>186,500</u>	<u>186,500</u>	<u>336,568</u>	<u>150,068</u>
Expenditures				
Materials and services	-	-	1,649	(1,649)
Capital outlay	242,225	288,900	102,130	186,770
Contingency	975,567	920,797	-	920,797
Total expenditures	<u>1,217,792</u>	<u>1,209,697</u>	<u>103,779</u>	<u>1,105,918</u>
Excess of revenues over (under) expenditures	(1,023,197)	(1,023,197)	232,789	1,255,986
Other financing sources (uses)				
Transfers in	27,400	27,400	27,400	-
Transfers out	(29,100)	(46,345)	(9,920)	36,425
Capital asset sales	9,150	9,150	9,150	-
Total other sources (uses)	<u>(9,795)</u>	<u>(9,795)</u>	<u>26,630</u>	<u>36,425</u>
Net change in fund balance	(1,032,992)	(1,032,992)	259,419	1,292,411
Fund balance, July 1	<u>1,477,030</u>	<u>1,477,030</u>	<u>1,533,599</u>	<u>56,569</u>
Fund balance, June 30	<u>\$ 444,038</u>	<u>\$ 444,038</u>	<u>\$ 1,793,018</u>	<u>\$ 1,348,980</u>

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - TRUST FUND
(BUDGET BASIS)
For the Year Ended
June 30, 2017

	Original Budget	Final Budget	Current Year Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Other taxes	\$ 340,000	\$ 340,000	\$ 406,131	\$ 66,131
Charges for services	7,500	7,500	15,800	8,300
Interest on investments	900	900	409	(491)
Total revenues	<u>348,400</u>	<u>348,400</u>	<u>422,340</u>	<u>73,940</u>
Expenditures				
Materials and services	<u>522,300</u>	<u>522,300</u>	<u>404,110</u>	<u>118,190</u>
Total expenditures	<u>522,300</u>	<u>522,300</u>	<u>404,110</u>	<u>118,190</u>
Excess of revenues over (under) expenditures	(173,900)	(173,900)	18,230	192,130
Other financing sources (uses)				
Transfers out	<u>(20,800)</u>	<u>(20,800)</u>	<u>(20,800)</u>	<u>-</u>
Total other sources (uses)	<u>(20,800)</u>	<u>(20,800)</u>	<u>(20,800)</u>	<u>-</u>
Net change in fund balance	(194,700)	(194,700)	(2,570)	192,130
Fund balance, July 1, before restatement	343,883	343,883	380,140	36,257
Restatement, see note 11	-	-	(2,389)	(2,389)
Fund balance, July 1	<u>343,883</u>	<u>343,883</u>	<u>377,751</u>	<u>33,868</u>
Fund balance, June 30	<u>\$ 149,183</u>	<u>\$ 149,183</u>	<u>\$ 375,181</u>	<u>\$ 225,998</u>

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - REVOLVING LOAN FUND
(BUDGET BASIS)
For the Year Ended
June 30, 2017

	Original Budget	Final Budget	Current Year Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Interest on investments	\$ 8,279	\$ 8,279	\$ 6,878	\$ (1,401)
Loan repayments	27,600	27,600	18,373	(9,227)
Total revenues	<u>35,879</u>	<u>35,879</u>	<u>25,251</u>	<u>(10,628)</u>
Expenditures				
Materials and services	551,764	551,764	7,982	543,782
Total expenditures	<u>551,764</u>	<u>551,764</u>	<u>7,982</u>	<u>543,782</u>
Net change in fund balance	(515,885)	(515,885)	17,269	533,154
Fund balance, July 1, before restatement	515,885	515,885	515,396	(489)
Restatement, see note 11	-	-	(3,193)	(3,193)
Fund balance, July 1	<u>515,885</u>	<u>515,885</u>	<u>512,203</u>	<u>(3,682)</u>
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 529,472</u>	<u>\$ 529,472</u>

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - AQUATIC DONATIONS FUND
(BUDGET BASIS)
For the Year Ended
June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Current Year Actual</u>	<u>Favorable (Unfavorable) Variance with Final Budget</u>
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Materials and services	25,450	25,450	-	25,450
Total expenditures	25,450	25,450	-	25,450
Net change in fund balance	(25,450)	(25,450)	-	25,450
Fund balance, July 1	25,450	25,450	25,814	364
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,814</u>	<u>\$ 25,814</u>

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE
(BUDGET BASIS)
For the Year Ended
June 30, 2017

	Original Budget	Final Budget	Current Year Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Special assessments	\$ 25,000	\$ 25,000	\$ 26,464	\$ 1,464
Interest on investments	5,200	5,200	2,747	(2,453)
Total revenues	<u>30,200</u>	<u>30,200</u>	<u>29,211</u>	<u>(989)</u>
Expenditures				
Debt service	63,500	64,084	64,084	-
Contingency	100,700	100,116	-	100,116
Total expenditures	<u>164,200</u>	<u>164,200</u>	<u>64,084</u>	<u>100,116</u>
Net change in fund balance	(134,000)	(134,000)	(34,873)	99,127
Fund balance, July 1, before restate:	134,000	134,000	138,410	4,410
Restatement, see note 13	-	-	(4,171)	(4,171)
Fund balance, July 1	<u>134,000</u>	<u>134,000</u>	<u>134,239</u>	<u>239</u>
Fund balance, June 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 99,366</u></u>	<u><u>\$ 99,366</u></u>

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - SDC FUND
(BUDGET BASIS)
For the Year Ended
June 30, 2017

	Original Budget	Final Budget	Current Year Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues				
System development charges	\$ -	\$ -	\$ 84,450	\$ 84,450
Total revenues	<u>-</u>	<u>-</u>	<u>84,450</u>	<u>84,450</u>
Expenditures				
Capital outlay	<u>138,574</u>	<u>138,574</u>	<u>-</u>	<u>138,574</u>
Total expenditures	<u>138,574</u>	<u>138,574</u>	<u>-</u>	<u>138,574</u>
Net change in fund balance	(138,574)	(138,574)	84,450	223,024
Fund balance, July 1	<u>138,574</u>	<u>138,574</u>	<u>138,574</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 223,024</u></u>	<u><u>\$ 223,024</u></u>

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
BUDGET AND ACTUAL - WATER FUND
(BUDGET BASIS)
For the Year Ended
June 30, 2017

	Original Budget	Final Budget	Current Year Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Charges for services	\$ 2,864,980	\$ 2,864,980	\$ 2,884,086	\$ 19,106
Miscellaneous	8,820	8,820	28,541	19,721
Interest on investments	17,150	17,150	38,368	21,218
Total revenues	2,890,950	2,890,950	2,950,995	60,045
Expenses				
Personal services	-	588	588	-
Materials and services	2,189,244	2,190,046	2,170,318	19,728
Capital outlay	1,825,000	1,825,497	1,639,864	185,633
Debt service	295,421	295,421	295,421	-
Contingency	500,285	498,398	-	498,398
Total expenses	4,809,950	4,809,950	4,106,191	703,759
 Net change in fund net position	 (1,919,000)	 (1,919,000)	 (1,155,196)	 763,804
 Net position, July 1	 1,919,000	 1,919,000	 2,244,182	 325,182
Net position, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,088,986</u>	<u>\$ 1,088,986</u>

**Reconciliation to Generally Accepted
Accounting Principles**

Capital assets, net of accumulated depreciation	\$ 13,403,984
Inventory	13,571
Accrued interest	(80,768)
Long-term obligations	<u>(3,223,452)</u>
 Net position, ending	 <u>\$ 11,202,321</u>

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
BUDGET AND ACTUAL - SEWER FUND
(BUDGET BASIS)
For the Year Ended
June 30, 2017

	Original Budget	Final Budget	Current Year Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Charges for services	\$ 2,826,030	\$ 2,826,030	\$ 3,223,080	\$ 397,050
Miscellaneous	1,000	1,000	1,054	54
Interest on investments	18,000	18,000	52,448	34,448
Total revenues	<u>2,845,030</u>	<u>2,845,030</u>	<u>3,276,582</u>	<u>431,552</u>
Expenses				
Personal services	-	588	588	-
Materials and services	2,197,588	2,198,390	2,059,699	138,691
Capital outlay	225,000	265,497	73,811	191,686
Debt service	602,605	602,605	602,604	1
Contingency	469,837	427,950	-	427,950
Total expenses	<u>3,495,030</u>	<u>3,495,030</u>	<u>2,736,702</u>	<u>758,328</u>
Net change in fund net position	(650,000)	(650,000)	539,880	1,189,880
Net position, July 1	<u>650,000</u>	<u>650,000</u>	<u>922,283</u>	<u>272,283</u>
Net position, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,462,163</u>	<u>\$ 1,462,163</u>

**Reconciliation to Generally Accepted
Accounting Principles**

Capital assets, net of accumulated depreciation	\$ 17,934,676
Accrued interest	(96,587)
Long-term obligations	<u>(3,720,371)</u>
Net position, ending	<u>\$ 15,579,881</u>

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
BUDGET AND ACTUAL - AIRPORT FUND
(BUDGET BASIS)
For the Year Ended
June 30, 2017

	Original Budget	Final Budget	Current Year Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Charges for services	\$ 48,872	\$ 48,872	\$ 49,102	\$ 230
Miscellaneous	1,602	1,602	1,500	(102)
Total revenues	<u>50,474</u>	<u>50,474</u>	<u>50,602</u>	<u>128</u>
Expenses				
Materials and services	85,474	90,169	75,443	14,726
Capital outlay	5,000	305	117	188
Total expenses	<u>90,474</u>	<u>90,474</u>	<u>75,560</u>	<u>14,914</u>
Excess of revenues over (under) expenses	(40,000)	(40,000)	(24,958)	15,042
Other financing sources (uses)				
Transfers in	40,000	40,000	40,000	-
Total other financing sources (uses)	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>-</u>
Net change in fund net position	-	-	15,042	15,042
Net position, July 1	-	-	(488)	(488)
Net position, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,554</u>	<u>\$ 14,554</u>

**Reconciliation to Generally Accepted
Accounting Principles**

Capital assets, net of accumulated depreciation	<u>\$ 8,088,331</u>
Net position, ending	<u>\$ 8,102,885</u>

CITY OF ONTARIO, OREGON
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
June 30, 2017

	Storm Sewer Fund	Golf Course Fund	Aquatic Fund	Total June 30, 2016
Assets				
Cash and pooled investments	\$ 483,688	\$ 6,802	\$ 136,895	\$ 627,385
Receivables				
Customer accounts, net allowance	8,829	-	-	8,829
Other	-	-	13,294	13,294
Restricted cash				
Customer deposits	-	1,000	-	1,000
Capital assets not being depreciated	12,977	-	-	12,977
Capital assets being depreciated (net of accumulated depreciation)	2,333,841	-	-	2,333,841
Total assets	<u>2,839,335</u>	<u>7,802</u>	<u>150,189</u>	<u>2,997,326</u>
Liabilities				
Accounts payable	\$ 5,254	\$ -	\$ 2,195	\$ 7,449
Customer deposit	-	1,000	-	1,000
Total liabilities	<u>5,254</u>	<u>1,000</u>	<u>2,195</u>	<u>8,449</u>
Net position				
Net investment in capital assets	2,346,818	-	-	2,346,818
Unrestricted	487,263	6,802	147,994	642,059
Total net position	<u><u>2,834,081</u></u>	<u><u>6,802</u></u>	<u><u>147,994</u></u>	<u><u>2,988,877</u></u>

CITY OF ONTARIO, OREGON
**SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND NET POSITION
 NONMAJOR PROPRIETARY FUNDS**
 For the Year Ended
 June 30, 2017

	Storm Sewer Fund	Golf Course Fund	Aquatic Fund	Total June 30, 2017
Operating revenues				
Charges for services	\$ 106,772	\$ -	\$ -	\$ 106,772
Total operating revenues	<u>106,772</u>	<u>-</u>	<u>-</u>	<u>106,772</u>
Operating expenses				
Employee benefits	(1,282)	-	-	(1,282)
Contract services	75,141	-	6,000	81,141
Depreciation	104,472	-	-	104,472
Insurance	2,358	-	-	2,358
Miscellaneous expense	434	-	39	473
Repairs and maintenance	40	-	130	170
Supplies - general	178	-	-	178
Utilities	19	-	11,409	11,428
Fees	7,403	-	-	7,403
Administrative	3,822	-	-	3,822
Total operating expenditures	<u>192,585</u>	<u>-</u>	<u>17,578</u>	<u>210,163</u>
Net income from operations	(85,813)	-	(17,578)	(103,391)
Non operating income (expenses)				
Interest earned on investments	1,569	-	-	1,569
Other taxes	-	-	107,243	107,243
Total non operating income (expenses)	<u>1,569</u>	<u>-</u>	<u>107,243</u>	<u>108,812</u>
Net income	(84,244)	-	89,665	5,421
Other items				
Transfers out	-	(40,000)	-	(40,000)
Total other items	<u>-</u>	<u>(40,000)</u>	<u>-</u>	<u>(40,000)</u>
Change in net position	(84,244)	(40,000)	89,665	(34,579)
Net position, July 1, before restatement	2,918,325	732,764	58,329	3,709,418
Restatement, see note 11	-	(685,962)	-	(685,962)
Net positions, July 1, after restatement	<u>2,918,325</u>	<u>46,802</u>	<u>58,329</u>	<u>3,023,456</u>
Net position, June 30	<u>\$ 2,834,081</u>	<u>\$ 6,802</u>	<u>\$ 147,994</u>	<u>\$ 2,988,877</u>

CITY OF ONTARIO, OREGON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended
June 30, 2017

	Enterprise Funds			
	Storm Sewer Fund	Golf Fund Fund	Aquatic Fund	Total
Cash flows from operating activities				
Cash received from customers	\$ 106,637	\$ -	\$ -	\$ 106,637
Cash payment to employees for services	(24)	-	-	(24)
Cash payment to suppliers for goods and services	(84,197)	(675)	(16,000)	(100,872)
Other operating revenues	-	-	104,830	104,830
Net cash provided by operating activities	<u>22,416</u>	<u>(675)</u>	<u>88,830</u>	<u>110,571</u>
Cash flows from noncapital financing activities				
Operating transfers-out to other funds	-	(40,000)	-	(40,000)
Net cash provided by noncapital financing activities	<u>-</u>	<u>(40,000)</u>	<u>-</u>	<u>(40,000)</u>
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	(4,968)	-	-	(4,968)
Net cash used for capital and related financing activities	<u>(4,968)</u>	<u>-</u>	<u>-</u>	<u>(4,968)</u>
Cash flows from investing activities				
Interest and dividends on investments	1,569	-	-	1,569
Net cash provided (used) in investing activities	<u>1,569</u>	<u>-</u>	<u>-</u>	<u>1,569</u>
Net increase (decrease) in cash and cash equivalents	19,017	(40,675)	88,830	67,172
Cash and cash equivalents at beginning of year	464,671	48,477	48,065	561,213
Cash and cash equivalents at end of year	<u>\$ 483,688</u>	<u>\$ 7,802</u>	<u>\$ 136,895</u>	<u>\$ 628,385</u>
Reconciliation of operating income to net cash provided by operating activities				
Net Income	\$ (85,813)	\$ -	\$ 89,665	\$ 3,852
Adjustments to reconcile net income to net cash provided (used) by operating activities:				
Depreciation expense	104,472	-	-	104,472
(Increase) decrease in accounts receivable	(135)	-	(2,413)	(2,548)
Increase (decrease) in accounts payable	5,198	(675)	1,578	6,101
Changes in net pension liability	(1,012)	-	-	(1,012)
Deferred current year PERS contributions	207	-	-	207
PERS deferred inflows	(501)	-	-	(501)
Total adjustments	<u>108,229</u>	<u>(675)</u>	<u>(835)</u>	<u>106,719</u>
Net cash provided (used) by operating activities	<u>\$ 22,416</u>	<u>\$ (675)</u>	<u>\$ 88,830</u>	<u>\$ 110,571</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on the Statement of Net Position				
Current assets				
Cash and investments	\$ 483,688	\$ 6,802	\$ 136,895	\$ 627,385
Restricted assets				
Customer deposits	-	1,000	-	1,000
Total cash and cash equivalents at year end	<u>\$ 483,688</u>	<u>\$ 7,802</u>	<u>\$ 136,895</u>	<u>\$ 628,385</u>

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
BUDGET AND ACTUAL - STORM SEWER FUND
(BUDGET BASIS)
For the Year Ended
June 30, 2017

	Original Budget	Final Budget	Current Year Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Charges for services	\$ 107,000	\$ 107,000	\$ 106,772	\$ (228)
Interest on investments	700	700	1,569	869
Total revenues	<u>107,700</u>	<u>107,700</u>	<u>108,341</u>	<u>641</u>
Expenses				
Personal services	-	24	24	-
Materials and services	87,931	94,612	89,356	5,256
Capital outlay	50,000	43,441	5,007	38,434
Contingency	434,769	434,623	-	434,623
Total expenses	<u>572,700</u>	<u>572,700</u>	<u>94,387</u>	<u>478,313</u>
Change in fund net position	(465,000)	(465,000)	13,954	478,954
Net position, July 1	<u>465,000</u>	<u>465,000</u>	<u>473,309</u>	<u>8,309</u>
Net position, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 487,263</u>	<u>\$ 487,263</u>

**Reconciliation to Generally Accepted
Accounting Principles**

Capital assets, net of accumulated depreciation	<u>\$ 2,346,818</u>
Net position, ending	<u>\$ 2,834,081</u>

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL - GOLF COURSE FUND
(BUDGET BASIS)
For the Year Ended
June 30, 2017

	Original Budget	Final Budget	Current Year Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues	\$ -	\$ -	\$ -	\$ -
Expenses	-	-	-	-
Excess of revenues over (under) expenses	-	-	-	-
Other financing sources (uses)				
Transfers out	(40,000)	(40,000)	(40,000)	-
Total other financing sources (uses)	(40,000)	(40,000)	(40,000)	-
Net change in fund net position	(40,000)	(40,000)	(40,000)	-
Net position, July 1	40,000	40,000	46,802	6,802
Net position, June 30	\$ -	\$ -	\$ 6,802	\$ 6,802

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
BUDGET AND ACTUAL - AQUATIC FUND
(BUDGET BASIS)
For the Year Ended
June 30, 2017

	Original Budget	Final Budget	Current Year Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Other taxes	\$ 82,652	\$ 82,652	\$ 107,243	\$ 24,591
Total revenues	<u>82,652</u>	<u>82,652</u>	<u>107,243</u>	<u>24,591</u>
Expenses				
Materials and services	5,000	20,000	17,578	2,422
Contingency	117,452	102,452	-	102,452
Total expenses	<u>122,452</u>	<u>122,452</u>	<u>17,578</u>	<u>104,874</u>
Net change in fund net position	(39,800)	(39,800)	89,665	129,465
Net position, July 1	<u>39,800</u>	<u>39,800</u>	<u>58,329</u>	<u>18,529</u>
Net position, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 147,994</u>	<u>\$ 147,994</u>

CITY OF ONTARIO, OREGON
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended
June 30, 2017

<i>Recreation Board</i>	Balance			Balance
	June 30, 2016	Additions	Deductions	June 30, 2017
ASSETS				
Cash and investments	\$ 1,624	\$ -	\$ 334	\$ 1,290
Total assets	<u>1,624</u>	<u>-</u>	<u>334</u>	<u>1,290</u>
LIABILITIES				
Held in trust for other governments	<u>1,624</u>		<u>334</u>	<u>1,290</u>
Total liabilities	<u>\$ 1,624</u>	<u>\$ -</u>	<u>\$ 334</u>	<u>\$ 1,290</u>
<i>Friends of the Aquatic Center</i>	Balance			Balance
	June 30, 2016	Additions	Deductions	June 30, 2017
ASSETS				
Cash and investments	\$ -	\$ 50	\$ -	\$ 50
Total assets	<u>-</u>	<u>50</u>	<u>-</u>	<u>50</u>
LIABILITIES				
Held in trust for other governments	<u>-</u>	<u>50</u>	<u>-</u>	<u>50</u>
Total liabilities	<u>\$ -</u>	<u>\$ 50</u>	<u>\$ -</u>	<u>\$ 50</u>

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OTHER FINANCIAL SCHEDULES

CITY OF ONTARIO, OREGON
SUMMARY SCHEDULE OF CASH, CASH ITEMS AND INVESTMENTS
 June 30, 2017

Wells Fargo Bank	
Demand accounts	\$ 276,958
Intermountain Community Bank	
Demand accounts	359,509
Certificates of Deposit	584,328
U.S. Bank	
Demand accounts	14,338
Oregon State Treasury Local Government Investment Pool **	10,306,923
Cash on hand	1,155
Total cash and investments on books	\$ 11,543,211

SCHEDULE OF COLLATERAL SECURITY

Wells Fargo Bank *	
Federal Deposit Insurance Corporation	\$ 250,000
Total Wells Fargo Bank	\$ 250,000
Intermountain Community Bank *	
Federal Deposit Insurance Corporation	\$ 250,000
Total Intermountain Community Bank	\$ 250,000
U.S. Bank *	
Federal Deposit Insurance Corporation	\$ 250,000
Total U.S. Bank	\$ 250,000

*Qualified depository for public funds per ORS 295.

**Oregon LGIP is fully collateralized by the state of Oregon.

**INDEPENDENT AUDITORS'
REPORT REQUIRED BY OREGON
STATE REGULATIONS**

**Independent Auditors' Report
 Required by Oregon State Regulations**

We have audited the basic financial statements of the City of Ontario as of and for the year ended June 30, 2017, and have issued our report thereon dated December 26, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Ontario, Oregon'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 (ORS) 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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitation, 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).**

The independent elected officials of City of Ontario, Oregon, do not collect or receive money and are, therefore, not subject to the requirements of OAR 162-10-140.

In connection with our testing nothing came to our attention that caused us to believe City of Ontario, Oregon, 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 as follows:

1. The City did not comply with ORS 294.456(6). Expenditures exceeded budgeted appropriations for the year ended June 30, 2017, as follows:

Fund	Over Expenditure
Reserve fund- Materials and Services	\$1,649

OAR 162-10-0230 Internal Control

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

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 considerations 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 a material weakness. However, material weakness may exist that have not been identified.

Purpose of this Report

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

LEWIS, POE, MOELLER, GUNDERSON & ROBERTS, LLC
Certified Public Accountants

By Chelsea A. Herron
Chelsea A. Herron, CPA
Owner/Member

La Grande, Oregon
December 26, 2017