

CITY OF ONTARIO, OREGON

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2019



**CITY OF ONTARIO, OREGON
JUNE 30, 2019**

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INTRODUCTORY SECTION

CITY OF ONTARIO, OREGON
CITY COUNCIL AND OFFICIALS
June 30, 2019

<u>NAME</u>	<u>ADDRESS</u>	<u>POSITION</u>
CITY COUNCIL		
Riley Hill	Ontario	Mayor
Dan Capron	Ontario	Council President
Ramon Palomo	Ontario	Councilor
Norm Crume	Ontario	Councilor
Freddy Rodriguez	Ontario	Councilor
Michael Braden	Ontario	Councilor
Martin Justus	Ontario	Councilor
OFFICIALS		
Adam Brown	Ontario	City Manager
Tori Barnett	Ontario	City Recorder
Steven Romero	Ontario	Chief of Police
Terry Leighton	Ontario	Fire Chief
Dan Cummings	Ontario	Community Development Director
Cliff Leeper	Ontario	Public Works Director (Jacobs)
Kari Ott	Ontario	Finance Director (Oster Professional Group)
Debbie Jeffries	Ontario	Recreation Manager
Dan Beaubien	Ontario	Airport Manager

FINANCIAL SECTION

Independent Auditors' Report

To the City Council
City of Ontario, Oregon

Report on the Financial Statements

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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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 the 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 of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Ontario, as of June 30, 2019, 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.

Emphasis of Matter Regarding New Accounting Policy

As discussed in the notes to the financial statements, in the fiscal year ending June 30, 2019, the City adopted new accounting guidance, GASBS No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to this matter.

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 a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the 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 fund financial statements, and other financial schedules are the responsibility of management and are presented for purposes of additional analysis and are not a required part of the basic financial statements.

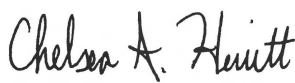
The combining and individual fund financial statements, and other financial schedules were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit 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 fund financial statements, 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 it.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated February 10, 2020 on our consideration of City of Ontario, Oregon'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.

CONNECTED PROFESSIONAL ACCOUNTANTS, LLC

By 

Chelsea A. Hewitt, CPA
Owner/Member

La Grande, Oregon
February 10, 2020

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**MANAGEMENT'S
DISCUSSION AND ANALYSIS**



CITY OF ONTARIO, OREGON
Management's Discussion & Analysis
June 30, 2019

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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, 2019. 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, 2019 by \$20,828,240 (net position).
- ❖ At June 30, 2019, the General Fund total fund balance was \$2,231,662.

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



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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.

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, airport and aquatic.

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*



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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.

- ❖ *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.



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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	
	6/30/2019	6/30/2018	6/30/2019	6/30/2018	6/30/2019	6/30/2018
Current and other assets	\$ 10,415,004	\$ 11,053,596	\$ 5,609,802	\$ 4,517,818	\$ 16,024,806	\$ 15,571,414
Capital assets	20,003,256	20,519,227	43,193,865	41,923,491	63,197,121	62,442,718
Total assets	<u>30,418,260</u>	<u>31,572,823</u>	<u>48,803,667</u>	<u>46,441,309</u>	<u>79,221,927</u>	<u>78,014,132</u>
Deferred outflows of resources	<u>4,828,769</u>	<u>3,527,947</u>	<u>60,396</u>	<u>27,785</u>	<u>4,889,165</u>	<u>3,555,732</u>
Current liabilities	833,561	706,536	336,733	300,513	1,170,294	1,007,049
Noncurrent liabilities						
Due within one year	129,479	162,127	268,151	418,134	397,630	580,261
Due in more than one year	11,575,355	11,014,557	5,038,045	5,348,906	16,613,400	16,363,463
Total liabilities	<u>12,538,395</u>	<u>11,883,220</u>	<u>5,642,929</u>	<u>6,067,553</u>	<u>18,181,324</u>	<u>17,950,773</u>
Deferred inflow of resources	<u>1,880,394</u>	<u>1,148,763</u>	<u>557,377</u>	<u>581,972</u>	<u>2,437,771</u>	<u>1,730,735</u>
Net investment in capital assets	19,914,543	20,315,388	38,025,268	36,238,111	57,939,811	56,553,499
Restricted net position	1,156,984	781,044	-	201,938	1,156,984	982,982
Unrestricted net position	(243,287)	972,355	4,638,489	3,379,520	4,395,202	4,351,875
Total net position	<u>\$ 20,828,240</u>	<u>\$ 22,068,787</u>	<u>\$ 42,663,757</u>	<u>\$ 39,819,569</u>	<u>\$ 63,491,997</u>	<u>\$ 61,888,356</u>

Governmental Activities

The city's net position from governmental activities decreased by 5.6% from \$22,068,787 to \$20,828,240. This decrease of \$1,240,547 comes from a \$16,680 restatement of net position and a current year decrease of \$1,223,867 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 \$638,592 which is mostly due to a \$701,383 decrease of unrestricted cash. There was a \$949,445 payment made to PERS side account in 2018-2019 which was a planned decrease in cash.



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- ❖ Capital assets had a net decrease of \$515,971, which is due to depreciation expense was more than current year additions.
- ❖ Current liabilities increased by \$127,025 made up mostly of an increase in accounts payable.
- ❖ Long term liabilities increased by \$528,150 due to a large increase in net pension liability.
- ❖ Unrestricted net position decreased by \$1,215,642 mostly due to the unfunded PERS liability.

Business-Type Activities

The city's net position from business-type activities increased by 7.14% from \$39,819,569 to \$42,663,757. This increase of \$2,844,188 comes from the current year change in net position as recorded in the Statement of Activities.

- ❖ Current and other assets increased by \$1,091,984 largely due a \$1,235,659 increase in cash and investments.
- ❖ Capital assets increased by \$1,270,374 largely due to the splash pad construction.
- ❖ Current liabilities increased by \$36,220 made up mostly of an increase in accrued interest payable.
- ❖ Long term liabilities decreased by \$460,844 due to principal payments on the existing debt with no new debt in the current year.
- ❖ Unrestricted net position increased by \$1,258,969 mainly due to conservative spending.



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Table 2. Condensed Statement of Activities

	Governmental Activities		Business-Type Activities		Total Primary Government	
	6/30/2019	6/30/2018	6/30/2019	6/30/2018	6/30/2019	6/30/2018
Revenues						
Program revenues						
Charges for services	\$ 3,173,012	\$ 2,403,600	\$ 6,979,403	\$ 6,844,449	\$ 10,152,415	\$ 9,248,049
Operating contributions	1,849,808	1,645,072	500,357	113,592	2,350,165	1,758,664
Capital contributions	503,374	1,369,417	-	-	503,374	1,369,417
General revenues:						
Property taxes	3,621,523	3,620,488	-	-	3,621,523	3,620,488
Local taxes and fees	1,849,084	1,833,164	-	-	1,849,084	1,833,164
Unrestricted grants	130,098	124,646	-	-	130,098	124,646
Investment income	69,423	42,780	235,648	146,972	305,071	189,752
Miscellaneous	63,076	49,352	-	458	63,076	49,810
Total revenues	11,259,398	11,088,519	7,715,408	7,105,471	18,974,806	18,193,990
Expenses						
Governmental Activities						
General government	3,384,130	2,613,968	-	-	3,384,130	2,613,968
Highways and streets	2,119,274	2,234,181	-	-	2,119,274	2,234,181
Public works	91,128	-	-	-	91,128	-
Public safety	4,963,568	5,903,290	-	-	4,963,568	5,903,290
Parks and recreation	318,791	406,580	-	-	318,791	406,580
Interest on debt	5,487	9,585	-	-	5,487	9,585
Business-Type Activities						
Water	-	-	3,023,284	2,882,817	3,023,284	2,882,817
Sewer	-	-	2,831,214	2,862,993	2,831,214	2,862,993
Storm sewer	-	-	197,460	197,876	197,460	197,876
Airport	-	-	409,075	369,762	409,075	369,762
Aquatic	-	-	11,074	6,890	11,074	6,890
Total Expenses	10,882,378	11,167,604	6,472,107	6,320,338	17,354,485	17,487,942
Capital contributions	(1,574,084)	(1,118,464)	1,574,084	1,118,464	-	-
Transfers in (out)	(26,803)	(41,969)	26,803	41,969	-	-
Increase in net position	(1,223,867)	(1,239,518)	2,844,188	1,945,566	1,620,321	706,048
Net position - beginning	22,068,787	23,615,216	39,819,569	37,873,964	61,888,356	61,489,180
Restatements	(16,680)	(306,911)	-	39	(16,680)	(306,872)
Net position - as restated	22,052,107	23,308,305	39,819,569	37,874,003	61,871,676	61,182,308
Net position, ending	\$ 20,828,240	\$ 22,068,787	\$ 42,663,757	\$ 39,819,569	\$ 63,491,997	\$ 61,888,356



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Governmental Activities

The city's total revenues from governmental activities increased from the prior fiscal year by \$170,879 (1.5%) and the total cost of all governmental programs and services decreased by \$285,226 (2.6%). The increases in revenues mainly came from the new public safety fee. The decreases in expenses were primarily from less change in PERS liability.

Business-Type Activities

The city's business-type activities revenues increased \$609,937 (8.6%) from the prior fiscal year and the total costs of the business-type activities increased \$151,769 (2.4%). The total business-type revenues increased because of water and sewer rate increases and splash pad project grants and donations. The expenses increased mainly due to the increase in contract with Jacobs.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

At year-end, the city's governmental funds reported combined fund balances of \$9,207,442 which is a decrease of \$771,167 (7.7%) from the prior fiscal year.

- ❖ The largest decrease in fund balance was in the Capital Projects Fund. The Capital Projects Fund had a net change of (\$657,731). This was mainly due to a large water and sewer line project.
- ❖ The General Fund had a net decrease of \$530,828. This decrease was a planned decrease. The City is trying to pay down the PERS unfunded liability and made a \$949,445 payment into a side account at PERS.
- ❖ The largest increase was in the Street Fund. The Street Fund had a net increase of \$280,715, the City had a street project that carried over into 2019-2020.

At year-end, the city's proprietary funds reported combined net position of \$42,663,757 for enterprise funds. This is a combined increase in net position of \$2,844,188. This is mostly due to the water and sewer rate increases and conservative spending in order to set aside funds for the Sewer Fund NPDES permit capital project requirements.



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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 \$4,974,857 and the actual expenditures were \$4,890,522. This is 98% of the budget expended.

The final appropriations of the budget for materials and services for the General Fund were \$2,536,437 while actual expenditures were \$2,429,801. This is 96% of the budget expended.

Overall, expenditure appropriations (excluding transfers) were \$7,602,146 and total expenditures were \$7,320,323. This shows that 96% of the appropriated budget was expended in the fiscal year ended June 30, 2019.

Revenues

102% of the budgeted revenues for the 2018-2019 budget was received.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, the city shows \$63,197,121 of capital assets, net of depreciation, this is an increase of \$754,403 from the prior year. The city has \$20,003,256 of capital assets in governmental activities and \$43,193,865 in business-type activities. The governmental activities reflect that the city installed a Fire Exhaust System, began a couple of street projects and purchased a new shelter for Lion's Park. The business-type activities had a large water & sewer line replacement project, purchased equipment, finished the splash pad and had improvements at the airport.

Debt

The city had a total of \$5,257,310 in long-term debt at June 30, 2019; this is a decrease of \$631,909. The decrease is due to payments being applied to the principal of the debt. \$5,168,597 of this debt is being paid out of the proprietary funds and the remaining \$88,713 is paid from governmental activities.



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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 2019-2020 budget included an additional \$1 million in revenue due to local and state cannabis taxes.

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, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 7,841,623	\$ 4,712,962	\$ 12,554,585
Receivables			
Property tax	231,242	-	231,242
Customer accounts receivable	108,316	696,030	804,346
Accounts	1,135,824	255,347	1,391,171
Street assessments	21,244	-	21,244
Loans	124,692	-	124,692
Notes	-	6,894	6,894
Due from other funds	195,834	(195,834)	-
Accrued interest receivable	9,394	-	9,394
Restricted cash			
System development charges	375,216	-	375,216
Customer deposits	-	120,439	120,439
Held in evidence fund	14,592	-	14,592
Deposits held in trust	246,663	-	246,663
Prepaid expenses	78,984	-	78,984
Net OPEB asset	31,380	393	31,773
Chemicals	-	13,571	13,571
Capital assets not being depreciated	2,250,916	5,800,877	8,051,793
Capital assets being depreciated (net of accumulated depreciation)	17,752,340	37,392,988	55,145,328
Total assets	<u>30,418,260</u>	<u>48,803,667</u>	<u>79,221,927</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to OPEB	21,452	172	21,624
Deferred outflows related to PERS	4,807,317	60,224	4,867,541
Total deferred outflows	<u>4,828,769</u>	<u>60,396</u>	<u>4,889,165</u>
LIABILITIES			
Accounts payable	395,512	52,290	447,802
Accrued liabilities	168,480	-	168,480
Accrued interest payable	814	147,060	147,874
Customer deposits	7,500	121,439	128,939
Unearned rent income	-	15,944	15,944
Held in evidence fund	14,592	-	14,592
Deposits held in trust	246,663	-	246,663
Long-term liabilities			
Portion due or payable within one year			
Current portion of note payable	88,713	268,151	356,864
Current portion of compensated absences	40,766	-	40,766
Portion due or payable after one year			
Note payable	-	4,900,446	4,900,446
Compensated absences	294,798	-	294,798
Net pension liability	10,983,749	137,599	11,121,348
Net OPEB liability	296,808	-	296,808
Total liabilities	<u>12,538,395</u>	<u>5,642,929</u>	<u>18,181,324</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to OPEB	72,934	118	73,052
Deferred inflows related to PERS	1,807,460	22,643	1,830,103
Debt refunding	-	534,616	534,616
Total deferred inflows	<u>1,880,394</u>	<u>557,377</u>	<u>2,437,771</u>
NET POSITION			
Net investment in capital assets	19,914,543	38,025,268	57,939,811
Restricted for			
Street projects	526,497	-	526,497
Debt service	18,812	-	18,812
System development	375,216	-	375,216
Building inspection	229,572	-	229,572
Grants	6,887	-	6,887
Unrestricted	(243,287)	4,638,489	4,395,202
Total net position	<u>\$ 20,828,240</u>	<u>\$ 42,663,757</u>	<u>\$ 63,491,997</u>

CITY OF ONTARIO, OREGON
STATEMENT OF ACTIVITIES
For the Year Ended
June 30, 2019

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	\$ 3,384,130	\$ 1,177,027	\$ 278,605	\$ 407,657	\$ (1,520,841)	\$ -	\$ (1,520,841)
Highways and streets	2,119,274	825,525	1,070,229	39,804	(183,716)	-	(183,716)
Public works	91,128	635,357	-	46,601	590,830	-	590,830
Public safety	4,963,568	480,322	484,057	-	(3,999,189)	-	(3,999,189)
Parks and recreation	318,791	54,781	16,917	-	(247,093)	-	(247,093)
Interest on long term debt	5,487	-	-	-	(5,487)	-	(5,487)
Total governmental activities	<u>10,882,378</u>	<u>3,173,012</u>	<u>1,849,808</u>	<u>503,374</u>	<u>(5,356,184)</u>	<u>-</u>	<u>(5,356,184)</u>
Business-Type activities							
Water	3,023,284	3,113,704	-	-	-	90,420	90,420
Sewer	2,831,214	3,663,597	-	-	-	832,383	832,383
Storm sewer	197,460	107,182	-	-	-	(90,278)	(90,278)
Airport	409,075	94,920	-	-	-	(314,155)	(314,155)
Aquatic	11,074	-	500,357	-	-	489,283	489,283
Total business type activities	<u>6,472,107</u>	<u>6,979,403</u>	<u>500,357</u>	<u>-</u>	<u>-</u>	<u>1,007,653</u>	<u>1,007,653</u>
Total primary government	<u>\$ 17,354,485</u>	<u>\$ 10,152,415</u>	<u>\$ 2,350,165</u>	<u>\$ 503,374</u>	<u>(5,356,184)</u>	<u>1,007,653</u>	<u>(4,348,531)</u>
General revenues							
Property and other city tax levied for:							
General purposes							
					3,621,523	-	3,621,523
Local taxes and fees							
					1,849,084	-	1,849,084
Grants and contributions not restricted to specific purpose							
					130,098	-	130,098
Unrestricted investments earnings							
					69,423	235,648	305,071
Miscellaneous							
					63,076	-	63,076
					<u>5,733,204</u>	<u>235,648</u>	<u>5,968,852</u>
Capital asset transfers							
Transfers							
					(1,574,084)	1,574,084	-
					(26,803)	26,803	-
					(1,223,867)	2,844,188	1,620,321
					22,068,787	39,819,569	61,888,356
					(16,680)	-	(16,680)
					<u>22,052,107</u>	<u>39,819,569</u>	<u>61,871,676</u>
					<u>\$ 20,828,240</u>	<u>\$ 42,663,757</u>	<u>\$ 63,491,997</u>

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FUND FINANCIAL STATEMENTS

CITY OF ONTARIO, OREGON
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	General Fund	Street Fund	Capital Projects Fund	Nonmajor Funds	Total June 30, 2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Assets					
Cash and investments	\$ 1,366,649	\$ 390,430	\$ 2,628,807	\$ 3,455,737	\$ 7,841,623
Receivables					
Property taxes	231,242	-	-	-	231,242
Customer accounts, net allowance	26,410	29,936	48,858	3,112	108,316
Loans				124,692	124,692
Special assessments	-	-	21,244	-	21,244
Other	708,891	107,521	3,810	315,602	1,135,824
Due from other funds	311,446	-	-	-	311,446
Prepaid expenses	78,984	-	-	-	78,984
Restricted cash					
Cash held in trust	-	-	-	246,663	246,663
Held in evidence fund	14,592	-	-	-	14,592
System development charges	-	-	-	375,216	375,216
Total assets	<u>2,738,214</u>	<u>527,887</u>	<u>2,702,719</u>	<u>4,521,022</u>	<u>10,489,842</u>
Deferred outflows of resources	-	-	-	-	-
Total assets and deferred outflows	<u>\$ 2,738,214</u>	<u>\$ 527,887</u>	<u>\$ 2,702,719</u>	<u>\$ 4,521,022</u>	<u>\$ 10,489,842</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Current liabilities					
Accounts payable	\$ 127,880	\$ 1,390	\$ 44	\$ 266,198	\$ 395,512
Payroll liabilities	168,475	-	-	5	168,480
Due to other funds	-	-	-	115,612	115,612
Held by evidence fund	14,592	-	-	-	14,592
Customer deposits	7,500	-	-	246,663	254,163
Total current liabilities	<u>318,447</u>	<u>1,390</u>	<u>44</u>	<u>628,478</u>	<u>948,359</u>
Total liabilities	<u>318,447</u>	<u>1,390</u>	<u>44</u>	<u>628,478</u>	<u>948,359</u>
Deferred inflows of resources					
Unavailable property tax revenues	188,105	-	-	-	188,105
Unavailable special assessment revenues	-	-	21,244	-	21,244
Unavailable economic development loans	-	-	-	124,692	124,692
Total deferred inflows	<u>188,105</u>	<u>-</u>	<u>21,244</u>	<u>124,692</u>	<u>334,041</u>
Fund balances					
Nonspendable	390,430	-	-	-	390,430
Restricted	-	526,497	-	630,487	1,156,984
Committed	-	-	2,681,431	3,137,365	5,818,796
Unassigned	1,841,232	-	-	-	1,841,232
Total fund balances	<u>2,231,662</u>	<u>526,497</u>	<u>2,681,431</u>	<u>3,767,852</u>	<u>9,207,442</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 2,738,214</u>	<u>\$ 527,887</u>	<u>\$ 2,702,719</u>	<u>\$ 4,521,022</u>	<u>\$ 10,489,842</u>

CITY OF ONTARIO, OREGON
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT TO NET POSITION
June 30, 2019

TOTAL FUND BALANCES		\$ 9,207,442
<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	\$ 39,313,827	
Accumulated depreciation	<u>(19,310,571)</u>	20,003,256
<p>Compensated absences are not due in the current period and, therefore, are not reported as liabilities in the fund financial statements.</p>		
		(335,564)
<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>		
		334,041
<p>Accrued interest receivable not received in the current year is not reported as governmental fund assets.</p>		
		9,394
<p>Net OPEB asset is not a financial resource and, therefore, not reported in the governmental funds.</p>		
		31,380
<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	(10,983,749)	
Net OPEB liability	(296,808)	
Note payable	(88,713)	
Accrued interest	<u>(814)</u>	(11,370,084)
<p>Current year PERS contributions are deferred outflows of resources that will be a recognized expense in the subsequent period.</p>		
		4,807,317
<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>		
		(1,807,460)
<p>Current year OPEB contributions are deferred outflows of resources that will be a recognized expense in the subsequent period.</p>		
		21,452
<p>City's OPEB changes in assumptions or inputs will be amortized over future years.</p>		
		(72,934)
TOTAL NET POSITION		<u><u>\$ 20,828,240</u></u>

CITY OF ONTARIO, OREGON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended
June 30, 2019

	General Fund	Street Fund	Capital Projects Fund	Nonmajor Funds	Total June 30, 2019
Revenues					
Taxes					
Property taxes	\$ 3,636,620	\$ -	\$ -	\$ -	\$ 3,636,620
Other taxes	9,350	228,900	-	641,687	879,937
Intergovernmental revenues	659,422	832,916	-	762,576	2,254,914
Charges for services	317,593	364,838	31,277	100,801	814,509
Licenses and permits	14,685	-	-	228,925	243,610
Fines and forfeits	98,375	-	-	-	98,375
Miscellaneous					
Franchise fees	1,622,115	-	-	-	1,622,115
Special assessments collected	-	-	-	3,484	3,484
Miscellaneous revenues	70,994	482	8,943	12,652	93,071
Interest on investments	67,821	508	-	2,844	71,173
Loan repayments	-	-	-	2,696	2,696
System development charges	-	-	-	86,405	86,405
Utilities capitalization charges	-	-	509,429	-	509,429
Administration	497,148	460,687	-	-	957,835
Total revenues	<u>6,994,123</u>	<u>1,888,331</u>	<u>549,649</u>	<u>1,842,070</u>	<u>11,274,173</u>
Expenditures					
Current					
General government	2,236,599	-	-	588,287	2,824,886
Highways and streets	-	1,702,640	-	-	1,702,640
Public safety	4,765,779	-	-	114,438	4,880,217
Parks and recreation	317,945	-	-	-	317,945
Capital outlay	-	77,625	1,207,380	869,315	2,154,320
Debt service					
Principal	-	59,751	-	55,377	115,128
Interest	-	3,425	-	3,296	6,721
Total expenditures	<u>7,320,323</u>	<u>1,843,441</u>	<u>1,207,380</u>	<u>1,630,713</u>	<u>12,001,857</u>
Excess of revenues over (under) expenditures	<u>(326,200)</u>	<u>44,890</u>	<u>(657,731)</u>	<u>211,357</u>	<u>(727,684)</u>
Other financing sources (uses)					
Operating transfers in	160,230	235,825	-	43,348	439,403
Operating transfers out	(364,858)	-	(50,000)	(51,348)	(466,206)
Total other sources (uses)	<u>(204,628)</u>	<u>235,825</u>	<u>(50,000)</u>	<u>(8,000)</u>	<u>(26,803)</u>
Net change in fund balances	(530,828)	280,715	(707,731)	203,357	(754,487)
Fund balances, July 1, before restatement	2,779,170	245,782	3,389,162	3,564,495	9,978,609
Restatement, see note 11	(16,680)	-	-	-	(16,680)
Fund balances, July 1	<u>2,762,490</u>	<u>245,782</u>	<u>3,389,162</u>	<u>3,564,495</u>	<u>9,961,929</u>
Fund balances, June 30	<u>\$ 2,231,662</u>	<u>\$ 526,497</u>	<u>\$ 2,681,431</u>	<u>\$ 3,767,852</u>	<u>\$ 9,207,442</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, 2019

NET CHANGE IN FUND BALANCES \$ (754,487)

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	\$ 156,272	
Less current year depreciation	<u>(672,242)</u>	(515,970)

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

Debt principal repaid	<u>115,127</u>	115,127
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Interest on loans receivable is not accrued in the governmental funds but is recorded as revenue when received.

Accrued interest receivable		9,394
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Interest on long-term debt is not accrued in the governmental funds but is expensed when paid.

Interest accrued		1,234
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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.

(24,173)

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		(18,189)
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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.

(32,520)

Changes in net OPEB asset/liability, the related changes in deferred outflows and deferred inflows of resources are not recognized as expenses in the governmental funds.

(4,283)

CHANGE IN NET POSITION		<u><u>\$ (1,223,867)</u></u>
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CITY OF ONTARIO, OREGON
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
June 30, 2019

	Enterprise Funds				Total June 30, 2019	Internal Service Fund
	Water Fund	Sewer Fund	Airport Fund	Nonmajor Funds		
ASSETS						
Current assets						
Cash and investments	\$ 1,469,575	\$ 2,722,956	\$ 51,037	\$ 469,394	\$ 4,712,962	\$ -
Receivables						
Customer accounts receivable, net allowance for doubtful accounts	307,587	359,936	19,301	9,206	696,030	-
Other receivables	-	-	-	255,347	255,347	-
Notes receivable	-	-	6,894	-	6,894	-
Restricted cash						
Customer deposits	11,103	-	-	-	11,103	109,336
Long-term assets						
Net OPEB asset	-	-	393	-	393	-
Inventories	13,571	-	-	-	13,571	-
Capital assets, net of accumulated depreciation	13,597,370	17,661,149	8,944,054	2,991,292	43,193,865	-
Total assets	15,399,206	20,744,041	9,021,679	3,725,239	48,890,165	109,336
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows related to PERS	-	-	60,224	-	60,224	-
Deferred outflows related to OPEB	-	-	172	-	172	-
Total deferred outflows	-	-	60,396	-	60,396	-
LIABILITIES						
Current liabilities						
Accounts payable	29,742	9,651	11,141	1,756	52,290	-
Accrued interest	73,385	73,675	-	-	147,060	-
Deposit liability	11,103	-	1,000	-	12,103	109,336
Due to other funds	-	-	-	195,834	195,834	-
Unearned rent income	-	-	15,944	-	15,944	-
Current portion of non-current liabilities	146,972	121,179	-	-	268,151	-
Total current liabilities	261,202	204,505	28,085	197,590	691,382	109,336
Non-current liabilities						
Notes payable	2,454,426	2,446,020	-	-	4,900,446	-
Net pension liability	-	-	137,599	-	137,599	-
Total liabilities	2,715,628	2,650,525	165,684	197,590	5,729,427	109,336
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to PERS	-	-	22,643	-	22,643	-
Deferred inflows related to OPEB	-	-	118	-	118	-
Debt refunding	273,147	261,469	-	-	534,616	-
Total deferred inflows	273,147	261,469	22,761	-	557,377	-
NET POSITION						
Net investment in capital assets	10,995,972	15,093,950	8,944,054	2,991,292	38,025,268	-
Unrestricted net position	1,414,459	2,738,097	(50,424)	536,357	4,638,489	-
Total net position	\$ 12,410,431	\$ 17,832,047	\$ 8,893,630	\$ 3,527,649	\$ 42,663,757	\$ -

CITY OF ONTARIO, OREGON
**RECONCILIATION OF ENTERPRISE FUNDS STATEMENT OF FUND NET POSITION
 TO THE STATEMENT OF NET POSITION**
 June 30, 2019

TOTAL ENTERPRISE FUNDS NET POSITION	\$42,663,757
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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	\$ 109,336	
Deposit liability	<u>(109,336)</u>	-

TOTAL NET POSITION	<u><u>\$42,663,757</u></u>
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CITY OF ONTARIO, OREGON
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended
June 30, 2019

	105	110	Enterprise Funds			025
	Water Fund	Sewer Fund	Airport Fund	Nonmajor Funds	Total June 30, 2019	Internal Service Fund
Operating revenues						
Consumer receipts	\$ 3,113,704	\$ 3,663,597	\$ 89,641	\$ 107,182	\$ 6,974,124	\$ -
Miscellaneous	-	-	5,279	-	5,279	-
Total operating revenues	<u>3,113,704</u>	<u>3,663,597</u>	<u>94,920</u>	<u>107,182</u>	<u>6,979,403</u>	<u>-</u>
Operating expenses						
Wages and salaries	-	-	38,265	-	38,265	-
Employee benefits	441	441	51,042	18	51,942	-
Contract services	1,755,560	1,566,422	16,831	78,536	3,417,349	-
Depreciation	538,277	583,793	252,911	104,842	1,479,823	-
Insurance	62,323	62,323	2,915	2,266	129,827	-
Miscellaneous expense	57	10,476	5,902	347	16,782	-
Repairs and maintenance	-	-	17,404	-	17,404	-
Supplies - general	13,358	13,358	7,167	184	34,067	-
Supplies - petroleum	-	-	1,013	-	1,013	-
Telephone	141	323	1,693	-	2,157	-
Utilities	460	13,950	13,932	11,094	39,436	-
Projects	-	17,856	-	-	17,856	-
Bad debt expense	-	7,500	-	-	7,500	-
Fees	220,276	233,255	-	7,425	460,956	-
Administrative	209,341	218,361	-	3,822	431,524	-
Capital outlay	130,823	-	-	-	130,823	-
Total operating expenses	<u>2,931,057</u>	<u>2,728,058</u>	<u>409,075</u>	<u>208,534</u>	<u>6,276,724</u>	<u>-</u>
Net income from operations	182,647	935,539	(314,155)	(101,352)	702,679	-
Non operating income (expenses)						
Interest earned on investments	98,543	132,806	277	4,022	235,648	-
Interest expenses	(113,238)	(120,587)	-	-	(233,825)	-
Bond premium	21,011	17,431	-	-	38,442	-
Grants and donations	-	-	-	392,424	392,424	-
Other taxes	-	-	-	107,933	107,933	-
Total non operating income (expenses)	<u>6,316</u>	<u>29,650</u>	<u>277</u>	<u>504,379</u>	<u>540,622</u>	<u>-</u>
Net income	<u>188,963</u>	<u>965,189</u>	<u>(313,878)</u>	<u>403,027</u>	<u>1,243,301</u>	<u>-</u>
Other items						
Capital contribution (distribution)	563,226	553,027	466,375	(8,544)	1,574,084	-
Transfers in	-	-	87,331	136,115	223,446	-
Transfers out	(112,190)	(71,217)	(4,164)	(9,072)	(196,643)	-
Total other items	<u>451,036</u>	<u>481,810</u>	<u>549,542</u>	<u>118,499</u>	<u>1,600,887</u>	<u>-</u>
Change in net position	639,999	1,446,999	235,664	521,526	2,844,188	-
Net position beginning of year	11,770,432	16,385,048	8,657,966	3,006,123	39,819,569	-
Net position end of year	<u>\$ 12,410,431</u>	<u>\$ 17,832,047</u>	<u>\$ 8,893,630</u>	<u>\$ 3,527,649</u>	<u>\$ 42,663,757</u>	<u>\$ -</u>

CITY OF ONTARIO, OREGON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended
June 30, 2019

	Enterprise Funds					Internal Service Fund
	Water Fund	Sewer Fund	Airport Fund	Nonmajor Funds	Total	
Cash flows from operating activities						
Cash received from customers	\$ 3,111,218	\$ 3,652,340	\$ 84,709	\$ 107,300	\$ 6,955,567	\$ 1,544
Cash payment to employees for services	(441)	(441)	(52,438)	(18)	(53,338)	-
Cash payment to suppliers for goods and services	(2,368,126)	(2,162,457)	(56,992)	(106,457)	(4,694,032)	-
Other operating revenues	-	-	5,279	(240,770)	(235,491)	-
Net cash provided by operating activities	<u>742,651</u>	<u>1,489,442</u>	<u>(19,442)</u>	<u>(239,945)</u>	<u>1,972,706</u>	<u>1,544</u>
Cash flows from noncapital financing activities						
Operating transfers-out to other funds	(112,190)	(71,217)	(4,164)	(9,072)	(196,643)	-
Operating transfers-in from funds	-	-	87,331	136,115	223,446	-
Interfund loans	-	-	-	195,834	195,834	-
Net cash provided by noncapital financing activities	<u>(112,190)</u>	<u>(71,217)</u>	<u>83,167</u>	<u>322,877</u>	<u>222,637</u>	<u>-</u>
Cash flows from capital and related financing activities						
Acquisition and construction of capital assets	(192,169)	(142,741)	(48,835)	(792,367)	(1,176,112)	-
Interest paid on notes payable	(99,285)	(106,447)	-	-	(205,732)	-
Payment on notes	(170,935)	(345,848)	-	-	(516,783)	-
Cash received from grants and donations	-	-	-	392,424	392,424	-
Cash received from taxes	-	-	-	107,933	107,933	-
Net cash used for capital and related financing activities	<u>(462,389)</u>	<u>(595,036)</u>	<u>(48,835)</u>	<u>(292,010)</u>	<u>(1,398,270)</u>	<u>-</u>
Cash flows from investing activities						
Interest and dividends on investments	98,543	132,806	277	4,022	235,648	-
Net increase (decrease) in cash and cash equivalents	<u>266,615</u>	<u>955,995</u>	<u>15,167</u>	<u>(205,056)</u>	<u>1,032,721</u>	<u>1,544</u>
Cash and cash equivalents at beginning of year	<u>1,214,063</u>	<u>1,766,961</u>	<u>35,870</u>	<u>674,450</u>	<u>3,691,344</u>	<u>107,792</u>
Cash and cash equivalents at end of year	<u>\$ 1,480,678</u>	<u>\$ 2,722,956</u>	<u>\$ 51,037</u>	<u>\$ 469,394</u>	<u>\$ 4,724,065</u>	<u>\$ 109,336</u>
Reconciliation of operating income to net cash provided by operating activities						
Net Income	\$ 182,647	\$ 935,539	\$ (314,155)	\$ (101,352)	\$ 702,679	\$ -
Adjustments to reconcile net income to net cash provided (used) by operating activities:						
Depreciation expense	538,277	583,793	252,911	104,842	1,479,823	-
(Increase) decrease in accounts receivable	(2,486)	(3,757)	(6,352)	(240,652)	(253,247)	-
Increase (decrease) in accounts payable	24,213	(26,133)	9,865	(1,783)	6,162	-
Net increase (decrease) in customer deposits	-	-	1,000	(1,000)	-	1,544
Net increase (decrease) in unearned rent income	-	-	420	-	420	-
Changes in net pension liability	-	-	55,939	-	55,939	-
PERS deferred inflows	-	-	13,775	-	13,775	-
PERS deferred outflows	-	-	(32,547)	-	(32,547)	-
OPEB deferred inflows	-	-	72	-	72	-
OPEB deferred outflows	-	-	(64)	-	(64)	-
Changes in net OPEB liability/asset	-	-	(306)	-	(306)	-
Total adjustments	<u>560,004</u>	<u>553,903</u>	<u>294,713</u>	<u>(138,593)</u>	<u>1,270,027</u>	<u>1,544</u>
Net cash provided (used) by operating activities	<u>\$ 742,651</u>	<u>\$ 1,489,442</u>	<u>\$ (19,442)</u>	<u>\$ (239,945)</u>	<u>\$ 1,972,706</u>	<u>\$ 1,544</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	\$ 1,469,575	\$ 2,722,956	\$ 51,037	\$ 469,394	\$ 4,712,962	\$ -
Restricted assets						
Customer deposits	11,103	-	-	-	11,103	109,336
Total cash and cash equivalents at year end	<u>\$ 1,480,678</u>	<u>\$ 2,722,956</u>	<u>\$ 51,037</u>	<u>\$ 469,394</u>	<u>\$ 4,724,065</u>	<u>\$ 109,336</u>
Non cash capital financing transactions						
Capital contributions from (to) other funds	\$ 563,226	\$ 553,027	\$ 466,375	\$ (8,544)	\$ 1,574,084	\$ -

CITY OF ONTARIO, OREGON
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2019

	<u>Agency Funds</u>
ASSETS	
Cash and investments	<u>\$ 290</u>
Total assets	<u><u>290</u></u>
LIABILITIES	
Held in trust for other governments	<u>290</u>
Total liabilities	<u><u>\$ 290</u></u>

**NOTES TO BASIC FINANCIAL
STATEMENTS**

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

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.

Implementation of New Accounting Pronouncements and Accounting Standards

The City has implemented GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.

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.

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

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.

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.

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

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.

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-

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

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 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. 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.

F. 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, 2019

G. 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

H. Other Asset

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

I. 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, 2019

The city council can commit fund balances any time 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

J. 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.

K. 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, 2019 benefits are paid from the General Fund. The compensated absences liability was \$335,564 at June 30, 2019 and \$317,374 at June 30, 2018.

L. 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 three items that qualify for reporting in this category. They are the deferred amounts relating to pensions, amounts related to other post-employment benefits and prepaid expenses. 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)

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

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, deferred amounts related to other post-employment benefits and amounts related to debt refunding. These amounts are deferred and recognized as an inflow of resources in the period when the City's recognizes income. Deferred inflows are included in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position.

M. 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 three budget over expenditure violations for the fiscal year ending June 30, 2019 as follows:

Reserve Fund	Materials and Services	\$3,069
Grants Fund	Capital Outlay	\$17,195
Aquatic Fund	Materials and Services	\$1,074

N. Encumbrances

The city does not use encumbrance accounting.

O. 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.

P. 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.

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2019

Q. 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.

R. 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.

S. Other Post-Employment Benefits

Retirees electing to take part in any of the retirement programs will be allowed to continue the group medical, dental and/or vision insurance coverage at their own expense, subject to the terms and conditions of City County Insurance Services or its successor. The City is not paying any retirees group medical and dental insurance premiums.

Note 2. 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, 2019:

Deposits with banks	\$	1,235,442
Investments		11,490,241
Cash on hand		955
Certificates of Deposit		585,147
		\$ 13,311,785

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

Statement of Net Position		
Cash and investments	\$	12,554,585
Restricted cash		756,910
Statement of Fiduciary Net Position		
Cash and investments		290
		\$ 13,311,785

As of June 30, 2019, the city held the following investments and maturities:

Investment type	Fair Value	% of investment portfolio
Local Government Investment Pool	\$ 11,490,241	100.0%

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2019

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, 2019. 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, 2019, the carrying amount of the city’s deposits was \$1,820,589 and the bank balance was \$1,996,199. 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>
<u>Cash and cash equivalents</u>			
Local Government Investment Pool (LGIP)	\$ 11,490,241	50% less than 90-days, no more than 25% over one year, and no investment over three years	Unrated

At June 30, 2019, the city held \$11,490,241 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 2019. 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 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

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

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, 2019, 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, 2019, 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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Note 3. Accounts Receivable

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

General Fund	Property taxes	\$ 231,242
General fund	Service billing less \$816 allowance	26,410
General Fund	Other	708,891
Street Fund	Other	76,541
Street Fund	Occupancy tax	30,980
Street Fund	Service billing less \$956 allowance	29,936
Nonmajor funds	Service billing less allowance \$9,335	3,112
Nonmajor funds	Loans	124,692
Nonmajor funds	Grants	224,791
Nonmajor funds	Occupancy tax	86,847
Nonmajor funds	Other	3,964
Capital Projects Fund	Local Improvement District	21,244
Capital Projects Fund	Other	3,810
Capital Projects Fund	Service billing less \$1,511 allowance	<u>48,858</u>
	TOTAL	<u><u>\$ 1,621,318</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	\$ 317,095	\$ (9,508)	\$ 307,587
Sewer Fund	369,552	(9,616)	359,936
Airport Fund	19,301	-	19,301
Nonmajor funds	9,491	(285)	9,206
TOTAL	<u><u>\$ 715,439</u></u>	<u><u>\$ (19,409)</u></u>	<u><u>\$ 696,030</u></u>

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

Nonmajor funds	Occupancy tax	\$ 14,752
Nonmajor funds	Grants	240,595
Airport Fund	Notes receivable	6,894
	TOTAL	<u><u>\$ 262,241</u></u>

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Note 4. Schedule of Capital Assets

Capital assets activity for the year ended June 30, 2019 was as follows:

	Balance June 30, 2018	Restatements	Additions	Deletions	Balance June 30, 2019
Governmental activities					
Capital assets not being depreciated					
Land	\$ 1,800,216	\$ -	\$ -	\$ -	\$ 1,800,216
Construction in progress	361,648	-	89,052	-	450,700
Total capital assets not being depreciated	<u>2,161,864</u>	<u>-</u>	<u>89,052</u>	<u>-</u>	<u>2,250,916</u>
Capital assets being depreciated					
Equipment and vehicles	5,295,882	-	-	-	5,295,882
Buildings and improvements	7,949,970	-	67,220	-	8,017,190
Infrastructure	23,749,839	-	-	-	23,749,839
Total capital assets being depreciated	<u>36,891,339</u>	<u>-</u>	<u>67,220</u>	<u>-</u>	<u>37,062,911</u>
Less accumulated depreciation for					
Equipment and vehicles	4,104,767	-	116,363	-	4,221,130
Buildings and improvements	4,360,183	-	192,639	-	4,552,822
Infrastructure	10,173,379	-	363,240	-	10,536,619
Total accumulated depreciation	<u>17,944,973</u>	<u>-</u>	<u>672,242</u>	<u>-</u>	<u>19,310,571</u>
Total capital assets being depreciated, net	18,946,366	-	(605,022)	-	17,752,340
Governmental activities capital assets, net	<u>\$ 21,108,230</u>	<u>\$ -</u>	<u>\$ (515,970)</u>	<u>\$ -</u>	<u>\$ 20,003,256</u>
Business-type activities					
Capital assets not being depreciated					
Land	\$ 5,615,790	\$ -	\$ -	\$ -	\$ 5,615,790
Construction in progress	1,189,000	-	10,545	1,014,458	185,087
Total capital assets not being depreciated	<u>6,804,790</u>	<u>-</u>	<u>10,545</u>	<u>1,014,458</u>	<u>5,800,877</u>
Capital assets being depreciated					
Equipment and vehicles	35,707,262	-	354,358	-	36,061,620
Buildings and improvements	35,388,534	-	911,198	-	36,299,732
Infrastructure	15,293,579	-	2,488,554	-	17,782,133
Total capital assets being depreciated	<u>86,389,375</u>	<u>-</u>	<u>3,754,110</u>	<u>-</u>	<u>90,143,485</u>
Less accumulated depreciation for					
Equipment and vehicles	32,459,416	-	383,117	-	32,842,533
Buildings and improvements	15,948,704	-	690,385	-	16,639,089
Infrastructure	2,862,554	-	406,321	-	3,268,875
Total accumulated depreciation	<u>51,270,674</u>	<u>-</u>	<u>1,479,823</u>	<u>-</u>	<u>52,750,497</u>
Total capital assets being depreciated, net	38,608,454	-	2,274,287	-	37,392,988
Business-type activities capital assets, net	<u>\$ 50,942,383</u>	<u>\$ -</u>	<u>\$ 2,284,832</u>	<u>\$ 1,014,458</u>	<u>\$ 43,193,865</u>

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

Governmental Activities	
General government	\$ 278,111
Highways and streets	394,131
Total Governmental Activities	\$672,242
Business-Type Activities	
Water	\$538,277
Sewer	583,793
Storm Sewer	104,842
Airport	252,911
Total Business-Type Activities	\$1,479,823

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Note 5. 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 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

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- 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 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

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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.

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, 2019 were \$1,664,266 excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2019 were 28.49 percent for Tier One/Tier Two General Service Member, 17.72 percent for Tier One/Tier Two Police and Fire, 22.49 percent for OPSRP Pension Program Police and Fire Members, and 6 percent for the Individual Account Program.

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

At June 30, 2019, the City reported a liability of \$11,121,348 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016 rolled forward to June 30, 2018. 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, 2019, the City's proportion was 0.07341462 percent, which was decreased from its proportion of 0.07724391 percent measured as of June 30, 2018.

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For the year ended June 30, 2019, the City's recognized pension expense (income) of \$1,730,763. At June 30, 2019, 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	\$ 378,315	\$ -
Changes of assumptions	2,585,692	-
Net difference between projected and actual earnings on investments	-	493,851
Changes in proportion	239,268	745,168
Differences between employer contributions and proportionate share of contributions	-	591,084
Total (prior to post-MD contributions)	3,203,275	1,830,103
Contributions subsequent to the MD	1,664,266	-
Total	\$ 4,867,541	\$ 1,830,103

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

	Year ended June 30:
2019	\$ 905,865
2020	594,221
2021	(267,527)
2022	70,161
2023	70,452
Total	\$ 1,373,172

Actuarial Assumptions

The employer contribution rates effective July 1, 2015, through June 30, 2017 and effective July 1, 2017, through June 30, 2019, 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, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2016
Measurement Date	June 30, 2018
Experience Study Report	2016, published July 26, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.50 percent
Long-Term Expected Rate of Return	7.20 percent
Discount Rate	7.20 percent
Projected Salary Increases	3.50 percent overall payroll growth
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-2014 healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p>Active Members: RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees: RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.</p>

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 2016 Experience Study which reviewed experience for the four-year period ending on December 31, 2016.

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

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based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class/Strategy	Assumed Asset Allocation		
	Low Range	High Range	Target
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Private Equity	14.0%	21.0%	17.5%
Real Estate	9.5%	15.5%	12.5%
Alternative Equity	0.0%	12.5%	12.5%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			100.0%

Asset Class	Target Allocation	Compound Annual Return
Core Fixed Income	8.00%	3.49%
Short-Term Bonds	8.00%	3.38%
Bank/Leveraged Loans	3.00%	5.09%
High Yield Bonds	1.00%	6.45%
Large/Mid Cap US Equities	15.75%	6.30%
Small Cap US Equities	1.31%	6.69%
Micro Cap US Equities	1.31%	6.80%
Developed Foreign Equities	13.13%	6.71%
Emerging Foreign Equities	4.13%	7.45%
Non-US Small Cap Equities	1.88%	7.01%
Private Equity	17.50%	7.82%
Real Estate (Property)	10.00%	5.51%
Real Estate (REITS)	2.50%	6.37%
Hedge Fund of Funds - Diversified	2.50%	4.09%
Hedge Funds - Event-driven	0.63%	5.86%
Timber	1.88%	5.62%
Farmland	1.88%	6.15%
Infrastructure	3.75%	6.60%
Commodities	1.88%	3.84%
Assumed Inflation - Mean		2.50%

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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 (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 7.2 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 7.2 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 (6.2 percent) or 1-percentage-point higher (8.2 percent) than the current rate:

	<u>1% Decrease (6.20%)</u>	<u>Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
City's proportionate share of the net pension liability (asset)	\$ 18,585,873	\$ 11,121,348	\$ 4,959,993

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Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

The city reported payables of legally required contributions to the pension plan in the amount of \$78,774 at June 30, 2019.

Changes in Plan Provisions During the Measurement Period.

There were no changes during the June 30, 2018 measurement period that require disclosure.

Changes in Plan Provisions Subsequent to Measurement Date

As described above, GASB 67 and GASB 68 require the Total Pension Liability to be determined based on the benefit terms in effect at the measurement date. Any changes to benefit terms that occur after that date are reflected in amounts reported for the subsequent measurement date. However, Paragraph 80f of GASB 68 requires employers to briefly describe any changes between the measurement date and the employer's reporting date that are expected to have a significant effect on the employer's share of the collective Net Pension Liability, along with an estimate of the resulting change, if available.

There were no changes subsequent to the June 30, 2018 measurement period that require disclosure.

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, 2019, 59 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. Employees are fully vested upon deferral; no amounts are forfeited upon leaving employment with the City. 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, 2019, the amount deferred and investments earnings thereon, adjusted to fair market value, amount to \$2,220,439. 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, 2019.

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Note 6. Other Postemployment Benefits (OPEB)

Post Employment Benefits Other than Pensions

The other postemployment benefits (OPEB) for the city combines two separate plans. The city provides an implicit rate subsidy for retiree health insurance premiums, and a contribution to the State of Oregon’s PERS cost-sharing multiple-employer defined health insurance benefit plan (RHIA).

Financial Statement Presentation

The city’s two OPEB plans are presented in the aggregate on the Statement of Net Position. The amounts on the financial statements relate to the plans as follows:

	Implicit Rate Subsidy Plan	PERS RHIA Plan	Total OPEB on Financials
Net OPEB asset	\$ -	\$ 31,773	\$ 31,773
Deferred outflows of resources			
Contributions after the measurement date	7,755	13,869	21,624
Total OPEB liability	(296,808)	-	(296,808)
Deferred inflows of resources			
Change in proportionate share	-	(749)	(749)
Difference in experience	(30,662)	(1,801)	(32,463)
Change in assumptions	(32,889)	(101)	(32,990)
Difference in earnings	-	(6,850)	(6,850)
			(73,052)
OPEB expense/(income)	28,868	(3,379)	25,489
(Included in program expenses on statement of activities)			

Implicit Rate Subsidy Plan

Plan Description

The City’s defined benefit postemployment healthcare plan is administered by Citycounty Insurance Services (CIS), a public entity insurance trust. CIS was formed by the League of Oregon Cities and the Association of Oregon Counties to meet the risk management and employee benefit needs of Oregon cities, counties and other eligible local governments. The CIS Board of Trustees administers the CIS Trust which includes the CIS Property/Casualty Trust and the two CIS Benefits trusts: EBS (cities) and AOCIT (counties). The plan provides eligible retirees and their dependents under age 65 the same health care coverage at the same premium rates as offered to active employees. The retiree is responsible for the premiums. Benefit provisions are established through negotiations between the City and representatives of collective bargaining units or through resolutions passed by City Council. Implicit employer subsidies generally represent the increase in premiums the City must pay on behalf of its active employees as a consequence of providing access to retirees’ OPEB.

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Funding Policy

The City has not established a trust fund to supplement the cost for the net OPEB obligation. Contribution requirements are negotiated between the City and union representatives. Eligible members receiving postemployment benefits are responsible for all their healthcare premiums.

Benefits Provided

The plan provides eligible retirees and their dependents under age 65 the same health care coverage at the same premium rates as offered to active employees. The retiree is responsible for the premiums. As of the valuation date of July 1, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
receiving benefits	1
Active employees	40
	41

Total OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The city’s total OPEB liability of \$296,808 was measured as of July 1, 2018, and was determined by an actuarial valuation as of July 1, 2018.

For the fiscal year ended June 30, 2019, the city recognized OPEB expense from this plan of \$28,868. At June 30, 2019, the city reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Experience differences	\$ -	\$ 30,662
Changes of assumptions	-	32,889
Total (prior to post-MD contributions)	-	63,551
Contributions made subsequent to measurement date	7,755	-
Total	\$ 7,755	\$ 63,551

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Deferred outflows of resources related to OPEB of \$7,755 resulting from the city’s contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2020	\$ (6,575)
2021	(6,575)
2022	(6,575)
2023	(6,575)
2024	(6,575)
Thereafter	<u>(30,676)</u>
Total	<u>\$ (63,551)</u>

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2018 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	July 1, 2018
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.50 percent
Discount Rate	3.87 percent, based on a 20-year general obligation bond yield index published
Projected Salary Increases	3.5 percent
Election and Lapse Rates	40% of eligible employees 60% of male members and 35% of female members will elect spouse coverage.
Healthcare Cost Trend Rate	Medical and vision: 2018-6.75%, 2019-7% and between 4.75% and 6% for the subsequent 40+ years. Dental 4.5%.
Mortality	RP-2014 Healthy Annuitant, sex distinct mortality tables blended 50/50 blue collar and white collar, set back one year for males. Mortality is projected on a generational basis using the Unisex Social Security Data Scale.

CITY OF ONTARIO, OREGON
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Changes in the Total OPEB Liability

	Total OPEB Liability
Balance as of June 30, 2018	\$ 324,623
Changes for the year:	
Service cost	23,219
Interest on total OPEB liability	12,224
Effect of economic/demographic gains or losses	(33,582)
Effect of assumptions changes or inputs	(16,794)
Benefit payments	(12,882)
Balance as of June 30, 2019	\$ 296,808

Sensitivity of the Total OPEB Liability

The following presents the City's total OPEB liability, as well as what the liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87 percent) or 1-percentage-point higher (4.87 percent) than the current discount rate. A similar sensitivity analysis is then presented for changes in the healthcare trend assumption.

Discount Rate

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB Liability	\$ 326,362	\$ 296,808	\$ 269,568

Healthcare cost trend

	1% Decrease	Current Healthcare Trend Rate	1% Increase
Total OPEB Liability	\$ 258,241	\$ 296,808	\$ 342,285

PERS Retirement Health Insurance Account

Plan Description

The city 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 insurance premiums for 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 hired after August 29, 2003. PERS issues publicly available 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, or online at http://Oregon.gov/PERS/section/financial_reports/financials.shtml.

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2019

Benefits Provided

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 an 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 at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. 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.

Contributions

PERS funding policy provides for employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. Employer contribution rates for the period were based on the December 31, 2015 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2017. The city’s contribution rates for the period were 0.50% for Tier One/Tier Two members, and 0.43% for OPSRP members. The city’s total for the year ended June 30, 2019 contributions was \$13,869.

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

At June 30, 2019, the city reported an asset of \$31,773 for its proportionate share of the OPERS net OPEB asset. The net OPEB asset was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2016 rolled forward to June 30, 2018. The city’s proportion of the net OPEB asset was based on the city’s contributions to the RHIA program during the measurement period relative to contributions from all participating employers. At June 30, 2019, the city’s proportionate share was 0.02846378%, which is a decrease from its proportion of 0.02661897% as of June 30, 2018.

For the year ended June 30, 2019, the city recognized OPEB income from this plan of \$3,379. At June 30, 2019, the city reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,801
Changes of assumptions	-	101
Net difference between projected and actual earnings	-	6,850
Changes in proportionate share	-	749
Total (prior to post-MD contributions)	-	9,501
Contributions subsequent to the measurement date	13,869	-
Total	<u>\$ 13,869</u>	<u>\$ 9,501</u>

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2019

Deferred outflows of resources related to OPEB of \$13,869 resulting from the city’s contributions subsequent to the measurement date will be recognized as either a reduction of the net OPEB liability or an increase in the net OPEB asset in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended	
June 30,	
2020	\$ (3,280)
2021	(3,197)
2022	(2,342)
2023	<u>(682)</u>
Total	<u>\$ (9,501)</u>

Actuarial Methods and Assumptions

The RHIA plan is unaffected by health care cost trends since the benefit is limited to a \$60 monthly payment toward Medicare companion insurance premiums. Consequently, the disclosure of a healthcare cost trend is not applicable. Other significant actuarial assumptions are as follows:

Valuation Date	December 31, 2016
Measurement Date	June 30, 2018
Experience Study Report	2016, published July 26, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.5 percent
Investment Rate of Return	7.2 percent
Discount Rate	7.2 percent
Salary Increases	3.5 percent
Cost of Living Adjustments (COLA)	Blend of 2% COLA and graded COLA (1.25%/0.15%) in accordance with Moro decision; blend based on service.
Mortality	<p>Healthy retirees and beneficiaries: RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p>Active Members: RP-2014 Employees, sex distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees: RP-2014 disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.</p>

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

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2019

OIC’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption was 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.

Asset Class	Target Allocation	Compound Annual Return
Core Fixed Income	8.00%	3.49%
Short-Term Bonds	8.00%	3.38%
Bank/Leveraged Loans	3.00%	5.09%
High Yield Bonds	1.00%	6.45%
Large/Mid Cap US Equities	15.75%	6.30%
Small Cap US Equities	1.31%	6.69%
Micro Cap US Equities	1.31%	6.80%
Developed Foreign Equities	13.13%	6.71%
Emerging Foreign Equities	4.13%	7.45%
Non-US Small Cap Equities	1.88%	7.01%
Private Equity	17.50%	7.82%
Real Estate (Property)	10.00%	5.51%
Real Estate (REITS)	2.50%	6.37%
Hedge Fund of Funds - Diversified	2.50%	4.09%
Hedge Funds - Event-driven	0.63%	5.86%
Timber	1.88%	5.62%
Farmland	1.88%	6.15%
Infrastructure	3.75%	6.60%
Commodities	1.88%	3.84%
Assumed Inflation - Mean		2.50%

Discount Rate

The discount rate used to measure the total OPEB liability was 7.20% for the RHIA Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the RHIA 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 RHIA Plan was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the City’s proportionate share of the net OPEB liability (asset) to changes in the discount rate

The following presents the City’s proportionate share of the net OPEB liability (asset) calculated using the discount rate of 7.20%, as well as what the City’s proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20%) or 1-percentage-point higher (8.20%) than the current rate:

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2019

	<u>1% Decrease (6.2%)</u>	<u>Current Discount Rate (7.2%)</u>	<u>1% Increase (8.2%)</u>
Net OPEB Liability (Asset)	\$ (18,500)	\$ (31,773)	\$ (43,072)

OPEB Plan Fiduciary Net Position

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

Changes in Plan Provisions During the Measurement Period

There were no changes during the June 30, 2018 measurement period that require disclosure.

Changes in Plan Provisions Subsequent to Measurement Date

We are not aware of any changes subsequent to the June 30, 2018 Measurement Date that meet this requirement and thus require a brief description under the GASB standard.

Note 7. 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, 2019, there were 15 active participants. The total cost of \$4,200 in retiree benefits are current year expenditures and were charged to the fund for which the participant was employed.

Note 8. Operating Leases

The city’s future minimum lease commitments pertaining to the operating lease of copy machines with Toshiba, and an operating lease of a postage machine with Pitney Bowes are accounted for as operating leases in accordance with Statement of Financial Accounting Standards No. 13, at June 30, 2019 are as follows:

	<u>Pitney Bowes</u>	<u>Toshiba Copier Lease</u>	<u>Total</u>
2020	\$ 3,813	\$ 20,663	\$ 24,476
2021	3,813	20,663	24,476
2022	1,907	15,620	17,527
2023	-	330	330
2024	-	330	330
TOTAL	\$ 9,533	\$ 57,606	\$ 67,139

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

Note 9. Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2019 is as follows:

Description	Balance 6/30/2018	Increases	Decreases	Balance 6/30/2019	Due within one year
GOVERNMENTAL ACTIVITIES					
US Bank--LID 44 and 45	\$ 83,065	\$ -	\$ 55,377	\$ 27,688	\$ 27,688
Sweeper lease	120,774	-	59,749	61,025	61,025
BUSINESS-TYPE ACTIVITIES					
WTP Upgrade OECDD	2,772,333	-	170,935	2,601,398	146,972
OECDD-Wastewater System Improvements	2,717,515	-	150,316	2,567,199	121,179
Oregon DEQ loans	195,532	-	195,532	-	-
Total Long-term Debt	<u>\$ 5,889,219</u>	<u>\$ -</u>	<u>\$ 631,909</u>	<u>\$ 5,257,310</u>	<u>\$ 356,864</u>

Debt Service Requirements

Debt service requirements on long-term debt from Direct Borrowings and Direct Placements at year end are as follows:

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
2020	\$ 61,025	\$ 1,803	\$ 61,025
			-

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 (OECDD) to a promissory note in the amount of \$4,482,580 on May 1, 2007. The city has pledged its full faith and credit and the net operating revenues of the water system to repay the note.

The city refinanced the loan on April 10, 2018 with OECDD with interest rates from 4% to 5%. The final payment will remain at the same on December 1, 2031. The loan amount remaining was reduced by \$294,158 to reflect the premium paid by the purchaser of the State Bonds in exchange for a higher nominal interest rate. This will be amortized over the remaining life of the loan.

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2019

Fiscal Year Ending June 30,	Principal	Interest	Remaining Balance	Interest Rate	Amortization of Premium
			\$ 2,601,398		
2020	\$ 146,972	\$ 125,802	2,454,426	4.0%	(21,011)
2021	153,084	119,890	2,301,342	4.0%	(21,011)
2022	164,264	112,460	2,137,078	4.0%	(21,011)
2023	170,507	104,466	1,966,571	4.0%	(21,011)
2024	181,804	96,170	1,784,767	4.0%	(21,011)
2025-2029	1,041,021	339,600	743,746	4.0%	(105,056)
2030-2032	743,746	73,926	-	4.0%	(63,034)
	<u>\$ 2,601,398</u>	<u>\$ 972,314</u>			<u>\$ (273,145)</u>

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 (OECDD) to a promissory note in the amount of \$3,976,600 on May 27, 2009. The city has pledged its full faith and credit and the net operating revenues of the sewer system to repay the note.

The city refinanced the loan on April 10, 2018 with OECDD with interest rates from 4% to 5%. The final payment will remain at the same on December 1, 2033. The loan amount remaining was reduced by \$278,900 to reflect the premium paid by the purchaser of the State Bonds in exchange for a higher nominal interest rate. This will be amortized over the remaining life of the loan.

Fiscal Year Ending June 30,	Principal	Interest	Balance	Interest Rate
			\$ 2,567,199	
2020	\$ 121,179	\$ 126,301	2,446,020	4.0%
2021	127,132	121,348	2,318,888	5.0%
2022	128,018	115,212	2,190,870	5.0%
2023	139,169	108,811	2,051,701	5.0%
2024	145,377	101,853	1,906,324	5.0%
2025-2029	841,128	394,272	1,065,196	5.0%
2030-2034	1,065,196	163,706	-	5.0%
	<u>\$ 2,567,199</u>	<u>\$ 1,131,503</u>		

Oregon Department of Environmental Quality

The city has one remaining note 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. The loan was paid off in June 2019.

Debt service requirements on other long-term debt at year end are as follows:

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2019

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.

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Remaining</u> <u>Balance</u>
2020	\$ 27,688	\$ 658	\$ 27,688 -

Note 10. Interfund Receivables and Payables

The interfund receivable and payables to be paid within the next fiscal year at June 30, 2019 consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor gov't	\$ 115,612
General Fund	Aquatic Fund	<u>195,834</u>
	TOTAL	<u>\$ 311,446</u>

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.

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2019

Note 13. 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 14. Accounting Changes and Restatements

A correction of accounts receivable in the General Fund caused a restatement of net position as follows:

Recalculation of Net Position	Governmental Activities
Net position at July 1, 2018, as previously reported	\$ 22,068,787
A/R restatement	<u>(16,680)</u>
Net position at July 1, 2018, as restated	<u>\$ 22,052,107</u>

Note 15. 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	\$ 311,446	\$ -	\$ -	\$ -	\$ 311,446
Prepaid expenses	78,984	-	-	-	78,984
	<u>390,430</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>390,430</u>
<u>Restricted</u>					
System development charges	-	-	-	375,216	375,216
Street projects	-	526,497	-	-	526,497
Grants	-	-	-	6,887	6,887
Debt Service	-	-	-	18,812	18,812
Building inspection	-	-	-	229,572	229,572
	<u>-</u>	<u>526,497</u>	<u>-</u>	<u>630,487</u>	<u>1,156,984</u>
<u>Committed to</u>					
Capital Projects	-	-	2,681,431	2,256,015	4,937,446
Funds held for other departments	-	-	-	370,880	370,880
Revolving loan fund program	-	-	-	510,470	510,470
	<u>-</u>	<u>-</u>	<u>2,681,431</u>	<u>3,137,365</u>	<u>5,818,796</u>
<u>Unassigned</u>					
	<u>1,841,232</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,841,232</u>
TOTAL FUND BALANCES	<u>\$ 2,231,662</u>	<u>\$ 526,497</u>	<u>\$ 2,681,431</u>	<u>\$ 3,767,852</u>	<u>\$ 9,207,442</u>

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 May 21, 2019. Commitments of fund balances must be made prior to the end of the fiscal year.

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

Note 16. Tax Abatements

The City of Ontario enters into property tax abatement agreements with businesses in an Enterprise Zone.

In exchange for investing in an Enterprise Zone, businesses receive exemption from local property taxes on new plan and equipment for at least three year (but up to five years) in the standard program. In addition, many zones can offer special incentives for investments in qualifying rural facilities or in electronic commerce.

For the fiscal year ended June 30, 2019, The City of Ontario allocation of property tax abatements from the Enterprise Zone amounted to \$4,447.

Note 17. New Accounting Pronouncements and Accounting Standards

The GASB has issued several statements which have not yet been implemented by the city. The statements which may have a future impact on the district are as follows:

GASB Statement No. 90, *Majority Equity Interests*, an amendment of GASB Statements No. 14 and No. 61, is effective for reporting periods beginning after December 15, 2018.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* is effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 87, *Leases* is effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 84, *Fiduciary Activities* is effective for reporting periods beginning after December 15, 2018.

GASB Statement No. 83, *Certain Asset Retirement Obligations* is effective for reporting periods beginning after June 15, 2018.

The city has not fully determined the effect that the implementation of these GASB statements will have on the city's financial statements.

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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, 2019

	Original Budget	Final Budget	Current Year Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Property taxes	\$ 3,629,901	\$ 3,629,901	\$ 3,636,620	\$ 6,719
Other taxes	50,000	-	9,350	9,350
Franchise fees	1,648,374	1,648,374	1,622,115	(26,259)
Licenses and permits	6,200	6,200	14,685	8,485
Intergovernmental	651,390	651,390	659,422	8,032
Charges for services	281,749	326,182	317,593	(8,589)
Fines and forfeits	3,250	3,250	98,375	95,125
Miscellaneous	40,875	59,884	70,994	11,110
Interest on investments	35,000	35,000	67,821	32,821
Administrative	497,148	497,148	497,148	-
Total revenues	<u>6,843,887</u>	<u>6,857,329</u>	<u>6,994,123</u>	<u>136,794</u>
Expenditures				
Personal services	4,954,105	4,974,857	4,890,522	84,335
Materials and services	2,486,747	2,536,437	2,429,801	106,636
Capital outlay	12,500	12,500	-	12,500
Contingency	205,653	78,352	-	78,352
Total expenditures	<u>7,659,005</u>	<u>7,602,146</u>	<u>7,320,323</u>	<u>281,823</u>
Excess of revenues over (under) expenditures	<u>(815,118)</u>	<u>(744,817)</u>	<u>(326,200)</u>	<u>418,617</u>
Other financing sources (uses)				
Transfers in	160,230	160,230	160,230	-
Transfers out	(294,557)	(364,858)	(364,858)	-
Total other sources (uses)	<u>(134,327)</u>	<u>(204,628)</u>	<u>(204,628)</u>	<u>-</u>
Net change in fund balance	(949,445)	(949,445)	(530,828)	418,617
Fund balance, July 1, before restatement	2,449,445	2,449,445	2,779,170	329,725
Restatement, see note 11	-	-	(16,680)	(16,680)
Fund balance, July 1	<u>2,449,445</u>	<u>2,449,445</u>	<u>2,762,490</u>	<u>313,045</u>
Fund balance, June 30	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>	<u>\$ 2,231,662</u>	<u>\$ 731,662</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, 2019

	Original Budget	Final Budget	Current Year Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Intergovernmental	\$ 922,673	\$ 922,673	\$ 832,916	\$ (89,757)
Interest on investments	300	300	508	208
Charges for services	351,500	351,500	364,838	13,338
Other taxes	210,000	210,000	228,900	18,900
Administrative	460,687	460,687	460,687	-
Miscellaneous	1,000	1,000	482	(518)
Total revenues	<u>1,946,160</u>	<u>1,946,160</u>	<u>1,888,331</u>	<u>(57,829)</u>
Expenditures				
Materials and services	1,734,609	1,734,609	1,702,640	31,969
Capital outlay	447,200	447,200	77,625	369,575
Debt service	63,176	63,176	63,176	-
Total expenditures	<u>2,244,985</u>	<u>2,244,985</u>	<u>1,843,441</u>	<u>401,544</u>
Excess of revenues over (under) expenditures	(298,825)	(298,825)	44,890	343,715
Other financing sources (uses)				
Transfers in	235,825	235,825	235,825	-
Net change in fund balance	(63,000)	(63,000)	280,715	343,715
Fund balance, July 1	63,000	63,000	245,782	182,782
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 526,497</u>	<u>\$ 526,497</u>

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, 2019

	Original Budget	Final Budget	Current Year Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Charges for services	\$ 1,500	\$ 1,500	\$ 31,277	\$ 29,777
Miscellaneous	10,574	10,574	8,943	(1,631)
Utilities capitalization charges	513,912	513,912	509,429	(4,483)
Total revenues	<u>525,986</u>	<u>525,986</u>	<u>549,649</u>	<u>23,663</u>
Expenditures				
Materials and services	2,000	2,000	-	2,000
Capital outlay	1,477,704	1,489,704	1,207,380	282,324
Contingency	2,395,832	2,333,832	-	2,333,832
Total expenditures	<u>3,875,536</u>	<u>3,825,536</u>	<u>1,207,380</u>	<u>2,618,156</u>
Net change in fund balance	(3,349,550)	(3,349,550)	(707,731)	2,641,819
Fund balance, July 1	<u>3,349,550</u>	<u>3,349,550</u>	<u>3,389,162</u>	<u>39,612</u>
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,681,431</u>	<u>\$ 2,681,431</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
2019	0.07341462%	\$ 11,121,348	\$ 3,028,180	367.26%	82.10%
2018	0.07724391%	10,412,508	2,873,938	362.31%	83.10%
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
2019	\$ 1,664,266	\$ 1,664,266	\$ -	\$ 3,165,990	52.57%
2018	708,453	708,453	-	3,028,180	23.40%
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
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST EMPLOYMENT BENEFITS
 Last 10 Fiscal Years*

PERS RETIREE HEALTH INSURANCE ACCOUNT

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

Year Ended June 30,	(a) City's proportion of the collective net OPEB 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 OPEB liability
2019	0.02846378%	\$ (31,773)	\$ 3,028,180	-1.05%	124.00%
2018	0.02661897%	(11,109)	2,873,938	-0.39%	34.30%
2017	0.03032020%	8,234	2,878,700	0.29%	21.90%

SCHEDULE OF THE CITY'S CONTRIBUTIONS

Year Ended June 30,	(a) Actuarially required contribution	(b) Contributions in relation to the actuarially required contribution	(a-b) Contribution deficiency (excess)	(c) City's covered payroll	(b/c) Contributions as a percent of covered payroll
2019	\$ 13,869	\$ 13,869	-	3,165,990	0.44%
2018	13,782	13,782	-	3,028,180	0.46%
2017	13,252	13,252	-	2,873,938	0.46%

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
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
OTHER POST EMPLOYMENT BENEFITS
 Last 10 Fiscal Years*

IMPLICIT LIABILITY HEALTH INSURANCE

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

Year Ended June 30,	Total OPEB Liability (asset) Beginning	Service Cost	Interest	Changes to benefit terms	Economic/ Demographic Gains or Losses	Changes in assumptions	Benefit payments	Total OPEB Liability End of Year	Estimated Covered Payroll	Total OPEB Liability as a % of Covered Payroll
2019	\$ 324,623	\$ 23,219	\$ 12,224	\$ -	\$ (33,582)	\$ (16,794)	\$ (12,882)	\$ 296,808	\$ 3,127,725	9.49%
2018	330,185	24,819	9,859	-	-	(21,945)	(18,295)	324,623	2,705,463	12.00%

SCHEDULE OF CITY'S CONTRIBUTIONS

Year Ended June 30,	(a)		(b)		(c)		(b/c)	
	Statutorily required contribution	Statutorily required contribution	Contributions in relation to the contribution	Contributions in relation to the contribution	City's covered payroll	City's covered payroll	Contributions as a percent of covered payroll	Contributions as a percent of covered payroll
2019	\$ 7,755	\$ 7,755	\$ -	\$ -	\$ 2,705,463	\$ 2,705,463	0.29%	0.29%
2018	12,882	12,882	-	-	2,872,765	2,872,765	0.45%	0.45%

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, 2019

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, 2019 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 2013 Oregon Legislature made a series of changes to PERS that lowered projected future benefit payments from the System. These changes included reductions to future Cost of Living Adjustments (COLA) made through Senate Bills 822 and 861. Senate Bill 822 also required the contribution rates scheduled to be in effect from July 2013 to June 2015 to be reduced. The Oregon Supreme Court decision in *Moro v. State of Oregon*, issued on April 30, 2015, reversed a significant portion of the reductions the 2013 Oregon Legislature made to future System Cost of Living Adjustments (COLA) through Senate Bills 822 and 861. This reversal increased the total pension liability as of June 30, 2015 compared to June 30, 2014 total pension liability.

Changes of Assumptions

The PERS Board adopted assumption changes that were used to measure the June 30, 2016 total pension liability. The changes include the lowering of the long-term expected rate of return to 7.50 percent and lowering of the assumed inflation to 2.50 percent. In addition, the healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups, and assumptions were updated for merit increases, unused sick leave, and vacation pay were updated. For June 30, 2018, the long-term expected rate of return was lowered to 7.20 percent. In addition, the healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups, and assumptions were updated for merit increases, unused sick leave, and vacation pay were updated.

CITY OF ONTARIO, OREGON
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended
June 30, 2019

OTHER POST EMPLOYMENT BENEFITS

Changes of Benefit Terms

There were no changes of benefit terms.

Changes of Assumptions

The PERS Board adopted assumption changes that were used to measure the June 30, 2019 total OPEB liability. The changes include the lowering of the long-term expected rate of return was to 7.20 percent. In addition, healthy retiree participation and healthy mortality assumptions were changed to reflect an updated trends and mortality improvement scale for all groups.

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SUPPLEMENTARY INFORMATION

CITY OF ONTARIO, OREGON
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019

	Special Revenue Funds		
	Grant Fund	Building Fund	Reserve Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Assets			
Cash and investments	\$ -	\$ 230,391	\$ 2,292,979
Accounts receivable			
Loans	-	-	-
Customer accounts, net of allowance	-	-	3,112
Other	224,791	-	32,778
Restricted cash			
Cash held in trust	-	-	-
System development charges	-	-	-
Total assets	<u>224,791</u>	<u>230,391</u>	<u>2,328,869</u>
Deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows	<u>\$ 224,791</u>	<u>\$ 230,391</u>	<u>\$ 2,328,869</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 102,292	\$ 819	\$ 72,849
Payroll liabilities	-	-	5
Interfund payable	115,612	-	-
Deposits held in trust	-	-	-
Total liabilities	<u>217,904</u>	<u>819</u>	<u>72,854</u>
Deferred inflows of resources			
Unavailable economic development loans	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances			
Restricted	6,887	229,572	-
Committed	<u>-</u>	<u>-</u>	<u>2,256,015</u>
Total fund balances	<u>6,887</u>	<u>229,572</u>	<u>2,256,015</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 224,791</u>	<u>\$ 230,391</u>	<u>\$ 2,328,869</u>

Special Revenue Funds				Capital Projects Fund	Total June 30, 2019
Trust Fund	Revolving Loan Fund	Aquatic Donations Fund	Debt Service Fund	SDC Fund	
\$ 403,085	\$ 510,470	\$ -	\$ 18,812	\$ -	\$ 3,455,737
-	124,692	-	-	-	124,692
-	-	-	-	-	3,112
58,033	-	-	-	-	315,602
246,663	-	-	-	-	246,663
-	-	-	-	375,216	375,216
<u>707,781</u>	<u>635,162</u>	<u>-</u>	<u>18,812</u>	<u>375,216</u>	<u>4,521,022</u>
-	-	-	-	-	-
<u>\$ 707,781</u>	<u>\$ 635,162</u>	<u>\$ -</u>	<u>\$ 18,812</u>	<u>\$ 375,216</u>	<u>\$ 4,521,022</u>
\$ 90,238	\$ -	\$ -	\$ -	\$ -	\$ 266,198
-	-	-	-	-	5
-	-	-	-	-	115,612
246,663	-	-	-	-	246,663
<u>336,901</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>628,478</u>
-	124,692	-	-	-	124,692
-	-	-	18,812	375,216	630,487
<u>370,880</u>	<u>510,470</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,137,365</u>
<u>370,880</u>	<u>510,470</u>	<u>-</u>	<u>18,812</u>	<u>375,216</u>	<u>3,767,852</u>
<u>\$ 707,781</u>	<u>\$ 635,162</u>	<u>\$ -</u>	<u>\$ 18,812</u>	<u>\$ 375,216</u>	<u>\$ 4,521,022</u>

CITY OF ONTARIO, OREGON
**SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES**
NONMAJOR FUNDS
 For the Year Ended
 June 30, 2019

	Special Revenue Funds		
	Grant Fund	Building Fund	Reserve Fund
Revenues			
Taxes			
Other taxes	\$ -	\$ -	\$ 228,900
Intergovernmental revenues	686,943	-	75,633
Charges for services	-	-	94,951
Licenses and permits	-	228,925	-
Miscellaneous			
Special assessments	-	-	-
Miscellaneous	-	60	11,941
Interest on investments	-	-	1,026
System development charges	-	-	-
Loan repayments	-	-	-
Total revenues	<u>686,943</u>	<u>228,985</u>	<u>412,451</u>
Expenditures			
<i>Current</i>			
Personal services	-	112,911	114,438
Materials and services	-	33,201	3,069
Capital outlay	646,171	-	223,144
<i>Debt service</i>			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>646,171</u>	<u>146,112</u>	<u>340,651</u>
Excess of revenues over (under) expenditures	40,772	82,873	71,800
Other financing sources (uses)			
Operating transfers in	15,948	-	27,400
Operating transfers out	-	-	(11,784)
Total other financing sources (uses)	<u>15,948</u>	<u>-</u>	<u>15,616</u>
Net change in fund balances	56,720	82,873	87,416
Fund balances, July 1	<u>(49,833)</u>	<u>146,699</u>	<u>2,168,599</u>
Fund balances, June 30	<u>\$ 6,887</u>	<u>\$ 229,572</u>	<u>\$ 2,256,015</u>

Special Revenue Funds				Capital Projects Fund	Total June 30, 2019
Trust Fund	Revolving Loan Fund	Aquatic Donations Fund	Debt Service Fund	SDC Fund	
\$ 412,787	\$ -	\$ -	\$ -	\$ -	\$ 641,687
-	-	-	-	-	762,576
5,850	-	-	-	-	100,801
-	-	-	-	-	228,925
-	-	-	3,484	-	3,484
-	651	-	-	-	12,652
417	1,338	-	63	-	2,844
-	-	-	-	86,405	86,405
-	2,696	-	-	-	2,696
<u>419,054</u>	<u>4,685</u>	<u>-</u>	<u>3,547</u>	<u>86,405</u>	<u>1,842,070</u>
-	-	-	-	-	227,349
403,406	35,700	-	-	-	475,376
-	-	-	-	-	869,315
-	-	-	55,377	-	55,377
-	-	-	3,296	-	3,296
<u>403,406</u>	<u>35,700</u>	<u>-</u>	<u>58,673</u>	<u>-</u>	<u>1,630,713</u>
15,648	(31,015)	-	(55,126)	86,405	211,357
-	-	-	-	-	43,348
<u>(13,750)</u>	<u>-</u>	<u>(25,814)</u>	<u>-</u>	<u>-</u>	<u>(51,348)</u>
<u>(13,750)</u>	<u>-</u>	<u>(25,814)</u>	<u>-</u>	<u>-</u>	<u>(8,000)</u>
1,898	(31,015)	(25,814)	(55,126)	86,405	203,357
<u>368,982</u>	<u>541,485</u>	<u>25,814</u>	<u>73,938</u>	<u>288,811</u>	<u>3,564,495</u>
<u>\$ 370,880</u>	<u>\$ 510,470</u>	<u>\$ -</u>	<u>\$ 18,812</u>	<u>\$ 375,216</u>	<u>\$ 3,767,852</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, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Current Year Actual</u>	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Intergovernmental	\$ 370,528	\$ 613,028	\$ 686,943	\$ 73,915
Expenditures				
Capital outlay	<u>386,476</u>	<u>628,976</u>	<u>646,171</u>	<u>(17,195)</u>
Excess of revenues over (under) expenditures	(15,948)	(15,948)	40,772	56,720
Other financing sources (uses)				
Transfers in	<u>15,948</u>	<u>15,948</u>	<u>15,948</u>	<u>-</u>
Net change in fund balance	-	-	56,720	56,720
Fund balance, July 1	<u>-</u>	<u>-</u>	<u>(49,833)</u>	<u>(49,833)</u>
Fund balance, June 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,887</u></u>	<u><u>\$ 6,887</u></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, 2019

	Original Budget	Final Budget	Current Year Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Licenses and permits	\$ 100,000	\$ 100,000	\$ 228,925	\$ 128,925
Miscellaneous	-	-	60	60
Total revenues	<u>100,000</u>	<u>100,000</u>	<u>228,985</u>	<u>128,985</u>
Expenditures				
Personal services	89,981	117,981	112,911	5,070
Materials and services	63,494	63,494	33,201	30,293
Contingency	39,000	11,000	-	11,000
Total expenditures	<u>192,475</u>	<u>192,475</u>	<u>146,112</u>	<u>46,363</u>
Net change in fund balance	(92,475)	(92,475)	82,873	175,348
Fund balance, July 1	<u>92,475</u>	<u>92,475</u>	<u>146,699</u>	<u>54,224</u>
Fund balance, June 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 229,572</u></u>	<u><u>\$ 229,572</u></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, 2019

	Original Budget	Final Budget	Current Year Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Intergovernmental	\$ 74,610	\$ 74,610	\$ 75,633	\$ 1,023
Miscellaneous	-	-	11,941	11,941
Charges for service	52,200	52,200	94,951	42,751
Other taxes	210,000	210,000	228,900	18,900
Interest on investments	1,500	1,500	1,026	(474)
Total revenues	338,310	338,310	412,451	74,141
Expenditures				
Personal services	149,682	149,682	114,438	35,244
Materials and services	-	-	3,069	(3,069)
Capital outlay	516,818	555,858	223,144	332,714
Contingency	1,379,863	1,340,823	-	1,340,823
Total expenditures	2,046,363	2,046,363	340,651	1,705,712
Excess of revenues over (under) expenditures	(1,708,053)	(1,708,053)	71,800	1,779,853
Other financing sources (uses)				
Transfers in	27,400	27,400	27,400	-
Transfers out	(11,784)	(11,784)	(11,784)	-
Total other sources (uses)	15,616	15,616	15,616	-
Net change in fund balance	(1,692,437)	(1,692,437)	87,416	1,779,853
Fund balance, July 1	1,994,866	1,994,866	2,168,599	173,733
Fund balance, June 30	\$ 302,429	\$ 302,429	\$ 2,256,015	\$ 1,953,586

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, 2019

	Original Budget	Final Budget	Current Year Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Other taxes	\$ 410,000	\$ 410,000	\$ 412,787	\$ 2,787
Charges for services	7,500	7,500	5,850	(1,650)
Interest on investments	400	400	417	17
Total revenues	<u>417,900</u>	<u>417,900</u>	<u>419,054</u>	<u>1,154</u>
Expenditures				
Materials and services	<u>623,075</u>	<u>623,075</u>	<u>403,406</u>	<u>219,669</u>
Excess of revenues over (under) expenditures	(205,175)	(205,175)	15,648	220,823
Other financing sources (uses)				
Transfers out	<u>(13,750)</u>	<u>(13,750)</u>	<u>(13,750)</u>	<u>-</u>
Net change in fund balance	(218,925)	(218,925)	1,898	220,823
Fund balance, July 1	<u>375,580</u>	<u>375,580</u>	<u>368,982</u>	<u>(6,598)</u>
Fund balance, June 30	<u><u>\$ 156,655</u></u>	<u><u>\$ 156,655</u></u>	<u><u>\$ 370,880</u></u>	<u><u>\$ 214,225</u></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, 2019

	Original Budget	Final Budget	Current Year Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Interest on investments	\$ 6	\$ 6	\$ 1,338	\$ 1,332
Loan repayments	1,028	1,028	2,696	1,668
Miscellaneous	-	-	651	651
Total revenues	<u>1,034</u>	<u>1,034</u>	<u>4,685</u>	<u>3,651</u>
Expenditures				
Materials and services	<u>546,834</u>	<u>546,834</u>	<u>35,700</u>	<u>511,134</u>
Net change in fund balance	(545,800)	(545,800)	(31,015)	514,785
Fund balance, July 1	<u>545,800</u>	<u>545,800</u>	<u>541,485</u>	<u>(4,315)</u>
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 510,470</u>	<u>\$ 510,470</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, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Current Year Actual</u>	Favorable (Unfavorable) Variance with Final Budget
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures	-	-	-	-
Other financing sources (uses)				
Transfers out	<u>(25,814)</u>	<u>(25,814)</u>	<u>(25,814)</u>	<u>-</u>
Net change in fund balance	(25,814)	(25,814)	(25,814)	-
Fund balance, July 1	<u>25,814</u>	<u>25,814</u>	<u>25,814</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></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, 2019

	Original Budget	Final Budget	Current Year Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Special assessments	\$ 3,963	\$ 3,963	\$ 3,484	\$ (479)
Interest on investments	80	80	63	(17)
Total revenues	<u>4,043</u>	<u>4,043</u>	<u>3,547</u>	<u>(496)</u>
Expenditures				
Debt service	58,665	58,674	58,673	1
Contingency	22,715	22,706	-	22,706
Total expenditures	<u>81,380</u>	<u>81,380</u>	<u>58,673</u>	<u>22,707</u>
Net change in fund balance	(77,337)	(77,337)	(55,126)	22,211
Fund balance, July 1	<u>77,337</u>	<u>77,337</u>	<u>73,938</u>	<u>(3,399)</u>
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,812</u>	<u>\$ 18,812</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, 2019

	Original Budget	Final Budget	Current Year Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues				
System development charges	\$ 55,000	\$ 55,000	\$ 86,405	\$ 31,405
Expenditures				
Capital outlay	340,221	340,221	-	340,221
Net change in fund balance	(285,221)	(285,221)	86,405	371,626
Fund balance, July 1	285,221	285,221	288,811	3,590
Fund balance, June 30	\$ -	\$ -	\$ 375,216	\$ 375,216

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, 2019

	Original Budget	Final Budget	Current Year Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Charges for services	\$ 3,166,498	\$ 3,166,498	\$ 3,089,709	\$ (76,789)
Miscellaneous	21,000	21,000	23,994	2,994
Interest on investments	40,000	40,000	98,543	58,543
Total revenues	3,227,498	3,227,498	3,212,246	(15,252)
Expenses				
Personal services	600	600	441	159
Materials and services	2,260,458	2,280,458	2,261,515	18,943
Capital outlay	532,000	512,000	322,992	189,008
Debt service	270,816	270,816	270,219	597
Contingency	1,360,394	1,340,394	-	1,340,394
Total expenses	4,424,268	4,404,268	2,855,167	1,549,101
Excess of revenues over (under) expenses	(1,196,770)	(1,176,770)	357,079	1,533,849
Other financing sources (uses)				
Transfers out	(92,190)	(112,190)	(112,190)	-
Net change in fund net position	(1,288,960)	(1,288,960)	244,889	1,533,849
Net position, July 1	1,288,960	1,288,960	1,502,531	213,571
Net position, June 30	\$ -	\$ -	1,747,420	\$ 1,747,420

**Reconciliation to Generally Accepted
Accounting Principles**

Capital assets, net of accumulated depreciation	13,597,370
Inventory	13,571
Accrued interest	(73,385)
Long-term obligations	(2,601,398)
Debt refunding deferred inflows	(273,147)
Net position, ending	\$ 12,410,431

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, 2019

	Original Budget	Final Budget	Current Year Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Charges for services	\$ 3,482,922	\$ 3,482,922	\$ 3,658,324	\$ 175,402
Miscellaneous	1,000	1,000	5,273	4,273
Interest on investments	60,000	60,000	132,806	72,806
Total revenues	<u>3,543,922</u>	<u>3,543,922</u>	<u>3,796,403</u>	<u>252,481</u>
Expenses				
Personal services	10,600	10,600	441	10,159
Materials and services	2,265,782	2,265,782	2,143,822	121,960
Capital outlay	275,950	275,950	142,743	133,207
Debt service	454,336	454,336	452,295	2,041
Contingency	2,230,725	2,210,725	-	2,210,725
Total expenses	<u>5,237,393</u>	<u>5,217,393</u>	<u>2,739,301</u>	<u>2,478,092</u>
Excess of revenues over (under) expenses	(1,693,471)	(1,673,471)	1,057,102	2,730,573
Other financing sources (uses)				
Transfers out	<u>(51,217)</u>	<u>(71,217)</u>	<u>(71,217)</u>	<u>-</u>
Net change in fund net position	(1,744,688)	(1,744,688)	985,885	2,730,573
Net position, July 1	1,794,688	1,794,688	2,087,356	292,668
Net position, June 30	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>3,073,241</u>	<u>\$ 3,023,241</u>

**Reconciliation to Generally Accepted
Accounting Principles**

Capital assets, net of accumulated depreciation	17,661,149
Accrued interest	(73,675)
Long-term obligations	(2,567,199)
Debt refunding deferred inflows	<u>(261,469)</u>
Net position, ending	<u>\$ 17,832,047</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, 2019

	Original Budget	Final Budget	Current Year Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Charges for services	\$ 65,278	\$ 65,278	\$ 82,747	\$ 17,469
Miscellaneous	1,500	1,500	5,279	3,779
Total revenues	66,778	66,778	88,303	21,525
Expenses				
Materials and services	50,505	67,438	66,857	581
Capital outlay	17,568	48,835	48,835	-
Total expenses	118,812	168,812	168,130	682
 Excess of revenues over (under) expenses	 (52,034)	 (102,034)	 (79,827)	 22,207
Other financing sources (uses)				
Transfers in	37,332	87,332	87,331	1
Transfers out	(4,164)	(4,164)	(4,164)	-
Total other financing sources (uses)	33,168	83,168	83,167	1
 Net change in fund net position	 (18,866)	 (18,866)	 3,340	 22,208
Net position, July 1	18,866	18,866	38,913	20,047
Net position, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>42,253</u>	<u>\$ 42,255</u>

**Reconciliation to Generally Accepted
Accounting Principles**

Capital assets, net of accumulated depreciation	8,944,054
Note receivable	6,894
OPEB asset	393
OPEB deferred inflows	(118)
OPEB deferred outflows	172
Net pension liability	(137,599)
Pension deferred inflows	(22,643)
Pension deferred outflows	<u>60,224</u>
 Net position, ending	 <u>\$ 8,893,630</u>

CITY OF ONTARIO, OREGON
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
June 30, 2019

	Storm Sewer Fund	Golf Course Fund	Aquatic Fund	Total June 30, 2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Assets				
Cash and pooled investments	\$ 469,394	\$ -	\$ -	\$ 469,394
Receivables				
Customer accounts, net allowance	9,206	-	-	9,206
Other	-	-	255,347	255,347
Capital assets not being depreciated	8,009	-	-	8,009
Capital assets being depreciated (net of accumulated depreciation)	2,161,163	-	822,120	2,983,283
Total assets	<u>2,647,772</u>	<u>-</u>	<u>1,077,467</u>	<u>3,725,239</u>
Deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows	<u>\$ 2,647,772</u>	<u>\$ -</u>	<u>\$ 1,077,467</u>	<u>\$ 3,725,239</u>
Liabilities				
Accounts payable	\$ 217	\$ -	\$ 1,539	\$ 1,756
Due to other funds	-	-	195,834	195,834
Total liabilities	<u>217</u>	<u>-</u>	<u>197,373</u>	<u>197,590</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position				
Net investment in capital assets	2,169,172	-	822,120	2,991,292
Unrestricted	478,383	-	57,974	536,357
Total net position	<u>2,647,555</u>	<u>-</u>	<u>880,094</u>	<u>3,527,649</u>
Total liabilities, deferred inflows and net position	<u>\$ 2,647,772</u>	<u>\$ -</u>	<u>\$ 1,077,467</u>	<u>\$ 3,725,239</u>

CITY OF ONTARIO, OREGON
**SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND NET POSITION
 NONMAJOR PROPRIETARY FUNDS**
 For the Year Ended
 June 30, 2019

	Storm Sewer Fund	Golf Course Fund	Aquatic Fund	Total June 30, 2019
Operating revenues				
Charges for services	\$ 107,182	\$ -	\$ -	\$ 107,182
Operating expenses				
Employee benefits	18	-	-	18
Contract services	78,536	-	-	78,536
Depreciation	104,842	-	-	104,842
Insurance	2,266	-	-	2,266
Miscellaneous expense	347	-	-	347
Supplies - general	184	-	-	184
Utilities	20	-	11,074	11,094
Fees	7,425	-	-	7,425
Administrative	3,822	-	-	3,822
Total operating expenditures	197,460	-	11,074	208,534
Net income from operations	(90,278)	-	(11,074)	(101,352)
Non operating income (expenses)				
Interest earned on investments	4,022	-	-	4,022
Donations & grants	-	-	392,424	392,424
Other taxes	-	-	107,933	107,933
Total non operating income (expenses)	4,022	-	500,357	504,379
Net income	(86,256)	-	489,283	403,027
Other items				
Capital contribution (distribution)	(8,544)	-	-	(8,544)
Transfers in	-	-	136,115	136,115
Transfers out	(3,073)	(5,999)	-	(9,072)
Total other items	(11,617)	(5,999)	136,115	118,499
Change in net position	(97,873)	(5,999)	625,398	521,526
Net position, July 1	2,745,428	5,999	254,696	3,006,123
Net position, June 30	\$ 2,647,555	\$ -	\$ 880,094	\$ 3,527,649

CITY OF ONTARIO, OREGON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended
June 30, 2019

	Enterprise Funds			
	Storm Sewer Fund	Golf Fund Fund	Aquatic Fund	Total
Cash flows from operating activities				
Cash received from customers	\$ 107,300	\$ -	\$ -	\$ 107,300
Cash payment to employees for services	(18)	-	-	(18)
Cash payment to suppliers for goods and services	(92,775)	(1,000)	(12,682)	(106,457)
Other operating revenues	-	-	(240,770)	(240,770)
Net cash provided by operating activities	<u>14,507</u>	<u>(1,000)</u>	<u>(253,452)</u>	<u>(239,945)</u>
Cash flows from noncapital financing activities				
Operating transfers-out to other funds	(3,073)	(5,999)	-	(9,072)
Operating transfers-in from funds	-	-	136,115	136,115
Interfund loans	-	-	195,834	195,834
Net cash provided by noncapital financing activities	<u>(3,073)</u>	<u>(5,999)</u>	<u>331,949</u>	<u>322,877</u>
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	(39,965)	-	(752,402)	(792,367)
Cash received from grants and donations	-	-	392,424	392,424
Cash received from taxes	-	-	107,933	107,933
Net cash used for capital and related financing activities	<u>(39,965)</u>	<u>-</u>	<u>(252,045)</u>	<u>(292,010)</u>
Cash flows from investing activities				
Interest and dividends on investments	4,022	-	-	4,022
Net increase (decrease) in cash and cash equivalents	(24,509)	(6,999)	(173,548)	(205,056)
Cash and cash equivalents at beginning of year	493,903	6,999	173,548	674,450
Cash and cash equivalents at end of year	<u>\$ 469,394</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 469,394</u>
Reconciliation of operating income to net cash provided by operating activities				
Net Income	\$ (90,278)	\$ -	\$ (11,074)	\$ (101,352)
Adjustments to reconcile net income to net cash provided (used) by operating activities:				
Depreciation expense	104,842	-	-	104,842
(Increase) decrease in accounts receivable	118	-	(240,770)	(240,652)
Increase (decrease) in accounts payable	(175)	-	(1,608)	(1,783)
Net increase (decrease) in customer deposits	-	(1,000)	-	(1,000)
Total adjustments	<u>104,785</u>	<u>(1,000)</u>	<u>(242,378)</u>	<u>(138,593)</u>
Net cash provided (used) by operating activities	<u>\$ 14,507</u>	<u>\$ (1,000)</u>	<u>\$ (253,452)</u>	<u>\$ (239,945)</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	<u>\$ 469,394</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 469,394</u>
Non cash capital financing transactions				
Capital contributions from (to) other funds	\$ (8,544)	\$ -	\$ -	\$ (8,544)

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, 2019

	Original Budget	Final Budget	Current Year Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Charges for services	\$ 106,300	\$ 106,300	\$ 107,182	\$ 882
Interest on investments	2,000	2,000	4,022	2,022
Total revenues	108,300	108,300	111,204	2,904
Expenses				
Personal services	25	25	18	7
Materials and services	92,600	94,600	92,600	2,000
Capital outlay	138,000	136,000	39,965	96,035
Contingency	382,261	382,261	-	382,261
Total expenses	612,886	612,886	132,583	480,303
Excess of revenues over (under) expenses	(504,586)	(504,586)	(21,379)	483,207
Other financing sources (uses)				
Transfers out	(3,073)	(3,073)	(3,073)	-
Change in fund net position	(507,659)	(507,659)	(24,452)	483,207
Net position, July 1	507,681	507,681	502,835	(4,846)
Net position, June 30	<u>\$ 22</u>	<u>\$ 22</u>	478,383	<u>\$ 478,361</u>

**Reconciliation to Generally Accepted
Accounting Principles**

Capital assets, net of accumulated depreciation	<u>2,169,172</u>
Net position, ending	<u>\$ 2,647,555</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, 2019

	Original Budget	Final Budget	Current Year Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues	\$ -	\$ -	\$ -	\$ -
Expenses	-	-	-	-
Other financing sources (uses)				
Transfers out	(6,000)	(6,000)	(5,999)	1
Net change in fund net position	(6,000)	(6,000)	(5,999)	1
Net position, July 1	6,000	6,000	5,999	(1)
Net position, June 30	\$ -	\$ -	\$ -	\$ -

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, 2019

	Original Budget	Final Budget	Current Year Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Other taxes	\$ 50,000	\$ 100,000	\$ 107,933	\$ 7,933
Grants and donations	309,613	443,841	392,424	\$ (51,417)
Total revenues	<u>359,613</u>	<u>543,841</u>	<u>500,357</u>	<u>(43,484)</u>
Expenses				
Materials and services	60,000	10,000	11,074	(1,074)
Capital outlay	513,305	854,934	752,402	102,532
Total expenses	<u>573,305</u>	<u>864,934</u>	<u>763,476</u>	<u>101,458</u>
Excess of revenues over (under) expenses	(213,692)	(321,093)	(263,119)	57,974
Other financing sources (uses)				
Transfers in	25,814	136,115	136,115	-
Net change in fund net position	(187,878)	(184,978)	(127,004)	57,974
Net position, July 1	187,878	184,978	184,978	-
Net position, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>57,974</u>	<u>\$ 57,974</u>

**Reconciliation to Generally Accepted
Accounting Principles**

Capital assets, net of accumulated depreciation	<u>822,120</u>
Net position, ending	<u>\$ 880,094</u>

CITY OF ONTARIO, OREGON
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended
June 30, 2019

<i>Recreation Board</i>	Balance June 30, 2018	Additions	Deductions	Balance June 30, 2019
ASSETS				
Cash and investments	\$ 1,290	\$ -	\$ 1,000	\$ 290
LIABILITIES				
Held in trust for other governments	\$ 1,290		\$ 1,000	\$ 290
<i>Friends of the Aquatic Center</i>	Balance June 30, 2018	Additions	Deductions	Balance June 30, 2019
ASSETS				
Cash and investments	\$ 78,664	35,253	113,917	\$ -
Accounts receivable	10,000	-	10,000	-
Total assets	<u>88,664</u>	<u>35,253</u>	<u>123,917</u>	<u>-</u>
LIABILITIES				
Held in trust for other governments	<u>\$ 88,664</u>	<u>\$ 35,253</u>	<u>\$ 123,917</u>	<u>\$ -</u>

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OTHER FINANCIAL SCHEDULES

CITY OF ONTARIO, OREGON
SUMMARY SCHEDULE OF CASH, CASH ITEMS AND INVESTMENTS
June 30, 2019

Intermountain Community Bank	
Demand accounts	\$ 1,235,442
Certificates of Deposit	585,147
Oregon State Treasury Local Government Investment Pool **	11,490,241
Cash on hand	955
Total cash and investments on books	<u><u>\$ 13,311,785</u></u>

SCHEDULE OF COLLATERAL SECURITY

Intermountain Community Bank *	
Federal Deposit Insurance Corporation	<u><u>\$ 250,000</u></u>

*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 on Compliance and Internal Control 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, 2019, and have issued our report thereon dated February 10, 2020. 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, 2019, as follows:

Fund	Over Expenditure
Grants fund- Capital Outlay	\$17,195
Reserve fund- Materials and Services	3,069
Aquatic fund- Materials and Services	1,074

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 over financial reporting.

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

Our 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 material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies 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.

CONNECTED PROFESSIONAL ACCOUNTANTS, LLC
Certified Public Accountants

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

La Grande, Oregon
February 10, 2020