

CITY OF UMATILLA, OREGON

**Financial Statements and
Independent Auditors' Report**

June 30, 2020

CITY OF UMATILLA, OREGON

City Hall
Umatilla, Oregon

Mayor and City Council
June 30, 2020

Name

Term Expires

Mayor:

Mary Dedrick

December 31, 2020

Council Members:

Corinne Funderburk

December 31, 2022

Michael Roxbury

December 31, 2020

Leslie Smith

December 31, 2022

Ashley Wheeler

December 31, 2020

Josy Chavez

December 31, 2022

Roak TenEyck

December 31, 2020

Appointed Official:

David Stockdale, City Manager

Address:

P. O. Box 130

Umatilla, OR 97882

Telephone: (541) 922-3226

CITY OF UMATILLA, OREGON

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BARNETT & MORO, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

495 E. Main
Hermiston, OR 97838
(541) 567-5215
(541) 567-0497 Fax

DENNIS L. BARNETT, C.P.A.
KRISTIE L. SHASTEEN, C.P.A.
CAMERON W. ANDERSON, C.P.A.
RICHARD L. STODDARD, C.P.A.
BETSY J. BENNETT, C.P.A.
PAUL A. BARNETT, C.P.A.
REBECCA K. RAMOS BAUTISTA, C.P.A.
MITCHELL L. BOYLAN, C.P.A.
.....
GERALD J. MORO, C.P.A. EMERITUS

INDEPENDENT AUDITORS' REPORT

Mayor and Council Members
City of Umatilla, Oregon

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the City of Umatilla, Oregon, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Mayor and Council Members
City of Umatilla, Oregon
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Umatilla, Oregon, as of June 30, 2020, and the respective changes in modified cash basis financial position, the respective budgetary comparisons for the General Fund, State Street Tax Fund, Refuse Collection Fund, and Building Department Fund, and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

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

The supplementary information on Pages 55-66 and other financial schedules on Pages 67-72 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

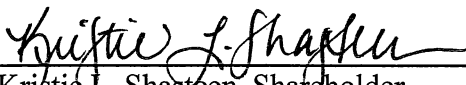
The management's discussion and analysis on Pages 44-53 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Mayor and Council Members
City of Umatilla, Oregon
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Other Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated on November 18, 2020, on our consideration of the City of Umatilla, Oregon's compliance with certain provision of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Barnett & Moro, P.C.

By: 

Kristie L. Shasteen, Shareholder
Hermiston, Oregon
November 18, 2020

CITY OF UMATILLA, OREGON

Statement of Net Position - Modified Cash Basis

June 30, 2020

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 9,380,106	\$ 3,223,082	\$ 12,603,188
Capital assets:			
Non-depreciable	1,480,713	-	1,480,713
Depreciable, net of depreciation	3,349,969	12,357,712	15,707,681
	<u>14,210,788</u>	<u>15,580,794</u>	<u>29,791,582</u>
<u>LIABILITIES</u>			
Notes payable:			
Due within one year	143,308	85,364	228,672
Due in more than one year	482,789	3,599,085	4,081,874
Bonds payable:			
Due within one year	-	250,000	250,000
Due in more than one year	-	510,000	510,000
	<u>626,097</u>	<u>4,444,449</u>	<u>5,070,546</u>
<u>NET POSITION</u>			
Net investment in capital assets	4,204,585	7,913,263	12,117,848
Restricted for:			
Highways and streets	594,450	-	594,450
Debt service	3,470	-	3,470
Unrestricted	8,782,186	3,223,082	12,005,268
	<u>\$ 13,584,691</u>	<u>\$ 11,136,345</u>	<u>\$ 24,721,036</u>

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

CITY OF UMATILLA, OREGON

**Statement of Activities - Modified Cash Basis
Year Ended June 30, 2020**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Change in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 1,579,033	\$ 1,700,500	\$ 3,872	\$ -	\$ 125,339	\$ -	\$ 125,339
Public safety	2,319,228	635,995	7,684	-	(1,675,549)	-	(1,675,549)
Highways and streets	512,246	-	-	-	(512,246)	-	(512,246)
Library	222,974	-	1,306	-	(221,668)	-	(221,668)
Cultural and recreation	898,060	-	-	19,875	(878,185)	-	(878,185)
Sanitation	763,741	828,034	-	-	64,293	-	64,293
Interest on long-term debt	35,658	-	-	-	(35,658)	-	(35,658)
Total governmental activities	6,330,940	3,164,529	12,862	19,875	(3,133,674)	-	(3,133,674)
Business-type activities:							
Water	1,405,829	1,411,773	-	-	-	5,944	5,944
Sewer	1,351,411	1,611,348	-	-	-	259,937	259,937
Interest on long-term debt	33,527	-	-	-	-	(33,527)	(33,527)
Total business-type activities	2,790,767	3,023,121	-	-	-	232,354	232,354
Total government	\$ 9,121,707	\$ 6,187,650	\$ 12,862	\$ 19,875	\$ (3,133,674)	\$ 232,354	\$ (2,901,320)

General revenues:

Taxes	
Property taxes, levied for general purposes	1,781,064
Property taxes, levied for debt service	566
County shared taxes	2,624,116
Franchise and public service taxes	814,606
Motor fuel taxes	523,493
State shared taxes	265,833
Hotel/motel taxes	93,781
Library district shared taxes	206,572
Interest and investment earnings	148,710
Other revenues	643,308
Transfers, net	36,850
Total general revenues	7,138,899
Change in net assets	4,005,225
Net position--beginning	9,579,466
Net position--ending	\$ 13,584,691
	\$ 24,721,036

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

CITY OF UMATILLA, OREGON

Balance Sheet - Modified Cash Basis
Governmental Funds
June 30, 2020

	General	State Tax Street	Refuse Collection	Capital Reserve	Building Department	Debt Service	Other Governmental	Total
<u>ASSETS:</u>								
Cash and cash equivalents	\$ 4,448,495	\$ 594,450	\$ 162,062	\$ 1,522,079	\$ 2,147,184	\$ 3,470	\$ 502,366	\$ 9,380,106
<u>LIABILITIES</u>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>FUND BALANCES:</u>								
Restricted	-	594,450	-	-	-	3,470	-	597,920
Committed	-	-	162,062	1,522,079	2,147,184	-	502,366	4,333,691
Unassigned	4,448,495	-	-	-	-	-	-	4,448,495
Total fund balances	4,448,495	594,450	162,062	1,522,079	2,147,184	3,470	502,366	9,380,106
Total liabilities and fund balances	\$ 4,448,495	\$ 594,450	\$ 162,062	\$ 1,522,079	\$ 2,147,184	\$ 3,470	\$ 502,366	\$ 9,380,106

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

CITY OF UMATILLA, OREGON

Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position-Modified Cash Basis
June 30, 2020

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 9,380,106

Capital assets used in governmental activities are not financial resources, therefore, are not reported on the governmental funds balance sheet.

Acquisition cost	\$ 8,565,395	
Accumulated depreciation	<u>(3,734,713)</u>	
		<u>4,830,682</u>

Long-term liabilities, including capital lease obligations, are not due in the current period and, therefore, are not reported on the governmental funds balance sheet.

(626,097)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ 13,584,691**

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

CITY OF UMATILLA, OREGON

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

Governmental Funds

Year Ended June 30, 2020

	General	State Tax Street	Refuse Collection	Capital Reserve	Building Department	Debt Service	Other Governmental	Total
REVENUES:								
Property taxes	\$ 1,781,064	\$ -	\$ -	\$ -	\$ -	\$ 566	\$ -	\$ 1,781,630
Franchise fees	814,606	-	-	-	-	-	-	814,606
Intergovernmental	2,901,505	523,493	-	5,776	-	-	207,878	3,638,652
Fees, licenses, and permits	125,396	-	-	-	1,244,220	-	93,781	1,463,397
Fines and forfeitures	635,995	-	-	-	-	-	-	635,995
Charges for services	330,884	-	828,034	-	-	-	-	1,158,918
Investment interest	60,362	7,939	-	31,396	38,101	57	10,855	148,710
Miscellaneous	83,004	328,304	-	75,489	36,721	-	133,889	657,407
Total revenues	6,732,816	859,736	828,034	112,661	1,319,042	623	446,403	10,299,315
EXPENDITURES:								
Current:								
General government	880,971	-	-	29,902	583,118	-	-	1,493,991
Public safety	2,265,812	-	-	6,924	-	-	-	2,272,736
Highways and streets	-	408,015	-	-	-	-	-	408,015
Library	-	-	-	-	-	-	-	-
Cultural and Recreation	711,860	-	-	444	-	-	222,530	222,974
Sanitation	-	-	763,741	17,558	-	-	112,854	842,272
Debt service:								
Principal	-	-	-	50,022	-	-	89,212	139,234
Interest	-	-	-	7,649	-	-	28,009	35,658
Capital outlay	-	209,948	-	764,854	-	-	-	974,802
Total Expenditures	3,858,643	617,963	763,741	877,353	583,118	-	452,605	7,153,423
	2,874,173	241,773	64,293	(764,692)	735,924	623	(6,202)	3,145,892
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES								
	161,781	7,000	-	789,596	-	-	43,957	1,002,334
Transfers in	(493,596)	(48,950)	-	(131,088)	(280,350)	-	(11,500)	(965,484)
Transfers out	(331,815)	(41,950)	-	658,508	(280,350)	-	32,457	36,850
Total other financing sources (uses)	2,542,358	199,823	64,293	(106,184)	455,574	623	26,255	3,182,742
NET CHANGE IN FUND BALANCES	1,906,137	394,627	97,769	1,628,263	1,691,610	2,847	476,111	6,197,364
FUND BALANCES, BEGINNING OF YEAR	\$ 4,448,495	\$ 594,450	\$ 162,062	\$ 1,522,079	\$ 2,147,184	\$ 3,470	\$ 502,366	\$ 9,380,106
FUND BALANCES, END OF YEAR								

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

CITY OF UMATILLA, OREGON

**Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
Year Ended June 30, 2020**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 3,182,742

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

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

Expenditures for capital assets	\$ 974,802	
Less current year depreciation	<u>(291,553)</u>	
		683,249

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

139,234

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 4,005,225**

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

CITY OF UMATILLA, OREGON

General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget (Non-GAAP Budgetary Basis) to Actual (Modified-Cash)
Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Property taxes:				
Current levy	\$ 1,637,643	\$ 1,741,643	\$1,755,319	\$ 13,676
Previously levied	34,789	34,789	25,745	(9,044)
Franchise fees	792,830	792,830	814,606	21,776
Intergovernmental	2,844,762	2,844,762	2,901,505	56,743
Fees, licenses, and permits	118,000	118,000	125,396	7,396
Fines and forfeitures	750,000	750,000	635,995	(114,005)
Charges for services	306,850	306,850	330,884	24,034
Miscellaneous:				
Interest on investments	50,000	50,000	60,362	10,362
Other	94,250	103,250	83,004	(20,246)
	<u>6,629,124</u>	<u>6,742,124</u>	<u>6,732,816</u>	<u>(9,308)</u>
<u>OTHER FINANCING SOURCES:</u>				
Operating transfers in	<u>162,007</u>	<u>162,007</u>	<u>161,781</u>	<u>(226)</u>
Total revenues and transfers	6,791,131	6,904,131	6,894,597	(9,534)
<u>BEGINNING FUND BALANCE AVAILABLE</u>				
<u>FOR APPROPRIATION</u>	<u>1,521,343</u>	<u>1,906,136</u>	<u>1,906,137</u>	<u>1</u>
	<u>\$ 8,312,474</u>	<u>\$ 8,810,267</u>	<u>\$8,800,734</u>	<u>\$ (9,533)</u>

(continued on next page)

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

CITY OF UMATILLA, OREGON

(continued)

General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget (Non-GAAP Budgetary Basis) to Actual (Modified-Cash)
Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>EXPENDITURES:</u>				
Current:				
General government:				
Administration:				
Personnel services	\$ 232,775	\$ 232,775	\$ 209,393	\$ 23,382
Material and services	3,155,654	3,170,154	317,199	2,852,955
Community development:				
Personnel services	184,543	184,543	142,011	42,532
Material and services	377,400	426,700	211,891	214,809
Transportation:				
Material and services	7,000	7,000	477	6,523
	<u>3,957,372</u>	<u>4,021,172</u>	<u>880,971</u>	<u>3,140,201</u>
Public safety:				
Police:				
Personnel services	1,594,408	1,594,408	1,447,520	146,888
Materials and services	246,570	246,570	242,962	3,608
Capital Outlay	10,000	10,000	8,447	1,553
Code enforcement:				
Personnel services	104,374	108,374	104,852	3,522
Materials and services	37,150	37,150	5,075	32,075
Municipal court:				
Personnel services	119,224	119,224	89,630	29,594
Materials and services	465,175	465,175	366,204	98,971
911 System:				
Materials and services	1,250	1,250	1,122	128
	<u>2,578,151</u>	<u>2,582,151</u>	<u>2,265,812</u>	<u>316,339</u>
Recreation:				
Parks and recreation:				
Personnel services	330,530	330,530	304,568	25,962
Materials and services	190,000	200,000	115,003	84,997
Capital Outlay	5,000	5,000	-	5,000
Marina and RV park:				
Materials and services	312,825	325,825	292,289	33,536
Capital Outlay	5,000	6,500	-	6,500
	<u>843,355</u>	<u>867,855</u>	<u>711,860</u>	<u>155,995</u>
Contingency				
	<u>50,000</u>	<u>310,493</u>	<u>-</u>	<u>310,493</u>
	<u>7,428,878</u>	<u>7,781,671</u>	<u>3,858,643</u>	<u>3,923,028</u>
<u>OTHER FINANCING USES:</u>				
Operating transfers out	493,596	638,596	493,596	145,000
Total expenditures and transfers	<u>7,922,474</u>	<u>8,420,267</u>	<u>4,352,239</u>	<u>\$ 4,068,028</u>
<u>UNAPPROPRIATED BALANCE</u>	<u>390,000</u>	<u>390,000</u>	<u>4,448,495</u>	
	<u>\$ 8,312,474</u>	<u>\$ 8,810,267</u>	<u>\$ 8,800,734</u>	

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

CITY OF UMATILLA, OREGON

State Tax Street Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget (Non-GAAP Budgetary Basis) to Actual (Modified-Cash)
Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
State gasoline tax	\$ 525,000	\$ 525,000	\$ 523,493	\$ (1,507)
STP funds	774,350	774,350	-	(774,350)
Interest income	7,500	7,500	7,939	439
Miscellaneous	2,003,000	2,131,575	328,304	(1,803,271)
Total revenues	<u>3,309,850</u>	<u>3,438,425</u>	<u>859,736</u>	<u>(2,578,689)</u>
<u>TRANSFERS FROM OTHER FUNDS:</u>				
From General Fund	<u>7,000</u>	<u>7,000</u>	<u>7,000</u>	<u>-</u>
<u>BEGINNING FUND BALANCE AVAILABLE FOR APPROPRIATION</u>				
	<u>283,092</u>	<u>294,692</u>	<u>394,627</u>	<u>99,935</u>
	<u>\$3,599,942</u>	<u>\$3,740,117</u>	<u>\$1,261,363</u>	<u>\$(2,478,754)</u>
<u>EXPENDITURES:</u>				
Current:				
Highways and streets:				
Personnel services	\$ 266,583	\$ 272,583	\$ 251,843	\$ 20,740
Materials and services	776,850	817,450	155,320	662,130
Capital outlay	2,118,350	2,211,925	210,800	2,001,125
Operating contingency	235,000	235,000	-	235,000
	<u>3,396,783</u>	<u>3,536,958</u>	<u>617,963</u>	<u>2,918,995</u>
<u>TRANSFERS TO OTHER FUNDS:</u>				
To Capital Reserve Fund	<u>48,950</u>	<u>48,950</u>	<u>48,950</u>	<u>-</u>
Total expenditures and transfers	<u>3,445,733</u>	<u>3,585,908</u>	<u>666,913</u>	<u>\$ 2,918,995</u>
<u>UNAPPROPRIATED BALANCE</u>				
	<u>154,209</u>	<u>154,209</u>	<u>594,450</u>	
	<u>\$3,599,942</u>	<u>\$3,740,117</u>	<u>\$1,261,363</u>	

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

CITY OF UMATILLA, OREGON

Refuse Collection Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances

Budget (Non-GAAP Budgetary Basis) to Actual (Modified-Cash)

Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Refuse collections	<u>\$ 790,000</u>	<u>\$ 816,500</u>	<u>\$ 828,034</u>	<u>\$ 11,534</u>
<u>BEGINNING FUND BALANCE AVAILABLE FOR APPROPRIATION</u>	<u>84,106</u>	<u>97,606</u>	<u>97,769</u>	<u>163</u>
	<u><u>\$ 874,106</u></u>	<u><u>\$ 914,106</u></u>	<u><u>\$ 925,803</u></u>	<u><u>\$ 11,697</u></u>
<u>EXPENDITURES:</u>				
Current:				
Sanitation:				
Materials and services	<u>\$ 664,800</u>	<u>\$ 694,800</u>	<u>\$ 629,632</u>	<u>\$ 65,168</u>
<u>TRANSFERS TO OTHER FUNDS:</u>				
Franchise fees to General Fund	<u>126,400</u>	<u>136,400</u>	<u>134,109</u>	<u>2,291</u>
Total expenditures and transfers	<u>791,200</u>	<u>831,200</u>	<u>763,741</u>	<u><u>\$ 67,459</u></u>
<u>UNAPPROPRIATED BALANCE</u>	<u>82,906</u>	<u>82,906</u>	<u>162,062</u>	
	<u><u>\$ 874,106</u></u>	<u><u>\$ 914,106</u></u>	<u><u>\$ 925,803</u></u>	

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

CITY OF UMATILLA, OREGON

Building Department Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget (Non-GAAP Budgetary Basis) to Actual (Modified-Cash)
Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Building permits	\$ 320,000	\$ 320,000	\$ 505,682	\$ 185,682
Community development	235,000	235,000	380,176	145,176
Electrical permits	255,050	255,050	221,750	(33,300)
Electrical plan reviews	61,650	61,650	48,297	(13,353)
State surcharges	69,220	69,220	88,315	19,095
Interest income	40,000	40,000	38,101	(1,899)
Miscellaneous	-	6,000	36,721	30,721
Total revenues	<u>980,920</u>	<u>986,920</u>	<u>1,319,042</u>	<u>332,122</u>
<u>BEGINNING FUND BALANCE AVAILABLE</u>				
<u>FOR APPROPRIATION</u>	<u>1,939,243</u>	<u>1,939,243</u>	<u>1,691,610</u>	<u>(247,633)</u>
	<u>\$2,920,163</u>	<u>\$2,926,163</u>	<u>\$3,010,652</u>	<u>\$ 84,489</u>
<u>EXPENDITURES:</u>				
Current:				
Building department:				
Personnel services	\$ 263,613	\$ 263,613	\$ 244,490	\$ 19,123
Materials and services	330,000	364,120	338,628	25,492
Operating contingency	425,000	396,880	-	396,880
Total expenditures	<u>1,018,613</u>	<u>1,024,613</u>	<u>583,118</u>	<u>441,495</u>
<u>TRANSFERS TO OTHER FUNDS:</u>				
Operating transfers out	<u>280,350</u>	<u>280,350</u>	<u>280,350</u>	<u>-</u>
Total expenditures and transfers	1,298,963	1,304,963	863,468	<u>\$ 441,495</u>
<u>UNAPPROPRIATED BALANCE</u>	<u>1,621,200</u>	<u>1,621,200</u>	<u>2,147,184</u>	
	<u>\$2,920,163</u>	<u>\$2,926,163</u>	<u>\$3,010,652</u>	

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

CITY OF UMATILLA, OREGON

Statement of Net Position - Modified Cash Basis

Proprietary Funds

June 30, 2020

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Water Reserve</u>	<u>Sewer Reserve</u>	<u>Total</u>
<u>ASSETS</u>					
<u>CURRENT ASSETS:</u>					
Cash and investments	\$ 141,857	\$ 495,735	\$ 727,477	\$ 1,858,013	\$ 3,223,082
<u>CAPITAL ASSETS:</u>					
Capital assets, net	3,235,108	9,122,604	-	-	12,357,712
Total assets	<u>3,376,965</u>	<u>9,618,339</u>	<u>727,477</u>	<u>1,858,013</u>	<u>15,580,794</u>
<u>LIABILITIES</u>					
<u>CURRENT LIABILITIES:</u>					
Bonds payable, current portion	-	250,000	-	-	250,000
Notes payable, current portion	23,599	61,765	-	-	85,364
	<u>23,599</u>	<u>311,765</u>	<u>-</u>	<u>-</u>	<u>335,364</u>
<u>LONG TERM LIABILITIES:</u>					
Bonds payable, long-term portion	-	510,000	-	-	510,000
Notes payable, long-term portion	643,779	2,955,306	-	-	3,599,085
	<u>643,779</u>	<u>3,465,306</u>	<u>-</u>	<u>-</u>	<u>4,109,085</u>
Total liabilities	<u>667,378</u>	<u>3,777,071</u>	<u>-</u>	<u>-</u>	<u>4,444,449</u>
<u>NET POSITION</u>					
Net investment in capital assets	2,567,730	5,345,533	-	-	7,913,263
Unrestricted	141,857	495,735	727,477	1,858,013	3,223,082
Total net position	<u>\$2,709,587</u>	<u>\$ 5,841,268</u>	<u>\$ 727,477</u>	<u>\$ 1,858,013</u>	<u>\$ 11,136,345</u>

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

CITY OF UMATILLA, OREGON

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

Proprietary Funds

Year Ended June 30, 2020

Business-Type Activities - Proprietary Funds

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Water Reserve</u>	<u>Sewer Reserve</u>	<u>Total</u>
<u>OPERATING REVENUES:</u>					
Charges for sales and services:					
Water	\$1,295,076	\$ -	\$ 67,779	\$ 48,918	\$ 1,411,773
Sewer	-	1,611,348	-	-	1,611,348
Miscellaneous revenues	4,941	1,706	-	-	6,647
Total operating revenue	<u>1,300,017</u>	<u>1,613,054</u>	<u>67,779</u>	<u>48,918</u>	<u>3,029,768</u>
<u>OPERATING EXPENSES:</u>					
Cost of sales and services	1,105,218	1,007,570	74,695	17,289	2,204,772
Depreciation and amortization	225,916	326,552	-	-	552,468
Total operating expenses	<u>1,331,134</u>	<u>1,334,122</u>	<u>74,695</u>	<u>17,289</u>	<u>2,757,240</u>
<u>OPERATING INCOME (LOSS)</u>	<u>(31,117)</u>	<u>278,932</u>	<u>(6,916)</u>	<u>31,629</u>	<u>272,528</u>
<u>NONOPERATING REVENUES</u>					
<u>(EXPENSES):</u>					
Interest on investments	4,043	7,541	11,961	29,450	52,995
Interest expense	(5,240)	(28,287)	-	-	(33,527)
Total nonoperating revenue (expenses)	<u>(1,197)</u>	<u>(20,746)</u>	<u>11,961</u>	<u>29,450</u>	<u>19,468</u>
<u>INCOME (LOSS) BEFORE</u>					
<u>TRANSFERS</u>					
	(32,314)	258,186	5,045	61,079	291,996
Transfers in	43,805	2,627,665	190,549	2,899,700	5,761,719
Transfers out	(227,299)	(2,954,450)	(4,320)	(2,612,500)	(5,798,569)
<u>CHANGE IN NET POSITION</u>	<u>(215,808)</u>	<u>(68,599)</u>	<u>191,274</u>	<u>348,279</u>	<u>255,146</u>
<u>TOTAL NET POSITION -</u>					
<u>BEGINNING</u>					
	<u>2,925,395</u>	<u>5,909,867</u>	<u>536,203</u>	<u>1,509,734</u>	<u>10,881,199</u>
<u>TOTAL NET POSITION -</u>					
<u>ENDING</u>					
	<u>\$2,709,587</u>	<u>\$5,841,268</u>	<u>\$ 727,477</u>	<u>\$1,858,013</u>	<u>\$11,136,345</u>

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

CITY OF UMATILLA, OREGON

Statement of Cash Flows - Modified Cash Basis

Proprietary Funds

Year Ended June 30, 2020

	<u>Business-Type Activities - Enterprise Funds</u>				
	<u>Water</u>	<u>Sewer</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
	<u>Utility</u>	<u>Utility</u>	<u>Reserve</u>	<u>Reserve</u>	
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>					
Cash receipts from customers	\$1,300,017	\$ 1,613,054	\$ 67,779	\$ 48,918	\$ 3,029,768
Cash payments to suppliers	(575,791)	(435,696)	(74,695)	(17,289)	(1,103,471)
Cash payments to employees	(529,427)	(571,874)	-	-	(1,101,301)
Net cash provided by(used in) operating activities	<u>194,799</u>	<u>605,484</u>	<u>(6,916)</u>	<u>31,629</u>	<u>824,996</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>					
Transfer from other funds	43,805	2,627,665	190,549	2,899,700	5,761,719
Transfer to other funds	(227,299)	(2,954,450)	(4,320)	(2,612,500)	(5,798,569)
Net cash provided by(used in) noncapital financing activities	<u>(183,494)</u>	<u>(326,785)</u>	<u>186,229</u>	<u>287,200</u>	<u>(36,850)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>					
Acquisition and construction of capital assets	(39,920)	(2,622,943)	-	-	(2,662,863)
Interest paid on bonds and notes	(5,240)	(28,287)	-	-	(33,527)
Proceeds from long-term debt	35,049	2,649,700	-	-	2,684,749
Principal paid on bonds and notes	-	(306,668)	-	-	(306,668)
Net cash used in capital and related financing activities	<u>(10,111)</u>	<u>(308,198)</u>	<u>-</u>	<u>-</u>	<u>(318,309)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>					
Interest received	4,043	7,541	11,961	29,450	52,995
Net cash provided by investing activities	<u>4,043</u>	<u>7,541</u>	<u>11,961</u>	<u>29,450</u>	<u>52,995</u>
<u>NET INCREASE(DECREASE) IN CASH</u>	<u>5,237</u>	<u>(21,958)</u>	<u>191,274</u>	<u>348,279</u>	<u>522,832</u>
<u>CASH AND INVESTMENTS, JULY 1</u>	<u>136,620</u>	<u>517,693</u>	<u>536,203</u>	<u>1,509,734</u>	<u>2,700,250</u>
<u>CASH AND INVESTMENTS, JUNE 30</u>	<u>\$ 141,857</u>	<u>\$ 495,735</u>	<u>\$ 727,477</u>	<u>\$ 1,858,013</u>	<u>\$ 3,223,082</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY(USED IN) OPERATING ACTIVITIES:</u>					
Operating income (loss)	\$ (31,117)	\$ 278,932	\$ (6,916)	\$ 31,629	\$ 272,528
<u>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY(USED IN) OPERATING ACTIVITIES:</u>					
Depreciation and amortization	225,916	326,552	-	-	552,468
<u>NET CASH PROVIDED BY(USED IN) OPERATING ACTIVITIES</u>	<u>\$ 194,799</u>	<u>\$ 605,484</u>	<u>\$ (6,916)</u>	<u>\$ 31,629</u>	<u>\$ 824,996</u>

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

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements

June 30, 2020

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

Scope of reporting entity:

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

Government-wide and fund financial statements:

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

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

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

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

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements

June 30, 2020

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

Measurement focus, basis of accounting and financial statement presentation:

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

Major Governmental Funds

General Fund

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

State Tax Street Fund

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

Debt Service Fund

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

Refuse Collection Fund

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

Building Department Fund

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

Capital Reserve Fund

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

Major Proprietary Funds

Water Utility Fund

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

Sewer Utility Fund

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

Water Reserve Fund

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

Sewer Reserve Fund

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

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements

June 30, 2020

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

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

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

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

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

Cash and cash equivalents:

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

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

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

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

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

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

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements

June 30, 2020

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

Capital assets and long-term liabilities:

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

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

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

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

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

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

Restricted net position:

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

Inventories:

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

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements

June 30, 2020

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

Accounting estimates:

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

Accrued vacations:

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

Interfund transactions:

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

Property taxes:

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

The 2019-20 tax levy was adopted June 4, 2019. The levy is within the available tax base, including debt service levy.

Income taxes:

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

Post-employment health care benefits:

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

Credit risk:

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

Fund balance:

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

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements

June 30, 2020

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

Fund balance (continued):

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

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

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

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

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

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

	<u>General</u>	<u>State Street Tax</u>	<u>Refuse Collection</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balances:						
Restricted:						
Debt service	\$ -	\$ -	\$ -	\$ 3,470	\$ -	\$ 3,470
Highways and streets	-	594,450	-	-	-	594,450
Total restricted	<u>-</u>	<u>594,450</u>	<u>-</u>	<u>3,470</u>	<u>-</u>	<u>597,920</u>
Committed:						
Culture and recreation	-	-	-	-	357,973	357,973
Capital projects	-	-	-	-	1,666,472	1,666,472
Refuse Collection	-	-	162,062	-	-	162,062
Building department	-	-	-	-	2,147,184	2,147,184
Total committed	<u>-</u>	<u>-</u>	<u>162,062</u>	<u>-</u>	<u>4,171,629</u>	<u>4,333,691</u>
Unassigned	4,448,495	-	-	-	-	4,448,495
Ending net assets	<u>\$ 4,448,495</u>	<u>\$ 594,450</u>	<u>\$ 162,062</u>	<u>\$ 3,470</u>	<u>\$ 4,171,629</u>	<u>\$ 9,380,106</u>

\$594,450 is restricted for highways and streets by enabling legislation.

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements

June 30, 2020

NOTE 2 -- STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budget procedures:

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

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

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

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

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

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

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

Two supplemental budgets were adopted during the year ended June 30, 2020; income increased in the general, water utility, sewer utility, state street tax, capital reserve, building department, water reserve, and refuse collection funds. The supplemental budgets increased expenditures and transfers allocated as follows: to the general fund: materials and services \$86,800, personnel services \$4,000, capital outlay \$1,500, operating contingency \$260,493 and transfers \$145,000, water utility fund: materials and services \$75,300, personnel services \$5,000, sewer utility fund: materials and services \$140,000, debt service \$6,000, state street tax fund: materials and services \$40,600, personnel services \$6,000, and capital outlay \$93,575, capital reserve fund: capital outlay \$106,500 and transfers \$500, building department fund: materials and services \$34,120, water reserve fund: materials and services \$5,000 and capital outlay \$30,000, and refuse collection fund: materials and services \$30,000 and transfers \$10,000.

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements

June 30, 2020

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

Budget procedures (continued):

The following funds legally adopt annual budgets:

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

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

Personnel services	Capital outlay
Materials and services	Debt service

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

NOTE 3 -- CASH AND CASH EQUIVALENTS:

Cash and cash equivalents consisted of the following:

Cash on hand	\$ 630
Bank checking accounts	4,081,318
Local government investment pool	8,521,240
Total cash and cash equivalents	<u>\$ 12,603,188</u>

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned. ORS Chapter 295 governs the collateralization of Oregon public funds and provides the statutory requirements for the Public Funds Collateralization Program. The Public Funds Collateralization Program was created by the Office of the State Treasurer to facilitate bank depository, custodian and public official compliance with ORS 295. ORS 295 requires the depository institution to pledge collateral against any public funds deposits in excess of deposit insurance amounts. As of June 30, 2020, the total bank balance was \$4,081,318. Of these deposits, \$250,000 was covered by federal depository insurance. The City maintains its funds at a financial institution deemed to be a qualified depository by the Office of the State Treasurer. The City's remaining deposits in excess of federal deposit insurance are considered by management to be fully collateralized. The City has not adopted a formal investment policy addressing this risk.

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements

June 30, 2020

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

Credit Risk – Investments

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

Custodial Credit Risk – Investments

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

Fair Value Measurements

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

NOTE 4 -- RISK MANAGEMENT:

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

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements
June 30, 2020

NOTE 5 -- CAPITAL ASSETS:

Capital asset activity for the year June 30, 2020 was as follows:

	<u>Balance</u> <u>June 30, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2020</u>
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 1,042,533	\$ 438,180	\$ -	\$ 1,480,713
Total assets not being depreciated	<u>1,042,533</u>	<u>438,180</u>	<u>-</u>	<u>1,480,713</u>
Capital assets being depreciated:				
Buildings and improvements	3,225,979	-	-	3,225,979
Equipment	1,003,300	72,780	-	1,076,080
Vehicles	748,836	31,049	-	779,885
Infrastructure	1,569,945	432,793	-	2,002,738
Total capital assets being depreciated	<u>6,548,060</u>	<u>536,622</u>	<u>-</u>	<u>7,084,682</u>
Less: Accumulated depreciation:				
Buildings and improvements	(1,134,343)	(81,481)	-	(1,215,824)
Equipment	(647,381)	(89,764)	-	(737,145)
Vehicles	(667,094)	(35,881)	-	(702,975)
Infrastructure	(994,342)	(84,427)	-	(1,078,769)
Total accumulated depreciation	<u>(3,443,160)</u>	<u>(291,553)</u>	<u>-</u>	<u>(3,734,713)</u>
Total capital assets being depreciated, net	<u>3,104,900</u>	<u>245,069</u>	<u>-</u>	<u>3,349,969</u>
Governmental activities capital assets, net	<u>\$ 4,147,433</u>	<u>\$ 683,249</u>	<u>\$ -</u>	<u>\$ 4,830,682</u>
<u>Business-type activities:</u>				
Capital assets being depreciated:				
Sewer utility system and equipment	\$ 13,710,778	\$ 2,622,943	\$ -	\$ 16,333,721
Water utility system and equipment	7,442,259	39,920	-	7,482,179
Total capital assets being depreciated	<u>21,153,037</u>	<u>2,662,863</u>	<u>-</u>	<u>23,815,900</u>
Less: Accumulated depreciation:				
Sewer utility system and equipment	(6,884,565)	(326,552)	-	(7,211,117)
Water utility system and equipment	(4,021,155)	(225,916)	-	(4,247,071)
Total accumulated depreciation	<u>(10,905,720)</u>	<u>(552,468)</u>	<u>-</u>	<u>(11,458,188)</u>
Total capital assets being depreciated, net	<u>10,247,317</u>	<u>2,110,395</u>	<u>-</u>	<u>12,357,712</u>
Business-type activities capital assets, net	<u>\$ 10,247,317</u>	<u>\$ 2,110,395</u>	<u>\$ -</u>	<u>\$ 12,357,712</u>

Depreciation was charged to functions and programs as follows:

Governmental activities:

General government	\$ 85,042
Public safety	46,492
Highways and streets	104,231
Recreation	55,788
Total depreciation expense governmental activities	<u>\$ 291,553</u>

Business-type activities:

Water	\$ 225,916
Sewer	326,552
Total depreciation expense business-type activities	<u>\$ 552,468</u>

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements

June 30, 2020

NOTE 6 -- LONG-TERM DEBT:

Bonds Payable:

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

Series 2014 Sewer Revenue Refunding Bonds:

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

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
Business-type activities:		
2014 Sewer Refunding Bond	2.0%	<u>\$ 760,000</u>

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 250,000	\$ 17,800
2022	260,000	11,400
2023	250,000	3,750
	<u>\$ 760,000</u>	<u>\$ 32,950</u>

Notes payable:

Banner Bank:

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

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements

June 30, 2020

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

Notes payable (continued):

IFA:

The City received fund advances from Oregon Infrastructure Finance Authority (IFA) on several dates during the current and prior fiscal years. The total loan amount of \$444,815 was closed out during the fiscal year ended June 30, 2020. Repayment commenced on December 1, 2019. The loan is due in seven payments and will carry interest at 1.42% from the date of disbursement. This note is reported as a debt of the enterprise funds.

The City received fund advances from Oregon Infrastructure Finance Authority (IFA) totaling \$667,378 during the current and prior fiscal years. The project has been completed and all funds have been disbursed. The loan will be due 20 years from commencement or upon the receipt of refunding proceeds and will carry interest at 3.5% from the date of disbursement. This note is reported as a debt of the enterprise funds.

Clean Water Loan:

The City received fund advances from the State of Oregon Department of Environmental Quality Clean Water State Revolving Loan Fund totaling \$2,633,924 during the current and previous fiscal years, the total loan amount is expected to be \$2,892,420 and payments will commence when the project has been completed and all funds have been disbursed. The loan will be due in sixty payments and will carry interest at 1.56% from the date of disbursement. This note is reported as debt of the enterprise funds.

Individual:

The City purchased land on contract from an individual on August 23, 2018 for \$200,000. The note carries interest at 4% per annum. Repayment commenced on August 15, 2019. This note is recorded as a debt of the governmental funds.

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
Governmental activities:		
Banner Bank	4.90%	\$ 476,119
Individual	4.00%	149,978
		<u>\$ 626,097</u>
Business-type activities:		
DEQ	1.56%	\$ 2,633,924
IFA	1.42%	383,147
IFA	3.50%	667,378
		<u>\$ 3,684,449</u>

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements

June 30, 2020

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

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

Fiscal Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 143,308	\$ 29,946	\$ 85,364	\$ 32,211
2022	148,203	23,017	164,956	86,377
2023	153,060	15,968	167,920	83,023
2024	108,179	9,043	170,946	79,602
2025	73,347	3,644	174,034	76,112
2026-2030	-	-	643,333	331,479
2031-2035	-	-	640,663	256,760
2036-2040	-	-	711,506	173,996
2041-2045	-	-	539,849	97,983
2046-2050	-	-	385,878	35,295
	<u>\$ 626,097</u>	<u>\$ 81,618</u>	<u>\$ 3,684,449</u>	<u>\$ 1,252,838</u>

Changes in long-term debt

Long-term liability activity for the year follows:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Amount due within one year
Governmental activities:					
Notes Payable:					
Banner Bank	\$ 565,331	\$ -	\$ 89,212	\$ 476,119	\$ 93,308
Individual	200,000	-	50,022	149,978	50,000
Total Governmental activities	<u>\$ 765,331</u>	<u>\$ -</u>	<u>\$ 139,234</u>	<u>\$ 626,097</u>	<u>\$ 143,308</u>
Business-Type Activities:					
Bonds payable:					
Sewer Refunding Bonds	\$ 1,005,000	\$ -	\$ 245,000	\$ 760,000	\$ 250,000
Notes payable:					
IFA	632,329	35,049	-	667,378	23,599
IFA	402,999	41,816	61,668	383,147	61,765
DEQ Clean Water Loan	26,040	2,607,884	-	2,633,924	-
Total notes payable	<u>1,061,368</u>	<u>2,684,749</u>	<u>61,668</u>	<u>3,684,449</u>	<u>85,364</u>
Total Business-Type Activities	<u>\$ 2,066,368</u>	<u>\$ 2,684,749</u>	<u>\$ 306,668</u>	<u>\$ 4,444,449</u>	<u>\$ 335,364</u>

NOTE 7 -- GARBAGE DISPOSAL CONTRACT:

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

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements

June 30, 2020

NOTE 8 -- CONTINGENT LIABILITIES:

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

NOTE 9 -- RELATED PARTY:

The City has considered related party transactions through the date of this report and no related party transactions have been identified.

NOTE 10 -- INTERFUND TRANSACTIONS:

Transfer Out:	Transfer In:								
	General	State Street tax	Capital Reserve	Water Utility	Sewer Utility	Water Reserve	Sewer Reserve	Nonmajor Governmental	Total Transfers Out
General	\$ -	\$ 7,000	\$ 434,032	\$ 3,885	\$ 4,722	\$ -	\$ -	\$ 43,957	\$ 493,596
Water utility	-	-	36,750	-	-	190,549	-	-	227,299
Sewer utility	-	-	54,750	-	-	-	2,899,700	-	2,954,450
Water reserve	-	-	-	4,320	-	-	-	-	4,320
Sewer reserve	-	-	-	-	2,612,500	-	-	-	2,612,500
State street tax	-	-	48,950	-	-	-	-	-	48,950
Capital reserve	85,045	-	-	35,600	10,443	-	-	-	131,088
Building dept.	75,236	-	205,114	-	-	-	-	-	280,350
Nonmajor governmental	1,500	-	10,000	-	-	-	-	-	11,500
Total transfers in	\$ 161,781	\$ 7,000	\$ 789,596	\$ 43,805	\$ 2,627,665	\$ 190,549	\$ 2,899,700	\$ 43,957	\$ 6,764,053

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

Net transfer from business-type activities:

Transfers out:	
Water utility fund	\$ (227,299)
Sewer utility fund	(2,954,450)
Water reserve fund	(4,320)
Sewer reserve fund	(2,612,500)
Transfers in:	
Water utility fund	43,805
Sewer utility fund	2,627,665
Water reserve fund	190,549
Sewer reserve fund	2,899,700
	<u>\$ (36,850)</u>

Net transfers to governmental activities:

Transfers out:	
General fund	\$ (493,596)
State street tax fund	(48,950)
Capital reserve fund	(131,088)
Building department fund	(280,350)
Non-major governmental funds	(11,500)
Transfers in:	
General fund	161,781
State street tax fund	7,000
Capital reserve fund	789,596
Non-major governmental funds	43,957
	<u>\$ 36,850</u>

The City makes routine transfers between funds as follows:

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

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements

June 30, 2020

NOTE 10 -- INTERFUND TRANSACTIONS (continued):

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

The City budgets debt service payments of proprietary and governmental debt in various funds. The proprietary fund financial statements report debt service payments as reductions of long-term debt and interest expense.

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

NOTE 11 -- DEFINED BENEFIT PENSION PLAN:

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

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 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/Financials/actuarial-Financial-Information.aspx>.

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

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

Pension Benefits:

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

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

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements

June 30, 2020

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

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

Death Benefits:

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

Disability Benefits:

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

Benefit Changes After Retirement

Members may choose to continue participation in a variable equities investment accounts after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living (COLA) changes. the COLA is capped at 2.0 percent.

OPSRP Defined Benefit 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:

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

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

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

Death Benefits:

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

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements

June 30, 2020

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

OPSRP Defined Benefit Pension Program (OPSRP DB) (continued):

Disability Benefits:

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

Benefit Changes After Retirement:

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and \$750 plus 0.15 percent on annual benefits above \$60,000.

OPSRP Individual Account Program (OPSRP IAP):

Pension Benefits:

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

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

Death Benefits:

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

Recordkeeping:

OPERS contracts with VOYA Financial to maintain IAP participant records.

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements

June 30, 2020

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

Contributions:

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. 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, 2017 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2019. Employer contributions for the year ended June 30, 2020 were \$332,010. Covered employees are required to contribute 6.00% of wages and the City is required to contribute 19.07% of Tier 1/Tier 2 wages, 11.02% of OPSRP General service wages, and 15.65% of OPSRP Police and Fire wages. The City has opted to pick-up the contributions on behalf of employee; contributions were \$157,333 for the year ended June 30, 2020.

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

At June 30, 2020, the City reported a liability of \$3,590,879 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as December 31, 2017 rolled forward to June 30, 2019. At June 30, 2019, the City's proportionate share was 0.02075940%, which was increased from its proportion of .01715339% measured as of June 30, 2018.

For the year ended June 30, 2020, the City recognized pension expense of \$962,738, and 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	\$ 198,026	\$ -
Changes in assumptions	487,144	-
Net differences between projected and actual earnings on investments	-	101,798
Changes in proportionate share	404,492	-
Differences between employer contributions and proportionate share of contributions	-	207,794
	<u>1,089,662</u>	<u>309,592</u>
Contributions subsequent to measurement date	346,859	-
	<u>\$1,436,521</u>	<u>\$ 309,592</u>

Changes in Plan Provisions:

There were no changes during or subsequent to the June 30, 2019 measurement period that require disclosure.

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements

June 30, 2020

NOTE 12 -- POSTEMPLOYMENT HEALTH INSURANCE PLAN:

Plan description:

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

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

Contributions:

PERS employers contribute 0.06 percent of PERS-covered salaries for Tier One and Tier Two members to fund the normal cost portion of RHIA benefits. PERS employers contributed 0.45 percent of all PERS-covered salaries to amortize the unfunded actuarial accrued liability.

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

At June 30, 2020, the City reported an asset of \$35,717 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2019. The total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2017 and rolled forward to the measurement date of June 30, 2019.

The basis for the employer's proportion is determined by comparing the employer's actual, legally required contributions made during the fiscal year to the Plan with the total actuarial contributions in the fiscal year of all employers. At June 30, 2019 the City's proportion was 0.01848368% compared to its proportion of 0.02162573% as of June 30, 2018.

For the year ended June 30, 2020, the City recognized OPEB income of \$4,089.

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements
June 30, 2020

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

At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 4,710
Changes in assumptions	-	37
Net differences between projected and actual earnings on investments	-	2,205
Changes in proportionate share	<u>1,721</u>	<u>290</u>
	1,721	7,242
Contributions subsequent to the measurement date	<u>1,327</u>	-
	<u>\$ 3,048</u>	<u>\$ 14,484</u>

Changes in Plan Provisions:

There were no changes during or subsequent to the June 30, 2019 measurement period that require disclosure.

NOTE 13 -- TAX ABATEMENTS:

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

City property tax revenues were reduced as follows:

Enterprise zones	\$ 909,154
Strategic investment programs	<u>1,549,785</u>
	<u>\$2,458,939</u>

NOTE 14 -- SUBSEQUENT EVENTS:

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

The City plans to purchase 101 acres in McNary along with the associated water rights and equipment for a total price of \$2.05M. The City is planning to finance this purchase on a full faith and credit issuance through Banner Bank of approximately \$1.7M with a 20 year term.

The City engaged in an option to purchase more than 200 acres of land and water rights to be developed into an industrial park. The City anticipates exercising the option during the fiscal year ending June 30, 2021. The total purchase price is \$3,000,000 and will need to be financed through a bank loan.

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements

June 30, 2020

NOTE 14 -- SUBSEQUENT EVENTS (continued):

The City of Umatilla is partnering with ODOT on a revitalization project between Yerxa Avenue and the Umatilla River Bridge that will include roadway paving, construction of sidewalks and curb extensions, pedestrian crossings and lighting. Over the past few years, the City has continued to save funds for the matching requirement of the project. The total project budget is \$6.8 million, including the City's contribution of \$700,000 (already paid out of Reserved Surface Transportation Program (STP) exchange funds). As the costs of designing the ADA compliant ramps increased, ODOT has to pull the light poles and trees out of the project. The City will be installing the lighting as part of a secondary project. The City paid for the bulk of the light poles in FY2019-20, but anticipate the remaining \$75,000 in light poles and \$145,000 in installation to be paid in FY2020-21. The City will also be adding a section of sidewalk, lighting and landscape improvements on 6th Street, between L Street and Switzler. The City will use the Reserved STP exchange funds and the \$345,000 that is set aside in reserves for Downtown Revitalization to cover these portions of the project.

MANAGEMENT DISCUSSION
AND ANALYSIS

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of the City of Umatilla’s annual financial report presents our discussion and analysis of the City’s financial performance during the fiscal year ended June 30, 2020. Please read it in conjunction with the City’s financial statements, which precede this section.

Financial Planning Process

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

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

Financial Highlights

- The net position of the City of Umatilla exceeded its liabilities at the close of the most recent fiscal year by \$24,721,036. Of this amount, \$12,005,268 may be used to meet the government’s ongoing obligations to citizens and creditors. This is an increase from last fiscal year of \$3,505,128 to meet ongoing obligations.
- The government’s total net position increased by \$4,260,371.
- As of the close of the current fiscal year, the City of Umatilla’s governmental funds reported combined ending fund balances of \$9,380,106. Only 47.4% of this total amount, \$4,448,495, is available for spending at the government’s discretion. The remainder is reserved for streets, debt service, culture and recreation and capital projects.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$4,448,495, or 102.2% of total General Fund expenditures. This is an increase from last year of \$2,542,358.
- The City of Umatilla’s total secured debt increased by \$2,238,847 (79.1%) during the current fiscal year.

Overview of the Financial Statements

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

- Government-wide financial statements

- Fund Financial statements
- Notes to the basic financial statements

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

Government-wide Financial Statements

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

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

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

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

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

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

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

Fund Financial Statements

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the acquisition and use of current

expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and government activities. The reconciliations can be found on pages 11 and 13 in the basic financial statements.

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

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

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-42 of this report.

Other supplementary information. The combining statements referred to earlier in connection with non-major governmental funds, the schedule of property tax transactions, the schedule of bonded debt transactions and future requirements for bonded debt and four schedules required to demonstrate compliance with bond indenture requirements are included in this report and can be found on pages 54-72.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$24,721,036 at the close of the most recent fiscal year.

The largest portion of the City's net position, \$12,117,848, or 49% reflects its investment in capital assets (e.g., land and right-of-way, buildings, improvements, equipment, and infrastructure, net of accumulated depreciation) less any debt related to the acquisition of those assets. The City uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Umatilla's Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2020	2019	2020	2019	2020
Current and other assets	\$ 6,197,364	\$ 9,380,106	\$ 2,700,250	\$ 3,223,082	\$ 8,897,614	\$ 12,603,188
Fixed assets, net, where applicable, of accumulated depreciation	4,147,433	4,830,682	10,247,317	12,357,712	14,394,750	17,188,394
Total assets	<u>10,344,797</u>	<u>14,210,788</u>	<u>12,947,567</u>	<u>15,580,794</u>	<u>23,292,364</u>	<u>29,791,582</u>
Non-current liabilities	625,970	482,789	1,215,507	4,109,085	1,841,477	4,591,874
Other liabilities	139,361	143,308	850,861	335,364	990,222	478,672
Total liabilities	<u>765,331</u>	<u>626,097</u>	<u>2,066,368</u>	<u>4,444,449</u>	<u>2,831,699</u>	<u>5,070,546</u>
Net position:						
Net investment in capital assets	3,382,102	4,204,585	8,180,949	7,913,263	11,563,051	12,117,848
Restricted	397,474	597,920	-	-	397,474	597,920
Unrestricted	5,799,890	8,782,186	2,700,250	3,223,082	8,500,140	12,005,268
Total net position	<u>\$ 9,579,466</u>	<u>\$13,584,691</u>	<u>\$ 10,881,199</u>	<u>\$ 11,136,345</u>	<u>\$ 20,460,665</u>	<u>\$ 24,721,036</u>

A portion of the City's net position, \$597,920, represents resources that are subject to external restrictions on how they may be used. These include debt service and street taxes. The remaining balance of unrestricted net position, \$12,005,268, or 48.6% may be used to meet the government's ongoing obligations to citizens and creditors. This is an increase from last year of \$3,505,128.

City of Umatilla's Change in Net Position

Governmental Activities. Governmental activities increased the City's net position by \$4,005,225.

Business-type activities. Business-type activities increased the City's net position by \$255,146.

	Governmental Activities		Business-type Activities		Total	
	2019	2020	2019	2020	2019	2020
Charges for services	\$ 2,926,779	\$ 3,164,529	\$ 2,762,599	\$ 3,023,121	\$ 5,689,378	\$ 6,187,650
Contributions and grants	54,920	32,737	-	-	54,920	32,737
Taxes (all sources)	1,358,081	1,875,411	-	-	1,358,081	1,875,411
Shared revenue	963,749	995,898	-	-	963,749	995,898
Use of money and property	139,306	148,710	54,629	52,995	193,935	201,705
Transfers	92,612	36,850	(92,612)	(36,850)	-	-
Gain/(loss) on sale of assets	-	-	-	-	-	-
Miscellaneous receipts	1,569,756	4,082,030	74,434	6,647	1,644,190	4,088,677
Total Revenues	7,105,203	10,336,165	2,799,050	3,045,913	9,904,253	13,382,078
General government	1,250,028	1,614,691	-	-	1,250,028	1,614,691
Sanitation	780,114	763,741	-	-	780,114	763,741
Streets	568,358	512,246	-	-	568,358	512,246
Library	198,940	222,974	-	-	198,940	222,974
Police	2,128,645	2,319,228	-	-	2,128,645	2,319,228
Recreation	744,612	898,060	-	-	744,612	898,060
Sewer and water	-	-	2,698,681	2,790,767	2,698,681	2,790,767
Total expenses	5,670,697	6,330,940	2,698,681	2,790,767	8,369,378	9,121,707
Net position - beginning, as adjusted	8,144,960	9,579,466	10,780,830	10,881,199	18,925,790	20,460,665
Change in net position	1,434,506	4,005,225	100,369	255,146	1,534,875	4,260,371
Net position, end of year	\$ 9,579,466	\$ 13,584,691	\$ 10,881,199	\$ 11,136,345	\$ 20,460,665	\$ 24,721,036

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,380,106. Approximately 47.4% of this total amount, \$4,448,495, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *restricted or committed* to indicate that it is not available for new spending because it has already been designated for a variety of purposes.

The General Fund is the chief operating fund of the City of Umatilla. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$4,448,495. As a measure of the General Fund's liquidity it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 102.2% of total General Fund expenditures of \$4,352,239. This ratio has doubled from 50.1% in the prior year.

The fund balance of the City's General Fund increased by \$2,452,358 during the fiscal year. The fund experienced significant increases in property tax revenue and tax abatement program proceeds. Franchise fees remained relatively flat and there was a slight decrease in court collections. Expenditures were up across each department.

The Street Fund has total fund ending balance of \$594,450, an increase of \$199,823 from the prior year. The passage of the state transportation package, HB 2017, during the 2017 legislative session provided significant per capita dollar increases to the state highway revenue sharing dollars. These increases helped to offset rising employee benefit and maintenance expenses. The Lind Road and Union Street improvement project also commenced, resulting in additional grant and private contribution revenue and corresponding capital outlay.

The fund balance of the Building Department Fund increased by \$455,574 during the fiscal year. A large volume of industrial and residential building activity has allowed this fund to grow each year.

Other governmental funds remained relatively stable during the year.

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

Unrestricted net position of the Sewer Fund, both operating and reserve, at the end of the year amounted to \$2,353,748. The Water Fund, both operating and reserve, had unrestricted net position of \$869,334.

General Fund Budgetary Highlights

For the year ended June 30, 2020 there was a very slight variation between the budgeted revenue and the actual revenues received in the General Fund. Collections for property tax, franchise fees and intergovernmental revenues were slightly above projections, which offset the shortfall in court collections. Expenditures were under budget in all operating departments.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business type activities as of June 30, 2020, amounted to \$17,188,394 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment and roads.

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

	Governmental		Business-type		Total	
	Activities		Activities			
	2019	2020	2019	2020	2019	2020
Land	\$ 1,042,533	\$ 1,480,713	\$ -	\$ -	\$ 1,042,533	\$ 1,480,713
Buildings	2,091,636	2,010,155	-	-	2,091,636	2,010,155
Infrastructure	575,603	923,969	-	-	575,603	923,969
Sewer	-	-	6,826,213	9,122,604	6,826,213	9,122,604
Water	-	-	3,421,104	3,235,108	3,421,104	3,235,108
Machinery and Equipment	355,919	338,935	-	-	355,919	338,935
Vehicles	81,742	76,910	-	-	81,742	76,910
Total	\$ 4,147,433	\$ 4,830,682	\$ 10,247,317	\$ 12,357,712	\$ 14,394,750	\$ 17,188,394

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

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$760,000. This debt represents bonds secured solely by specified revenue sources.

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

	Governmental		Business-type		Total	
	Activities		Activities			
	2019	2020	2019	2020	2019	2020
Special Assessment debt with governmental Commitment	\$ 765,331	\$ 626,097	\$ -	\$ -	\$ 765,331	\$ 626,097
Special Assessment debt with enterprise fund Commitment	-	-	1,061,368	3,684,449	1,061,368	3,684,449
Revenue Bonds	-	-	1,005,000	760,000	1,005,000	760,000
Total	\$ 765,331	\$ 626,097	\$ 2,066,368	\$ 4,444,449	\$ 2,831,699	\$ 5,070,546

The City's total debt increased by \$2,238,847 (79.1%) during the current fiscal year. Additional information on the City's outstanding debt can be found in note 6 in Notes to the Basic Financial Statement section of this report.

Economic Factors and Next Year's Budgets and Rates

During the preparation of the budget for the ensuing fiscal year, the long-term impacts of the local economy were examined in conjunction with business decisions made by the City. The following are the major assumptions used in developing the FY2021 budget:

- Assessed values, the basis of property tax revenues, will grow by 3%. In the previous fiscal year, we saw a 42% increase in value due to the consumable property at the data centers that have passed the three-year abatement. We anticipate another 20% increase in property tax receipts in the next fiscal year.
- To date, we have received over \$1.2 million in Community Service Fee (CSF) revenue related to the enterprise zone agreements on the first four buildings of PDX2, which includes \$532,000 from FY2020. We anticipate an increase of approximately 45% in the annual payment next year to \$770,000.
- In FY2020, the City received the first revenue resulting from the SIP agreement on the fifth building of PDX2 and the PDX63 campus. The first category of payments is ad valorem taxes in which the first \$25 million in real market value shall be taxable at its assessed value. The City received the full \$73,000 in additional annual property tax revenue for FY2020. This payment will remain the same moving forward. The second category is the Community Service Fee (CSF) in an amount equal to 25% of the property taxes that would be due on the exempt property, not exceeding \$500,000 in any year for 15 years. An agreement was made in July 2018 to distribute the \$500,000 among the City and the special taxing districts. The City's maximum annual distribution will be \$91,197 and the full amount was received in this fiscal year. This payment will remain the same for the full 15-year period. The third category is the Additional Annual Improvement Payment of \$4 million per year for 15 years. This payment is to be split between the City and Umatilla County. Both entities will receive \$2 million annually with the first payment received in FY2020.
- Council approved a monthly water and sewer rate increase as a result of the utility rate study completed by FCS Group in spring 2020. The overall water increase is 25% but the rate for each customer class depends on factors such as customer costs, base capacity, peak capacity, meters & services and fire flow. The overall sewer increase is 26% but the rate for each customer class depends on factors such as customer costs, flow, BOD and TSS. The average residential customer, using 25,000 gallons, will see a 5.1% increase in their utility bill, or a \$5.24 increase monthly effective July 1, 2020.
- The City's electrical franchise agreement cap with UEC was re-negotiated in March 2020. The previous cap was \$500,000 annually. The new agreement contains an increased cap of \$1 million in 2020-2024 and \$1.5 million in 2025-2029. It is anticipated the full \$1 million would be collected in FY2021. We also project revenue of \$190,000 from Pacific Power.
- Insurance costs will be slightly higher for the FY2021 budget. While the property rates are increasing by 15% and liability rates are increasing by 5%. We estimate an overall premium increase of \$9,400.
- Council approved a cost-of-living-adjustment (COLA) of 2% for wage levels A-H, no COLA for level I due to substantial wage increase in previous year, and a 1% COLA for levels J-K.
- The current collective bargaining agreement is in effect through June 30, 2021. For the final year of the agreement, union employees will receive a 3.5% salary increase.
- New PERS rates took effect July 1, 2019 and are locked in until June 30, 2021. Rates are 19.07% for Tier 1 and Tier 2, 11.02% for OPSRP General Schedule and 15.65% for OPSRP Police. In addition to the employer's portion, the City pays the employee's 6% required match.
- City County Insurance Services announced that current health plans will terminate at the end of 2020. The new health plans will have higher copays primarily related to prescription and vision coverage. Health insurance costs are increasing by approximately 8%.

- The FY2021 budget continues to demonstrate an increased emphasis on technology upgrades and staff training among all departments.
- The FY2021 budget includes funding for a new School Resource Officer, Certified Electrical Inspector, and Community Development Coordinator. Personnel costs will increase accordingly.
- This budget looks to immediately begin implementing our newly adopted Trails Master Plan and includes more than \$1 million in trails/bike path improvements, which anticipates nearly 60% of these costs being paid for from state and federal grant programs. The City has two grant applications pending through the Oregon Parks and Recreation (OPRD) Local Government Grant Program and Recreational Regional Trails Program. These improvements will create all-new and refurbished trails in the south hill area that will connect to the downtown and will be able to be used by persons of all physical abilities.
- City staff has been working with Seder Architecture & Urban Design on a renovation and expansion project of the old post office building into the new City of Umatilla Business Center. This Business Center will house the Community Development Department and a multi-use room and kitchen for events and meetings in the existing building and will have a two-story expansion that will serve as a business incubator for new business owners on the lower level, while providing long term rental space on the second floor. We estimate this project will cost \$5,250,000, which includes the building, parking and street improvements. City staff will be actively pursuing grants and legislative funding and hopes to have construction completed by the end of June 2022.
- Power City and Brownell are two communities that lie within the City of Umatilla's Urban Growth Boundary, but are not provided with water or sewer service by the City. The City was recently awarded a Community Development Block Grant (CDBG) in the amount of \$734,000 for the final design of water utility extension to these areas. This project will be the first step towards closing these identified "donut holes" in the City and bringing compliant drinking water to these communities. The City will also be submitting a similar \$372,500 CDBG planning grant application in the fall for sewer extension to the same areas. The cost-effectiveness of conducting these two projects simultaneously is extraordinary. \$250,000-\$300,000 will be saved by doing the pre-construction work, including engineering surveys, wetland delineations and permitting and cultural/archaeological work.
- The FY2021 budget includes \$275,000 to update Kiwanis Falls at the intersection of US-730 and Highway 395. This will be a great artistic and beautiful gateway project for the City. The new project, though the design has not been started or completed, will feature ornamental hardscapes and landscapes that put our local arid beauty on display, water features that will enhance the design and represent our historical two rivers, artist created pieces that highlight our rivers and our history, and light features to create a beautiful and urbane evening display.
- In the FY2020, the City was awarded an Immediate Opportunity Fund (IOF) grant for improvements to Lind Rd. and Union St. The total project cost is \$1,909,000 and the grant covers 50%. The majority of the match will be reimbursed through a private partnership and the City expects its' contribution to be approximately \$70,000. Engineering and wetland delineation work is underway and any unused funds will be rolled into FY2021.
- COVID-19 is an unprecedented worldwide pandemic that will have significant budget impacts. The City is committed to doing all we can to support and assist our residents and businesses. The FY2021 budget has \$75,000 designated to yet-to-be determined COVID-19 relief.
- We also realize that the pandemic will create revenue shortfalls, primarily in the Street Fund and Transient Room Tax Fund. As travel has been significantly reduced, so have the state wide fuel tax collections and the City's estimated amount of State Highway Revenue Apportionment. The City collects a 3.5% Transient Room Tax on lodging revenues. We anticipate a 50% reduction in those revenues this year.

- The City was recently awarded a feasibility study grant from Oregon Water Resources Department (OWRD) to cover approximately half of the project cost to develop a hydraulically-connected well to utilize the City's unused surface water right. The project would be to make exploratory bores, test and monitor the water quality to determine hydraulic connection, then construct a single test well and coordinate with OWRD regulators about the results to their satisfaction. To cover the remainder of the project, the City has secured a \$372,800 loan from Business Oregon's Infrastructure Finance Authority (IFA). The loan paperwork is anticipated to be finalized by the end of 2020 with the project commencing early 2021.
- The City engaged in an option to purchase more than 200 acres of land and water rights to be developed into an industrial park. The City anticipates exercising the option during FY2021. The total purchase price is \$3,000,000 and will need to be financed through a bank loan.
- In accordance with the July 2019 “Preparing Wastewater Planning Documents and Environmental Reports for Public Utilities” guidance document, the City of Umatilla intends to develop a Wastewater Facility Plan to be reviewed and approved by the Oregon Department of Environmental Quality (ODEQ). The plan will generally include a description of existing sewer treatment and collection systems, capacity and compliance analysis, anticipated needs for future facilities, and description of future facilities including schedule, cost, and financing. In order to fund this project, the City is applying for a \$20,000 technical assistance grant from Business Oregon and a \$234,000 planning loan from CWSRF. The term of the note will be 5 years and will carry interest at 0.59%.
- Umatilla has not updated its Water Master Plan since 2008 and has experiences a significant amount of development and growth throughout the city. In FY2021 the City intend to develop a Water Master Plan to be reviewed and approved by the Oregon Health Authority (OHA). The plan will generally include a description of existing water supply, storage, and distribution systems, capacity and compliance analysis, anticipated needs for future facilities, and a description of future facilities including schedule, cost and financing. The City is applying for a \$20,000 technical assistance grant from Business Oregon to help cover a portion of the \$165,500 plan update.

Request for Information

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

Melissa Ince, CPA
 Finance & Administrative Services Director
 City of Umatilla
 P O Box 130
 Umatilla, OR 97882

SUPPLEMENTARY INFORMATION

CITY OF UMATILLA, OREGON

Non-major Governmental Funds

June 30, 2020

SPECIAL REVENUE FUNDS:

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

Library Fund

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

Transient Room Tax Fund

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

CAPITAL PROJECT FUNDS:

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

Building Reserve Fund

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

CITY OF UMATILLA, OREGON

Non-major Governmental Funds
Combining Balance Sheet - Modified Cash Basis
June 30, 2020

	Special Revenue Funds		Capital Project Fund	Total Non-major Governmental Funds
	Library	Transient Room Tax	Building Reserve	
ASSETS				
Cash and cash equivalents	\$ 147,074	\$ 210,899	\$ 144,393	\$ 502,366
	\$ -	\$ -	\$ -	\$ -
LIABILITIES				
FUND BALANCES:				
Committed	147,074	210,899	144,393	502,366
Total liabilities and fund balances	\$ 147,074	\$ 210,899	\$ 144,393	\$ 502,366

See accompanying independent auditors' report.

CITY OF UMATILLA, OREGON

Non-major Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Modified Cash Basis
Year Ended June 30, 2020

	Special Revenue Funds		Capital Project Fund	Total Non-major Governmental Funds
	Library	Transient Room Tax	Building Reserve	
<u>REVENUES:</u>				
Intergovernmental	\$ 207,878	-	-	\$ 207,878
Fees, licenses, and permits	-	93,781	-	93,781
Investment interest	2,984	4,257	3,614	10,855
Miscellaneous	967	-	132,922	133,889
Total revenues	<u>211,829</u>	<u>98,038</u>	<u>136,536</u>	<u>446,403</u>
<u>EXPENDITURES:</u>				
Current:				
Library	222,530	-	-	222,530
Cultural and recreation	-	112,854	-	112,854
Debt service:				
Principal	-	-	89,212	89,212
Interest	-	-	28,009	28,009
Total expenditures	<u>222,530</u>	<u>112,854</u>	<u>117,221</u>	<u>452,605</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>	<u>(10,701)</u>	<u>(14,816)</u>	<u>19,315</u>	<u>(6,202)</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating transfers in	22,957	21,000	-	43,957
Operating transfers out	(10,000)	(1,500)	-	(11,500)
Total other financing sources (uses)	<u>12,957</u>	<u>19,500</u>	<u>-</u>	<u>32,457</u>
<u>NET CHANGE IN FUND BALANCES</u>	<u>2,256</u>	<u>4,684</u>	<u>19,315</u>	<u>26,255</u>
<u>FUND BALANCES, BEGINNING OF YEAR</u>	<u>144,818</u>	<u>206,215</u>	<u>125,078</u>	<u>476,111</u>
<u>FUND BALANCES, END OF YEAR</u>	<u>\$ 147,074</u>	<u>\$ 210,899</u>	<u>\$ 144,393</u>	<u>\$ 502,366</u>

See accompanying independent auditors' report.

CITY OF UMATILLA, OREGON

Library Fund
Budgetary Comparison Schedule - Modified Cash Basis
Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Library district	\$ 187,489	\$ 187,489	\$ 206,572	\$ 19,083
Grants	1,700	1,700	1,306	(394)
Interest income	3,600	3,600	2,984	(616)
Other	1,250	1,250	967	(283)
Total revenues	<u>194,039</u>	<u>194,039</u>	<u>211,829</u>	<u>17,790</u>
<u>TRANSFERS FROM OTHER FUNDS:</u>				
From the General Fund	<u>23,392</u>	<u>23,392</u>	<u>22,957</u>	<u>(435)</u>
<u>BEGINNING FUND BALANCE AVAILABLE</u>				
<u>FOR APPROPRIATION</u>	<u>130,659</u>	<u>130,659</u>	<u>144,818</u>	<u>14,159</u>
	<u>\$ 348,090</u>	<u>\$ 348,090</u>	<u>\$ 379,604</u>	<u>\$ 31,514</u>
<u>EXPENDITURES:</u>				
Current:				
Library:				
Personnel services	\$ 203,844	\$ 203,844	\$ 183,883	\$ 19,961
Materials and services	47,900	47,900	38,647	9,253
Capital outlay	1,500	1,500	-	1,500
Operating contingency	2,500	2,500	-	2,500
Total expenditures	<u>255,744</u>	<u>255,744</u>	<u>222,530</u>	<u>33,214</u>
<u>TRANSFERS TO OTHER FUNDS:</u>				
To the Capital Reserve Fund	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Total expenditures and transfers	<u>265,744</u>	<u>265,744</u>	<u>232,530</u>	<u>\$ 33,214</u>
<u>UNAPPROPRIATED BALANCE</u>	<u>82,346</u>	<u>82,346</u>	<u>147,074</u>	
	<u>\$ 348,090</u>	<u>\$ 348,090</u>	<u>\$ 379,604</u>	

See accompanying independent auditors' report.

CITY OF UMATILLA, OREGON

Transient Room Tax Fund
Budgetary Comparison Schedule - Modified Cash Basis
Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<u>REVENUES:</u>				
Motel tax	\$ 40,000	\$ 40,000	\$ 48,802	\$ 8,802
Tourism promotion assessment	43,000	43,000	44,979	1,979
Interest income	5,500	5,500	4,257	(1,243)
Total revenues	<u>88,500</u>	<u>88,500</u>	<u>98,038</u>	<u>9,538</u>
<u>TRANSFERS FROM OTHER FUNDS:</u>				
From the General Fund	<u>21,000</u>	<u>21,000</u>	<u>21,000</u>	<u>-</u>
<u>BEGINNING FUND BALANCE AVAILABLE</u>				
<u>FOR APPROPRIATION</u>	<u>201,399</u>	<u>201,399</u>	<u>206,215</u>	<u>4,816</u>
	<u>\$ 310,899</u>	<u>\$ 310,899</u>	<u>\$ 325,253</u>	<u>\$ 14,354</u>
<u>EXPENDITURES:</u>				
Current:				
Personnel services	\$ 11,333	\$ 11,333	\$ 11,127	\$ 206
Culture and recreation:				
Materials and services	208,754	208,754	101,727	107,027
Capital outlay	60,715	60,715	-	60,715
	<u>280,802</u>	<u>280,802</u>	<u>112,854</u>	<u>167,948</u>
<u>TRANSFERS TO OTHER FUNDS:</u>				
To the General Fund	<u>1,500</u>	<u>1,500</u>	<u>1,500</u>	<u>-</u>
Total expenditures and transfers	<u>282,302</u>	<u>282,302</u>	<u>114,354</u>	<u>\$ 167,948</u>
<u>UNAPPROPRIATED BALANCE</u>				
	<u>28,597</u>	<u>28,597</u>	<u>210,899</u>	
	<u>\$ 310,899</u>	<u>\$ 310,899</u>	<u>\$ 325,253</u>	

See accompanying independent auditors' report.

CITY OF UMATILLA, OREGON

Capital Reserve Fund
Budgetary Comparison Schedule - Modified Cash Basis
Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Interest income	\$ 30,000	\$ 30,000	\$ 31,396	\$ 1,396
Grants	127,500	127,500	5,776	(121,724)
Calpine co-gen plant and other	4,975,664	4,982,164	75,489	(4,906,675)
	<u>5,133,164</u>	<u>5,139,664</u>	<u>112,661</u>	<u>(5,027,003)</u>
<u>TRANSFERS FROM OTHER FUNDS:</u>				
From the Sewer Fund	99,154	99,154	54,750	(44,404)
From the Water Fund	36,750	36,750	36,750	-
From the Library Fund	10,000	10,000	10,000	-
From the General Fund	434,427	534,427	434,032	(100,395)
From the State Tax Street Fund	48,950	48,950	48,950	-
From the Building Department Fund	204,719	204,719	205,114	395
	<u>834,000</u>	<u>934,000</u>	<u>789,596</u>	<u>(144,404)</u>
Total revenues and transfers	5,967,164	6,073,664	902,257	(5,171,407)
<u>BEGINNING FUND BALANCE AVAILABLE FOR APPROPRIATION</u>				
	<u>1,480,040</u>	<u>1,480,540</u>	<u>1,628,263</u>	<u>147,723</u>
	<u>\$ 7,447,204</u>	<u>\$ 7,554,204</u>	<u>\$ 2,530,520</u>	<u>\$ (5,023,684)</u>
<u>EXPENDITURES:</u>				
Current:				
General government:				
Capital outlay	\$ 6,660,400	\$ 6,766,900	\$ 923,396	\$ 5,843,504
<u>TRANSFERS TO OTHER FUNDS:</u>				
To the General Fund	84,876	85,376	85,045	331
Total expenditures and transfers	6,745,276	6,852,276	1,008,441	<u>\$ 5,843,835</u>
<u>UNAPPROPRIATED BALANCE</u>				
	<u>701,928</u>	<u>701,928</u>	<u>1,522,079</u>	
	<u>\$ 7,447,204</u>	<u>\$ 7,554,204</u>	<u>\$ 2,530,520</u>	

See accompanying independent auditors' report.

CITY OF UMATILLA, OREGON

Building Reserve Fund
Budgetary Comparison Schedule - Modified Cash Basis
Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Interest	\$ 3,800	\$ 3,800	\$ 3,614	\$ (186)
Calpine co-gen plant	132,922	132,922	132,922	-
	<u>136,722</u>	<u>136,722</u>	<u>136,536</u>	<u>(186)</u>
<u>BEGINNING FUND BALANCE AVAILABLE FOR APPROPRIATION</u>				
	<u>125,020</u>	<u>125,020</u>	<u>125,078</u>	<u>58</u>
	<u>\$ 261,742</u>	<u>\$ 261,742</u>	<u>\$ 261,614</u>	<u>\$ (128)</u>
<u>EXPENDITURES:</u>				
Debt service	\$ 117,222	\$ 117,222	\$ 117,221	\$ 1
<u>UNAPPROPRIATED BALANCE</u>				
	<u>144,520</u>	<u>144,520</u>	<u>144,393</u>	
	<u>\$ 261,742</u>	<u>\$ 261,742</u>	<u>\$ 261,614</u>	

CITY OF UMATILLA, OREGON

Debt Service Fund
Budgetary Comparison Schedule - Modified Cash Basis
Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Property taxes:				
Prior	\$ -	\$ -	\$ 566	\$ 566
Interest income	-	-	57	57
	<u>-</u>	<u>-</u>	<u>623</u>	<u>623</u>
<u>BEGINNING FUND BALANCE AVAILABLE FOR APPROPRIATION</u>	<u>-</u>	<u>-</u>	<u>2,847</u>	<u>2,847</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,470</u>	<u>\$ 3,470</u>
<u>EXPENDITURES:</u>	\$ -	\$ -	\$ -	<u>\$ -</u>
<u>UNAPPROPRIATED BALANCE</u>	<u>-</u>	<u>-</u>	<u>3,470</u>	
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,470</u>	

See accompanying independent auditors' report.

CITY OF UMATILLA, OREGON

Water Utility Fund
Budgetary Comparison Schedule - Modified Cash Basis
Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<u>REVENUES:</u>				
Water service	\$ 61,460	\$ 61,460	\$ 58,065	\$ (3,395)
Service connections	1,211,578	1,234,378	1,237,011	2,633
Interest and other	9,300	9,300	8,983	(317)
	<u>1,282,338</u>	<u>1,305,138</u>	<u>1,304,059</u>	<u>(1,079)</u>
<u>TRANSFERS FROM OTHER FUNDS:</u>				
From the General Fund	4,313	26,813	3,885	(22,928)
<u>BEGINNING FUND BALANCE AVAILABLE</u>				
<u>FOR APPROPRIATION</u>	163,671	163,671	136,620	(27,051)
	<u>\$ 1,450,322</u>	<u>\$ 1,495,622</u>	<u>\$ 1,444,564</u>	<u>\$ (51,058)</u>
<u>EXPENDITURES:</u>				
Personnel services	\$ 538,542	\$ 543,542	\$ 529,427	\$ 14,115
Materials and services	508,430	583,730	575,092	8,638
Capital outlay	5,000	5,000	698	4,302
Debt service	99,100	72,000	5,240	66,760
Contingency	35,000	-	-	-
	<u>1,186,072</u>	<u>1,204,272</u>	<u>1,110,457</u>	<u>93,815</u>
<u>TRANSFERS TO OTHER FUNDS:</u>				
To the Capital Reserve Fund	36,750	36,750	36,750	-
To the Water Reserve Fund	155,500	155,500	155,500	-
	<u>192,250</u>	<u>192,250</u>	<u>192,250</u>	<u>-</u>
Total expenditures and transfers	1,378,322	1,396,522	1,302,707	<u>\$ 93,815</u>
<u>UNAPPROPRIATED BALANCE</u>				
	72,000	99,100	141,857	
	<u>\$ 1,450,322</u>	<u>\$ 1,495,622</u>	<u>\$ 1,444,564</u>	

CITY OF UMATILLA, OREGON

Sewer Utility Fund
Budgetary Comparison Schedule - Modified Cash Basis
Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Sewer service	\$ 1,621,485	\$ 1,621,485	\$ 1,611,348	\$ (10,137)
Interest income	11,000	11,000	7,541	(3,459)
Other income	500	500	1,706	1,206
Total revenues	<u>1,632,985</u>	<u>1,632,985</u>	<u>1,620,595</u>	<u>(12,390)</u>
<u>TRANSFERS FROM OTHER FUNDS:</u>				
From the General Fund	<u>3,464</u>	<u>25,964</u>	<u>4,722</u>	<u>(21,242)</u>
<u>BEGINNING FUND BALANCE</u>				
<u>AVAILABLE FOR APPROPRIATION</u>	<u>570,142</u>	<u>570,142</u>	<u>517,693</u>	<u>(52,449)</u>
	<u>\$ 2,206,591</u>	<u>\$ 2,229,091</u>	<u>\$ 2,143,010</u>	<u>\$ (86,081)</u>
<u>EXPENDITURES:</u>				
Personnel services	\$ 617,140	\$ 617,140	\$ 571,874	\$ 45,266
Materials and service	387,387	527,387	435,696	91,691
Capital outlay	10,000	10,000	-	10,000
Debt service	329,750	335,750	334,955	795
Contingency	180,000	56,500	-	56,500
	<u>1,524,277</u>	<u>1,546,777</u>	<u>1,342,525</u>	<u>204,252</u>
<u>TRANSFERS TO OTHER FUNDS:</u>				
To the Sewer Reserve Fund	250,000	250,000	250,000	-
To the Capital Reserve Fund	99,154	99,154	54,750	44,404
	<u>349,154</u>	<u>349,154</u>	<u>304,750</u>	<u>44,404</u>
Total expenditures and transfers	1,873,431	1,895,931	1,647,275	<u>\$ 248,656</u>
<u>UNAPPROPRIATED BALANCE</u>	<u>333,160</u>	<u>333,160</u>	<u>495,735</u>	
	<u>\$ 2,206,591</u>	<u>\$ 2,229,091</u>	<u>\$ 2,143,010</u>	

See accompanying independent auditors' report.

CITY OF UMATILLA, OREGON

Water Reserve Fund
Budgetary Comparison Schedule - Modified Cash Basis
Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
SDC for water system improvement	\$ 70,168	\$ 70,168	\$ 67,779	\$ (2,389)
Miscellaneous	-	35,000	35,049	49
Interest income	4,500	4,500	11,961	7,461
	<u>74,668</u>	<u>109,668</u>	<u>114,789</u>	<u>5,121</u>
<u>TRANSFERS FROM OTHER FUNDS:</u>				
From the Water Fund	<u>155,500</u>	<u>155,500</u>	<u>155,500</u>	<u>-</u>
Total revenues and transfers	230,168	265,168	270,289	5,121
<u>BEGINNING FUND BALANCE AVAILABLE FOR APPROPRIATION</u>				
	<u>555,785</u>	<u>555,785</u>	<u>536,203</u>	<u>(19,582)</u>
	<u>\$ 785,953</u>	<u>\$ 820,953</u>	<u>\$ 806,492</u>	<u>\$ (14,461)</u>
<u>EXPENDITURES:</u>				
Materials and services	\$ -	\$ 5,000	\$ 1,592	\$ 3,408
Capital outlay	<u>715,953</u>	<u>745,953</u>	<u>77,423</u>	<u>668,530</u>
Total expenditures	715,953	750,953	79,015	<u>\$ 671,938</u>
<u>UNAPPROPRIATED BALANCE</u>				
	<u>70,000</u>	<u>70,000</u>	<u>727,477</u>	
	<u>\$ 785,953</u>	<u>\$ 820,953</u>	<u>\$ 806,492</u>	

CITY OF UMATILLA, OREGON

Sewer Reserve Fund
Budgetary Comparison Schedule - Modified Cash Basis
Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
SDC for sewer system improvement	\$ 50,641	\$ 50,641	\$ 48,918	\$ (1,723)
Interest	30,000	30,000	29,450	(550)
Other income	2,316,380	2,316,380	2,649,700	333,320
	<u>2,397,021</u>	<u>2,397,021</u>	<u>2,728,068</u>	<u>331,047</u>
<u>TRANSFERS FROM OTHER FUNDS:</u>				
From the Sewer Fund	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Total revenues and transfers	2,647,021	2,647,021	2,978,068	331,047
<u>BEGINNING FUND BALANCE AVAILABLE FOR APPROPRIATION</u>				
	<u>1,521,678</u>	<u>1,521,678</u>	<u>1,509,734</u>	<u>(11,944)</u>
	<u>\$4,168,699</u>	<u>\$ 4,168,699</u>	<u>\$4,487,802</u>	<u>\$ 319,103</u>
<u>EXPENDITURES:</u>				
Materials and services	\$ 405,560	\$ 405,560	\$ 210,714	\$ 194,846
Capital outlay	<u>3,298,139</u>	<u>3,298,139</u>	<u>2,419,075</u>	<u>879,064</u>
Total expenditures	3,703,699	3,703,699	2,629,789	<u>\$ 1,073,910</u>
<u>UNAPPROPRIATED BALANCE</u>				
	<u>465,000</u>	<u>465,000</u>	<u>1,858,013</u>	
	<u>\$4,168,699</u>	<u>\$ 4,168,699</u>	<u>\$4,487,802</u>	

See accompanying independent auditors' report.

CITY OF UMATILLA, OREGON

All Enterprise Funds
Reconciliation of Revenues and Expenditures (Budgetary Basis)
to Statement of Revenues, Expenses, and Changes in Fund Net Position
(Modified Cash Basis)
Year Ended June 30, 2020

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Water Reserve</u>	<u>Sewer Reserve</u>	<u>Total</u>
<u>REVENUES</u>	\$1,304,059	\$1,620,595	\$114,789	\$2,728,068	\$5,767,511
<u>EXPENDITURES</u>	<u>(1,110,457)</u>	<u>(1,342,525)</u>	<u>(79,015)</u>	<u>(2,629,789)</u>	<u>(5,161,786)</u>
<u>REVENUES OVER EXPENDITURES</u>					
<u>-- BUDGETARY BASIS</u>	<u>193,602</u>	<u>278,070</u>	<u>35,774</u>	<u>98,279</u>	<u>605,725</u>
<u>TRANSFERS (MODIFIED CASH BASIS):</u>					
Operating transfers in	3,885	4,722	155,500	250,000	414,107
Operating transfers out	<u>(192,250)</u>	<u>(304,750)</u>	<u>-</u>	<u>-</u>	<u>(497,000)</u>
	<u>(188,365)</u>	<u>(300,028)</u>	<u>155,500</u>	<u>250,000</u>	<u>(82,893)</u>
<u>ADJUSTMENTS:</u>					
Principal payments on debt	-	306,668	-	-	306,668
Capital outlay transfers	39,920	2,622,943	-	-	2,662,863
Debt service transfers	(35,049)	(2,649,700)	-	-	(2,684,749)
Depreciation and amortization	<u>(225,916)</u>	<u>(326,552)</u>	<u>-</u>	<u>-</u>	<u>(552,468)</u>
	<u>(221,045)</u>	<u>(46,641)</u>	<u>-</u>	<u>-</u>	<u>(267,686)</u>
<u>CHANGE IN NET POSITION PER STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - MODIFIED CASH BASIS</u>	<u>\$ (215,808)</u>	<u>\$ (68,599)</u>	<u>\$191,274</u>	<u>\$ 348,279</u>	<u>\$ 255,146</u>

CITY OF UMATILLA, OREGON

All Enterprise Funds
Reconciliation of Fund Balance (Budgetary Basis)
to Net Position -- Proprietary Funds Statement of Net Position
(Modified Cash Basis)
June 30, 2020

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Water Reserve</u>	<u>Sewer Reserve</u>	<u>Total</u>
<u>FUND BALANCE</u> <u>(Budgetary Basis)</u>	\$ 141,857	\$ 495,735	\$ 727,477	\$ 1,858,013	\$ 3,223,082
<u>ADD (DEDUCT):</u>					
Fixed assets	3,235,108	9,122,604	-	-	12,357,712
Notes payable to bank	<u>(667,378)</u>	<u>(3,777,071)</u>	<u>-</u>	<u>-</u>	<u>(4,444,449)</u>
<u>NET POSITION</u>	<u>\$ 2,709,587</u>	<u>\$ 5,841,268</u>	<u>\$ 727,477</u>	<u>\$ 1,858,013</u>	<u>\$ 11,136,345</u>

CITY OF UMATILLA, OREGON

Statement of Net Position - Modified Cash Basis
Proprietary Funds
June 30, 2020
(with comparative totals for June 30, 2019)

	Water Utility		Sewer Utility		Water Reserve		Sewer Reserve		Totals June 30,	
	6/30/2020	6/30/2019	6/30/2020	6/30/2019	6/30/2020	6/30/2019	6/30/2020	6/30/2019	2020	2019
<u>ASSETS:</u>										
Cash and cash equivalents	\$ 141,857	\$ 136,620	\$ 495,735	\$ 517,693	\$ 727,477	\$ 536,203	\$ 1,858,013	\$ 1,509,734	\$ 3,223,082	\$ 2,700,250
Capital assets, less accumulated depreciation	3,235,108	3,421,104	9,122,604	6,826,213	-	-	-	-	12,357,712	10,247,317
	3,376,965	3,557,724	9,618,339	7,343,906	727,477	536,203	1,858,013	1,509,734	15,580,794	12,947,567
<u>LIABILITIES:</u>										
Note payable	667,378	632,329	3,017,071	429,039	-	-	-	-	3,684,449	1,061,368
Bonds payable	-	-	760,000	1,005,000	-	-	-	-	760,000	1,005,000
Total liabilities	667,378	632,329	3,777,071	1,434,039	-	-	-	-	4,444,449	2,066,368
<u>NET POSITION:</u>										
Net investment in capital assets	2,567,730	2,788,775	5,345,533	5,392,174	-	-	-	-	7,913,263	8,180,949
Unrestricted	141,857	136,620	495,735	517,693	727,477	536,203	1,858,013	1,509,734	3,223,082	2,700,250
Total net position	\$ 2,709,587	\$ 2,925,395	\$ 5,841,268	\$ 5,909,867	\$ 727,477	\$ 536,203	\$ 1,858,013	\$ 1,509,734	\$ 11,136,345	\$ 10,881,199

See accompanying independent auditors' report.

CITY OF UMATILLA, OREGON

Statement of Revenues, Expenses, and Changes in Fund Net Position - Modified Cash Basis
Proprietary Funds
June 30, 2020
(with comparative totals for June 30, 2019)

	Water Utility		Sewer Utility		Water Reserve		Sewer Reserve		Totals June 30,	
	6/30/2020	6/30/2019	6/30/2020	6/30/2019	6/30/2020	6/30/2019	6/30/2020	6/30/2019	2020	2019
<u>OPERATING REVENUES:</u>										
Charges for sales and services:										
Water	\$ 1,295,076	\$ 1,136,032	\$ -	\$ -	\$ 67,779	\$ 79,411	\$ -	\$ -	\$ 1,362,855	\$ 1,215,443
Sewer	-	-	1,611,348	1,489,101	-	-	48,918	58,055	1,660,266	1,547,156
Miscellaneous revenues	4,941	8,415	1,706	4,478	-	13,897	-	47,644	6,647	74,434
Total operating revenue	<u>1,300,017</u>	<u>1,144,447</u>	<u>1,613,054</u>	<u>1,493,579</u>	<u>67,779</u>	<u>93,308</u>	<u>48,918</u>	<u>105,699</u>	<u>3,029,768</u>	<u>2,837,033</u>
<u>OPERATING EXPENSES:</u>										
Cost of sales and services	1,105,218	979,848	1,007,570	1,011,735	74,695	53,149	17,289	109,795	2,204,772	2,154,527
Depreciation and amortization	225,916	194,436	326,552	317,267	-	-	-	-	552,468	511,703
Total operating expenses	<u>1,331,134</u>	<u>1,174,284</u>	<u>1,334,122</u>	<u>1,329,002</u>	<u>74,695</u>	<u>53,149</u>	<u>17,289</u>	<u>109,795</u>	<u>2,757,240</u>	<u>2,666,230</u>
<u>OPERATING INCOME (LOSS)</u>	<u>(31,117)</u>	<u>(29,837)</u>	<u>278,932</u>	<u>164,577</u>	<u>(6,916)</u>	<u>40,159</u>	<u>31,629</u>	<u>(4,096)</u>	<u>272,528</u>	<u>170,803</u>
<u>NONOPERATING REVENUES</u>										
<u>(EXPENSES):</u>										
Interest on investments	4,043	4,576	7,541	11,818	11,961	5,473	29,450	32,762	52,995	54,629
Interest expense	(5,240)	(474)	(28,287)	(31,977)	-	-	-	-	(33,527)	(32,451)
Total nonoperating revenue (expenses)	<u>(1,197)</u>	<u>4,102</u>	<u>(20,746)</u>	<u>(20,159)</u>	<u>11,961</u>	<u>5,473</u>	<u>29,450</u>	<u>32,762</u>	<u>19,468</u>	<u>22,178</u>
<u>INCOME (LOSS) BEFORE TRANSFERS</u>	<u>(32,314)</u>	<u>(25,735)</u>	<u>258,186</u>	<u>144,418</u>	<u>5,045</u>	<u>45,632</u>	<u>61,079</u>	<u>28,666</u>	<u>291,996</u>	<u>192,981</u>
Transfers in (out)	(183,494)	(95,627)	(326,785)	(313,200)	186,229	73,015	287,200	243,200	(36,850)	(92,612)
<u>CHANGE IN NET POSITION</u>	<u>(215,808)</u>	<u>(121,362)</u>	<u>(68,599)</u>	<u>(168,782)</u>	<u>191,274</u>	<u>118,647</u>	<u>348,279</u>	<u>271,866</u>	<u>255,146</u>	<u>100,369</u>
<u>TOTAL NET POSITION - BEGINNING</u>	<u>2,925,395</u>	<u>3,046,757</u>	<u>5,909,867</u>	<u>6,078,649</u>	<u>536,203</u>	<u>417,556</u>	<u>1,509,734</u>	<u>1,237,868</u>	<u>10,881,199</u>	<u>10,780,830</u>
<u>TOTAL NET POSITION - ENDING</u>	<u>\$ 2,709,587</u>	<u>\$ 2,925,395</u>	<u>\$ 5,841,268</u>	<u>\$ 5,909,867</u>	<u>\$ 727,477</u>	<u>\$ 536,203</u>	<u>\$ 1,858,013</u>	<u>\$ 1,509,734</u>	<u>\$ 11,136,345</u>	<u>\$ 10,881,199</u>

See accompanying independent auditors' report.

CITY OF UMATILLA, OREGON

**Schedule of Future Debt Service Requirements
of Long-Term Debt
June 30, 2020**

Maturing During Year Ending June 30,	Individual July 20, 2018		IFA To be determined		IFA December 1, 2019		DEQ Clean Water Loan To be determined	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 50,000	\$ 6,033	\$ 23,599	\$ 23,358	\$ 61,765	\$ 5,441	\$ -	\$ 3,412
2022	50,000	3,999	24,425	22,532	62,642	4,564	77,889	59,281
2023	49,978	1,829	25,280	21,677	63,531	3,674	79,109	57,672
2024	-	-	26,165	20,793	64,433	2,772	80,348	56,037
2025	-	-	27,081	19,877	65,348	1,857	81,605	54,378
2026-2030	-	-	150,302	84,486	65,428	929	427,603	246,064
2031-2035	-	-	178,511	56,276	-	-	462,152	200,484
2036-2040	-	-	212,015	22,772	-	-	499,491	151,224
2041-2045	-	-	-	-	-	-	539,849	97,983
2046-2050	-	-	-	-	-	-	385,878	35,295
	<u>\$ 149,978</u>	<u>\$ 11,861</u>	<u>\$ 667,378</u>	<u>\$ 271,771</u>	<u>\$ 383,147</u>	<u>\$ 19,237</u>	<u>\$ 2,633,924</u>	<u>\$ 961,830</u>

Maturing During

Year Ending June 30,	Banner Bank April 13, 2009		US Bank sewer refunding bonds March 11, 2014		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 93,308	\$ 23,913	\$ 250,000	\$ 17,800	\$ 478,672	\$ 79,957
2022	98,203	19,018	260,000	11,400	573,159	120,794
2023	103,082	14,139	250,000	3,750	570,980	102,741
2024	108,179	9,043	-	-	279,125	88,645
2025	73,347	3,644	-	-	247,381	79,756
2026-2030	-	-	-	-	643,333	331,479
2031-2035	-	-	-	-	640,663	256,760
2036-2040	-	-	-	-	711,506	173,996
2041-2045	-	-	-	-	539,849	97,983
2046-2050	-	-	-	-	385,878	35,295
	<u>\$ 476,119</u>	<u>\$ 69,757</u>	<u>\$ 760,000</u>	<u>\$ 32,950</u>	<u>\$ 5,070,546</u>	<u>\$ 1,367,406</u>

See accompanying independent auditors' report.

CITY OF UMATILLA, OREGON

Schedule of Long-Term Debt Transactions
Year Ended June 30, 2020

	Interest Rate	Amount of Original Issue	DEBT PRINCIPAL				INTEREST			
			Outstanding July 1, 2019	Debt Issued During Year	Matured and Paid During Year	Outstanding June 30, 2020	Outstanding July 1, 2019	Matured During Year	Paid During Year	Matured and Outstanding June 30, 2020
Banner Bank April 13, 2009	4.9 %	\$ 1,500,000	\$ 565,331	\$ -	\$ 89,212	\$ 476,119	\$ -	\$ 28,009	\$ 28,009	\$ -
IFA Loan To be determined	1.4 %	\$ 444,815	402,999	41,816	61,668	383,147	-	5,537	5,537	-
DEQ clean water loan To be determined	1.6 %	\$ 2,892,420	26,040	2,607,884	-	2,633,924	-	-	-	-
IFA Loan To be determined	3.5 %	\$ 667,378	632,329	35,049	-	667,378	-	5,240	5,240	-
Individual July 20, 2018	4.0 %	\$ 200,000	200,000	-	50,022	149,978	-	7,649	7,649	-
US Bank sewer refunding bonds March 11, 2014	2.0 %	\$ 2,160,000	1,005,000	-	245,000	760,000	-	22,750	22,750	-
Totals			<u>\$2,831,699</u>	<u>\$2,684,749</u>	<u>\$ 445,902</u>	<u>\$ 5,070,546</u>	<u>\$ -</u>	<u>\$ 69,185</u>	<u>\$ 69,185</u>	<u>\$ -</u>

See accompanying independent auditors' report.

INDEPENDENT AUDITORS' REPORT
REQUIRED BY OREGON STATE REGULATIONS

Mayor and City Council
City of Umatilla, Oregon

We have audited the basic financial statements of the City of Umatilla, Oregon as of and for the year ended June 30, 2020, and have issued our report thereon dated November 18, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

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

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

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

Mayor and City Council
City of Umatilla
Page two

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

OAR 162-10-0230 Internal Control

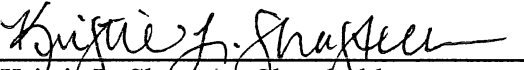
In planning and performing our audit of the financial statements, we considered City of Umatilla, Oregon's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing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

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

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

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

Barnett & Moro, P.C.

By: 
Kristie J. Shasteen, Shareholder
Hermiston, Oregon
November 18, 2020