

CITY OF UMATILLA, OREGON

**Financial Statements and
Independent Auditors' Report**

June 30, 2017

CITY OF UMATILLA, OREGON

City Hall
Umatilla, Oregon

Mayor and City Council
June 30, 2017

Name

Term Expires

Mayor:

Daren Dufloth

December 31, 2018

Council Members:

Mark Keith

December 31, 2018

Michael Roxbury

December 31, 2020

Mel Ray

December 31, 2018

Selene Torres-Medrano

December 31, 2018

Roak TenEyck

December 31, 2020

Mark Ribich

December 31, 2020

Appointed Official:

Russell Pelleberg, City Administrator

Address:

P. O. Box 130

Umatilla, OR 97882

Telephone: (541) 922-3226

CITY OF UMATILLA, OREGON

Contents
June 30, 2017

	<u>Page</u>
Independent Auditors' Report	5-7
Basic financial statements:	
Statement of net position – modified cash basis	8
Statement of activities – modified cash basis	9
Balance sheet – modified cash basis – governmental funds	10
Reconciliation of the governmental funds balance sheet to the statement of net position	11
Statement of revenues, expenditures, and changes in fund balances – modified cash basis – governmental funds	12
Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities	13
Budgetary comparison schedule – modified cash basis – General Fund	14-15
Budgetary comparison schedule – modified cash basis – State Tax Street	16
Budgetary comparison schedule - modified cash basis - Refuse Collection Fund	17
Budgetary comparison schedule - modified cash basis - Building Department Fund	18
Statement of net position – modified cash basis – proprietary funds	19
Statement of revenues, expenses, and changes in fund net position – modified cash basis – proprietary funds	20
Statement of cash flows – modified cash basis – proprietary funds	21
Notes to basic financial statements	22-40

CITY OF UMATILLA, OREGON

Contents
June 30, 2017

	<u>Page</u>
Supplementary information:	
Management's Discussions and Analysis	42-50
Summary of non-major funds	51
Non-major governmental funds combining balance sheet – modified cash basis	52
Non-major governmental funds statement of revenues, expenditures and changes in fund balances – modified cash basis	53
Budgetary comparison schedule – modified cash basis:	
Library Fund	54
Transient Room Tax Fund	55
Capital Reserve Fund	56
Building Reserve Fund	57
Debt Service Fund	58
Water Utility Fund	59
Sewer Utility Fund	60
Water Reserve Fund	61
Sewer Reserve Fund	62

CITY OF UMATILLA, OREGON

Contents
June 30, 2017

	<u>Page</u>
Supplementary information(continued):	
All proprietary funds:	
Reconciliation of revenues and expenditures (budgetary basis) to statement of revenues, expenses and changes in fund net position (modified cash basis)	63
Reconciliation of fund balance (budgetary basis) to net assets – proprietary fund statement of net position (modified cash basis)	64
Other financial schedules:	
Statement of net position – modified cash basis – proprietary funds – comparative	65
Statement of revenues, expenses, and changes in fund net position – modified cash basis – proprietary funds – comparative	66
Schedule of future debt service requirements of long-term debt	67
Schedule of long-term debt transactions	68
Audit comments and disclosures required by state regulations:	
Independent auditors' report required by Oregon state regulations	69-70

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 City of Umatilla, Oregon, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Umatilla, Oregon, as of June 30, 2017, and the respective changes in modified cash basis financial position, the respective budgetary comparisons for the General Fund, State Street Tax Fund and Refuse Collection 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 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 financial statements.

The supplementary information on Pages 48-62 and other financial schedules on Pages 63-66 are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 financial statements as a whole. The management's discussion and analysis on Pages 40-48 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
Page three

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 7, 2017, 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 7, 2017

CITY OF UMATILLA, OREGON

Statement of Net Position - Modified Cash Basis

June 30, 2017

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 3,568,895	\$ 1,965,714	\$ 5,534,609
Capital assets:			
Non-depreciable	792,052	-	792,052
Depreciable, net of depreciation	3,268,778	10,500,015	13,768,793
	<u>7,629,725</u>	<u>12,465,729</u>	<u>20,095,454</u>
Total assets			
<u>LIABILITIES</u>			
Notes payable:			
Due within one year	125,510	-	125,510
Due in more than one year	695,671	262,169	957,840
Bonds payable:			
Due within one year	-	312,822	312,822
Due in more than one year	-	1,245,000	1,245,000
	<u>821,181</u>	<u>1,819,991</u>	<u>2,641,172</u>
Total liabilities			
<u>NET POSITION</u>			
Net investment in capital assets	3,239,649	8,680,024	11,919,673
Restricted for:			
Highways and streets	513,499	-	513,499
Debt service	33,281	-	33,281
Unrestricted	3,022,115	1,965,714	4,987,829
	<u>6,808,544</u>	<u>10,645,738</u>	<u>17,454,282</u>
Total net position			

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

CITY OF UMATILLA, OREGON

Statement of Activities - Modified Cash Basis
Year Ended June 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Change in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental activities:							
General government	\$ 518,913	\$ 978,755	\$ -	\$ -	\$ 459,842	\$ -	\$ 459,842
Public safety	1,805,409	703,712	12,941	-	(1,088,756)	-	(1,088,756)
Highways and streets	559,791	-	-	-	(559,791)	-	(559,791)
Library	179,452	-	3,146	-	(176,306)	-	(176,306)
Cultural and recreation	514,138	-	-	-	(514,138)	-	(514,138)
Sanitation	605,203	636,645	-	-	31,442	-	31,442
Interest on long-term debt	42,135	-	-	-	(42,135)	-	(42,135)
Total governmental activities	<u>4,225,041</u>	<u>2,319,112</u>	<u>16,087</u>	<u>-</u>	<u>(1,889,842)</u>	<u>-</u>	<u>(1,889,842)</u>
Business-type activities:							
Water	1,168,340	992,824	-	-	-	(175,516)	(175,516)
Sewer	1,474,818	1,431,218	-	-	-	(43,600)	(43,600)
Interest on long-term debt	43,032	-	-	-	-	(43,032)	(43,032)
Total business-type activities	<u>2,686,190</u>	<u>2,424,042</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(262,148)</u>	<u>(262,148)</u>
Total government	<u>\$ 6,911,231</u>	<u>\$ 4,743,154</u>	<u>\$ 16,087</u>	<u>\$ -</u>	<u>(1,889,842)</u>	<u>(262,148)</u>	<u>(2,151,990)</u>
General revenues:							
Taxes							
					704,125	-	704,125
					41,400	-	41,400
					827,225	-	827,225
					427,654	-	427,654
					237,645	-	237,645
					73,424	-	73,424
					169,145	-	169,145
					33,601	17,573	51,174
					272,225	10,514	282,739
					16,816	(16,816)	-
					<u>2,803,260</u>	<u>11,271</u>	<u>2,814,531</u>
					913,418	(250,877)	662,541
					5,895,126	10,896,615	16,791,741
					<u>\$ 6,808,544</u>	<u>\$ 10,645,738</u>	<u>\$ 17,454,282</u>

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

CITY OF UMATILLA, OREGON

Balance Sheet - Modified Cash Basis
Governmental Funds
June 30, 2017

	<u>General</u>	<u>State Tax Street</u>	<u>Refuse Collection</u>	<u>Capital Reserve</u>	<u>Building Department</u>	<u>Debt Service</u>	<u>Other Governmental</u>	<u>Total</u>
<u>ASSETS:</u>								
Cash and cash equivalents	\$ 1,172,294	\$ 513,499	\$ 59,661	\$ 983,701	\$ 394,372	\$ 33,281	\$ 412,087	\$3,568,895
<u>LIABILITIES</u>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>FUND BALANCES:</u>								
Restricted	-	513,499	-	-	-	33,281	-	546,780
Committed	-	-	59,661	983,701	394,372	-	412,087	1,849,821
Unassigned	1,172,294	-	-	-	-	-	-	1,172,294
Total fund balances	<u>1,172,294</u>	<u>513,499</u>	<u>59,661</u>	<u>983,701</u>	<u>394,372</u>	<u>33,281</u>	<u>412,087</u>	<u>3,568,895</u>
Total liabilities and fund balances	<u><u>\$ 1,172,294</u></u>	<u><u>\$ 513,499</u></u>	<u><u>\$ 59,661</u></u>	<u><u>\$ 983,701</u></u>	<u><u>\$ 394,372</u></u>	<u><u>\$ 33,281</u></u>	<u><u>\$ 412,087</u></u>	<u><u>\$3,568,895</u></u>

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

CITY OF UMATILLA, OREGON

**Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position-Modified Cash Basis
June 30, 2017**

<u>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</u>		\$ 3,568,895
<p>Capital assets used in governmental activities are not financial resources, therefore, are not reported on the governmental funds balance sheet.</p>		
Acquisition cost	\$ 7,183,252	
Accumulated depreciation	<u>(3,122,422)</u>	
		<u>4,060,830</u>
<p>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.</p>		
		<u>(821,181)</u>
<u>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</u>		<u>\$ 6,808,544</u>

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

CITY OF UMATILLA, OREGON

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

Governmental Funds

Year Ended June 30, 2017

	General	State Tax Street	Refuse Collection	Capital Reserve	Building Departement	Debt Service	Other Governmental	Total
<u>REVENUES:</u>								
Property taxes	\$ 704,125	\$ -	\$ -	\$ -	\$ -	\$ 41,400	\$ -	\$ 745,525
Franchise fees	827,225	-	-	-	-	-	-	827,225
Intergovernmental	250,586	427,654	-	-	-	-	172,291	850,531
Fees, licenses, and permits	183,072	-	-	-	502,926	-	73,424	759,422
Fines and forfeitures	703,712	-	-	-	-	-	-	703,712
Charges for services	292,757	-	636,645	-	-	-	-	929,402
Investment interest	11,755	5,543	-	9,283	2,186	534	4,300	33,601
Miscellaneous	76,477	3,045	-	42,712	-	-	149,991	272,225
Total revenues	<u>3,049,709</u>	<u>436,242</u>	<u>636,645</u>	<u>51,995</u>	<u>505,112</u>	<u>41,934</u>	<u>400,006</u>	<u>5,121,643</u>
<u>EXPENDITURES:</u>								
Current:								
General government	230,457	-	-	69,070	110,740	-	-	410,267
Public safety	1,753,044	-	-	15,098	-	-	-	1,768,142
Highways and streets	-	466,623	-	-	-	-	-	466,623
Library	-	-	-	-	-	-	174,911	174,911
Cultural and Recreation	424,869	-	-	1,052	-	-	55,913	481,834
Sanitation	-	-	605,203	-	-	-	-	605,203
Debt service:								
Principal	-	-	-	87,640	-	-	75,086	162,726
Interest	-	-	-	-	-	-	42,135	42,135
Capital outlay	10,000	-	-	320,451	-	-	-	330,451
Total Expenditures	<u>2,418,370</u>	<u>466,623</u>	<u>605,203</u>	<u>493,311</u>	<u>110,740</u>	<u>-</u>	<u>348,045</u>	<u>4,442,292</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>	<u>631,339</u>	<u>(30,381)</u>	<u>31,442</u>	<u>(441,316)</u>	<u>394,372</u>	<u>41,934</u>	<u>51,961</u>	<u>679,351</u>
<u>OTHER FINANCING SOURCES (USES):</u>								
Transfers in	11,500	4,000	-	392,840	-	21,000	80,045	509,385
Transfers out	(363,685)	(38,700)	-	(8,322)	-	(63,062)	(18,800)	(492,569)
Total other financing sources (uses)	<u>(352,185)</u>	<u>(34,700)</u>	<u>-</u>	<u>384,518</u>	<u>-</u>	<u>(42,062)</u>	<u>61,245</u>	<u>16,816</u>
<u>NET CHANGE IN FUND BALANCES</u>	<u>279,154</u>	<u>(65,081)</u>	<u>31,442</u>	<u>(56,798)</u>	<u>394,372</u>	<u>(128)</u>	<u>113,206</u>	<u>696,167</u>
<u>FUND BALANCES, BEGINNING OF YEAR</u>	<u>893,140</u>	<u>578,580</u>	<u>28,219</u>	<u>1,040,499</u>	<u>-</u>	<u>33,409</u>	<u>298,881</u>	<u>2,872,728</u>
<u>FUND BALANCES, END OF YEAR</u>	<u>\$ 1,172,294</u>	<u>\$ 513,499</u>	<u>\$ 59,661</u>	<u>\$ 983,701</u>	<u>\$ 394,372</u>	<u>\$ 33,281</u>	<u>\$ 412,087</u>	<u>\$ 3,568,895</u>

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, 2017**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 696,167

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	\$ 330,451	
Less current year depreciation	<u>(275,926)</u>	
		54,525

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.

162,726

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 913,418

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, 2017

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts	Final Budget- Positive (Negative)
<u>REVENUES:</u>				
Property taxes:				
Current levy	\$ 525,320	\$ 525,320	\$ 689,402	\$ 164,082
Previously levied	10,948	10,948	14,723	3,775
Franchise fees	757,932	757,932	827,225	69,293
Intergovernmental	256,543	256,543	250,586	(5,957)
Fees, licenses, and permits	82,294	82,294	183,072	100,778
Fines and forfeitures	725,000	725,000	703,712	(21,288)
Charges for services	255,125	255,125	292,757	37,632
Miscellaneous:				
Interest on investments	4,500	4,500	11,755	7,255
Other	60,995	60,995	76,477	15,482
	<u>2,678,657</u>	<u>2,678,657</u>	<u>3,049,709</u>	<u>371,052</u>
<u>OTHER FINANCING SOURCES:</u>				
Operating transfers in	<u>11,500</u>	<u>11,500</u>	<u>11,500</u>	<u>-</u>
Total revenues and transfers	2,690,157	2,690,157	3,061,209	371,052
<u>BEGINNING FUND BALANCE AVAILABLE</u>				
<u>FOR APPROPRIATION</u>	<u>862,477</u>	<u>862,477</u>	<u>893,140</u>	<u>30,663</u>
	<u>\$ 3,552,634</u>	<u>\$ 3,552,634</u>	<u>\$3,954,349</u>	<u>\$ 401,715</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
<u>EXPENDITURES:</u>				
Current:				
General government:				
Administration:				
Personal services	\$ 26,680	\$ 29,680	\$ 27,365	\$ 2,315
Material and services	125,628	125,628	77,241	48,387
Planning:				
Personal services	84,118	87,118	85,627	1,491
Material and services	53,842	53,842	40,223	13,619
	<u>290,268</u>	<u>296,268</u>	<u>230,456</u>	<u>65,812</u>
Public safety:				
Police:				
Personal services	1,268,061	1,268,061	1,154,936	113,125
Materials and services	146,229	146,229	135,724	10,505
Capital Outlay	9,200	9,200	-	9,200
Municipal court:				
Personal services	54,253	55,253	55,752	(499)
Materials and services	469,202	469,202	405,509	63,693
911 System:				
Materials and services	1,250	1,250	1,124	126
Capital Outlay	500	500	-	500
	<u>1,948,695</u>	<u>1,949,695</u>	<u>1,753,045</u>	<u>196,650</u>
Recreation:				
Parks and recreation:				
Personal services	99,683	100,683	98,857	1,826
Materials and services	54,763	54,763	28,572	26,191
Marina and RV park:				
Materials and services	292,237	312,237	297,440	14,797
Capital Outlay	15,000	15,000	10,000	5,000
	<u>461,683</u>	<u>482,683</u>	<u>434,869</u>	<u>47,814</u>
Contingency	<u>75,000</u>	<u>47,000</u>	<u>-</u>	<u>47,000</u>
	<u>2,775,646</u>	<u>2,775,646</u>	<u>2,418,370</u>	<u>357,276</u>
<u>OTHER FINANCING USES:</u>				
Operating transfers out	<u>363,685</u>	<u>363,685</u>	<u>363,685</u>	<u>-</u>
Total expenditures and transfers	<u>3,139,331</u>	<u>3,139,331</u>	<u>2,782,055</u>	<u>\$ 357,276</u>
<u>UNAPPROPRIATED BALANCE</u>	<u>413,303</u>	<u>413,303</u>	<u>1,172,294</u>	
	<u>\$ 3,552,634</u>	<u>\$ 3,552,634</u>	<u>\$ 3,954,349</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget- Positive (Negative)</u>
<u>REVENUES:</u>				
State gasoline tax	\$ 405,738	\$ 405,738	\$ 427,654	\$ 21,916
STP funds	527,911	527,911	-	(527,911)
Interest income	3,192	3,192	5,543	2,351
Miscellaneous	1,000	1,000	3,045	2,045
Total revenues	<u>937,841</u>	<u>937,841</u>	<u>436,242</u>	<u>(501,599)</u>
<u>TRANSFERS FROM OTHER FUNDS:</u>				
From General Fund	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>	<u>-</u>
<u>BEGINNING FUND BALANCE AVAILABLE FOR APPROPRIATION</u>				
	<u>580,318</u>	<u>580,318</u>	<u>578,580</u>	<u>(1,738)</u>
	<u>\$1,522,159</u>	<u>\$1,522,159</u>	<u>\$1,018,822</u>	<u>\$ (503,337)</u>
<u>EXPENDITURES:</u>				
Current:				
Highways and streets:				
Personal services	\$ 339,786	\$ 354,786	\$ 349,082	\$ 5,704
Materials and services	896,872	896,872	117,541	779,331
Capital outlay	3,000	3,000	-	3,000
Operating contingency	15,000	-	-	-
	<u>1,254,658</u>	<u>1,254,658</u>	<u>466,623</u>	<u>788,035</u>
<u>TRANSFERS TO OTHER FUNDS:</u>				
To Capital Reserve Fund	<u>38,700</u>	<u>38,700</u>	<u>38,700</u>	<u>-</u>
Total expenditures and transfers	<u>1,293,358</u>	<u>1,293,358</u>	<u>505,323</u>	<u>\$ 788,035</u>
<u>UNAPPROPRIATED BALANCE</u>				
	<u>228,801</u>	<u>228,801</u>	<u>513,499</u>	
	<u>\$1,522,159</u>	<u>\$1,522,159</u>	<u>\$1,018,822</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
<u>REVENUES:</u>				
Refuse collections	<u>\$ 622,818</u>	<u>\$ 622,818</u>	<u>\$ 636,645</u>	<u>\$ 13,827</u>
<u>BEGINNING FUND BALANCE AVAILABLE</u>				
<u>FOR APPROPRIATION</u>	<u>36,771</u>	<u>36,771</u>	<u>28,219</u>	<u>(8,552)</u>
	<u>\$ 659,589</u>	<u>\$ 659,589</u>	<u>\$ 664,864</u>	<u>\$ 5,275</u>
<u>EXPENDITURES:</u>				
Current:				
Sanitation:				
Materials and services	<u>\$ 541,343</u>	<u>\$ 541,343</u>	<u>\$ 511,697</u>	<u>\$ 29,646</u>
<u>TRANSFERS TO OTHER FUNDS:</u>				
Franchise fees to General Fund	<u>99,075</u>	<u>99,075</u>	<u>93,506</u>	<u>5,569</u>
Total expenditures and transfers	<u>640,418</u>	<u>640,418</u>	<u>605,203</u>	<u>\$ 35,215</u>
<u>UNAPPROPRIATED BALANCE</u>	<u>19,171</u>	<u>19,171</u>	<u>59,661</u>	
	<u>\$ 659,589</u>	<u>\$ 659,589</u>	<u>\$ 664,864</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
<u>REVENUES:</u>				
Building permits	\$ 250,000	\$ 250,000	\$ 198,930	\$ (51,070)
Community development	162,000	162,000	110,379	(51,621)
Electrical permits	125,000	125,000	125,211	211
Electrical plan reviews	31,000	31,000	29,419	(1,581)
State surcharges	45,000	45,000	38,987	(6,013)
Interest income	600	600	2,186	1,586
Total revenues	<u>613,600</u>	<u>613,600</u>	<u>505,112</u>	<u>(108,488)</u>
<u>BEGINNING FUND BALANCE AVAILABLE</u>				
<u>FOR APPROPRIATION</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 613,600</u>	<u>\$ 613,600</u>	<u>\$ 505,112</u>	<u>\$ (108,488)</u>
<u>EXPENDITURES:</u>				
Current:				
Building department:				
Personal services	\$ 42,984	\$ 44,984	\$ 42,700	\$ 2,284
Materials and services	143,200	143,200	68,040	75,160
Operating contingency	50,000	48,000	-	48,000
Total expenditures	<u>236,184</u>	<u>236,184</u>	<u>110,740</u>	<u>125,444</u>
<u>UNAPPROPRIATED BALANCE</u>	<u>377,416</u>	<u>377,416</u>	<u>394,372</u>	
	<u>\$ 613,600</u>	<u>\$ 613,600</u>	<u>\$ 505,112</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, 2017

	<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	\$ 56,063	\$ 441,557	\$ 427,942	\$ 1,040,152	\$ 1,965,714
<u>CAPITAL ASSETS:</u>					
Capital assets, net	3,055,742	7,444,273	-	-	10,500,015
Total assets	3,111,805	7,885,830	427,942	1,040,152	12,465,729
<u>LIABILITIES</u>					
<u>CURRENT LIABILITIES:</u>					
Bonds payable, current portion	77,822	235,000	-	-	312,822
	77,822	235,000	-	-	312,822
<u>LONG TERM LIABILITIES:</u>					
Bonds payable, long-term portion	-	1,245,000	-	-	1,245,000
Notes payable, long-term portion	-	262,169	-	-	262,169
	-	1,507,169	-	-	1,507,169
Total liabilities	77,822	1,742,169	-	-	1,819,991
<u>NET POSITION</u>					
Net investment in capital assets	2,977,920	5,702,104	-	-	8,680,024
Unrestricted	56,063	441,557	427,942	1,040,152	1,965,714
Total net position	\$ 3,033,983	\$ 6,143,661	\$ 427,942	\$ 1,040,152	\$ 10,645,738

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, 2017

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	\$ 981,505	\$ -	\$ 11,319	\$ -	\$ 992,824
Sewer	-	1,423,045	-	8,173	1,431,218
Miscellaneous revenues	2,359	7,412	-	743	10,514
Total operating revenue	<u>983,864</u>	<u>1,430,457</u>	<u>11,319</u>	<u>8,916</u>	<u>2,434,556</u>
<u>OPERATING EXPENSES:</u>					
Cost of sales and services	849,020	834,348	116,787	305,144	2,105,299
Depreciation and amortization	202,533	335,326	-	-	537,859
Total operating expenses	<u>1,051,553</u>	<u>1,169,674</u>	<u>116,787</u>	<u>305,144</u>	<u>2,643,158</u>
<u>OPERATING INCOME (LOSS)</u>	<u>(67,689)</u>	<u>260,783</u>	<u>(105,468)</u>	<u>(296,228)</u>	<u>(208,602)</u>
<u>NONOPERATING REVENUES (EXPENSES):</u>					
Interest on investments	561	3,196	4,671	9,145	17,573
Interest expense	(6,044)	(36,988)	-	-	(43,032)
Total nonoperating revenue (expenses)	<u>(5,483)</u>	<u>(33,792)</u>	<u>4,671</u>	<u>9,145</u>	<u>(25,459)</u>
<u>INCOME (LOSS) BEFORE TRANSFERS</u>	<u>(73,172)</u>	<u>226,991</u>	<u>(100,797)</u>	<u>(287,083)</u>	<u>(234,061)</u>
Transfers in	79,002	3,026	67,500	462,169	611,697
Transfers out	(118,950)	(498,919)	(10,644)	-	(628,513)
<u>CHANGE IN NET POSITION</u>	<u>(113,120)</u>	<u>(268,902)</u>	<u>(43,941)</u>	<u>175,086</u>	<u>(250,877)</u>
<u>TOTAL NET POSITION - BEGINNING</u>	<u>3,147,103</u>	<u>6,412,563</u>	<u>471,883</u>	<u>865,066</u>	<u>10,896,615</u>
<u>TOTAL NET POSITION - ENDING</u>	<u>\$3,033,983</u>	<u>\$6,143,661</u>	<u>\$ 427,942</u>	<u>\$1,040,152</u>	<u>\$10,645,738</u>

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, 2017

	Business-Type Activities - Enterprise Funds				Total
	Water Utility	Sewer Utility	Water Reserve	Sewer Reserve	
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>					
Cash receipts from customers	\$ 983,864	\$ 1,430,457	\$ 11,319	\$ 8,916	\$ 2,434,556
Cash payments to suppliers	(361,420)	(232,343)	(116,787)	(305,144)	(1,015,694)
Cash payments to employees	(487,600)	(602,005)	-	-	(1,089,605)
Net cash provided by (used in) operating activities	<u>134,844</u>	<u>596,109</u>	<u>(105,468)</u>	<u>(296,228)</u>	<u>329,257</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>					
Transfer from other funds	79,002	3,026	67,500	462,169	611,697
Transfer to other funds	(118,950)	(498,919)	(10,644)	-	(628,513)
Net cash provided by (used in) noncapital financing activities	<u>(39,948)</u>	<u>(495,893)</u>	<u>56,856</u>	<u>462,169</u>	<u>(16,816)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>					
Acquisition and construction of capital assets	(15,940)	(3,026)	-	-	(18,966)
Interest paid on bonds and notes	(6,044)	(36,988)	-	-	(43,032)
Proceeds from long-term debt	-	262,169	-	-	262,169
Principal paid on bonds and notes	(57,019)	(230,000)	-	-	(287,019)
Net cash used in capital and related financing activities	<u>(79,003)</u>	<u>(7,845)</u>	<u>-</u>	<u>-</u>	<u>(86,848)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>					
Interest received	561	3,196	4,671	9,145	17,573
Net cash provided by investing activities	<u>561</u>	<u>3,196</u>	<u>4,671</u>	<u>9,145</u>	<u>17,573</u>
<u>NET INCREASE IN CASH</u>	<u>16,454</u>	<u>95,567</u>	<u>(43,941)</u>	<u>175,086</u>	<u>243,166</u>
<u>CASH AND INVESTMENTS, JULY 1</u>	<u>39,609</u>	<u>345,990</u>	<u>471,883</u>	<u>865,066</u>	<u>1,722,548</u>
<u>CASH AND INVESTMENTS, JUNE 30</u>	<u>\$ 56,063</u>	<u>\$ 441,557</u>	<u>\$ 427,942</u>	<u>\$ 1,040,152</u>	<u>\$ 1,965,714</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</u>					
Operating income(loss)	\$ (67,689)	\$ 260,783	\$ (105,468)	\$ (296,228)	\$ (208,602)
<u>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY(USED IN) OPERATING ACTIVITIES:</u>					
Depreciation and amortization	202,533	335,326	-	-	537,859
<u>NET CASH PROVIDED BY(USED IN) OPERATING ACTIVITIES</u>	<u>\$ 134,844</u>	<u>\$ 596,109</u>	<u>\$ (105,468)</u>	<u>\$ (296,228)</u>	<u>\$ 329,257</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, 2017

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, 2017

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, 2017

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, 2017

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, 2017

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

Accounting estimates:

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

Accrued vacations:

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

Interfund transactions:

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

Property taxes:

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

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

Income taxes:

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

Post-employment health care benefits:

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

Credit risk:

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

Fund balance:

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

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements

June 30, 2017

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

Fund balance(continued):

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

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

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

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

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

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

	General	State Street Tax	Refuse Collection	Debt Service	Other Governmental Funds	Total Governmental Funds
<u>Fund balances:</u>						
Restricted:						
Debt service	-	-	-	33,281	-	33,281
Highways and streets	-	513,499	-	-	-	513,499
Total restricted	-	513,499	-	33,281	-	546,780
Committed:						
Culture and recreation	-	-	-	-	324,704	324,704
Capital projects	-	-	-	-	1,071,084	1,071,084
Refuse Collection	-	-	59,661	-	-	59,661
Building department	-	-	-	-	394,372	394,372
Total committed	-	-	59,661	-	1,790,160	1,849,821
Unassigned	1,172,294	-	-	-	-	1,172,294
Ending net assets	\$ 1,172,294	\$ 513,499	\$ 59,661	\$ 33,281	\$ 1,790,160	\$ 3,568,895

\$513,499 is restricted for highways and streets by enabling legislation.

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements

June 30, 2017

NOTE 2 -- STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budget procedures:

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

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

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

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

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

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

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

A supplemental budget was adopted during the year ended June 30, 2017; unappropriated fund balance was allocated to water reserve fund materials and services, increasing expenditures by \$140,000.

The following funds legally adopt annual budgets:

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

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements

June 30, 2017

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

Budget procedures (continued):

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

Personal services	Capital outlay
Materials and services	Debt service

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

Oregon state local budget laws prohibit over expenditure of budgeted appropriations. The City over expended the budget appropriations in the following funds during the year ended June 30, 2017:

- a. Sewer Reserve Fund materials and services was over expended by \$263,731

NOTE 3 -- CASH AND CASH EQUIVALENTS:

Cash and cash equivalents consisted of the following:

Cash on hand	\$ 625
Bank checking accounts	3,134,725
Local government investment pool	2,399,259
Total cash and cash equivalents	<u>\$ 5,534,609</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, 2016, the total bank balance was \$3,019,702. On 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, 2017

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.

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements
June 30, 2017

NOTE 4 -- CAPITAL ASSETS:

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

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 792,052	\$ -	\$ -	\$ 792,052
Total assets not being depreciated	<u>792,052</u>	<u>-</u>	<u>-</u>	<u>792,052</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 3,188,351	\$ 9,223	\$ -	\$ 3,197,574
Equipment	712,646	293,420	-	1,006,066
Vehicles	693,699	27,808	-	721,507
Infrastructure	1,466,053	-	-	1,466,053
Total capital assets being depreciated	<u>6,060,749</u>	<u>330,451</u>	<u>-</u>	<u>6,391,200</u>
Less: Accumulated depreciation:				
Buildings and improvements	\$ (890,711)	\$ (80,893)	\$ -	\$ (971,604)
Equipment	(583,215)	(87,061)	-	(670,276)
Vehicles	(628,063)	(27,686)	-	(655,749)
Infrastructure	(744,507)	(80,286)	-	(824,793)
Total accumulated depreciation	<u>(2,846,496)</u>	<u>(275,926)</u>	<u>-</u>	<u>(3,122,422)</u>
Total capital assets being depreciated, net	<u>3,214,253</u>	<u>54,525</u>	<u>-</u>	<u>3,268,778</u>
Governmental activities capital assets, net	<u>\$ 4,006,305</u>	<u>\$ 54,525</u>	<u>\$ -</u>	<u>\$ 4,060,830</u>
<u>Business-type activities:</u>				
Capital assets being depreciated:				
Sewer utility system and equipment	\$ 13,689,601	\$ 3,026	\$ -	\$ 13,692,627
Water utility system and equipment	6,670,903	15,940	-	6,686,843
Total capital assets being depreciated	<u>20,360,504</u>	<u>18,966</u>	<u>-</u>	<u>20,379,470</u>
Less: Accumulated depreciation:				
Sewer utility system and equipment	\$ (5,913,028)	\$ (335,326)	\$ -	\$ (6,248,354)
Water utility system and equipment	(3,428,568)	(202,533)	-	(3,631,101)
Total accumulated depreciation	<u>(9,341,596)</u>	<u>(537,859)</u>	<u>-</u>	<u>(9,879,455)</u>
Total capital assets being depreciated, net	<u>11,018,908</u>	<u>(518,893)</u>	<u>-</u>	<u>10,500,015</u>
Business-type activities capital assets, net	<u>\$ 11,018,908</u>	<u>\$ (518,893)</u>	<u>\$ -</u>	<u>\$ 10,500,015</u>
Depreciation was charged to functions and programs as follows:				
Governmental activities:				
General government			\$ 108,646	
Public safety			37,267	
Highways and streets			93,168	
Library			4,541	
Recreation			32,304	
Total depreciation expense governmental activities			<u>\$ 275,926</u>	
Business-type activities:				
Water			\$ 202,533	
Sewer			335,326	
Total depreciation expense business-type activities			<u>\$ 537,859</u>	

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements

June 30, 2017

NOTE 5 -- 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.

NOTE 6 -- LONG-TERM DEBT:

Bonds Payable:

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

Series 1978 Water Bond:

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

Series 2014 Sewer Revenue Refunding Bonds:

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

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
Business-type activities:		
1978 Water Bond	5.0%	\$ 77,822
2014 Sewer Refunding Bond	2.0%	<u>1,480,000</u>
Total bonds		<u><u>\$ 1,557,822</u></u>

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements

June 30, 2017

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

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

Fiscal Year Ending June 30,	Business-Type Activities	
	Principal	Interest
2018	\$ 312,822	\$ 35,501
2019	240,000	27,600
2020	245,000	22,750
2021	250,000	17,800
2022-2023	510,000	15,150
	<u>\$ 1,557,822</u>	<u>\$ 118,801</u>

Notes payable:

Port of Umatilla:

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

Banner Bank:

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

IFA:

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

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
Governmental activities:		
Banner Bank	4.90%	\$ 733,181
Port of Umatilla	no stated interest rate	88,000
		<u>\$ 821,181</u>
Business-type activities:		
IFA	1.42%	<u>\$ 262,169</u>

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements

June 30, 2017

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
2018	\$ 125,510	\$ 35,711	\$ -	\$ -
2019	129,504	31,717	38,806	7,788
2020	89,694	27,528	43,422	3,172
2021	94,089	23,133	44,038	2,555
2022	98,699	18,522	44,664	1,930
2023-2027	283,685	25,590	91,239	1,948
	<u>\$ 821,181</u>	<u>\$ 162,201</u>	<u>\$ 262,169</u>	<u>\$ 17,393</u>

Changes in long-term debt

Long-term liability activity for the year follows:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Amount due within one year
Governmental activities:					
Note Payable:					
Banner Bank	\$ 808,267	-	75,086	\$ 733,181	81,510
Port of Umatilla	132,000	-	44,000	88,000	44,000
GMCS, Inc.	43,640	-	43,640	-	-
Total Governmental activities	<u>\$ 983,907</u>	<u>\$ -</u>	<u>\$ 162,726</u>	<u>\$ 821,181</u>	<u>\$ 125,510</u>
Business-Type Activities:					
Bonds payable:					
1978 Water Bonds	\$ 134,840	\$ -	\$ 57,018	\$ 77,822	\$ 77,822
Sewer Refunding Bonds	1,710,000	-	230,000	1,480,000	235,000
IFA	-	262,169	-	262,169	-
Total Business-Type Activities	<u>\$ 1,844,840</u>	<u>\$ 262,169</u>	<u>\$ 287,018</u>	<u>\$ 1,819,991</u>	<u>\$ 312,822</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, 2017

NOTE 8 -- CONTINGENT LIABILITIES:

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

NOTE 9 -- RELATED PARTY:

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

NOTE 10 -- INTERFUND TRANSACTIONS:

Transfer Out:	Transfer In:									
	General	State Street tax	Capital Reserve	Water Utility	Sewer Utility	Water Reserve	Sewer Reserve	Debt Service	Nonmajor Governmental	Total Transfers Out
General	\$ -	\$ 4,000	\$ 279,640	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 80,045	\$ 363,685
Water utility	-	-	30,450	-	-	67,500	-	21,000	-	118,950
Sewer utility	-	-	36,750	-	-	-	462,169	-	-	498,919
Water Reserve	-	-	-	10,644	-	-	-	-	-	10,644
State street tax	-	-	38,700	-	-	-	-	-	-	38,700
Debt service	-	-	-	63,062	-	-	-	-	-	63,062
Capital Reserve	-	-	-	5,296	3,026	-	-	-	-	8,322
Nonmajor governmental	11,500	-	7,300	-	-	-	-	-	-	18,800
Total transfers in	\$ 11,500	\$ 4,000	\$ 392,840	\$ 79,002	\$ 3,026	\$ 67,500	\$ 462,169	\$ 21,000	\$ 80,045	\$ 1,121,082

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	\$(118,950)
Sewer utility fund	(498,919)
Water reserve fund	(10,644)
Transfers in:	
Water utility fund	79,002
Sewer utility fund	3,026
Water reserve fund	67,500
Sewer reserve fund	<u>462,169</u>

\$ (16,816)

Net transfers to governmental activities:

Transfers out:	
General fund	\$(363,685)
State street tax fund	(38,700)
Debt service fund	(63,062)
Capital reserve fund	(8,322)
Non-major governmental funds	(18,800)
Transfers in:	
General fund	11,500
State street tax fund	4,000
Capital reserve fund	392,840
Debt service fund	21,000
Non-major governmental funds	<u>80,045</u>

\$ 16,816

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements

June 30, 2017

NOTE 10 -- INTERFUND TRANSACTIONS (continued):

The City makes routine transfers between funds as follows:

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

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

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

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

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

NOTE 11 -- DEFINED BENEFIT PENSION PLAN:

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

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

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

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

Pension Benefits:

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

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

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements

June 30, 2017

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

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

Death Benefits:

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

Disability Benefits:

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

Benefit Changes After Retirement

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

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

OPSRP Pension Program (ORS Chapter 238A):

Pension Benefits:

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

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

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

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

Death Benefits:

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

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements

June 30, 2017

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

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

Disability Benefits:

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

Benefit Changes After Retirement:

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

OPSRP Individual Account Program (OPSRP IAP):

Pension Benefits:

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

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

Death Benefits:

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

Recordkeeping:

PERS contracts with VOYA Financial to maintain IAP participant records.

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements

June 30, 2017

NOTE 11 – DEFINED BENEFIT PENSION PLAN (continued):

Contributions:

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. Employer contribution rates during the period were based on the December 31, 2014 actuarial valuation. Covered employees are required to contribute 6.00% of wages and the employer is required to contribute 8.69% of Tier 1/Tier 2 wages, 2.33% of OPSRP General service wages, and 6.44% of OPSRP Police and Fire wages.

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

At June 30, 2017, the City reported a liability of \$2,476,655 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. At June 30, 2016, the City's proportionate share was 0.01649748%, which was higher than its proportionate share measured as of June 30, 2015 which was .01479930%.

For the year ended June 30, 2017, the City recognized pension expense of \$443,857, and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 81,939	\$ -
Changes in assumptions	528,211	-
Net differences between projected and actual earnings on investments	489,283	-
Changes in proportionate share	146,519	-
Differences between employer contributions and proportionate share of contributions	-	132,313
Contributions subsequent to measurement date	110,053	-
	<u>\$1,356,005</u>	<u>\$ 132,313</u>

Oregon PERS produces an independently audited CAFR which can be found at: http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx

Changes in Plan Provisions:

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

CITY OF UMATILLA, OREGON

Notes to Basic Financial Statements

June 30, 2017

NOTE 12 – POSTEMPLOYMENT HEALTH INSURANCE PLAN:

Retirement Health Insurance Account (RHIA):

As a member of Oregon Public Employees Retirement System (OPERS) the City contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700.

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan.

A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating governments are contractually required to contribute to RHIA at a rate assessed each year by OPERS, currently 0.53% of annual cover payroll for Tier 1/Tier 2 and 0.45% of annual cover payroll for OPSRP. The OPERS Board of Trustees sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The City's contributions to RHIA for the years ended June 30, 2015, 2016 and 2017 were \$9,727, \$9,326 and \$9,631, which equaled the required contributions each year.

NOTE 13 – SUBSEQUENT EVENTS:

Subsequent events have been evaluated through the date of this report. 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 statements.

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, 2017. 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 \$17,454,282. Of this amount, \$4,987,829 may be used to meet the government’s ongoing obligations to citizens and creditors. This is an increase from last fiscal year of \$1,004,542 to meet ongoing obligations.
- The government’s total net position increased by \$662,541.
- As of the close of the current fiscal year, the City of Umatilla’s governmental funds reported combined ending fund balances of \$3,568,895. Only 32.8% of this total amount, \$1,172,294, is available for spending at the government’s discretion. The remainder is reserved for streets, debt service, culture and recreation and capital projects.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$1,172,294, or 32.8% of total general fund expenditures. This is an increase from last year of \$279,154.
- The City of Umatilla’s total secured debt decreased by \$287,018 (15.6%) during the current fiscal year.

Overview of the Financial Statements

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

- Government-wide financial statements

- Fund Financial statements
- Notes to the basic financial statements

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

Government-wide Financial Statements

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

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

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

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

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

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

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

Fund Financial Statements

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

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

financial statements, governmental fund financial statements focus on the acquisition and use of current expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

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

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-40 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 51-68.

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 \$17,454,282 at the close of the most recent fiscal year.

The largest portion of the City's net position, \$11,919,673, or 68.2% 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	
	2016	2017	2016	2017	2016	2017
Current and other assets	\$ 2,872,728	\$ 3,568,895	\$ 1,722,548	\$ 1,965,714	\$ 4,595,276	\$ 5,534,609
Fixed assets, net, where applicable, of accumulated depreciation	4,006,305	4,060,830	11,018,908	10,500,015	15,025,213	14,560,845
Total assets	<u>6,879,033</u>	<u>7,629,725</u>	<u>12,741,456</u>	<u>12,465,729</u>	<u>19,620,489</u>	<u>20,095,454</u>
Non-current liabilities	818,564	695,671	1,557,816	1,507,169	2,376,380	2,202,840
Other liabilities	<u>165,343</u>	<u>125,510</u>	<u>287,025</u>	<u>312,822</u>	<u>452,368</u>	<u>438,332</u>
Total liabilities	<u>983,907</u>	<u>821,181</u>	<u>1,844,841</u>	<u>1,819,991</u>	<u>2,828,748</u>	<u>2,641,172</u>
Net position:						
Net investment in capital assets	3,022,398	3,239,649	9,174,067	8,680,024	12,196,465	11,919,673
Restricted	611,989	546,780	-	-	611,989	546,780
Unrestricted	<u>2,260,739</u>	<u>3,022,115</u>	<u>1,722,548</u>	<u>1,965,714</u>	<u>3,983,287</u>	<u>4,987,829</u>
Total net position	<u>\$ 5,895,126</u>	<u>\$ 6,808,544</u>	<u>\$ 10,896,615</u>	<u>\$ 10,645,738</u>	<u>\$ 16,791,741</u>	<u>\$ 17,454,282</u>

A portion of the City's net position, \$546,780, 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, \$4,987,829, or 28.6% may be used to meet the government's ongoing obligations to citizens and creditors. This is an increase from last year of \$1,004,542.

City of Umatilla's Change in Net Position

	Governmental		Business-type		Total	
	Activities		Activities			
	2016	2017	2016	2017	2016	2017
Program revenues:						
Charges for services	\$ 2,038,276	\$ 2,319,112	\$ 2,369,724	\$ 2,424,042	\$ 4,408,000	\$ 4,743,154
Contributions and grants	24,944	16,087	-	-	24,944	16,087
General revenues:						
Taxes (all sources)	626,073	818,949	-	-	626,073	818,949
Shared revenue	766,085	834,444	-	-	766,085	834,444
Use of money and property	18,178	33,601	11,787	17,573	29,965	51,174
Transfers	39,312	16,816	(39,312)	(16,816)	-	-
Gain/(loss) on sale of assets	-	-	-	-	-	-
Miscellaneous receipts	890,313	1,099,450	4,728	10,514	895,041	1,109,964
Total Revenues	4,403,181	5,138,459	2,346,927	2,435,313	6,750,108	7,573,772
Expenses:						
General government	788,303	561,048	-	-	788,303	561,048
Sanitation	582,958	605,203	-	-	582,958	605,203
Streets	457,774	559,791	-	-	457,774	559,791
Library	180,978	179,452	-	-	180,978	179,452
Police	1,743,223	1,805,409	-	-	1,743,223	1,805,409
Recreation	409,521	514,138	-	-	409,521	514,138
Sewer and water	-	-	2,432,535	2,686,190	2,432,535	2,686,190
Total expenses	4,162,757	4,225,041	2,432,535	2,686,190	6,595,292	6,911,231
Net position - beginning, as adjusted						
	5,654,702	5,895,126	10,982,223	10,896,615	16,636,925	16,791,741
Change in net position	240,424	913,418	(85,608)	(250,877)	154,816	662,541
Net position, end of year	\$ 5,895,126	\$ 6,808,544	\$ 10,896,615	\$ 10,645,738	\$ 16,791,741	\$ 17,454,282

Governmental Activities. Governmental activities increased the City's net position by \$913,418.

Business-type activities. Business-type activities decreased the City's net position by \$250,877.

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 \$3,568,895. Approximately 32.8% of this total amount, \$1,172,294, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *restricted or committed* to indicate that it is not available for new spending because it has already been designated for a variety of purposes.

The general fund is the chief operating fund of the City of Umatilla. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,172,294. 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 42.1% of total general fund expenditures of \$2,782,055. This ratio is an increase from 30.2% in the prior year.

The fund balance of the City's general fund increased by \$279,154 during the fiscal year. The fund experienced increased property tax and franchise revenues and similar expenditures as in the previous fiscal year. There was an increased amount of transfers out into the Capital Reserve Fund.

The Street fund has total fund ending balance of \$513,499, a decrease of \$65,081 from the prior year. This decrease is primarily due to increased personnel costs in the form of overtime wages, as a result of a very icy winter, and increased transfers out of the fund to cover anticipated capital expenditures.

Other governmental funds remained relatively stable during the year.

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

Unrestricted net position of the Sewer fund, both operating and reserve, at the end of the year amounted to \$1,481,709. The Water fund, both operating and reserve, had unrestricted net position of \$484,005.

General Fund Budgetary Highlights

For the year ended June 30, 2017 there was a slight variation between the budgeted revenue and the actual revenues received in the General Fund. Collections for property tax were 31% more than budgeted resulting from a significant increase in total assessed value attributable to the data centers. Electrical franchise receipts were also 10% higher than budgeted. The City received its first community service fee that resulted from the data center property tax abatements which was over \$96,000. This amount was not included in the budget and was included in the Other Revenue line item. Expenditures were under budget in all operating departments.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business type activities as of June 30, 2017, amounted to \$14,560,845 (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 Activities		Business-type Activities		Total	
	2016	2017	2016	2017	2016	2017
Land	\$ 792,052	\$ 792,052	\$ -	\$ -	\$ 792,052	\$ 792,052
Buildings	2,297,640	2,225,970	-	-	2,297,640	2,225,970
Infrastructure	721,546	641,260	-	-	721,546	641,260
Sewer	-	-	7,776,573	7,444,273	7,776,573	7,444,273
Water	-	-	3,242,335	3,055,742	3,242,335	3,055,742
Machinery and Equipment	129,431	335,790	-	-	129,431	335,790
Vehicles	65,636	65,758	-	-	65,636	65,758
Total	\$ 4,006,305	\$ 4,060,830	\$11,018,908	\$10,500,015	\$15,025,213	\$14,560,845

Additional information on the City's capital assets can be found in note 4 in the Notes to the Basic Financial Statement section of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$1,557,822. This debt represents bonds secured solely by specified revenue sources.

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

	Governmental Activities		Business-type Activities		Total	
	2016	2017	2016	2017	2016	2017
Special Assessment debt with governmental Commitment	\$ 983,907	\$ 821,181	\$ -	\$ -	\$ 983,907	\$ 821,181
Special Assessment debt with enterprise fund Commitment	\$ -	\$ -	\$ -	\$ 262,169	\$ -	\$ 262,169
Revenue Bonds Total	-	-	1,844,841	1,557,822	1,844,841	1,557,822
	\$ 983,907	\$ 821,181	\$ 1,844,841	\$ 1,819,991	\$ 2,828,748	\$ 2,641,172

The City's total debt decreased by \$287,018 (15.6%) 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 FY2018 budget:

- Assessed values, the basis of property tax revenues, will grow by 3%. In the previous fiscal year, we saw a 35% increase in value due to data center activity that was not eligible for tax abatements.
- Contributions in lieu of tax revenues for the enterprise zone agreement will continue per the agreement.
- Interest rates on investments will be ½ %.
- Insurance costs will be relatively flat for the FY2018 budget. Liability increases will be offset by auto and property decreases.
- There will be no COLA in the next budget cycle.
- The City Council approved the addition of two new positions within City Hall, a Community Development Director and an Administrative/Accounting Clerk.
- Wages will increase by 3.5% for Umatilla Police employees.
- New PERS rates take effect July 1, 2017. Rates are 13.42% for Tier 1 and Tier 2, 11.61% for OPSRP General Schedule and 10.38% for OPSRP Police. The overall budget impact as a result of the rate increases is approximately \$100,000.
- Health insurance costs will increase by approximately 5% and dental insurance will increase by 4.5%.
- The City is working on a multi-phase Waste Water Re-use system. Phase 1 of the re-use project will be the required infrastructure to pipe industrial water to the Bureau of Reclamations irrigation canal and from there to the West Extension Irrigation Districts canal for carriage downstream for beneficial use. The City executes \$403,000 in loan funding for the final design and construction bid documents to install approximately 2.5 miles of underground pipeline. They will also be seeking \$2,342,420 in loan funding for the construction of Phase 1. This loan will include \$500,000 in principal forgiveness and no payments will be made until the construction is complete.
- To prepare for the 6th Street project, the City will need to work with our engineers to complete a water line installation and hydrant meter replacement. The engineering and project will cost approximately \$225,000.

Request for Information

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

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

SUPPLEMENTARY INFORMATION

CITY OF UMATILLA, OREGON

Non-major Governmental Funds

June 30, 2017

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, 2017

	<u>Special Revenue Funds</u>		<u>Capital Project Fund</u>	
	<u>Library</u>	<u>Transient Room Tax</u>	<u>Building Reserve</u>	<u>Total Non-major Governmental Funds</u>
<u>ASSETS</u>				
Cash and cash equivalents	<u>\$ 116,283</u>	<u>\$ 208,421</u>	<u>\$ 87,383</u>	<u>\$ 412,087</u>
<u>LIABILITIES</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>FUND BALANCES:</u>				
Committed	<u>116,283</u>	<u>208,421</u>	<u>87,383</u>	<u>412,087</u>
Total liabilities and fund balances	<u>\$ 116,283</u>	<u>\$ 208,421</u>	<u>\$ 87,383</u>	<u>\$ 412,087</u>

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, 2017

	Special Revenue Funds		Capital Project Fund	Total Non-major Governmental Funds
	Library	Transient Room Tax	Building Reserve	
<u>REVENUES:</u>				
Intergovernmental	\$ 172,291	\$ -	\$ -	\$ 172,291
Fees, licenses, and permits	-	73,424	-	73,424
Investment interest	1,067	1,860	1,373	4,300
Miscellaneous	17,069	-	132,922	149,991
Total revenues	<u>190,427</u>	<u>75,284</u>	<u>134,295</u>	<u>400,006</u>
<u>EXPENDITURES:</u>				
Current:				
Library	174,911	-	-	174,911
Cultural and recreation	-	55,913	-	55,913
Debt service:				
Principal	-	-	75,086	75,086
Interest	-	-	42,135	42,135
Capital outlay	-	-	-	-
Total expenditures	<u>174,911</u>	<u>55,913</u>	<u>117,221</u>	<u>348,045</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>	<u>15,516</u>	<u>19,371</u>	<u>17,074</u>	<u>51,961</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Proceeds from long-term debt	-	-	-	-
Operating transfers in	33,000	47,045	-	80,045
Operating transfers out	(7,300)	(11,500)	-	(18,800)
Total other financing sources (uses)	<u>25,700</u>	<u>35,545</u>	<u>-</u>	<u>61,245</u>
<u>NET CHANGE IN FUND BALANCES</u>	<u>41,216</u>	<u>54,916</u>	<u>17,074</u>	<u>113,206</u>
<u>FUND BALANCES, BEGINNING OF YEAR</u>	<u>75,067</u>	<u>153,505</u>	<u>70,309</u>	<u>298,881</u>
<u>FUND BALANCES, END OF YEAR</u>	<u>\$ 116,283</u>	<u>\$ 208,421</u>	<u>\$ 87,383</u>	<u>\$ 412,087</u>

See accompanying independent auditors' report.

CITY OF UMATILLA, OREGON

Library Fund
Budgetary Comparison Schedule - Modified Cash Basis
Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
<u>REVENUES:</u>				
Library district	\$ 152,305	\$ 152,305	\$ 169,145	\$ 16,840
Grants	3,185	3,185	3,146	(39)
Interest income	300	300	1,067	767
Other	1,930	1,930	17,069	15,139
Total revenues	157,720	157,720	190,427	32,707
<u>TRANSFERS FROM OTHER FUNDS:</u>				
From the General Fund	33,000	33,000	33,000	-
<u>BEGINNING FUND BALANCE AVAILABLE</u>				
<u>FOR APPROPRIATION</u>	56,547	56,547	75,067	18,520
	<u>\$ 247,267</u>	<u>\$ 247,267</u>	<u>\$ 298,494</u>	<u>\$ 51,227</u>
<u>EXPENDITURES:</u>				
Current:				
Library:				
Personal services	\$ 157,709	\$ 157,709	\$ 151,288	\$ 6,421
Materials and services	30,305	30,305	23,623	6,682
Capital outlay	2,500	2,500	-	2,500
Operating contingency	1,000	1,000	-	1,000
Total expenditures	191,514	191,514	174,911	16,603
<u>TRANSFERS TO OTHER FUNDS:</u>				
To the Capital Reserve Fund	7,300	7,300	7,300	-
Total expenditures and transfers	198,814	198,814	182,211	<u>\$ 16,603</u>
<u>UNAPPROPRIATED BALANCE</u>	48,453	48,453	116,283	
	<u>\$ 247,267</u>	<u>\$ 247,267</u>	<u>\$ 298,494</u>	

See accompanying independent auditors' report.

CITY OF UMATILLA, OREGON

Transient Room Tax Fund
Budgetary Comparison Schedule - Modified Cash Basis
Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Motel tax	\$ 47,045	\$ 47,045	\$ 73,424	\$ 26,379
Interest income	775	775	1,860	1,085
Total revenues	<u>47,820</u>	<u>47,820</u>	<u>75,284</u>	<u>27,464</u>
<u>TRANSFERS FROM OTHER FUNDS:</u>				
From the General Fund	<u>63,279</u>	<u>63,279</u>	<u>47,045</u>	<u>(16,234)</u>
<u>BEGINNING FUND BALANCE AVAILABLE FOR APPROPRIATION</u>				
	<u>146,750</u>	<u>146,750</u>	<u>153,505</u>	<u>6,755</u>
	<u>\$ 257,849</u>	<u>\$ 257,849</u>	<u>\$ 275,834</u>	<u>\$ 17,985</u>
<u>EXPENDITURES:</u>				
Current:				
Culture and recreation:				
Materials and services	\$ 135,679	\$ 135,679	\$ 55,913	\$ 79,766
Capital Outlay	87,065	87,065	-	87,065
	<u>222,744</u>	<u>222,744</u>	<u>55,913</u>	<u>166,831</u>
<u>TRANSFERS TO OTHER FUNDS:</u>				
To the General Fund	<u>11,500</u>	<u>11,500</u>	<u>11,500</u>	<u>-</u>
Total expenditures and transfers	<u>234,244</u>	<u>234,244</u>	<u>67,413</u>	<u>\$ 166,831</u>
<u>UNAPPROPRIATED BALANCE</u>				
	<u>23,605</u>	<u>23,605</u>	<u>208,421</u>	
	<u>\$ 257,849</u>	<u>\$ 257,849</u>	<u>\$ 275,834</u>	

See accompanying independent auditors' report.

CITY OF UMATILLA, OREGON

Capital Reserve Fund
Budgetary Comparison Schedule - Modified Cash Basis
Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
<u>REVENUES:</u>				
Interest income	\$ 4,500	\$ 4,500	\$ 9,283	\$ 4,783
Calpine co-gen plant and other	44,268	44,268	42,712	(1,556)
	<u>48,768</u>	<u>48,768</u>	<u>51,995</u>	<u>3,227</u>
<u>TRANSFERS FROM OTHER FUNDS:</u>				
From the Sewer Fund	36,750	36,750	36,750	-
From the Water Fund	30,450	30,450	30,450	-
From the Library Fund	7,300	7,300	7,300	-
From the General Fund	279,640	279,640	279,640	-
From the State Tax Street Fund	38,700	38,700	38,700	-
	<u>392,840</u>	<u>392,840</u>	<u>392,840</u>	<u>-</u>
Total revenues and transfers	441,608	441,608	444,835	3,227
<u>BEGINNING FUND BALANCE AVAILABLE</u>				
<u>FOR APPROPRIATION</u>				
	<u>1,028,158</u>	<u>1,028,158</u>	<u>1,040,499</u>	<u>12,341</u>
	<u>\$ 1,469,766</u>	<u>\$ 1,469,766</u>	<u>\$ 1,485,334</u>	<u>\$ 15,568</u>
<u>EXPENDITURES:</u>				
Current:				
General government:				
Materials and services	\$ 77,000	\$ 77,000	\$ 71,074	\$ 5,926
Capital outlay	528,140	528,140	430,559	97,581
Total expenditures	605,140	605,140	501,633	<u>\$ 103,507</u>
<u>UNAPPROPRIATED BALANCE</u>				
	<u>864,626</u>	<u>864,626</u>	<u>983,701</u>	
	<u>\$ 1,469,766</u>	<u>\$ 1,469,766</u>	<u>\$ 1,485,334</u>	

See accompanying independent auditors' report.

CITY OF UMATILLA, OREGON

Building Reserve Fund
Budgetary Comparison Schedule - Modified Cash Basis
Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Interest	\$ 200	\$ 200	\$ 1,373	\$ 1,173
Calpine co-gen plant	132,922	132,922	132,922	-
	<u>133,122</u>	<u>133,122</u>	<u>134,295</u>	<u>1,173</u>
<u>BEGINNING FUND BALANCE AVAILABLE FOR APPROPRIATION</u>				
	<u>69,838</u>	<u>69,838</u>	<u>70,309</u>	<u>471</u>
	<u>\$ 202,960</u>	<u>\$ 202,960</u>	<u>\$ 204,604</u>	<u>\$ 1,644</u>
<u>EXPENDITURES:</u>				
Debt service	\$ 117,222	\$ 117,222	\$ 117,221	\$ 1
<u>UNAPPROPRIATED BALANCE</u>	<u>85,738</u>	<u>85,738</u>	<u>87,383</u>	
	<u>\$ 202,960</u>	<u>\$ 202,960</u>	<u>\$ 204,604</u>	

See accompanying independent auditors' report.

CITY OF UMATILLA, OREGON

Debt Service Fund
Budgetary Comparison Schedule - Modified Cash Basis
Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget- Positive (Negative)</u>
<u>REVENUES:</u>				
Property taxes:				
Current	\$ 38,326	\$ 38,326	\$ 38,454	128
Prior	2,078	2,078	2,946	868
Interest income	165	165	534	369
	<u>40,569</u>	<u>40,569</u>	<u>41,934</u>	<u>1,365</u>
<u>TRANSFERS FROM OTHER FUNDS:</u>				
From the Water Fund	<u>21,000</u>	<u>21,000</u>	<u>21,000</u>	<u>-</u>
Total revenues and transfers	61,569	61,569	62,934	1,365
<u>BEGINNING FUND BALANCE AVAILABLE</u>				
<u>FOR APPROPRIATION</u>	<u>33,024</u>	<u>33,024</u>	<u>33,409</u>	<u>385</u>
	<u>\$ 94,593</u>	<u>\$ 94,593</u>	<u>\$ 96,343</u>	<u>\$ 1,750</u>
<u>EXPENDITURES:</u>				
Debt service:				
Principal retirement	\$ 57,022	\$ 57,022	\$ 57,018	4
Interest	6,040	6,040	6,044	(4)
Total expenditures	<u>63,062</u>	<u>63,062</u>	<u>63,062</u>	<u>\$ -</u>
<u>UNAPPROPRIATED BALANCE</u>	<u>31,531</u>	<u>31,531</u>	<u>33,281</u>	
	<u>\$ 94,593</u>	<u>\$ 94,593</u>	<u>\$ 96,343</u>	

See accompanying independent auditors' report.

CITY OF UMATILLA, OREGON

Water Utility Fund
Budgetary Comparison Schedule - Modified Cash Basis
Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts	Final Budget- Positive (Negative)
<u>REVENUES:</u>				
Water service	\$ 998,879	\$ 998,879	\$ 957,165	\$ (41,714)
Service connections	7,500	7,500	8,440	940
Interest and other	21,000	21,000	18,819	(2,181)
Total revenues	1,027,379	1,027,379	984,424	(42,955)
<u>BEGINNING FUND BALANCE AVAILABLE</u>				
<u>FOR APPROPRIATION</u>	71,258	71,258	39,609	(31,649)
	<u>\$ 1,098,637</u>	<u>\$ 1,098,637</u>	<u>\$ 1,024,033</u>	<u>\$ (74,604)</u>
<u>EXPENDITURES:</u>				
Personal services	\$ 507,565	\$ 507,565	\$ 487,600	\$ 19,965
Materials and services	373,044	373,044	361,420	11,624
Capital outlay	3,000	3,000	-	3,000
Contingency	20,000	20,000	-	20,000
	<u>903,609</u>	<u>903,609</u>	<u>849,020</u>	<u>54,589</u>
<u>TRANSFERS TO OTHER FUNDS:</u>				
To the Capital Reserve Fund	30,450	30,450	30,450	-
To the Debt Service Fund	21,000	21,000	21,000	-
To the Water Reserve Fund	115,000	115,000	67,500	47,500
	<u>166,450</u>	<u>166,450</u>	<u>118,950</u>	<u>47,500</u>
Total expenditures and transfers	1,070,059	1,070,059	967,970	<u>\$ 102,089</u>
<u>UNAPPROPRIATED BALANCE</u>	<u>28,578</u>	<u>28,578</u>	<u>56,063</u>	
	<u>\$ 1,098,637</u>	<u>\$ 1,098,637</u>	<u>\$ 1,024,033</u>	

See accompanying independent auditors' report.

CITY OF UMATILLA, OREGON

Sewer Utility Fund
Budgetary Comparison Schedule - Modified Cash Basis
Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
<u>REVENUES:</u>				
Sewer service	\$ 1,406,480	\$ 1,406,480	\$ 1,419,745	\$ 13,265
Interest income	850	850	3,196	2,346
Other income	2,500	2,500	10,712	8,212
Total revenues	1,409,830	1,409,830	1,433,653	23,823
<u>BEGINNING FUND BALANCE</u>				
<u>AVAILABLE FOR APPROPRIATION</u>	336,826	336,826	345,990	9,164
	<u>\$ 1,746,656</u>	<u>\$ 1,746,656</u>	<u>\$ 1,779,643</u>	<u>\$ 32,987</u>
<u>EXPENDITURES:</u>				
Personal services	\$ 645,783	\$ 645,783	\$ 602,005	\$ 43,778
Materials and service	254,511	269,511	232,343	37,168
Capital outlay	3,000	3,000	-	3,000
Debt service	267,000	267,000	266,988	12
Contingency	145,000	130,000	-	130,000
	<u>1,315,294</u>	<u>1,315,294</u>	<u>1,101,336</u>	<u>213,958</u>
<u>TRANSFERS TO OTHER FUNDS:</u>				
To the Sewer Reserve Fund	\$ 200,000	\$ 200,000	\$ 200,000	\$ -
To the Capital Reserve Fund	36,750	36,750	36,750	-
	<u>236,750</u>	<u>236,750</u>	<u>236,750</u>	<u>-</u>
Total expenditures and transfers	1,552,044	1,552,044	1,338,086	<u>\$ 213,958</u>
<u>UNAPPROPRIATED BALANCE</u>	<u>194,612</u>	<u>194,612</u>	<u>441,557</u>	
	<u>\$ 1,746,656</u>	<u>\$ 1,746,656</u>	<u>\$ 1,779,643</u>	

See accompanying independent auditors' report.

CITY OF UMATILLA, OREGON

Water Reserve Fund
Budgetary Comparison Schedule - Modified Cash Basis
Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
<u>REVENUES:</u>				
SDC for water system improvement	\$ 5,145	\$ 5,145	\$ 11,319	\$ 6,174
Interest income	3,200	3,200	4,671	1,471
	<u>8,345</u>	<u>8,345</u>	<u>15,990</u>	<u>7,645</u>
<u>TRANSFERS FROM OTHER FUNDS:</u>				
From the Water Fund	<u>115,000</u>	<u>115,000</u>	<u>67,500</u>	<u>(47,500)</u>
Total revenues and transfers	123,345	123,345	83,490	(39,855)
<u>BEGINNING FUND BALANCE AVAILABLE</u>				
<u>FOR APPROPRIATION</u>	<u>416,776</u>	<u>416,776</u>	<u>471,883</u>	<u>55,107</u>
	<u>\$ 540,121</u>	<u>\$ 540,121</u>	<u>\$ 555,373</u>	<u>\$ 15,252</u>
<u>EXPENDITURES:</u>				
Materials and services	\$ 10,000	\$ 35,000	\$ 5,783	\$ 29,217
Capital outlay	126,888	241,888	121,648	120,240
Total expenditures	136,888	276,888	127,431	<u>\$ 149,457</u>
<u>UNAPPROPRIATED BALANCE</u>				
	<u>403,233</u>	<u>263,233</u>	<u>427,942</u>	
	<u>\$ 540,121</u>	<u>\$ 540,121</u>	<u>\$ 555,373</u>	

See accompanying independent auditors' report.

CITY OF UMATILLA, OREGON

Sewer Reserve Fund
Budgetary Comparison Schedule - Modified Cash Basis
Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
SDC for sewer system improvement	\$ 3,715	\$ 3,715	\$ 8,173	\$ 4,458
Interest	5,000	5,000	9,145	4,145
Other income	-	-	262,169	262,169
	<u>8,715</u>	<u>8,715</u>	<u>279,487</u>	<u>270,772</u>
<u>TRANSFERS FROM OTHER FUNDS:</u>				
From the Sewer Fund	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Total revenues and transfers	208,715	208,715	479,487	270,772
<u>BEGINNING FUND BALANCE AVAILABLE FOR APPROPRIATION</u>				
	<u>793,952</u>	<u>793,952</u>	<u>865,066</u>	<u>71,114</u>
	<u>\$ 1,002,667</u>	<u>\$ 1,002,667</u>	<u>\$ 1,344,553</u>	<u>\$ 341,886</u>
<u>EXPENDITURES:</u>				
Materials and services	\$ 35,000	\$ 35,000	\$ 298,731	\$ (263,731)
Capital outlay	<u>200,000</u>	<u>200,000</u>	<u>5,670</u>	<u>194,330</u>
Total expenditures	235,000	235,000	304,401	<u>\$ (69,401)</u>
<u>UNAPPROPRIATED BALANCE</u>				
	<u>767,667</u>	<u>767,667</u>	<u>1,040,152</u>	
	<u>\$ 1,002,667</u>	<u>\$ 1,002,667</u>	<u>\$ 1,344,553</u>	

CITY OF UMATILLA, OREGON

All Enterprise Funds
Reconciliation of Revenues and Expenditures (Budgetary Basis)
to Statement of Revenues, Expenses, and Changes in Fund Net Position
(Modified Cash Basis)
Year Ended June 30, 2017

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Water Reserve</u>	<u>Sewer Reserve</u>	<u>Total</u>
<u>REVENUES</u>	\$ 984,424	\$ 1,433,653	\$ 15,990	\$ 279,487	\$ 2,713,554
<u>EXPENDITURES</u>	(849,020)	(1,101,336)	(127,431)	(304,401)	(2,382,188)
<u>REVENUES OVER EXPENDITURES</u>					
<u>-- BUDGETARY BASIS</u>	135,404	332,317	(111,441)	(24,914)	331,366
<u>TRANSFERS (MODIFIED CASH BASIS):</u>					
Operating transfers in	-	-	67,500	200,000	267,500
Operating transfers out	(118,950)	(236,750)	-	-	(355,700)
	<u>(118,950)</u>	<u>(236,750)</u>	<u>67,500</u>	<u>200,000</u>	<u>(88,200)</u>
<u>ADJUSTMENTS:</u>					
Principal payments on debt	-	230,000	-	-	230,000
Interest expense	(6,044)	-	-	-	(6,044)
Capital outlay transfers	15,940	3,026	-	-	18,966
Debt service transfers	63,063	(262,169)	-	-	(199,106)
Depreciation and amortization	(202,533)	(335,326)	-	-	(537,859)
	<u>(129,574)</u>	<u>(364,469)</u>	<u>-</u>	<u>-</u>	<u>(494,043)</u>
<u>CHANGE IN NET POSITION PER STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - MODIFIED CASH BASIS</u>	<u>\$ (113,120)</u>	<u>\$ (268,902)</u>	<u>\$ (43,941)</u>	<u>\$ 175,086</u>	<u>\$ (250,877)</u>

See accompanying independent auditors' report.

CITY OF UMATILLA, OREGON

All Enterprise Funds
Reconciliation of Fund Balance (Budgetary Basis)
to Net Position -- Proprietary Funds Statement of Net Position
(Modified Cash Basis)
June 30, 2017

	<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>	\$ 56,063	\$ 441,557	\$ 427,942	\$ 1,040,152	\$ 1,965,714
<u>ADD (DEDUCT):</u>					
Fixed assets	3,055,742	7,444,273	-	-	10,500,015
Notes payable to bank	<u>(77,822)</u>	<u>(1,742,169)</u>	<u>-</u>	<u>-</u>	<u>(1,819,991)</u>
<u>NET POSITION</u>	<u>\$ 3,033,983</u>	<u>\$ 6,143,661</u>	<u>\$ 427,942</u>	<u>\$ 1,040,152</u>	<u>\$ 10,645,738</u>

See accompanying independent auditors' report.

CITY OF UMATILLA, OREGON

Statement of Net Position - Modified Cash Basis

Proprietary Funds

June 30, 2017

(with comparative totals for June 30, 2016)

	Water Utility		Sewer Utility		Water Reserve		Sewer Reserve		Totals June 30,	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016	6/30/2017	6/30/2016	6/30/2017	6/30/2016	2017	2016
<u>ASSETS:</u>										
Cash and cash equivalents	\$ 56,063	\$ 39,609	\$ 441,557	\$ 345,990	\$ 427,942	\$ 471,883	\$ 1,040,152	\$ 865,066	\$ 1,965,714	\$ 1,722,548
Capital assets, less accumulated depreciation	3,055,742	3,242,335	7,444,273	7,776,573	-	-	-	-	10,500,015	11,018,908
	<u>3,111,805</u>	<u>3,281,944</u>	<u>7,885,830</u>	<u>8,122,563</u>	<u>427,942</u>	<u>471,883</u>	<u>1,040,152</u>	<u>865,066</u>	<u>12,465,729</u>	<u>12,741,456</u>
<u>LIABILITIES:</u>										
Note payable	-	-	262,169	-	-	-	-	-	262,169	-
Bonds payable	77,822	134,841	1,245,000	1,710,000	-	-	-	-	1,322,822	1,844,841
Total liabilities	<u>77,822</u>	<u>134,841</u>	<u>1,507,169</u>	<u>1,710,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,584,991</u>	<u>1,844,841</u>
<u>NET POSITION:</u>										
Net investment in capital assets	2,977,920	3,107,494	5,702,104	6,066,573	-	-	-	-	8,680,024	9,174,067
Unrestricted	56,063	39,609	441,557	345,990	427,942	471,883	1,040,152	865,066	1,965,714	1,722,548
Total net position	<u>\$ 3,033,983</u>	<u>\$ 3,147,103</u>	<u>\$ 6,143,661</u>	<u>\$ 6,412,563</u>	<u>\$ 427,942</u>	<u>\$ 471,883</u>	<u>\$ 1,040,152</u>	<u>\$ 865,066</u>	<u>\$ 10,645,738</u>	<u>\$ 10,896,615</u>

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, 2017

(with comparative totals for June 30, 2016)

	Water Utility		Sewer Utility		Water Reserve		Sewer Reserve		Totals June 30,	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016	6/30/2017	6/30/2016	6/30/2017	6/30/2016	2017	2016
<u>OPERATING REVENUES:</u>										
Charges for sales and services:										
Water	\$ 981,505	\$ 938,755	\$ -	\$ -	\$ 11,319	\$ 20,580	\$ -	\$ -	\$ 992,824	\$ 959,335
Sewer	-	-	1,423,045	1,395,529	-	-	8,173	14,860	1,431,218	1,410,389
Miscellaneous revenues	2,359	4,435	7,412	293	-	-	743	-	10,514	4,728
Total operating revenue	983,864	943,190	1,430,457	1,395,822	11,319	20,580	8,916	14,860	2,434,556	2,374,452
<u>OPERATING EXPENSES:</u>										
Cost of sales and services	849,020	856,877	834,348	845,644	116,787	59,164	305,144	95,397	2,105,299	1,857,082
Depreciation and amortization	202,533	190,420	335,326	334,701	-	-	-	-	537,859	525,121
Total operating expenses	1,051,553	1,047,297	1,169,674	1,180,345	116,787	59,164	305,144	95,397	2,643,158	2,382,203
<u>OPERATING INCOME (LOSS)</u>	<u>(67,689)</u>	<u>(104,107)</u>	<u>260,783</u>	<u>215,477</u>	<u>(105,468)</u>	<u>(38,584)</u>	<u>(296,228)</u>	<u>(80,537)</u>	<u>(208,602)</u>	<u>(7,751)</u>
<u>NONOPERATING REVENUES</u>										
<u>(EXPENSES):</u>										
Interest on investments	561	722	3,196	1,323	4,671	4,051	9,145	5,691	17,573	11,787
Bond premium received	-	-	-	-	-	-	-	-	-	-
Interest expense	(6,044)	(8,784)	(36,988)	(41,548)	-	-	-	-	(43,032)	(50,332)
Bond issuance costs	-	-	-	-	-	-	-	-	-	-
Total nonoperating revenue (expenses)	(5,483)	(8,062)	(33,792)	(40,225)	4,671	4,051	9,145	5,691	(25,459)	(38,545)
<u>INCOME (LOSS) BEFORE TRANSFERS</u>	<u>(73,172)</u>	<u>(112,169)</u>	<u>226,991</u>	<u>175,252</u>	<u>(100,797)</u>	<u>(34,533)</u>	<u>(287,083)</u>	<u>(74,846)</u>	<u>(234,061)</u>	<u>(46,296)</u>
Transfers in (out)	(39,948)	83,532	(495,893)	(144,837)	56,856	(78,007)	462,169	100,000	(16,816)	(39,312)
<u>CHANGE IN NET POSITION</u>	<u>(113,120)</u>	<u>(28,637)</u>	<u>(268,902)</u>	<u>30,415</u>	<u>(43,941)</u>	<u>(112,540)</u>	<u>175,086</u>	<u>25,154</u>	<u>(250,877)</u>	<u>(85,608)</u>
<u>TOTAL NET POSITION - BEGINNING</u>	<u>3,147,103</u>	<u>3,175,740</u>	<u>6,412,563</u>	<u>6,382,148</u>	<u>471,883</u>	<u>584,423</u>	<u>865,066</u>	<u>839,912</u>	<u>10,896,615</u>	<u>10,982,223</u>
<u>TOTAL NET POSITION - ENDING</u>	<u>\$ 3,033,983</u>	<u>\$ 3,147,103</u>	<u>\$ 6,143,661</u>	<u>\$ 6,412,563</u>	<u>\$ 427,942</u>	<u>\$ 471,883</u>	<u>\$ 1,040,152</u>	<u>\$ 865,066</u>	<u>\$ 10,645,738</u>	<u>\$ 10,896,615</u>

See accompanying independent auditors' report.

CITY OF UMATILLA, OREGON

**Schedule of Future Debt Service Requirements
of Long-Term Debt
June 30, 2017**

Maturing During year Ending June 30,	FmHA Water Bonds Issued December 1, 1978		Port of Umatilla February 18, 2015		US Bank Refunding Bonds March 11, 2014	
	Principal	Interest	Principal	Interest	Principal	Interest
	2018	\$ 77,822	\$ 3,151	\$ 44,000	\$ -	\$ 235,000
2019	-	-	44,000	-	240,000	27,600
2020	-	-	-	-	245,000	22,750
2021	-	-	-	-	250,000	17,800
2022	-	-	-	-	260,000	11,400
2023-2027	-	-	-	-	250,000	3,750
	<u>\$ 77,822</u>	<u>\$ 3,151</u>	<u>\$ 88,000</u>	<u>\$ -</u>	<u>\$ 1,480,000</u>	<u>\$ 115,650</u>

Maturing During year Ending June 30,	Banner Bank April 13, 2009		IFA To be determined		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
	2018	\$ 81,510	\$ 35,711	\$ -	\$ -	\$ 438,332
2019	85,504	31,717	38,806	7,788	408,310	67,105
2020	89,694	27,528	43,422	3,172	378,116	53,450
2021	94,089	23,133	44,038	2,555	388,127	43,488
2022	98,699	18,522	44,664	1,930	403,363	31,852
2023-2027	283,685	25,590	91,239	1,948	624,924	31,288
	<u>\$ 733,181</u>	<u>\$ 162,201</u>	<u>\$ 262,169</u>	<u>\$ 17,393</u>	<u>\$ 2,641,172</u>	<u>\$ 298,395</u>

See accompanying independent auditors' report.

CITY OF UMATILLA, OREGON

Schedule of Long-Term Debt Transactions
Year Ended June 30, 2017

	Interest Rate	Amount of Original Issue	DEBT PRINCIPAL				INTEREST			
			Outstanding July 1, 2016	Debt Issued During Year	Matured and Paid During Year	Outstanding June 30, 2017	Outstanding July 1, 2016	Matured During Year	Paid During Year	Matured and Outstanding June 30, 2017
Water bonds issued to FmHA December 1, 1978	5.0 %	\$ 1,073,000	\$ 134,841	\$ -	\$ 57,019	77,822	\$ -	\$ 6,044	\$ 6,044	\$ -
GMCS, Inc. June 2, 2016	- %	43,640	43,640	-	43,640	-	-	-	-	-
Port of Umatilla February 18, 2015	- %	176,000	132,000	-	44,000	88,000	-	-	-	-
Banner Bank April 13, 2009	4.9 %	1,500,000	808,267	-	75,086	733,181	-	42,135	42,135	-
IFA Loan	1.4 %	262,169	-	262,169	-	262,169	-	-	-	-
US Bank sewer refunding bonds March 11, 2014	2 %	2,160,000	1,710,000	-	230,000	1,480,000	-	36,988	36,988	-
Totals			<u>\$2,828,748</u>	<u>\$ 262,169</u>	<u>\$ 449,745</u>	<u>\$ 2,641,172</u>	<u>\$ -</u>	<u>\$ 85,167</u>	<u>\$ 85,167</u>	<u>\$ -</u>

See accompanying independent auditors' report.

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
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, 2017, and have issued our report thereon dated November 7, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

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

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

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

Mayor and City Council
City of Umatilla
Page two

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

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

OAR 162-10-0230 Internal Control

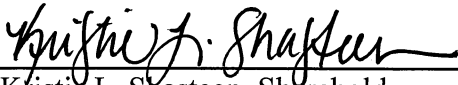
In planning and performing our audit of the financial statements, we considered City of Umatilla, Oregon's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing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

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

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

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

Barnett & Moro, P.C.

By: 

Kristie L. Shasteen, Shareholder
Hermiston, Oregon
November 7, 2017