

# CITY OF ONTARIO, OREGON

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## ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018





**CITY OF ONTARIO, OREGON  
JUNE 30, 2018**

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## **INTRODUCTORY SECTION**

CITY OF ONTARIO, OREGON  
**CITY COUNCIL AND OFFICIALS**  
June 30, 2018

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

## **FINANCIAL SECTION**

LEWIS, POE, MOELLER, GUNDERSON & ROBERTS, LLC  
CERTIFIED PUBLIC ACCOUNTANTS  
1121 ADAMS AVENUE • P.O. BOX 1024  
LA GRANDE, OREGON 97850-1024

**Independent Auditors' Report**

To the City Council  
City of Ontario, Oregon

**Report on the Financial Statements**

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

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of the internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Ontario, as of June 30, 2018, and the respective changes in financial positions and, when applicable cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter Regarding New Accounting Policy**

As discussed in the notes to the financial statements, in the fiscal year ending June 30, 2018, the City adopted new accounting guidance, GASBS No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

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

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

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

## **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ontario, Oregon's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and other financial schedules are the responsibility of management and are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2018, on our consideration of City of Ontario, Oregon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and on compliance.

**Report on Other Legal and Regulatory Requirements**

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 21, 2018, on our consideration of City of Ontario, Oregon's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

LEWIS, POE, MOELLER, GUNDERSON & ROBERTS, LLC



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

La Grande, Oregon  
December 21, 2018

**MANAGEMENT'S  
DISCUSSION AND ANALYSIS**



**CITY OF ONTARIO, OREGON**  
**Management's Discussion & Analysis**  
**June 30, 2018**

[www.ontariooregon.org](http://www.ontariooregon.org)

As management of the City of Ontario, Oregon, (city) we offer readers of the city's financial statements this narrative overview and analysis of the financial activities of the city for the fiscal year ended June 30, 2018. This Management's Discussion and Analysis (MD&A) is based upon currently known facts, decisions, and conditions that existed as of the date of the independent auditor's report.

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

### **FINANCIAL HIGHLIGHTS**

- ❖ The governmental assets and deferred outflows of the city exceeded its liabilities and deferred inflows at June 30, 2018 by \$22,068,787 (net position). Of this amount, \$972,355 was unrestricted net position and may be used to meet the government's ongoing obligations to citizens and creditors.
- ❖ At June 30, 2018, the General Fund total fund balance was \$2,779,170.

### **USING THE ANNUAL REPORT**

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

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

### **Reporting the City as a Whole**

#### *The Statement of Net Position and the Statement of Activities*

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



**CITY OF ONTARIO, OREGON**  
**Management's Discussion & Analysis**  
**June 30, 2018**

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

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

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

### **Reporting the City's Most Significant Funds**

#### **Fund Financial Statements**

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

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

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



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

**THE CITY AS A WHOLE**

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

Table 1. Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Current and other assets	\$ 10,511,673	\$ 10,016,375	\$ 4,517,818	\$ 3,506,821	\$ 15,029,491	\$ 13,523,196
Capital assets	20,519,227	21,108,230	41,923,491	41,773,809	62,442,718	62,882,039
Total assets	31,030,900	31,124,605	46,441,309	45,280,630	77,472,209	76,405,235
Deferred outflows of resources	4,069,870	5,965,086	27,785	-	4,097,655	5,965,086
Current liabilities	706,536	677,578	300,513	462,843	1,007,049	1,140,421
Noncurrent liabilities						
Due within one year	162,127	181,917	418,134	590,257	580,261	772,174
Due in more than one year	11,014,557	11,360,001	5,348,906	6,353,566	16,363,463	17,713,567
Total liabilities	11,883,220	12,219,496	6,067,553	7,406,666	17,950,773	19,626,162
Deferred inflow of resources	1,148,763	1,254,980	581,972	-	1,730,735	1,254,980
Net investment in capital assets	20,315,388	20,769,320	36,238,111	34,829,986	56,553,499	55,599,306
Restricted net position	781,044	778,669	201,938	327,465	982,982	1,106,134
Unrestricted net position	972,355	2,067,226	3,379,520	2,716,513	4,351,875	4,783,739
Total net position	\$ 22,068,787	\$ 23,615,215	\$ 39,819,569	\$ 37,873,964	\$ 61,888,356	\$ 61,489,179



**CITY OF ONTARIO, OREGON**  
**Management's Discussion & Analysis**  
**June 30, 2018**

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#### Governmental Activities

The city's net position from governmental activities decreased by 6.5% from \$23,615,216 to \$22,068,787. This decrease of \$1,546,428 comes from a \$306,911 restatement of net position and a current year decrease of \$1,239,518 as recorded in the Statement of Activities and flows through the Statement of Net Position. The following is an explanation of the changes between fiscal years as shown in Table 1:

- ❖ Current and other assets increased by \$495,298 which is mostly made up of a \$217,709 increase of unrestricted cash and a \$241,314 increase in other accounts receivable.
- ❖ Capital assets had a net decrease of \$589,003, which is due to depreciation expense was more than current year additions.
- ❖ Current liabilities increased by \$28,958 made up mostly of an increase in accounts payable.
- ❖ Long term liabilities decreased by \$365,234 due to principal payments on the existing debt and decreases in net pension liability.
- ❖ Unrestricted net position decreased by \$1,094,871 mostly due to the unfunded PERS liability.

#### Business-Type Activities

The city's net position from business-type activities increased by 5.14% from \$37,873,964 to \$39,819,569. This increase of \$1,945,605 comes from the current year change in net position as recorded in the Statement of Activities and a \$39 increase restatement of beginning net position.

- ❖ Current and other assets increased by \$1,010,997 largely due a \$999,970 increase in cash and investments.
- ❖ Capital assets increased by \$149,682 largely due to multiple water treatment plant improvements.
- ❖ Current liabilities decreased by \$162,330 made up mostly of a decrease in accounts payable.
- ❖ Long term debt decreased by \$1,176,783 due to principal payments on the existing debt with no new debt in the current year.
- ❖ Unrestricted net position increased by \$663,007 mainly due to decreased debt service requirements.



**CITY OF ONTARIO, OREGON**  
**Management's Discussion & Analysis**  
**June 30, 2018**

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Table 2. Condensed Statement of Activities

	Governmental Activities		Business-Type Activities		Total Primary Government	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017	6/30/2018	6/30/2017
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 2,403,600	\$ 2,387,401	\$ 6,844,449	\$ 6,294,135	\$ 9,248,049	\$ 8,681,536
Operating contributions	1,645,072	1,028,966	113,592	107,243	1,758,664	1,136,209
Capital contributions	1,369,417	80,464	-	-	1,369,417	80,464
General revenues:						
Property taxes	3,620,488	3,438,294	-	-	3,620,488	3,438,294
Local taxes and fees	1,833,164	2,342,809	-	-	1,833,164	2,342,809
Unrestricted grants	124,646	120,635	-	-	124,646	120,635
Investment income	42,780	30,470	146,972	92,385	189,752	122,855
Miscellaneous	49,352	81,439	458	-	49,810	81,439
<b>Total revenues</b>	<b>11,088,519</b>	<b>9,510,478</b>	<b>7,105,471</b>	<b>6,493,763</b>	<b>18,193,990</b>	<b>16,004,241</b>
<b>Expenses</b>						
Governmental Activities						
General government	2,613,968	2,582,328	-	-	2,613,968	2,582,328
Highways and streets	2,234,181	2,168,609	-	-	2,234,181	2,168,609
Public safety	5,903,290	5,588,692	-	-	5,903,290	5,588,692
Parks and recreation	406,580	390,940	-	-	406,580	390,940
Interest on debt	9,585	16,338	-	-	9,585	16,338
Business-Type Activities						
Water	-	-	2,882,817	2,753,540	2,882,817	2,753,540
Sewer	-	-	2,862,993	2,838,631	2,862,993	2,838,631
Storm sewer	-	-	197,876	192,585	197,876	192,585
Airport	-	-	369,762	309,990	369,762	309,990
Aquatic	-	-	6,890	17,578	6,890	17,578
<b>Total Expenses</b>	<b>11,167,604</b>	<b>10,746,907</b>	<b>6,320,338</b>	<b>6,112,324</b>	<b>17,487,942</b>	<b>16,859,231</b>
Capital contributions	(1,118,464)	(137,297)	1,118,464	137,297	-	-
Gain (loss) on sale of asset	(41,969)	3,789	41,969	-	-	3,789
<b>Increase in net position</b>	<b>(1,239,518)</b>	<b>(1,369,937)</b>	<b>1,945,566</b>	<b>518,736</b>	<b>706,048</b>	<b>(851,201)</b>
Net position - beginning	23,615,216	32,609,340	37,873,964	29,768,384	61,489,180	62,377,724
Restatements	(306,911)	(7,624,188)	39	7,586,844	(306,872)	(37,344)
Net position - as restated	23,308,305	24,985,152	37,874,003	37,355,228	61,182,308	62,340,380
<b>Net position, ending</b>	<b>\$ 22,068,787</b>	<b>\$ 23,615,215</b>	<b>\$ 39,819,569</b>	<b>\$ 37,873,964</b>	<b>\$ 61,888,356</b>	<b>\$ 61,489,179</b>

**Governmental Activities**

The city's total revenues from governmental activities increased from the prior fiscal year by \$1,578,041 (16.6%) and the total cost of all governmental programs and services increased by \$420,697 (3.9%). The increases in revenues mainly came from property tax and airport grants. The increases in expenses were primarily from Airport grants.



**CITY OF ONTARIO, OREGON**  
**Management's Discussion & Analysis**  
**June 30, 2018**

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Business-Type Activities

The city's business-type activities revenues increased \$611,708 (9.4%) from the prior fiscal year and the total costs of the business-type activities increased \$208,014 (3.4%). The total business-type revenues increased because of water and sewer rate increases and additional airport revenues. The expenses increased mainly due to the increase in contract with Jacobs and increase in airport salaries.

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

At year-end, the city's governmental funds reported combined fund balances of \$9,978,609 which is an increase of \$531,966 (5.6%) from the prior fiscal year.

- ❖ The largest decrease in fund balance was in the Street Fund. The Street Fund had a net change of (\$70,452). This was mainly due street revenues received by the state are less than the operating costs.
- ❖ The General Fund had a net decrease of \$9,530. This decrease was smaller than anticipated mainly due to conservative spending, waiting to fill positions until next fiscal year, and some capital projects pushed to the future.
- ❖ The largest increase was in the Reserve Fund. The Capital Projects fund had a net increase of \$349,181, the City was conservative and didn't spend much of the reserves for public safety and public works. Also, \$27,400 is set aside each year for fire turnouts and air packs.

At year-end, the city's proprietary funds reported combined net position of \$39,819,569 for enterprise funds. This is a combined increase in net position of \$1,945,605, after restatements. This is mostly due the water and sewer rate increases and large capital projects being depreciated.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The city is continuing to operate on an annual budget.

Expenditures

The final appropriations of the budget for personal services for the General Fund were \$5,139,754 and the actual expenditures were \$5,016,103. This is 98% of the budget expended.

The final appropriations of the budget for materials and services for the General Fund were \$1,877,740 while actual expenditures were \$1,497,042 This is 80% of the budget expended.

Overall, expenditure appropriations (excluding transfers) were \$7,429,390 and total expenditures were \$6,554,851. This shows that 88% of the appropriated budget was expended in the fiscal year ended June 30, 2018.



**CITY OF ONTARIO, OREGON**  
**Management's Discussion & Analysis**  
**June 30, 2018**

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Revenues

99.5% of the budgeted revenues for the 2017-2018 budget was received.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2018, the city shows \$62,442,718 of capital assets, net of depreciation, this is a decrease of \$439,321 from the prior year. The city has \$20,519,227 of capital assets in governmental activities and \$41,923,491 in business-type activities. The governmental activities reflect that the city installed a donated modular at the gun range, improved the Annex parking lot, purchased a mower and improved the North Park sidewalk. The business-type started a water and sewer line replacement project, purchased equipment, improved wells and had improvements at the airport.

**Debt**

The city had a total of \$5,889,219 in long-term debt at June 30, 2018; this is a decrease of \$1,393,514. The decrease is due to payments being applied to the principal of the debt and refunding of the OECD water and sewer bonds. A deferred inflow in the bond refunding of \$573,058 was recorded and will be amortized over the loan period. \$5,685,380 of this debt is being paid out of the proprietary funds and the remaining \$203,839 is paid from governmental activities.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

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

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

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

**REQUEST FOR INFORMATION**

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

## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL  
STATEMENTS**

CITY OF ONTARIO, OREGON  
**STATEMENT OF NET POSITION**  
June 30, 2018

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 8,543,576	\$ 3,477,303	\$ 12,020,879
Receivables			
Property tax	234,733	-	234,733
Customer accounts receivable	89,383	690,447	779,830
Accounts	928,066	14,577	942,643
Street assessments	27,624	-	27,624
Loans	127,388	-	127,388
Restricted cash			
System development charges	288,811	-	288,811
Customer deposits	-	119,895	119,895
Held in evidence fund	14,407	-	14,407
Deposits held in trust	246,663	-	246,663
Debt service	-	201,938	201,938
Prepaid expenses	541,923	-	541,923
Net OPEB asset	11,022	87	11,109
Chemicals	-	13,571	13,571
Capital assets not being depreciated	2,161,864	6,804,790	8,966,654
Capital assets being depreciated (net of accumulated depreciation)	<u>18,357,363</u>	<u>35,118,701</u>	<u>53,476,064</u>
Total assets	<u>31,572,823</u>	<u>46,441,309</u>	<u>78,014,132</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to OPEB	26,556	108	26,664
Deferred outflows related to PERS	<u>3,501,391</u>	<u>27,677</u>	<u>3,529,068</u>
Total deferred outflows	<u>3,527,947</u>	<u>27,785</u>	<u>3,555,732</u>
<b>LIABILITIES</b>			
Accounts payable	296,857	46,128	342,985
Accrued liabilities	146,561	-	146,561
Accrued interest payable	2,048	118,966	121,014
Customer deposits	-	119,895	119,895
Unearned rent income	-	15,524	15,524
Held in evidence fund	14,407	-	14,407
Deposits held in trust	246,663	-	246,663
Long-term liabilities			
Portion due or payable within one year			
Current portion of note payable	114,975	418,134	533,109
Current portion of compensated absences	47,152	-	47,152
Portion due or payable after one year			
Note payable	88,864	5,267,246	5,356,110
Compensated absences	270,222	-	270,222
Net pension liability	10,330,848	81,660	10,412,508
Net OPEB liability	<u>324,623</u>	<u>-</u>	<u>324,623</u>
Total liabilities	<u>11,883,220</u>	<u>6,067,553</u>	<u>17,950,773</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to OPEB	25,583	46	25,629
Deferred inflows related to PERS	1,121,917	8,868	1,130,785
Unearned grant income	1,263	-	1,263
Debt refunding	<u>-</u>	<u>573,058</u>	<u>573,058</u>
Total deferred inflows	<u>1,148,763</u>	<u>581,972</u>	<u>1,730,735</u>
<b>NET POSITION</b>			
Net investment in capital assets	20,315,388	36,238,111	56,553,499
Restricted for			
Street projects	245,782	-	245,782
Debt service	73,938	201,938	275,876
System development	288,811	-	288,811
Building inspection	146,699	-	146,699
Aquatic Center	25,814	-	25,814
Unrestricted	<u>972,355</u>	<u>3,379,520</u>	<u>4,351,875</u>
Total net position	<u>\$ 22,068,787</u>	<u>\$ 39,819,569</u>	<u>\$ 61,888,356</u>

CITY OF ONTARIO, OREGON  
**STATEMENT OF ACTIVITIES**  
For the Year Ended  
June 30, 2018

Functions/ Programs	Program Revenues				Net (Expense) Revenue and Change in Net Position		Total
	Expenses	Charges for services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
<b>Primary Government</b>							
<b>Governmental activities</b>							
General government	\$ 2,613,968	\$ 1,365,279	\$ 198,294	\$ 6,344	\$ (1,044,051)	\$ -	\$ (1,044,051)
Highways and streets	2,234,181	758,476	978,129	75,221	(422,355)	-	(422,355)
Public works	-	-	-	464,832	464,832	-	464,832
Public safety	5,903,290	222,529	449,313	25,000	(5,206,448)	-	(5,206,448)
Parks and recreation	406,580	57,316	19,336	28,787	(301,141)	-	(301,141)
Airport	-	-	-	769,233	769,233	-	769,233
Interest on long term debt	9,585	-	-	-	(9,585)	-	(9,585)
<b>Total governmental activities</b>	<b>11,167,604</b>	<b>2,403,600</b>	<b>1,645,072</b>	<b>1,369,417</b>	<b>(5,749,515)</b>	<b>-</b>	<b>(5,749,515)</b>
<b>Business-Type activities</b>							
Water	2,882,817	3,096,247	-	-	-	213,430	213,430
Sewer	2,862,993	3,572,585	-	-	-	709,592	709,592
Storm sewer	197,876	106,738	-	-	-	(91,138)	(91,138)
Airport	369,762	68,879	-	-	-	(300,883)	(300,883)
Aquatic	6,890	-	113,592	-	-	106,702	106,702
<b>Total business type activities</b>	<b>6,320,338</b>	<b>6,844,449</b>	<b>113,592</b>	<b>-</b>	<b>-</b>	<b>637,703</b>	<b>637,703</b>
<b>Total primary government</b>	<b>\$ 17,487,942</b>	<b>\$ 9,248,049</b>	<b>\$ 1,758,664</b>	<b>\$ 1,369,417</b>	<b>(5,749,515)</b>	<b>637,703</b>	<b>(5,111,812)</b>
<b>General revenues</b>							
Property and other city tax levied for:							
General purposes					3,620,488	-	3,620,488
Local taxes and fees					1,833,164	-	1,833,164
Grants and contributions not restricted							
to specific purpose					124,646	-	124,646
Unrestricted investments earnings					42,780	146,972	189,752
Miscellaneous					49,352	458	49,810
<b>Total general revenues</b>					<b>5,670,430</b>	<b>147,430</b>	<b>5,817,860</b>
<b>Capital asset transfers</b>							
Transfers					(1,118,464)	1,118,464	-
					(41,969)	41,969	-
<b>Changes in net position</b>					<b>(1,239,518)</b>	<b>1,945,566</b>	<b>706,048</b>
Net position, July 1, 2017, before restatement					23,615,216	37,873,964	61,489,180
Restatement, see note 11					(306,911)	39	(306,872)
Net position, July 1, 2017, after restatement					23,308,305	37,874,003	61,182,308
Net position, June 30, 2018					<b>\$ 22,068,787</b>	<b>\$ 39,819,569</b>	<b>\$ 61,888,356</b>

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## **FUND FINANCIAL STATEMENTS**

CITY OF ONTARIO, OREGON  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2018

	General Fund	Street Fund	Capital Projects Fund	Nonmajor Funds	Total June 30, 2018
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>					
Assets					
Cash and investments	\$ 1,809,874	\$ 116,387	\$ 3,344,253	\$ 3,273,062	\$ 8,543,576
Receivables					
Property taxes	234,733	-	-	-	234,733
Customer accounts, net allowance	-	29,672	48,488	11,223	89,383
Loans				127,388	127,388
Special assessments	-	-	24,140	3,484	27,624
Other	520,794	99,723	92	307,457	928,066
Due from other funds	150,266	-	-	-	150,266
Prepaid expenses	528,285	-	-	13,638	541,923
Restricted cash					
Cash held in trust	-	-	-	246,663	246,663
Held in evidence fund	14,407	-	-	-	14,407
System development charges	-	-	-	288,811	288,811
Total assets	<u>3,258,359</u>	<u>245,782</u>	<u>3,416,973</u>	<u>4,271,726</u>	<u>11,192,840</u>
Deferred outflows of resources	-	-	-	-	-
Total assets and deferred outflows	<u>\$ 3,258,359</u>	<u>\$ 245,782</u>	<u>\$ 3,416,973</u>	<u>\$ 4,271,726</u>	<u>\$ 11,192,840</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities					
Current liabilities					
Accounts payable	\$ 115,024	\$ -	\$ 3,671	\$ 178,162	\$ 296,857
Payroll liabilities	146,556	-	-	5	146,561
Due to other funds	-	-	-	150,266	150,266
Held by evidence fund	14,407	-	-	-	14,407
Deposits held in trust	-	-	-	246,663	246,663
Total current liabilities	<u>275,987</u>	<u>-</u>	<u>3,671</u>	<u>575,096</u>	<u>854,754</u>
Total liabilities	<u>275,987</u>	<u>-</u>	<u>3,671</u>	<u>575,096</u>	<u>854,754</u>
Deferred inflows of resources					
Unavailable property tax revenues	203,202	-	-	-	203,202
Unavailable special assessment revenues	-	-	24,140	3,484	27,624
Unearned grant income	-	-	-	1,263	1,263
Unavailable economic development loans	-	-	-	127,388	127,388
Total deferred inflows	<u>203,202</u>	<u>-</u>	<u>24,140</u>	<u>132,135</u>	<u>359,477</u>
Fund balances					
Nonspendable	678,551	-	-	-	678,551
Spendable					
Restricted	-	245,782	-	535,262	781,044
Committed	-	-	3,389,162	3,079,066	6,468,228
Unassigned	2,100,619	-	-	(49,833)	2,050,786
Total fund balances	<u>2,779,170</u>	<u>245,782</u>	<u>3,389,162</u>	<u>3,564,495</u>	<u>9,978,609</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 3,258,359</u>	<u>\$ 245,782</u>	<u>\$ 3,416,973</u>	<u>\$ 4,271,726</u>	<u>\$ 11,192,840</u>

CITY OF ONTARIO, OREGON  
**RECONCILIATION OF GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT TO NET POSITION**  
June 30, 2018

TOTAL FUND BALANCES		\$ 9,978,609
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets are not financial resources and, therefore, are not reported in the governmental funds</p>		
Cost	\$ 39,157,555	
Accumulated depreciation	<u>(18,638,328)</u>	20,519,227
<p>Compensated absences are not due in the current period and, therefore, are not reported as liabilities in the fund financial statements.</p>		
		(317,374)
<p>Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.</p>		
		358,214
<p>Net OPEB asset is not a financial resource and, therefore, not reported in the governmental funds.</p>		
		11,022
<p>Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest in long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.</p>		
Net pension liability	(10,330,848)	
Net OPEB liability	(324,623)	
Note payable	(203,839)	
Accrued interest	<u>(2,048)</u>	(10,861,358)
<p>Current year PERS contributions are deferred outflows of resources that will be a recognized expense in the subsequent period.</p>		
		3,501,391
<p>City's proportionate share of differences between projected and actual earnings on investments, and the differences between employer contributions and the proportionate share of contributions will be amortized over the next five years.</p>		
		(1,121,917)
<p>Current year OPEB contributions are deferred outflows of resources that will be a recognized expense in the subsequent period.</p>		
		26,556
<p>City's OPEB changes in assumptions or inputs will be amortized over future years.</p>		
		(25,583)
<b>TOTAL NET POSITION</b>		<b><u><u>\$ 22,068,787</u></u></b>

CITY OF ONTARIO, OREGON  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Year Ended  
June 30, 2018

	General Fund	Street Fund	Capital Projects Fund	Nonmajor Funds	Total June 30, 2018
Revenues					
Taxes					
Property taxes	\$ 3,616,696	\$ -	\$ -	\$ -	\$ 3,616,696
Other taxes	34,111	238,544	-	668,719	941,374
Intergovernmental revenues	675,961	732,190	-	1,009,853	2,418,004
Charges for services	107,013	297,789	150	103,913	508,865
Licenses and permits	7,999	-	-	292,530	300,529
Fines and forfeits	2,960	-	-	-	2,960
Miscellaneous					
Franchise fees	1,624,403	-	-	-	1,624,403
Special assessments collected	-	-	-	35,254	35,254
Miscellaneous revenues	82,048	1,712	27,800	45,110	156,670
Interest on investments	41,019	341	-	8,783	50,143
Loan repayments	-	-	-	30,588	30,588
Utilities capitalization charges	-	-	476,906	-	476,906
Administration	497,148	460,687	-	-	957,835
Total revenues	<u>6,690,347</u>	<u>1,731,263</u>	<u>504,856</u>	<u>2,260,537</u>	<u>11,187,003</u>
Expenditures					
Current					
General government	1,281,093	-	54	730,617	2,011,764
Highways and streets	-	1,733,086	-	-	1,733,086
Public safety	4,853,815	-	-	10,117	4,863,932
Parks and recreation	378,237	-	-	-	378,237
Capital outlay	19,823	91,394	305,339	1,063,158	1,479,714
Debt service					
Principal	21,253	58,441	-	55,377	135,071
Interest	630	4,735	-	5,899	11,264
Total expenditures	<u>6,554,851</u>	<u>1,887,656</u>	<u>305,393</u>	<u>1,865,168</u>	<u>10,613,068</u>
Excess of revenues over (under) expenditures	135,496	(156,393)	199,463	395,369	573,935
Other financing sources (uses)					
Operating transfers in	10,284	85,941	-	46,364	142,589
Operating transfers out	(155,310)	-	-	(29,248)	(184,558)
Total other sources (uses)	<u>(145,026)</u>	<u>85,941</u>	<u>-</u>	<u>17,116</u>	<u>(41,969)</u>
Net change in fund balances	(9,530)	(70,452)	199,463	412,485	531,966
Fund balances, July 1	<u>2,788,700</u>	<u>316,234</u>	<u>3,189,699</u>	<u>3,152,010</u>	<u>9,446,643</u>
Fund balances, June 30	<u>\$ 2,779,170</u>	<u>\$ 245,782</u>	<u>\$ 3,389,162</u>	<u>\$ 3,564,495</u>	<u>\$ 9,978,609</u>

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

For the Year Ended  
June 30, 2018

NET CHANGE IN FUND BALANCES \$ 531,966

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

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

Expenditures for capital assets	\$ 104,353	
Less current year depreciation	<u>(693,354)</u>	(589,001)

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

Debt principal repaid	<u>135,070</u>	135,070
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Interest on long-term debt is not accrued in the governmental funds but is expensed when paid.

Interest accrued		1,678
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Certain revenues not collected for several months after year end are not considered available revenue and is deferred in the governmental funds. The change in deferred revenue is not reflected in the governmental funds, but is in the Statement of Activities as a change in revenues.

(123,482)

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

Compensated absences		(19,423)
----------------------	--	----------

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

(1,170,608)

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

(5,718)

CHANGE IN NET POSITION

\$ (1,239,518)

CITY OF ONTARIO, OREGON  
**STATEMENT OF FUND NET POSITION**  
**PROPRIETARY FUNDS**  
June 30, 2018

	Enterprise Funds				Total June 30, 2018	Internal Service Fund
	Water Fund	Sewer Fund	Airport Fund	Nonmajor Funds		
<b>ASSETS</b>						
Current assets						
Cash and investments	\$ 1,202,960	\$ 1,565,023	\$ 35,870	\$ 673,450	\$ 3,477,303	\$ -
Receivables						
Customer accounts receivable, net allowance for doubtful accounts	305,101	356,179	19,843	9,324	690,447	-
Other receivables	-	-	-	14,577	14,577	-
Restricted cash						
Customer deposits	11,103	-	-	1,000	12,103	107,792
Debt service	-	201,938	-	-	201,938	-
Long-term assets						
Net OPEB asset	-	-	87	-	87	-
Inventories	13,571	-	-	-	13,571	-
Capital assets, net of accumulated depreciation	13,380,251	17,549,174	8,681,755	2,312,311	41,923,491	-
<b>Total assets</b>	<b>14,912,986</b>	<b>19,672,314</b>	<b>8,737,555</b>	<b>3,010,662</b>	<b>46,333,517</b>	<b>107,792</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred outflows related to PERS	-	-	27,677	-	27,677	-
Deferred outflows related to OPEB	-	-	108	-	108	-
<b>Total deferred outflows</b>	<b>-</b>	<b>-</b>	<b>27,785</b>	<b>-</b>	<b>27,785</b>	<b>-</b>
<b>LIABILITIES</b>						
Current liabilities						
Accounts payable	5,529	35,784	1,276	3,539	46,128	-
Accrued interest	59,431	59,535	-	-	118,966	-
Deposit liability	11,103	-	-	1,000	12,103	107,792
Unearned rent income	-	-	15,524	-	15,524	-
Current portion of non-current liabilities	170,935	247,199	-	-	418,134	-
<b>Total current liabilities</b>	<b>246,998</b>	<b>342,518</b>	<b>16,800</b>	<b>4,539</b>	<b>610,855</b>	<b>107,792</b>
Non-current liabilities						
Notes payable	2,601,398	2,665,848	-	-	5,267,246	-
Net pension liability	-	-	81,660	-	81,660	-
<b>Total liabilities</b>	<b>2,848,396</b>	<b>3,008,366</b>	<b>98,460</b>	<b>4,539</b>	<b>5,959,761</b>	<b>107,792</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows related to PERS	-	-	8,868	-	8,868	-
Deferred inflows related to OPEB	-	-	46	-	46	-
Debt refunding	294,158	278,900	-	-	573,058	-
<b>Total deferred inflows</b>	<b>294,158</b>	<b>278,900</b>	<b>8,914</b>	<b>-</b>	<b>581,972</b>	<b>-</b>
<b>NET POSITION</b>						
Net investment in capital assets	10,607,918	14,636,127	8,681,755	2,242,593	36,168,393	-
Restricted net position						
Debt service	-	201,938	-	-	201,938	-
Unrestricted net position	1,162,514	1,546,983	(23,789)	763,530	3,449,238	-
<b>Total net position</b>	<b>\$ 11,770,432</b>	<b>\$ 16,385,048</b>	<b>\$ 8,657,966</b>	<b>\$ 3,006,123</b>	<b>\$ 39,819,569</b>	<b>\$ -</b>

CITY OF ONTARIO, OREGON  
**RECONCILIATION OF ENTERPRISE FUNDS STATEMENT OF FUND NET POSITION  
 TO THE STATEMENT OF NET POSITION**  
 June 30, 2018

TOTAL ENTERPRISE FUNDS NET POSITION \$ 39,819,569

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

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

Cash and cash equivalents	\$ 107,792	
Deposit liability	<u>(107,792)</u>	-

TOTAL NET POSITION \$ 39,819,569

CITY OF ONTARIO, OREGON  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
For the Year Ended  
June 30, 2018

	Enterprise Funds				Total June 30, 2018	Internal Service Fund
	Water Fund	Sewer Fund	Airport Fund	Nonmajor Funds		
Operating revenues						
Consumer receipts	\$ 3,096,247	\$ 3,572,585	\$ 68,879	\$ 106,738	\$ 6,844,449	\$ -
Miscellaneous	-	458	-	-	458	-
Total operating revenues	<u>3,096,247</u>	<u>3,573,043</u>	<u>68,879</u>	<u>106,738</u>	<u>6,844,907</u>	<u>-</u>
Operating expenses						
Wages and salaries	-	-	23,800	-	23,800	-
Employee benefits	441	441	71,356	18	72,256	-
Contract services	1,741,508	1,549,809	18,056	79,524	3,388,897	-
Depreciation	517,634	568,471	219,699	104,350	1,410,154	-
Insurance	59,983	59,983	2,915	2,448	125,329	-
Miscellaneous expense	2,448	12,314	11,566	552	26,880	-
Repairs and maintenance	-	-	3,261	-	3,261	-
Supplies - general	13,155	13,157	5,486	190	31,988	-
Supplies - petroleum	-	-	699	-	699	-
Telephone	131	67	1,383	-	1,581	-
Utilities	509	12,932	11,541	6,437	31,419	-
Projects	-	57,028	-	-	57,028	-
Fees	220,276	233,255	-	7,425	460,956	-
Administrative	209,341	218,361	-	3,822	431,524	-
Capital outlay	269	60	-	-	329	-
Total operating expenses	<u>2,765,695</u>	<u>2,725,878</u>	<u>369,762</u>	<u>204,766</u>	<u>6,066,101</u>	<u>-</u>
Net income from operations	330,552	847,165	(300,883)	(98,028)	778,806	-
Non operating income (expenses)						
Interest earned on investments	60,888	83,569	30	2,485	146,972	-
Interest expenses	(117,122)	(137,115)	-	-	(254,237)	-
Other taxes	-	-	-	113,592	113,592	-
Total non operating income (expenses)	<u>(56,234)</u>	<u>(53,546)</u>	<u>30</u>	<u>116,077</u>	<u>6,327</u>	<u>-</u>
Net income	274,318	793,619	(300,853)	18,049	785,133	-
Other items						
Capital contribution (distribution)	293,793	11,548	813,123	-	1,118,464	-
Transfers in	-	-	42,772	-	42,772	-
Transfers out	-	-	-	(803)	(803)	-
Total other items	<u>293,793</u>	<u>11,548</u>	<u>855,895</u>	<u>(803)</u>	<u>1,160,433</u>	<u>-</u>
Change in net position	568,111	805,167	555,042	17,246	1,945,566	-
Net position beginning of year, before restatement	11,202,321	15,579,881	8,102,885	2,988,877	37,873,964	-
Restatement, see note 11	-	-	39	-	39	-
Net position beginning of year	<u>11,202,321</u>	<u>15,579,881</u>	<u>8,102,924</u>	<u>2,988,877</u>	<u>37,874,003</u>	<u>-</u>
Net position end of year	<u>\$ 11,770,432</u>	<u>\$ 16,385,048</u>	<u>\$ 8,657,966</u>	<u>\$ 3,006,123</u>	<u>\$ 39,819,569</u>	<u>\$ -</u>

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

For the Year Ended  
June 30, 2018

NET CHANGE IN ENTERPRISE FUNDS NET POSITION	\$ 1,945,566
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Amounts reported for business-type activities in the Statement of  
Activities are different because:

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

-

CHANGE IN NET POSITION	<u><u>\$ 1,945,566</u></u>
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**CITY OF ONTARIO, OREGON  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

For the Year Ended  
June 30, 2018

	Enterprise Funds					Internal Service Fund
	Water Fund	Sewer Fund	Airport Fund	Nonmajor Funds	Total	
<b>Cash flows from operating activities</b>						
Cash received from customers	\$ 3,102,324	\$ 3,579,614	\$ 75,706	\$ 106,243	\$ 6,863,887	\$ 2,690
Cash payment to employees for services	(441)	(441)	(32,415)	(18)	(33,315)	-
Cash payment to suppliers for goods and services	(2,282,747)	(2,237,016)	(55,295)	(104,308)	(4,679,366)	-
Other operating revenues	-	458	-	112,309	112,767	-
Net cash provided by operating activities	<u>819,136</u>	<u>1,342,615</u>	<u>(12,004)</u>	<u>114,226</u>	<u>2,263,973</u>	<u>2,690</u>
<b>Cash flows from noncapital financing activities</b>						
Operating transfers-out to other funds	-	-	-	(803)	(803)	-
Operating transfers-in from funds	-	-	42,772	-	42,772	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>42,772</u>	<u>(803)</u>	<u>41,969</u>	<u>-</u>
<b>Cash flows from capital and related financing activities</b>						
Acquisition and construction of capital assets	(200,108)	(171,421)	-	(69,843)	(441,372)	-
Interest paid on notes payable	(138,459)	(174,167)	-	-	(312,626)	-
Payment on notes	(156,961)	(528,424)	-	-	(685,385)	-
Net cash used for capital and related financing activities	<u>(495,528)</u>	<u>(874,012)</u>	<u>-</u>	<u>(69,843)</u>	<u>(1,439,383)</u>	<u>-</u>
<b>Cash flows from investing activities</b>						
Interest and dividends on investments	60,888	83,569	30	2,485	146,972	-
Net cash provided (used) in investing activities	<u>60,888</u>	<u>83,569</u>	<u>30</u>	<u>2,485</u>	<u>146,972</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	384,496	552,172	30,798	46,065	1,013,531	2,690
Cash and cash equivalents at beginning of year	829,567	1,214,789	5,072	628,385	2,677,813	105,102
Cash and cash equivalents at end of year	<u>\$ 1,214,063</u>	<u>\$ 1,766,961</u>	<u>\$ 35,870</u>	<u>\$ 674,450</u>	<u>\$ 3,691,344</u>	<u>\$ 107,792</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>						
Net Income	\$ 330,552	\$ 847,165	\$ (300,883)	\$ 15,564	\$ 892,398	\$ -
Adjustments to reconcile net income to net cash provided ( used ) by operating activities:						
Depreciation expense	517,634	568,471	219,699	104,350	1,410,154	-
(Increase) decrease in accounts receivable	6,077	7,029	(8,697)	(1,778)	2,631	-
Increase (decrease) in accounts payable	(35,127)	(80,050)	(388)	(3,910)	(119,475)	-
Net increase (decrease) in customer deposits	-	-	-	-	-	2,690
Net increase (decrease) in unearned rent income	-	-	15,524	-	15,524	-
Changes in net pension liability	-	-	81,660	-	81,660	-
PERS deferred inflows	-	-	8,868	-	8,868	-
PERS deferred outflows	-	-	(27,677)	-	(27,677)	-
OPEB deferred inflows	-	-	46	-	46	-
OPEB deferred outflows	-	-	(4)	-	(4)	-
Changes in net OPEB liability/asset	-	-	(152)	-	(152)	-
Total adjustments	<u>488,584</u>	<u>495,450</u>	<u>288,879</u>	<u>98,662</u>	<u>1,371,575</u>	<u>2,690</u>
Net cash provided (used) by operating activities	<u>\$ 819,136</u>	<u>\$ 1,342,615</u>	<u>\$ (12,004)</u>	<u>\$ 114,226</u>	<u>\$ 2,263,973</u>	<u>\$ 2,690</u>
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on the Statement of Net Position</b>						
<b>Current assets</b>						
Cash and investments	\$ 1,202,960	\$ 1,565,023	\$ 35,870	\$ 673,450	\$ 3,477,303	\$ -
<b>Restricted assets</b>						
Customer deposits	11,103	-	-	1,000	12,103	107,792
Debt service	-	201,938	-	-	201,938	-
Total cash and cash equivalents at year end	<u>\$ 1,214,063</u>	<u>\$ 1,766,961</u>	<u>\$ 35,870</u>	<u>\$ 674,450</u>	<u>\$ 3,691,344</u>	<u>\$ 107,792</u>
<b>Non cash capital financing transactions</b>						
Capital contributions from (to) other funds	\$ 293,793	\$ 11,548	\$ 813,123	\$ -	\$ 1,118,464	\$ -

CITY OF ONTARIO, OREGON  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
June 30, 2018

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and investments	\$ 79,954
Receivables	
Other receivables	<u>10,000</u>
Total assets	<u><u>\$ 89,954</u></u>
<b>LIABILITIES</b>	
Current liabilities	
Held in trust for other governments	<u><u>\$ 89,954</u></u>

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**NOTES TO BASIC FINANCIAL  
STATEMENTS**

CITY OF ONTARIO, OREGON  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2018

Note 1. Significant Accounting Policies

Organizational Authority

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

A. The Reporting Entity

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

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

CITY OF ONTARIO, OREGON  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2018

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

#### PROPRIETARY FUNDS

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

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

#### C. Basis of Presentation

##### Government-Wide Financial Statements

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

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

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

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

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

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

CITY OF ONTARIO, OREGON  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2018

Fund Financial Statements

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

The city reports the following major governmental funds:

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

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

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

The city reports on the following major proprietary funds:

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

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

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

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

Additionally, the city reports the following fund types:

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

**D. Measurement Focus and Basis of Accounting**

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

CITY OF ONTARIO, OREGON  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2018

reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the city's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (when they are measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. A six-month availability period is used for revenue recognition for all reimbursable grants. The city considers property taxes and other revenues as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, which is recognized when the obligations are expected to be liquidated with expendable available financial resources. Property taxes, interest and special assessments are susceptible to accrual. Other receipts and taxes become measurable and available when the cash is received by the government and are recognized as revenue at that time. Entitlements and shared revenues are recorded at the time of receipt or earlier if the "susceptible to accrual" criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

**E. Budgets and Budgetary Accounting**

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

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

CITY OF ONTARIO, OREGON  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 June 30, 2018

The city had two budget over expenditure violations for the fiscal year ending June 30, 2018 as follows:

Reserve Fund	Materials and Services	\$2,379
Sewer Fund	Debt Service	\$100,490

**F. Capital Assets**

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

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

**G. Property Taxes Receivable**

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

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

**H. Deferred Outflows/Inflows of Resources**

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three items that qualify for reporting in this category. Unavailable revenue

CITY OF ONTARIO, OREGON  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2018

from property taxes is reported in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that amount becomes available. The City also reports deferred amounts related to pensions, deferred amounts related to other post-employment benefits, amounts related to debt refunding and unearned grant revenue. These amounts are deferred and recognized as an inflow of resources in the period when the City's recognizes income. Deferred inflows are included in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position.

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

The city maintains a policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for non-vested unpaid accumulated sick pay benefits. All vacation pay and vested sick pay benefits is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. For fiscal year ended June 30, 2018 benefits are paid from the General Fund. The compensated absences liability was \$317,374 at June 30, 2018 and \$297,952 at June 30, 2017.

J. Cash and Investments

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

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

K. Encumbrances

The city does not use encumbrance accounting.

L. Interfund Receivables and Payables

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

M. Interfund Transfers

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

CITY OF ONTARIO, OREGON  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2018

N. Statement of Cash Flows

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

O. Other Asset

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

P. Use of Estimates

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

Q. Pensions

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

R. Other Post-Employment Benefits

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

S. Fund Balances

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

- *Nonspendable*— Fund balance is reported as nonspendable when the resources cannot ever be spent, whether due to legal restrictions (such as corpus) or items not spendable in form such as prepaid items, interfund receivables and inventory.
- *Restricted*—Includes items that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.

CITY OF ONTARIO, OREGON  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2018

- *Committed*—Fund balance is reported as committed when the council passes a resolution, the formal action of the city’s highest decision-making level of authority, to establish a specific spending constraint on how the resources may be used. The council can also modify or rescind the resolution through the passage of another formal resolution. Includes items committed by city council; commitments are required to be made, modified or rescinded by formal council resolution.
- *Assigned*—Fund balance is reported as assigned by city policy when the council or designee assign portions of revenue sources or ending fund balance, which are not determined to be non-spendable, restricted or committed by formal written notice. Authority is granted to the individuals by the city council and such authority may only be established, modified or rescinded by the council.
- *Unassigned*—This is the residual classification used for those balances not assigned to another category.

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

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

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

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

Note 2. Retirement Plans

*PERS*

*General Information about the Pension Plan*

**Plan Description**

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

CITY OF ONTARIO, OREGON  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2018

**Benefits Provided**

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

**Pension Benefits**

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

**Death Benefits**

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

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

**Disability Benefits**

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

**Benefit Changes**

After retirement, members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

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**2. OPSRP Pension Program (OPSRP DB)**

**Pension Benefits**

The Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

Police and fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

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

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

**Death Benefits**

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

**Disability Benefits**

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

**Benefit Changes After Retirement**

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

**3. OPSRP Individual Account Program (OPSRP IAP)**

**Pension Benefits**

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

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

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**Death Benefits**

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

**Recordkeeping**

OPERS contracts with VOYA Financial to maintain IAP participant records.

**Contributions**

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation as subsequently modified by 2015 legislated changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2015. Employer contributions for the year ended June 30, 2018 were \$708,453 excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2018 were 28.49 percent for Tier One/Tier Two General Service Member, 17.72 percent for Tier One/Tier Two Police and Fire, 22.49 percent for OPSRP Pension Program Police and Fire Members, and 6 percent for OPSRP Individual Account Program.

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

At June 30, 2018, the City reported a liability of \$10,412,508 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to June 30, 2017. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018, the City's proportion was 0.07724391 percent, which was decreased from its proportion of 0.0726407 percent measured as of June 30, 2017.

For the year ended June 30, 2018, the City's recognized pension expense (income) of \$1,233,459. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 503,553	\$ -
Changes of assumptions	1,898,015	-
Net difference between projected and actual earnings on investments	107,273	-
Changes in proportion	311,774	618,807
Differences between employer contributions and proportionate share of contributions	-	511,978
Total (prior to post-MD contributions)	2,820,615	1,130,785
Contributions subsequent to the MD	708,453	-
 Total	 \$ 3,529,068	 \$ 1,130,785

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

Deferred Outflows		Deferred Inflows	
Amortization Period		Amortization Period	
FY2019	\$ 529,542	FY2019	\$ 365,649
FY2020	1,374,173	FY2020	357,088
FY2021	973,115	FY2021	287,556
FY2022	(123,742)	FY2022	106,823
FY2023	67,527	FY2023	13,669
Total	\$ 2,820,615	Total	\$ 1,130,785

**Actuarial Assumptions**

The employer contribution rates effective July 1, 2015, through June 30, 2017 and effective July 1, 2017, through June 30, 2018, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

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

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The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2015
Measurement Date	June 30, 2017
Experience Study Report	2014, published September 23, 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.5 percent
Long-Term Expected Rate of Return	7.5 percent
Discount Rate	7.5 percent
Projected Salary Increases	3.5 percent
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and grade COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision, blend based on service
Mortality	<p><b>Health retirees and beneficiaries:</b> RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.</p> <p><b>Active Members:</b> Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p><b>Disabled retirees:</b> Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 sex-distinct, generational per Scale BB, disabled mortality table.</p>

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2015 Experience Study which reviewed experience for the four-year period ending on December 31, 2015.

**Long-term Expected Rate of Return**

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman’s capital market assumptions team and the Oregon Investment Council’s (OIC) investment advisors. The table below shows Milliman’s assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC’s description of each asset class was used to map the target

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allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

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

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

**Depletion Date Projection**

GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term

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expected return on plan investments may be used to discount liabilities to the extent that the plan’s Fiduciary Net Position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

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

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

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

**Discount Rate**

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

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

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

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's proportionate share of the net pension liability (asset)	\$ 17,744,815	\$ 10,412,508	\$ 4,281,342

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**Pension Plan Fiduciary Net Position**

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

**Payables to the Pension Plan**

The city reported payables of legally required contributions to the pension plan in the amount of \$83,757 at June 30, 2018.

**Changes in Plan Provisions Subsequent to Measurement Date**

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

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

*Deferred Compensation Plan*

**Plan Description** – The city offers employees a deferred compensation plan (the plan) sponsored by the city. The plan is a defined contribution plan created in accordance with Internal Revenue Code Section 457. The plan is available to all represented and non-represented city employees, and permits them to defer a portion of their salary until future years. Contributions are made through salary deductions from participating employees up to the amounts specified in the Internal Revenue Code Section 457. No contributions are required from the city. As of June 30, 2018, 64 individuals were participating in the Internal Revenue Code Section 457 plans. Amounts deferred are not available to employees until termination, retirement, death, or unforeseeable emergency. All assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. No plan assets have been used for purposes other than the payment of benefits.

At June 30, 2018, the amount deferred and investments earnings thereon, adjusted to fair market value, amount to \$2,128,427. The plan assets are held in custodial accounts by the plan provider for the exclusive benefit of the participants or their beneficiaries. The city does not perform the investing function and has no fiduciary accountability for the plan. Therefore, plan assets and any related liability to plan participants are not reported in the city financial statements as of June 30, 2018.

Note 3. Other Postemployment Benefits (OPEB)

**Change in Accounting Principle**

In implementing GASB Statement No. 75, the city has restated beginning net position in order to recognize the correct total OPEB Liability for the city's Implicit Rate Subsidy plan and to recognize the city's proportionate share of the net OPEB asset of the Oregon Public Employees Retirement Systems (OPERS). The restatement also recognizes a deferred outflow of resources related to OPEB for contributions from each plan made after the June 30, 2017 measurement date. See note 11 for the restatement effects.

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***Post Employment Benefits Other than Pensions***

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

**Financial Statement Presentation**

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

	<b>Implicit Rate Subsidy Plan</b>	<b>PERS RHIA Plan</b>	<b>Total OPEB on Financials</b>
Net OPEB asset	\$ -	\$ 11,109	\$ 11,109
Deferred outflows of resources			
Contributions after the measurement date	12,882	13,782	26,664
Total OPEB liability	(324,623)	-	(324,623)
Deferred inflows of resources			
Change in proportionate share	-	(733)	(733)
Change in assumptions	(19,750)	-	(19,750)
Difference in earnings	-	(5,146)	(5,146)
OPEB expense	(331,491)	19,012	(312,479)
(Included in program expenses on statement of activities)			

**Implicit Rate Subsidy**

**Plan Description**

The city’s single-employer defined benefit postemployment healthcare plan is administered by Benefit & Risk Management Services, Inc. (BRMS). Benefit provisions are established through negotiations between the City and representatives of collective bargaining units or through resolutions passed by City Council. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

The city’s postemployment healthcare plan administrator issues a publicly available financial report that includes financial statements and required supplementary information for BRMS. This report may be obtained by writing to the BRMS Main Office, 80 Iron Point Circle, Suite 200, Folsom, CA 95630.

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**Benefits Provided**

The plan provides eligible retirees and their dependents under age 65 the same health care coverage at the same premium rates as offered to active employees. The retiree is responsible for the premiums. As of the valuation date of July 1, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
receiving benefits	3
Active employees	<u>40</u>
	<u>43</u>

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

The city's total OPEB liability of \$330,185 was measured as of June 30, 2017, and was determined by an actuarial valuation as of July 1, 2016.

For the fiscal year ended June 30, 2018, the city recognized OPEB expense from this plan of \$32,483. At June 30, 2018, the city reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 19,750
Total (prior to post-MD contributions)	-	19,750
Contributions made subsequent to measurement date	<u>12,882</u>	-
Total	<u>\$ 12,882</u>	<u>\$ 19,750</u>

Deferred outflows of resources related to OPEB of \$10,696 resulting from the city's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2019	\$ (2,195)
2020	(2,195)
2021	(2,195)
2022	(2,195)
2023	(2,195)
Thereafter	<u>(8,775)</u>
Total	<u>\$ (19,750)</u>

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**Actuarial Assumptions and Other Inputs**

The total OPEB liability in the July 1, 2016 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry age normal
Inflation	2.5 percent
Salary increases	3.5 percent
Healthy mortality	RP-2000 healthy white collar male and female mortality tables, se back one year for males. Mortality is projected on a generational basis using Scale BB for males and females.
Discount rate	3.58 percent (change from 2.85 percent in previous measurement period)
Healthcare cost trend rate	Medical and vision: 7.50 percent per year, decreasing to 5.0 percent. Dental: 4.50 percent per year

The discount rate was based on Bond Buyer 20-Year General Obligation Bond Index.

**Changes in the Total OPEB Liability**

	<u>Total OPEB Liability</u>
Balance as of June 30, 2017	\$ 330,185
Changes for the year:	
Service cost	24,819
Interest on total OPEB liability	9,859
Effect of assumptions changes or inputs	(21,945)
Benefit payments	<u>(18,295)</u>
Balance as of June 30, 2018	<u>\$ 324,623</u>

Changes in assumptions is the result of the change in the discount rate from 2.85 to 3.58.

**Sensitivity of the Total OPEB Liability**

The following presents the City’s total OPEB liability, as well as what the liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current discount rate. A similar sensitivity analysis is then presented for changes in the healthcare trend assumption.

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**Discount Rate**

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Total OPEB Liability	\$ 354,664	\$ 324,623	\$ 296,897

**Healthcare cost trend**

	1% Decrease (6.5% decreasing to 4.0%)	Current Trend Rate (7.5% decreasing to 5.0%)	1% Increase (8.5 decreasing to 6.0%)
Total OPEB Liability	\$ 286,252	\$ 324,623	\$ 369,691

**PERS Retirement Health Insurance Account**

**Plan Description**

The city contributes to the PERS Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by PERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums for eligible retirees. ORS 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants hired after August 29, 2003. PERS issues publicly available financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700, or online at [http://Oregon.gov/PERS/section/financial\\_reports/financials.shtml](http://Oregon.gov/PERS/section/financial_reports/financials.shtml).

**Benefits Provided**

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

**Contributions**

PERS funding policy provides for employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due.

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Employer contribution rates for the period were based on the December 31, 2015 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2017. The city's contribution rates for the period were 0.50% for Tier One/Tier Two members, and 0.43% for OPSRP members. The city's total for the year ended June 30, 2018 contributions was \$13,782.

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

At June 30, 2018, the city reported an asset of \$11,109 for its proportionate share of the OPERS net OPEB asset. The net OPEB asset was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2015 rolled forward to June 30, 2017. The city's proportion of the net OPEB asset was based on the city's contributions to the RHIA program during the measurement period relative to contributions from all participating employers. At June 30, 2017, the city's proportionate share was 0.02661897%, which is a decrease from its proportion of 0.03032020% as of June 30, 2016.

For the year ended June 30, 2018, the city recognized OPEB income from this plan of \$212. At June 30, 2018, the city reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings	\$ -	\$ 5,145
Changes in proportionate share	-	733
Total (prior to post-MD contributions)	-	5,878
Contributions subsequent to the measurement date	13,782	-
Total	\$ 13,782	\$ 5,878

Deferred outflows of resources related to OPEB of \$3,241 resulting from the city's contributions subsequent to the measurement date will be recognized as either a reduction of the net OPEB liability or an increase in the net OPEB asset in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Year Ended June 30,
2019	\$ 12,224
2020	(1,558)
2021	(1,475)
2022	(1,287)
Total	\$ 7,904

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**Actuarial Methods and Assumptions**

The total OPEB liability in the December 31, 2015 actuarial valuation was determined using the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll as layered bases over a closed 10 year period
Asset Valuation Method	Market value of assets
Inflation Rate	2.5 percent
Investment Rate of Return	7.5 percent
Salary Increases	3.5 percent
Mortality	<p><b>Healthy retirees and beneficiaries:</b> RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.</p> <p><b>Active Members:</b> Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p><b>Disabled retirees:</b> Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 sex-distinct, generational per Scale BB, disabled mortality table.</p>
Healthcare Cost Trend Rate	Ranging from 6.3% in 2016 to 4.4% in 2094

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

**Long-Term Expected Rate of Return**

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

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Asset Class	Target	Compound Annual Return (Geometric)
Core Fixed Income	8.00%	4.00%
Short-Term Bonds	8	3.61
Bank/Leveraged Loans	3	5.42
High Yield Bonds	1	6.2
Large/Mid Cap US Equities	15.75	6.7
Small Cap US Equities	1.31	6.99
Micro Cap US Equities	1.31	7.01
Developed Foreign Equities	13.13	6.73
Emerging Market Equities	4.12	7.25
Non-US Small Cap Equities	1.88	7.22
Private Equity	17.5	7.97
Real Estate (Property)	10	5.84
Real Estate (REITS)	2.5	6.69
Hedge Fund of Funds – Diversified	2.5	4.64
Hedge Fund – Event-driven	0.63	6.72
Timber	1.88	5.85
Farmland	1.88	6.37
Infrastructure	3.75	7.13
Commodities	1.88	4.58
Assumed Inflation – Mean		2.5

**Discount Rate**

The discount rate used to measure the total OPEB liability was 7.50% for the RHIA Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the RHIA plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the RHIA Plan was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the City’s proportionate share of the net OPEB liability (asset) calculated using the discount rate of 7.50%, as well as what the City’s proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Net OPEB Liability (Asset)	\$ 1,549	\$ (11,109)	\$ (21,875)

**OPEB Plan Fiduciary Net Position**

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

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**Changes in Plan Provisions Subsequent to Measurement Date**

The PERS Board lowered the Assumed Rate of Return from 7.50% to 7.20% on July 28, 2017. This change is effective January 1, 2018, and will decrease the net OPEB asset or increase the net OPEB liability in future periods.

Note 4. Accounts Receivable

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

General Fund	Property taxes	\$ 234,733
General Fund	Other	520,794
Street Fund	Other	69,111
Street Fund	Occupancy tax	30,612
Street Fund	Service billing less \$890 allowance	29,672
Nonmajor funds	Service billing less allowance \$5,612	11,223
Nonmajor funds	Special assessments	3,484
Nonmajor funds	Loans	127,388
Nonmajor funds	Grants	198,240
Nonmajor funds	Occupancy tax	85,816
Nonmajor funds	Other	23,401
Capital Projects Fund	Local Improvement District	24,140
Capital Projects Fund	Other	92
Capital Projects Fund	Service billing less \$1,502 allowance	<u>48,488</u>
	TOTAL	<u><u>\$ 1,407,194</u></u>

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

	Accounts Receivable	Allowance for Doubtful Accounts	Net Receivable
Water Fund	\$ 314,062	\$ (8,961)	\$ 305,101
Sewer Fund	366,539	(10,360)	356,179
Airport Fund	19,843	-	19,843
Nonmajor funds	9,608	(284)	9,324
TOTAL	<u><u>\$ 710,052</u></u>	<u><u>\$ (19,605)</u></u>	<u><u>\$ 690,447</u></u>

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

Aquatic Fund	Occupancy tax	\$	14,577
	<b>TOTAL</b>	<b>\$</b>	<b>14,577</b>

**Note 5. Long-Term Debt**

A summary of changes in long-term debt for the year ended June 30, 2018 is as follows:

Description	Balance 6/30/2017	Increases	Decreases	Balance 6/30/2018	Due within one year
<b>GOVERNMENTAL ACTIVITIES</b>					
US Bank--LID 44 and 45	\$ 138,442	\$ -	\$ 55,377	\$ 83,065	\$ 55,377
Police car lease	21,252	-	21,252	-	-
Sweeper lease	179,215	-	58,441	120,774	59,598
<b>BUSINESS-TYPE ACTIVITIES</b>					
WTP Upgrade OECDD	3,223,452	2,772,333	3,223,452	2,772,333	170,935
OECDD-Wastewater System Improvements	3,123,202	2,717,515	3,123,202	2,717,515	150,316
Oregon DEQ loans	597,169	-	401,637	195,532	96,883
Total Long-term Debt	<u>\$ 7,282,732</u>	<u>\$ 5,489,848</u>	<u>\$ 6,883,361</u>	<u>\$ 5,889,219</u>	<u>\$ 533,109</u>

**Governmental Activities**

**US Bank Special Assessment Debt**

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

Fiscal Year Ending June 30,	Principal	Interest	Remaining Balance
			\$ 83,065
2019	55,377	3,269	27,688
2020	27,688	658	-
	<u>\$ 83,065</u>	<u>\$ 3,927</u>	

**Financial Pacific Leasing Police Car Capital Lease**

The city entered into a lease purchase agreement with Financial Pacific Leasing, Inc. in July 2015 to purchase two police cars for \$41,893. Interest is computed at 2.965% payable in three installments with the first installment due November 1, 2015. Payments are made from the General Fund. The final payment was made in October of 2017.

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Mountain West Bank Street Sweeper Capital Lease

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

Fiscal Year Ending June 30,	Principal	Interest	Remaining Balance
			\$ 120,774
2019	\$ 59,598	\$ 3,578	61,176
2020	61,176	1,744	-
	\$ 120,774	\$ 5,322	

Business-Type Activities

Water Treatment Plant Upgrade Oregon Economic Community Development Department

The city converted water treatment facility improvements interim-financing from the Oregon Economic and Community Development Department (OECD) to a promissory note in the amount of \$4,482,580 on May 1, 2007. The city has pledged its full faith and credit and the net operating revenues of the water system to repay the note.

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

Fiscal Year Ending June 30,	Principal	Interest	Remaining Balance	Interest Rate
			\$ 2,772,333	
2019	\$ 170,935	\$ 101,881	2,601,398	4.0%
2020	146,972	125,802	2,454,426	4.0%
2021	153,084	119,890	2,301,342	4.0%
2022	164,264	112,460	2,137,078	4.0%
2023	170,507	104,466	1,966,571	4.0%
2024-2028	993,456	388,165	973,115	4.0%
2029-2032	973,115	121,531	-	4.0%
	\$ 2,772,333	\$ 1,074,195		

Wastewater System Improvements - Oregon Economic and Community Development Department

The city converted sewer treatment facilities improvements interim-financing from the Oregon Economic and Community Development Department (OECD) to a promissory note in the amount of \$3,976,600 on May 27, 2009. The city has pledged its full faith and credit and the net operating revenues of the sewer system to repay the note.

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

Fiscal Year Ending June 30,	Principal	Interest	Balance	Interest Rate
			\$ 2,717,515	
2019	\$ 150,316	\$ 102,059	2,567,199	4.0%
2020	121,179	126,301	2,446,020	4.0%
2021	127,132	121,348	2,318,888	5.0%
2022	128,018	115,212	2,190,870	5.0%
2023	139,169	108,811	2,051,701	5.0%
2024-2028	799,272	434,128	1,252,429	5.0%
2029-2033	1,016,875	214,027	235,554	5.0%
2034	235,554	11,676	-	5.00%
	<u>\$ 2,717,515</u>	<u>\$ 1,233,562</u>		

Oregon Department of Environmental Quality

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

Loan 70612 - 3.69% interest				
Fiscal Year Ending June 30,	Principal	Interest	Fees	Balance
				\$ 195,532
2019	\$ 96,883	\$ 3,608	\$ 978	98,649
2020	98,649	1,820	-	-
	<u>\$ 195,532</u>	<u>\$ 5,428</u>	<u>\$ 978</u>	

Note 6. Risk Management

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

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

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Note 7. Deposits and Investments

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

Cash and investments are comprised of the following at June 30, 2018:

Deposits with banks	\$ 918,986
Investments	11,467,669
Cash on hand	1,155
Certificates of Deposit	584,737
	<u>\$ 12,972,547</u>

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

Statement of Net Position	
Cash and investments	\$ 12,020,879
Restricted cash	871,714
Statement of Fiduciary Net Position	
Cash and investments	79,954
	<u>\$ 12,972,547</u>

As of June 30, 2018, the city held the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of investment portfolio</u>
Local Government Investment Pool	\$ 11,467,669	100.0%

Deposits

The Governmental Accounting Standards Board has adopted accounting principles generally accepted in the United States of America (GAAP), which include standards to categorize deposits to give an indication of the level of custodial risk assumed by the city at June 30, 2018. If bank deposits at year end are not entirely insured or collateralized with securities held by the city or by its agent in the city's name, the city must disclose the custodial credit risk (below) that exists. Deposits with financial institutions are comprised of bank demand deposits. For deposits in excess of federal depository insurance, Oregon Revised Statutes require depository institutions to be in compliance with ORS 295.

At June 30, 2018, the carrying amount of the city's deposits was \$1,503,723 and the bank balance was \$2,189,789. Of these deposits, all were covered by federal depository insurance or were in qualified depositories. The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. Federal depository insurance (FDIC) of \$250,000 applies to the deposits in each depository. Where balances continually exceed \$250,000, ORS 295.018 requires the depositor to verify that deposit accounts are only maintained at financial institutions on the list of qualified depositories found on the Oregon state treasurer's website. Qualifying depository banks must pledge securities with a particular value based on the banks level of capitalization. The city deposits were in compliance with requirements of ORS 295.018.

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

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

Investments

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
<i>Cash and cash equivalents</i>			
Local Government Investment Pool (LGIP)	\$ 11,467,669	50% less than 90-days, no more than 25% over one year, and no investment over three years	Unrated
<i>Total cash and cash equivalents</i>	100.00% 11,467,669		
	100.00% <u>\$ 11,467,669</u>		

At June 30, 2018, the city held \$11,467,669 of investments, which is all classified as cash and investments on the Statement of Net Position. The city has no formal policy for managing interest rate risk or credit risk.

The city has invested funds in the Oregon Short-term Fund Local Government Investment Pool (LGIP) during fiscal year 2018. The Local Government Investment Pool was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). The Local Government Investment Pool is an external investment pool managed by the State Treasurer’s office, which allows governments within the state to pool their funds for investment purposes. The amounts invested in the pool are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry form as defined by GASB Statement No. 40. Oregon LGIP is unrated for credit quality.

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

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

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

Oregon statutes restrict the types of investments in which the city may invest. Authorized investments included obligations of the United States Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers’ acceptances, time certificates of deposit, certain

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commercial paper, and the Oregon Local Government Investment Pool. As of June 30, 2018, and for the year then ended, the city was in compliance with the aforementioned Oregon statutes.

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

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

*Interest Rate Risk*—The city’s investment policy limits long-term investments to 25% of the investment portfolio using specific identification. The city defines long-term as having a maturity of greater than 18 months to a maximum of 36 months. As of June 30, 2018, all of the city’s investments were classified as short-term.

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

Note 8. Commitments and Contingencies

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

Note 9. Interfund Receivables and Payables

The interfund receivable and payables to be paid within the next fiscal year at June 30, 2018 consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor gov't	<u>\$ 150,266</u>
	TOTAL	<u><u>\$ 150,266</u></u>

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

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Note 10. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2018 is as follows:

<b>Governmental Funds</b>			<b>Proprietary Funds</b>		
<u>Transfers in</u>	<u>Transfer from</u>	<u>Amount</u>	<u>Transfers in</u>	<u>Transfer from</u>	<u>Amount</u>
General Fund	Nonmajor funds	\$ 10,284	Airport Fund	General Fund	\$ 41,969
Street Fund	General Fund	85,941	Airport Fund	Nonmajor prop	803
Nonmajor governmental	General Fund	27,400			
Nonmajor governmental	Nonmajor governmental	18,964			
Total transfers in for governmental funds		<u>\$ 142,589</u>	Total transfers in for proprietary funds		<u>\$ 42,772</u>
<u>Transfers out</u>	<u>Transfer to</u>		<u>Transfers out</u>	<u>Transfer to</u>	
General Fund	Nonmajor gov't	\$ (27,400)	Nonmajor prop	Airport Fund	\$ (803)
General Fund	Airport Fund	(41,969)			
General Fund	Street Fund	(85,941)			
Nonmajor governmental	General Fund	(10,284)			
Nonmajor governmental	Nonmajor governmental	(18,964)			
Total transfers out for governmental funds		<u>(184,558)</u>	Total transfers out for proprietary funds		<u>(803)</u>
<b>Total transfers for governmental funds</b>		<u><u>\$ (41,969)</u></u>	<b>Total transfers for proprietary funds</b>		<u><u>\$ 41,969</u></u>

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

Note 11. Accounting Changes and Restatements

The implementation of GASB Statement No. 75 related to other post-employment benefits caused a restatement of net position as follows:

<u>Recalculation of Net Position</u>	<u>Governmental Activities</u>	<u>Airport Fund</u>
Net position at July 1, 2017, as previously reported	\$ 23,615,216	\$ 8,102,885
GASB 75 implementation - implicit subsidy	(311,890)	-
GASB 75 implementation - RHIA	<u>4,979</u>	<u>39</u>
Net position at July 1, 2017, as restated	<u><u>\$ 23,308,305</u></u>	<u><u>\$ 8,102,924</u></u>

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Note 12. Schedule of Capital Assets

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

	Balance June 30, 2017	Restatements	Additions	Deletions	Balance June 30, 2018
<b>Governmental activities</b>					
Capital assets not being depreciated					
Land	\$ 1,800,216	\$ -	\$ -	\$ -	\$ 1,800,216
Construction in progress	361,648	-	-	-	361,648
Total capital assets not being depreciated	<u>2,161,864</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,161,864</u>
Capital assets being depreciated					
Equipment and vehicles	5,276,059	-	19,823	-	5,295,882
Buildings and improvements	7,897,768	-	52,202	-	7,949,970
Infrastructure	23,717,512	-	32,327	-	23,749,839
Total capital assets being depreciated	<u>36,891,339</u>	<u>-</u>	<u>104,352</u>	<u>-</u>	<u>36,995,691</u>
Less accumulated depreciation for					
Equipment and vehicles	3,965,551	-	139,216	-	4,104,767
Buildings and improvements	4,169,284	-	190,899	-	4,360,183
Infrastructure	9,810,138	-	363,240	-	10,173,378
Total accumulated depreciation	<u>17,944,973</u>	<u>-</u>	<u>693,355</u>	<u>-</u>	<u>18,638,328</u>
Total capital assets being depreciated, net	18,946,366	-	(589,003)	-	18,357,363
Governmental activities capital assets, net	<u>\$ 21,108,230</u>	<u>\$ -</u>	<u>\$ (589,003)</u>	<u>\$ -</u>	<u>\$ 20,519,227</u>
<b>Business-type activities</b>					
Capital assets not being depreciated					
Land	\$ 5,615,790	\$ -	\$ -	\$ -	\$ 5,615,790
Construction in progress	2,239,098	-	964,989	2,015,087	1,189,000
Total capital assets not being depreciated	<u>7,854,888</u>	<u>-</u>	<u>964,989</u>	<u>2,015,087</u>	<u>6,804,790</u>
Capital assets being depreciated					
Equipment and vehicles	35,415,476	-	291,786	-	35,707,262
Buildings and improvements	33,070,386	-	2,318,148	-	35,388,534
Infrastructure	15,293,579	-	-	-	15,293,579
Total capital assets being depreciated	<u>83,779,441</u>	<u>-</u>	<u>2,609,934</u>	<u>-</u>	<u>86,389,375</u>
Less accumulated depreciation for					
Equipment and vehicles	32,094,870	-	364,546	-	32,459,416
Buildings and improvements	15,246,758	-	701,946	-	15,948,704
Infrastructure	2,518,892	-	343,662	-	2,862,554
Total accumulated depreciation	<u>51,885,243</u>	<u>-</u>	<u>1,410,154</u>	<u>-</u>	<u>51,270,674</u>
Total capital assets being depreciated, net	38,608,454	-	1,199,780	-	35,118,701
Business-type activities capital assets, net	<u>\$ 50,942,383</u>	<u>\$ -</u>	<u>\$ 2,164,769</u>	<u>\$ 2,015,087</u>	<u>\$ 41,923,491</u>

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

Governmental Activities	
General government	\$ 283,653
Highways and streets	409,702
Business-Type Activities	
Water	517,634
Sewer	568,471
Storm Sewer	104,350
Airport	219,699

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Note 13. Fund Balance Classifications

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

Fund Balances	General Fund	Street Fund	Capital Projects Fund	Nonmajor Funds	Total
<u>Nonspendable</u>					
Interfund Receivables	\$ 150,266	\$ -	\$ -	\$ -	\$ 150,266
Prepaid expenses	528,285	-	-	-	528,285
	<u>678,551</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>678,551</u>
<u>Restricted</u>					
System development charges	-	-	-	288,811	288,811
Street projects	-	245,782	-	-	245,782
Debt Service	-	-	-	73,938	73,938
Building inspection	-	-	-	146,699	146,699
Aquatic Center	-	-	-	25,814	25,814
	<u>-</u>	<u>245,782</u>	<u>-</u>	<u>535,262</u>	<u>781,044</u>
<u>Committed to</u>					
Capital Projects	-	-	3,389,162	2,168,599	5,557,761
Funds held for other departments	-	-	-	368,982	368,982
Revolving loan fund program	-	-	-	541,485	541,485
	<u>-</u>	<u>-</u>	<u>3,389,162</u>	<u>3,079,066</u>	<u>6,468,228</u>
<u>Unassigned</u>					
	<u>2,100,619</u>	<u>-</u>	<u>-</u>	<u>(49,833)</u>	<u>2,050,786</u>
<b>TOTAL FUND BALANCES</b>	<u><b>\$ 2,779,170</b></u>	<u><b>\$ 245,782</b></u>	<u><b>\$ 3,389,162</b></u>	<u><b>\$ 3,564,495</b></u>	<u><b>\$ 9,978,609</b></u>

GASB 54 requires city council approved action to authorize commitments of fund balances. These commitments, outlined in the table above, were approved by the city council on June 7, 2018. Commitments of fund balances must be made prior to the end of the fiscal year.

Note 14. Post Retirement Benefits

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

For the year ended June 30, 2018, there were 14 active participants. The total cost of \$4,200 in retiree benefits are current year expenditures and were charged to the fund for which the participant was employed.

Note 15. Deficit Fund Balances

At June 30, 2018, the city reported the following deficit fund balance:

Fund	Amount	Corrective Action
Grants Fund	\$ (49,833)	Grant Funds in 18-19 will cover the deficit.

CITY OF ONTARIO, OREGON  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2018

Note 16. Tax Abatements

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

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

The Food Processor Exemption offers property tax exemptions on qualified real and personal property machinery and equipment that is certified by Oregon Department of Agriculture. This exemption is a five year exemption as long as the machinery and equipment remains qualified.

For the fiscal year ended June 30, 2018, The City of Ontario allocation of property tax abatements from the Enterprise Zone amounted to \$47,008 and from the Food Processor Exemption amounted to \$202,114.

Note 17. New Accounting Pronouncements and Accounting Standards

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

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

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

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* is effective for reporting periods beginning after June 15, 2018.

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

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

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

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

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

CITY OF ONTARIO, OREGON  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**(BUDGET BASIS)**  
For the Year Ended  
June 30, 2018

	Original Budget	Final Budget	Current Year Actual	Favorable (Unfavorable) Variance with Final Budget
<b>Revenues</b>				
Property taxes	\$ 3,387,459	\$ 3,387,459	\$ 3,616,696	\$ 229,237
Other taxes	-	282,679	34,111	(248,568)
Franchise fees	1,634,300	1,634,300	1,624,403	(9,897)
Licenses and permits	4,750	4,750	7,999	3,249
Intergovernmental	633,077	633,077	675,961	42,884
Charges for services	103,503	103,503	107,013	3,510
Fines and forfeits	2,700	2,700	2,960	260
Miscellaneous	157,650	158,800	82,048	(76,752)
Donations	-	-	989	989
Interest on investments	20,000	20,000	41,019	21,019
Administrative	497,145	497,145	497,148	3
Total revenues	<u>6,440,584</u>	<u>6,724,413</u>	<u>6,690,347</u>	<u>(34,066)</u>
<b>Expenditures</b>				
Personal services	5,142,420	5,139,754	5,016,103	123,651
Materials and services	1,615,665	1,877,740	1,497,042	380,698
Capital outlay	134,575	129,100	19,823	109,277
Debt service	22,051	22,051	21,883	168
Contingency	238,703	260,745	-	260,745
Total expenditures	<u>7,153,414</u>	<u>7,429,390</u>	<u>6,554,851</u>	<u>874,539</u>
Excess of revenues over (under) expenditures	(712,830)	(704,977)	135,496	840,473
<b>Other financing sources (uses)</b>				
Transfers in	7,503	10,287	10,284	(3)
Transfers out	(144,673)	(155,310)	(155,310)	-
Total other sources (uses)	<u>(137,170)</u>	<u>(145,023)</u>	<u>(145,026)</u>	<u>(3)</u>
Net change in fund balance	(850,000)	(850,000)	(9,530)	840,470
Fund balance, July 1, after restatement	2,350,000	2,350,000	2,788,700	438,700
Fund balance, June 30	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>	<u>\$ 2,779,170</u>	<u>\$ 1,279,170</u>

CITY OF ONTARIO, OREGON  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - STREET FUND**  
**(BUDGET BASIS)**  
For the Year Ended  
June 30, 2018

	Original Budget	Final Budget	Current Year Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Intergovernmental	\$ 749,000	\$ 749,000	\$ 732,190	\$ (16,810)
Interest on investments	85	85	341	256
Charges for services	367,300	367,300	297,789	(69,511)
Other taxes	195,000	195,000	238,544	43,544
Administrative	460,687	460,687	460,687	-
Miscellaneous	1,000	1,000	1,712	712
Total revenues	<u>1,773,072</u>	<u>1,773,072</u>	<u>1,731,263</u>	<u>(41,809)</u>
Expenditures				
Materials and services	1,737,885	1,737,885	1,733,086	4,799
Capital outlay	305,800	305,800	91,394	214,406
Debt service	63,176	63,176	63,176	-
Total expenditures	<u>2,106,861</u>	<u>2,106,861</u>	<u>1,887,656</u>	<u>219,205</u>
Excess of revenues over (under) expenditures	<u>(333,789)</u>	<u>(333,789)</u>	<u>(156,393)</u>	<u>177,396</u>
Other financing sources (uses)				
Transfers in	85,941	85,941	85,941	-
Transfers out	(54,000)	(54,000)	-	54,000
Total other sources (uses)	<u>31,941</u>	<u>31,941</u>	<u>85,941</u>	<u>54,000</u>
Net change in fund balance	(301,848)	(301,848)	(70,452)	231,396
Fund balance, July 1	<u>301,848</u>	<u>301,848</u>	<u>316,234</u>	<u>14,386</u>
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 245,782</u>	<u>\$ 245,782</u>

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

Year Ended June 30,	(a) City's proportion of the net pension liability (asset)	(b) City's proportionate share of the net pension liability (asset)	(c) City's covered payroll	(b/c) City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	0.07724391%	\$ 10,412,508	\$ 2,873,938	362.31%	83.10%
2017	0.07264070%	10,905,056	2,878,700	378.82%	80.50%
2016	0.08706674%	4,998,903	2,795,527	178.82%	91.90%
2015	0.08950110%	(2,028,735)	4,561,292	-44.48%	103.60%
2014	0.08706674%	673,613	4,563,227	14.76%	91.97%

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

Year Ended June 30,	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution deficiency (excess)	(c) City's covered payroll	(b/c) Contributions as a percent of covered payroll
2018	\$ 708,453	\$ 708,453	\$ -	3,028,180	23.40%
2017	538,316	538,316	-	2,873,938	18.73%
2016	577,012	577,012	-	2,878,700	20.04%
2015	733,439	733,439	-	2,795,527	26.24%
2014	764,158	764,158	-	4,561,292	16.75%

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

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

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

**IMPLICIT LIABILITY HEALTH INSURANCE**

*SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS*

Year Ended June 30,	Total OPEB Liability (asset) Beginning	Service Cost	Interest	Changes to benefit terms	Economic/ Demographic Gains or Losses	Changes in assumptions	Benefit payments	Total OPEB Liability End of Year	Estimated Covered Payroll	Total OPEB Liability as a % of Covered Payroll
2018	\$ 330,185	\$ 24,819	\$ 9,859	\$ -	\$ -	\$ (21,945)	\$ (18,295)	324,623	2,705,463	12.00%

*SCHEDULE OF CITY'S CONTRIBUTIONS*

Year Ended June 30,	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution deficiency (excess)	(c) City's covered payroll	(b/c) Contributions as a percent of covered payroll
2018	\$ 12,882	\$ 12,882	\$ -	\$ 2,872,765	0.45%

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

CITY OF ONTARIO, OREGON  
**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**  
**OTHER POST EMPLOYMENT BENEFITS**  
 Last 10 Fiscal Years\*

**PERS RETIREE HEALTH INSURANCE ACCOUNT**

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

Year Ended June 30,	(a) City's proportion of the collective net OPEB liability (asset)	(b) City's proportionate share of the net pension liability (asset)	(c) City's covered payroll	(b/c) City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2018	0.02661897%	\$ (11,109)	\$ 2,873,938	-0.39%	34.30%
2017	0.03032020%	8,234	2,878,700	0.29%	21.90%

*SCHEDULE OF THE CITY'S CONTRIBUTIONS*

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

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

CITY OF ONTARIO, OREGON  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
For the Year Ended  
June 30, 2018

*BUDGETARY REPORTING*

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

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

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

During the year ended June 30, 2018 the General Fund and major special revenue funds of the city had no over expenditure of appropriations.

*OREGON PUBLIC RETIREMENT SYSTEM INFORMATION*

*Changes in Benefit Terms*

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

*Changes of Assumptions*

The Board reviews the discount rate in odd-numbered years as part of the Board's adoption of actuarial methods and assumptions. That rate is then adopted in an administrative rule at the time the Board sets the new rate. On July 28, 2017, the PERS Board adopted a 7.2% assumed rate which will be effective January 1, 2018.

CITY OF ONTARIO, OREGON  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
For the Year Ended  
June 30, 2018

*OTHER POST EMPLOYMENT BENEFITS*

*Changes of Benefit Terms*

There were no changes of benefit terms.

*Changes of Assumptions*

The PERS board reviews the discount rate in odd-numbered years as part of the PERS board's adoption of actuarial methods and assumptions. That rate is then adopted in an administrative rule at the time the PERS board sets the new rate. On July 28, 2017, the PERS Board adopted a 7.2% assumed rate which will be effective January 1, 2018.

## **SUPPLEMENTARY INFORMATION**

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CITY OF ONTARIO, OREGON  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - CAPITAL PROJECTS FUND**  
**(BUDGET BASIS)**  
For the Year Ended  
June 30, 2018

	Original Budget	Final Budget	Current Year Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Charges for services	\$ 1,745	\$ 1,745	\$ 150	\$ (1,595)
Miscellaneous	-	-	27,800	27,800
Utilities capitalization charges	513,912	513,912	476,906	(37,006)
Total revenues	<u>515,657</u>	<u>515,657</u>	<u>504,856</u>	<u>(10,801)</u>
Expenditures				
Materials and services	1,000	1,000	54	946
Capital outlay	523,923	718,893	305,339	413,554
Contingency	2,819,033	2,624,063	-	2,624,063
Total expenditures	<u>3,343,956</u>	<u>3,343,956</u>	<u>305,393</u>	<u>3,038,563</u>
Net change in fund balance	(2,828,299)	(2,828,299)	199,463	3,027,762
Fund balance, July 1	<u>2,828,299</u>	<u>2,828,299</u>	<u>3,189,699</u>	<u>361,400</u>
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,389,162</u>	<u>\$ 3,389,162</u>

CITY OF ONTARIO, OREGON  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
June 30, 2018

	Special Revenue Funds		
	Grant Fund	Building Fund	Reserve Fund
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
Assets			
Cash and investments	\$ -	\$ 159,631	\$ 2,104,942
Accounts receivable			
Assessments	-	-	-
Loans			
Customer accounts, net of allowance	-	-	11,223
Other	198,240	-	52,638
Prepaid expenses	13,638		
Restricted cash			
Cash held in trust	-	-	-
System development charges	-	-	-
Total assets	<u>211,878</u>	<u>159,631</u>	<u>2,168,803</u>
Deferred outflows of resources	-	-	-
Total assets and deferred outflows	<u>\$ 211,878</u>	<u>\$ 159,631</u>	<u>\$ 2,168,803</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 110,182	\$ 12,932	\$ 199
Payroll liabilities	-	-	5
Interfund payable	150,266	-	-
Deposits held in trust	-	-	-
Total liabilities	<u>260,448</u>	<u>12,932</u>	<u>204</u>
Deferred inflows of resources			
Unearned special assessment revenues	-	-	-
Unearned grant income	1,263	-	-
Unavailable economic development loans	-	-	-
Total deferred inflows	<u>1,263</u>	<u>-</u>	<u>-</u>
Fund balances			
Spendable			
Restricted	-	146,699	-
Committed	-	-	2,168,599
Unassigned	(49,833)	-	-
Total fund balances	<u>(49,833)</u>	<u>146,699</u>	<u>2,168,599</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 211,878</u>	<u>\$ 159,631</u>	<u>\$ 2,168,803</u>

Special Revenue Funds				Capital Projects Fund	Total June 30, 2018
Trust Fund	Revolving Loan Fund	Aquatic Donations Fund	Debt Service Fund	SDC Fund	
\$ 367,252	\$ 541,485	\$ 25,814	\$ 73,938	\$ -	\$ 3,273,062
-	-	-	3,484	-	3,484
-	127,388	-	-	-	127,388
-	-	-	-	-	11,223
56,579	-	-	-	-	307,457
					13,638
246,663	-	-	-	-	246,663
-	-	-	-	288,811	288,811
<u>670,494</u>	<u>668,873</u>	<u>25,814</u>	<u>77,422</u>	<u>288,811</u>	<u>4,271,726</u>
-	-	-	-	-	-
<u>\$ 670,494</u>	<u>\$ 668,873</u>	<u>\$ 25,814</u>	<u>\$ 77,422</u>	<u>\$ 288,811</u>	<u>\$ 4,271,726</u>
\$ 54,849	\$ -	\$ -	\$ -	\$ -	\$ 178,162
-	-	-	-	-	5
-	-	-	-	-	150,266
246,663	-	-	-	-	246,663
<u>301,512</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>575,096</u>
-	-	-	3,484	-	3,484
-	-	-	-	-	1,263
-	127,388	-	-	-	127,388
<u>-</u>	<u>127,388</u>	<u>-</u>	<u>3,484</u>	<u>-</u>	<u>132,135</u>
-	-	25,814	73,938	288,811	535,262
368,982	541,485	-	-	-	3,079,066
-	-	-	-	-	(49,833)
<u>368,982</u>	<u>541,485</u>	<u>25,814</u>	<u>73,938</u>	<u>288,811</u>	<u>3,564,495</u>
<u>\$ 670,494</u>	<u>\$ 668,873</u>	<u>\$ 25,814</u>	<u>\$ 77,422</u>	<u>\$ 288,811</u>	<u>\$ 4,271,726</u>

CITY OF ONTARIO, OREGON  
**SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES**  
**NONMAJOR FUNDS**  
 For the Year Ended  
 June 30, 2018

	Special Revenue Funds		
	Grant Fund	Building Fund	Reserve Fund
Revenues			
Taxes			
Other taxes	\$ -	\$ -	\$ 238,544
Intergovernmental revenues	1,002,457	-	7,396
Charges for services	-	-	94,813
Licenses and permits	-	292,530	-
Miscellaneous			
Special assessments	-	-	-
Miscellaneous	-	345	44,103
Interest on investments	-	-	1,434
Loan repayments	-	-	-
Total revenues	<u>1,002,457</u>	<u>292,875</u>	<u>386,290</u>
Expenditures			
<i>Current</i>			
Personal services	-	85,487	-
Materials and services	-	174,920	16,361
Capital outlay	1,044,194	18,964	-
<i>Debt service</i>			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>1,044,194</u>	<u>279,371</u>	<u>16,361</u>
Excess of revenues over (under) expenditures	(41,737)	13,504	369,929
Other financing sources (uses)			
Operating transfers in	-	18,964	27,400
Operating transfers out	-	-	(21,748)
Total other financing sources (uses)	<u>-</u>	<u>18,964</u>	<u>5,652</u>
Net change in fund balances	(41,737)	32,468	375,581
Fund balances, July 1	(8,096)	114,231	1,793,018
Fund balances, June 30	<u>\$ (49,833)</u>	<u>\$ 146,699</u>	<u>\$ 2,168,599</u>

Special Revenue Funds				Capital Projects Fund	Total June 30, 2018
Trust Fund	Revolving Loan Fund	Aquatic Donations Fund	Debt Service Fund	SDC Fund	
\$ 430,175	\$ -	\$ -	\$ -	\$ -	\$ 668,719
-	-	-	-	-	1,009,853
9,100	-	-	-	-	103,913
-	-	-	-	-	292,530
-	-	-	35,254	-	35,254
662	-	-	-	-	45,110
410	6,345	-	594	-	8,783
-	30,588	-	-	-	30,588
<u>440,347</u>	<u>36,933</u>	<u>-</u>	<u>35,848</u>	<u>65,787</u>	<u>2,260,537</u>
-	-	-	-	-	85,487
439,046	24,920	-	-	-	655,247
-	-	-	-	-	1,063,158
-	-	-	55,377	-	55,377
-	-	-	5,899	-	5,899
<u>439,046</u>	<u>24,920</u>	<u>-</u>	<u>61,276</u>	<u>-</u>	<u>1,865,168</u>
1,301	12,013	-	(25,428)	65,787	395,369
-	-	-	-	-	46,364
<u>(7,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(29,248)</u>
<u>(7,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,116</u>
(6,199)	12,013	-	(25,428)	65,787	412,485
<u>375,181</u>	<u>529,472</u>	<u>25,814</u>	<u>99,366</u>	<u>223,024</u>	<u>3,152,010</u>
<u>\$ 368,982</u>	<u>\$ 541,485</u>	<u>\$ 25,814</u>	<u>\$ 73,938</u>	<u>\$ 288,811</u>	<u>\$ 3,564,495</u>

CITY OF ONTARIO, OREGON  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GRANTS FUND**  
**(BUDGET BASIS)**  
For the Year Ended  
June 30, 2018

	Original Budget	Final Budget	Current Year Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Intergovernmental	\$ 824,119	\$ 1,101,619	\$ 1,002,457	\$ (99,162)
Expenditures				
Capital outlay	886,609	1,164,109	1,044,194	119,915
Contingency	9,110	9,110	-	9,110
Total expenditures	895,719	1,173,219	1,044,194	129,025
Excess of revenues over (under) expenditures	(71,600)	(71,600)	(41,737)	29,863
Other financing sources (uses)				
Transfers in	54,000	54,000	-	(54,000)
Net change in fund balance	(17,600)	(17,600)	(41,737)	(24,137)
Fund balance, July 1	17,600	17,600	(8,096)	(25,696)
Fund balance, June 30	\$ -	\$ -	\$ (49,833)	\$ (49,833)

CITY OF ONTARIO, OREGON  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - BUILDING FUND**  
**(BUDGET BASIS)**  
For the Year Ended  
June 30, 2018

	Original Budget	Final Budget	Current Year Actual	Favorable (Unfavorable) Variance with Final Budget
<b>Revenues</b>				
Licenses and permits	\$ 100,000	\$ 300,000	\$ 292,530	\$ (7,470)
Miscellaneous	-	-	345	345
Total revenues	<u>100,000</u>	<u>300,000</u>	<u>292,875</u>	<u>(7,125)</u>
<b>Expenditures</b>				
Personal services	89,626	95,626	85,487	10,139
Materials and services	69,694	263,694	174,920	88,774
Capital outlay	29,100	29,100	18,964	10,136
Contingency	180	180	-	180
Total expenditures	<u>188,600</u>	<u>388,600</u>	<u>279,371</u>	<u>109,229</u>
Excess of revenues over (under) expenditures	<u>(88,600)</u>	<u>(88,600)</u>	<u>13,504</u>	<u>102,104</u>
Net change in fund balance	(59,500)	(59,500)	32,468	91,968
Fund balance, July 1	<u>59,500</u>	<u>59,500</u>	<u>114,231</u>	<u>54,731</u>
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 146,699</u>	<u>\$ 146,699</u>

CITY OF ONTARIO, OREGON  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - RESERVE FUND**  
**(BUDGET BASIS)**  
For the Year Ended  
June 30, 2018

	Original Budget	Final Budget	Current Year Actual	Favorable (Unfavorable) Variance with Final Budget
<b>Revenues</b>				
Intergovernmental	\$ 7,000	\$ 7,000	\$ 7,396	\$ 396
Miscellaneous	-	-	44,103	44,103
Charges for service	26,100	26,100	94,813	68,713
Other taxes	195,000	195,000	238,544	43,544
Interest on investments	1,500	1,500	1,434	(66)
<b>Total revenues</b>	<u>229,600</u>	<u>229,600</u>	<u>386,290</u>	<u>156,690</u>
<b>Expenditures</b>				
Personal services	98,697	98,697	-	98,697
Materials and services	9,250	13,982	16,361	(2,379)
Capital outlay	246,763	242,763	-	242,763
Contingency	1,057,137	1,053,621	-	1,053,621
<b>Total expenditures</b>	<u>1,411,847</u>	<u>1,409,063</u>	<u>16,361</u>	<u>1,392,702</u>
Excess of revenues over (under) expenditures	<u>(1,182,247)</u>	<u>(1,179,463)</u>	<u>369,929</u>	<u>1,549,392</u>
<b>Other financing sources (uses)</b>				
Transfers in	27,400	27,400	27,400	-
Transfers out	(29,100)	(31,884)	(21,748)	10,136
<b>Total other sources (uses)</b>	<u>(1,700)</u>	<u>(4,484)</u>	<u>5,652</u>	<u>10,136</u>
Net change in fund balance	(1,183,947)	(1,183,947)	375,581	1,559,528
Fund balance, July 1	<u>1,702,484</u>	<u>1,702,484</u>	<u>1,793,018</u>	<u>90,534</u>
Fund balance, June 30	<u>\$ 518,537</u>	<u>\$ 518,537</u>	<u>\$ 2,168,599</u>	<u>\$ 1,650,062</u>

CITY OF ONTARIO, OREGON  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - TRUST FUND**  
**(BUDGET BASIS)**  
For the Year Ended  
June 30, 2018

	Original Budget	Final Budget	Current Year Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Other taxes	\$ 365,000	\$ 365,000	\$ 430,175	\$ 65,175
Charges for services	7,500	7,500	9,100	1,600
Interest on investments	400	400	410	10
Total revenues	<u>372,900</u>	<u>372,900</u>	<u>440,347</u>	<u>67,447</u>
Expenditures				
Materials and services	<u>578,572</u>	<u>578,572</u>	<u>439,046</u>	<u>139,526</u>
Excess of revenues over (under) expenditures	(205,672)	(205,672)	1,301	206,973
Other financing sources (uses)				
Transfers out	<u>(7,500)</u>	<u>(7,500)</u>	<u>(7,500)</u>	<u>-</u>
Net change in fund balance	(213,172)	(213,172)	(6,199)	206,973
Fund balance, July 1	<u>368,112</u>	<u>368,112</u>	<u>375,181</u>	<u>7,069</u>
Fund balance, June 30	<u><u>\$ 154,940</u></u>	<u><u>\$ 154,940</u></u>	<u><u>\$ 368,982</u></u>	<u><u>\$ 214,042</u></u>

CITY OF ONTARIO, OREGON  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - REVOLVING LOAN FUND**  
**(BUDGET BASIS)**  
For the Year Ended  
June 30, 2018

	Original Budget	Final Budget	Current Year Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Interest on investments	\$ 5,150	\$ 5,150	\$ 6,345	\$ 1,195
Loan repayments	19,800	19,800	30,588	10,788
Total revenues	24,950	24,950	36,933	11,983
Expenditures				
Materials and services	516,977	516,977	24,920	492,057
Net change in fund balance	(492,027)	(492,027)	12,013	504,040
Fund balance, July 1	492,027	492,027	529,472	37,445
Fund balance, June 30	\$ -	\$ -	\$ 541,485	\$ 541,485

CITY OF ONTARIO, OREGON  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - AQUATIC DONATIONS FUND**  
**(BUDGET BASIS)**  
For the Year Ended  
June 30, 2018

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

CITY OF ONTARIO, OREGON  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - DEBT SERVICE**  
**(BUDGET BASIS)**  
For the Year Ended  
June 30, 2018

	Original Budget	Final Budget	Current Year Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Special assessments	\$ 30,000	\$ 30,000	\$ 35,254	\$ 5,254
Interest on investments	3,475	3,475	594	(2,881)
Total revenues	<u>33,475</u>	<u>33,475</u>	<u>35,848</u>	<u>2,373</u>
Expenditures				
Debt service	61,433	61,433	61,276	157
Contingency	80,897	80,897	-	80,897
Total expenditures	<u>142,330</u>	<u>142,330</u>	<u>61,276</u>	<u>81,054</u>
Net change in fund balance	(108,855)	(108,855)	(25,428)	83,427
Fund balance, July 1	<u>108,855</u>	<u>108,855</u>	<u>99,366</u>	<u>(9,489)</u>
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73,938</u>	<u>\$ 73,938</u>

CITY OF ONTARIO, OREGON  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - SDC FUND**  
**(BUDGET BASIS)**  
For the Year Ended  
June 30, 2018

	Original Budget	Final Budget	Current Year Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues				
System development charges	\$ 15,000	\$ 15,000	\$ 65,787	\$ 50,787
Expenditures				
Capital outlay	202,001	202,001	-	202,001
Net change in fund balance	(187,001)	(187,001)	65,787	252,788
Fund balance, July 1	187,001	187,001	223,024	36,023
Fund balance, June 30	\$ -	\$ -	\$ 288,811	\$ 288,811

CITY OF ONTARIO, OREGON  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**BUDGET AND ACTUAL - WATER FUND**  
**(BUDGET BASIS)**  
For the Year Ended  
June 30, 2018

	Original Budget	Final Budget	Current Year Actual	Favorable (Unfavorable) Variance with Final Budget
<b>Revenues</b>				
Charges for services	\$ 3,166,498	\$ 3,166,498	\$ 3,069,675	\$ (96,823)
Miscellaneous	21,000	21,000	26,571	5,571
Interest on investments	25,000	25,000	60,888	35,888
<b>Total revenues</b>	<b>3,212,498</b>	<b>3,212,498</b>	<b>3,157,134</b>	<b>(55,364)</b>
<b>Expenses</b>				
Personal services	600	600	441	159
Materials and services	2,248,776	2,252,354	2,247,350	5,004
Capital outlay	729,500	729,500	200,377	529,123
Debt service	295,421	295,421	295,421	-
Contingency	780,491	776,913	-	776,913
<b>Total expenses</b>	<b>4,054,788</b>	<b>4,054,788</b>	<b>2,743,589</b>	<b>1,311,199</b>
 Net change in fund net position	 (842,290)	 (842,290)	 413,545	 1,255,835
 Net position, July 1	 842,290	 842,290	 1,088,986	 246,696
Net position, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>1,502,531</u>	<u>\$ 1,502,531</u>

**Reconciliation to Generally Accepted  
Accounting Principles**

Capital assets, net of accumulated depreciation	13,380,251
Inventory	13,571
Accrued interest	(59,431)
Long-term obligations	(2,772,333)
Debt refunding deferred inflows	<u>(294,158)</u>
 Net position, ending	 <u>\$ 11,770,432</u>

CITY OF ONTARIO, OREGON  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**BUDGET AND ACTUAL - SEWER FUND**  
**(BUDGET BASIS)**  
For the Year Ended  
June 30, 2018

	Original Budget	Final Budget	Current Year Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Charges for services	\$ 3,381,322	\$ 3,381,322	\$ 3,570,643	\$ 189,321
Miscellaneous	1,000	1,000	2,400	1,400
Interest on investments	35,000	35,000	83,569	48,569
Total revenues	<u>3,417,322</u>	<u>3,417,322</u>	<u>3,656,612</u>	<u>239,290</u>
Expenses				
Personal services	600	600	441	159
Materials and services	2,202,189	2,205,995	2,144,352	61,643
Capital outlay	499,500	499,500	184,035	315,465
Debt service	602,101	602,101	702,591	(100,490)
Contingency	759,393	755,587	-	755,587
Total expenses	<u>4,063,783</u>	<u>4,063,783</u>	<u>3,031,419</u>	<u>1,032,364</u>
Net change in fund net position	(646,461)	(646,461)	625,193	1,271,654
Net position, July 1	896,461	896,461	1,462,163	565,702
Net position, June 30	<u>\$ 250,000</u>	<u>\$ 250,000</u>	2,087,356	<u>\$ 1,837,356</u>

**Reconciliation to Generally Accepted  
Accounting Principles**

Capital assets, net of accumulated depreciation	17,549,174
Accrued interest	(59,535)
Long-term obligations	(2,913,047)
Debt refunding deferred inflows	<u>(278,900)</u>
Net position, ending	<u>\$ 16,385,048</u>

CITY OF ONTARIO, OREGON  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**BUDGET AND ACTUAL - AIRPORT FUND**  
**(BUDGET BASIS)**  
For the Year Ended  
June 30, 2018

	Original Budget	Final Budget	Current Year Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Charges for services	\$ 51,620	\$ 56,610	\$ 67,379	\$ 10,769
Miscellaneous	1,500	1,500	1,500	-
Total revenues	<u>53,120</u>	<u>58,110</u>	<u>68,909</u>	<u>10,799</u>
Expenses				
Materials and services	80,255	60,517	54,907	5,610
Capital outlay	5,000	5,000	-	5,000
Total expenses	<u>85,255</u>	<u>100,882</u>	<u>87,322</u>	<u>13,560</u>
Excess of revenues over (under) expenses	(32,135)	(42,772)	(18,413)	24,359
Other financing sources (uses)				
Transfers in	32,135	42,772	42,772	-
Net change in fund net position	-	-	24,359	24,359
Net position, July 1	-	-	14,554	14,554
Net position, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>38,913</u>	<u>\$ 38,913</u>

**Reconciliation to Generally Accepted  
Accounting Principles**

Capital assets, net of accumulated depreciation	8,681,755
OPEB asset	87
OPEB deferred inflows	(46)
OPEB deferred outflows	108
Net pension liability	(81,660)
Pension deferred inflows	(8,868)
Pension deferred outflows	<u>27,677</u>
Net position, ending	<u>\$ 8,657,966</u>

CITY OF ONTARIO, OREGON  
**COMBINING STATEMENT OF NET POSITION**  
**NONMAJOR PROPRIETARY FUNDS**  
June 30, 2018

	Storm Sewer Fund	Golf Course Fund	Aquatic Fund	Total June 30, 2016
<b>Assets</b>				
Cash and pooled investments	\$ 493,903	\$ 5,999	\$ 173,548	\$ 673,450
Receivables				
Customer accounts, net allowance	9,324	-	-	9,324
Other	-	-	14,577	14,577
Restricted cash				
Customer deposits	-	1,000	-	1,000
Capital assets not being depreciated	13,102	-	-	13,102
Capital assets being depreciated (net of accumulated depreciation)	-	-	69,718	69,718
	<u>2,229,491</u>	<u>-</u>	<u>-</u>	<u>2,229,491</u>
Total assets	<u>2,745,820</u>	<u>6,999</u>	<u>257,843</u>	<u>3,010,662</u>
<b>Liabilities</b>				
Accounts payable	\$ 392	\$ -	\$ 3,147	\$ 3,539
Customer deposit	-	1,000	-	1,000
Total liabilities	<u>392</u>	<u>1,000</u>	<u>3,147</u>	<u>4,539</u>
<b>Net position</b>				
Net investment in capital assets	2,242,593	-	-	2,242,593
Unrestricted	<u>502,835</u>	<u>5,999</u>	<u>254,696</u>	<u>763,530</u>
Total net position	<u>2,745,428</u>	<u>5,999</u>	<u>254,696</u>	<u>3,006,123</u>

CITY OF ONTARIO, OREGON  
**SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND NET POSITION  
 NONMAJOR PROPRIETARY FUNDS**  
 For the Year Ended  
 June 30, 2018

	Storm Sewer Fund	Golf Course Fund	Aquatic Fund	Total June 30, 2018
Operating revenues				
Charges for services	\$ 106,738	\$ -	\$ -	\$ 106,738
Operating expenses				
Employee benefits	18	-	-	18
Contract services	79,174	-	350	79,524
Depreciation	104,350	-	-	104,350
Insurance	2,448	-	-	2,448
Miscellaneous expense	430	-	122	552
Supplies - general	190	-	-	190
Utilities	19	-	6,418	6,437
Fees	7,425	-	-	7,425
Administrative	3,822	-	-	3,822
Total operating expenditures	197,876	-	6,890	204,766
Net income from operations	(91,138)	-	(6,890)	(98,028)
Non operating income (expenses)				
Interest earned on investments	2,485	-	-	2,485
Other taxes	-	-	113,592	113,592
Total non operating income (expenses)	2,485	-	113,592	116,077
Net income	(88,653)	-	106,702	18,049
Other items				
Transfers out	-	(803)	-	(803)
Change in net position	(88,653)	(803)	106,702	17,246
Net positions, July 1	2,834,081	6,802	147,994	2,988,877
Net position, June 30	\$ 2,745,428	\$ 5,999	\$ 254,696	\$ 3,006,123

CITY OF ONTARIO, OREGON  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**

For the Year Ended  
June 30, 2018

	Enterprise Funds			
	Storm Sewer Fund	Golf Fund Fund	Aquatic Fund	Total
Cash flows from operating activities				
Cash received from customers	\$ 106,243	\$ -	\$ -	\$ 106,243
Cash payment to employees for services	(18)	-	-	(18)
Cash payment to suppliers for goods and services	(98,370)	-	(5,938)	(104,308)
Other operating revenues	-	-	112,309	112,309
Net cash provided by operating activities	<u>7,855</u>	<u>-</u>	<u>106,371</u>	<u>114,226</u>
Cash flows from noncapital financing activities				
Operating transfers-out to other funds	-	(803)	-	(803)
Net cash provided by noncapital financing activities	<u>-</u>	<u>(803)</u>	<u>-</u>	<u>(803)</u>
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	(125)	-	(69,718)	(69,843)
Net cash used for capital and related financing activities	<u>(125)</u>	<u>-</u>	<u>(69,718)</u>	<u>(69,843)</u>
Cash flows from investing activities				
Interest and dividends on investments	2,485	-	-	2,485
Net cash provided (used) in investing activities	<u>2,485</u>	<u>-</u>	<u>-</u>	<u>2,485</u>
Net increase (decrease) in cash and cash equivalents	10,215	(803)	36,653	46,065
Cash and cash equivalents at beginning of year	483,688	7,802	136,895	628,385
Cash and cash equivalents at end of year	<u>\$ 493,903</u>	<u>\$ 6,999</u>	<u>\$ 173,548</u>	<u>\$ 674,450</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>				
Net Income	\$ (91,138)	\$ -	\$ 106,702	\$ 15,564
Adjustments to reconcile net income to net cash provided ( used ) by operating activities:				
Depreciation expense	104,350	-	-	104,350
(Increase) decrease in accounts receivable	(495)	-	(1,283)	(1,778)
Increase (decrease) in accounts payable	(4,862)	-	952	(3,910)
Total adjustments	<u>98,993</u>	<u>-</u>	<u>(331)</u>	<u>98,662</u>
Net cash provided (used) by operating activities	<u>\$ 7,855</u>	<u>\$ -</u>	<u>\$ 106,371</u>	<u>\$ 114,226</u>
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on the Statement of Net Position</b>				
Current assets				
Cash and investments	\$ 493,903	\$ 5,999	\$ 173,548	\$ 673,450
Restricted assets				
Customer deposits	-	1,000	-	1,000
Total cash and cash equivalents at year end	<u>\$ 493,903</u>	<u>\$ 6,999</u>	<u>\$ 173,548</u>	<u>\$ 674,450</u>

CITY OF ONTARIO, OREGON  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**BUDGET AND ACTUAL - STORM SEWER FUND**  
**(BUDGET BASIS)**  
For the Year Ended  
June 30, 2018

	Original Budget	Final Budget	Current Year Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Charges for services	\$ 106,300	\$ 106,300	\$ 106,738	\$ 438
Interest on investments	1,000	1,000	2,485	1,485
Total revenues	<u>107,300</u>	<u>107,300</u>	<u>109,223</u>	<u>1,923</u>
Expenses				
Personal services	25	25	18	7
Materials and services	91,748	94,277	93,508	769
Capital outlay	120,000	118,000	125	117,875
Contingency	387,328	386,799	-	386,799
Total expenses	<u>599,101</u>	<u>599,101</u>	<u>93,651</u>	<u>505,450</u>
Excess of revenues over (under) expenses	<u>(491,801)</u>	<u>(491,801)</u>	<u>15,572</u>	<u>507,373</u>
Change in fund net position	(491,801)	(491,801)	15,572	507,373
Net position, July 1	491,823	491,823	487,263	(4,560)
Net position, June 30	<u>\$ 22</u>	<u>\$ 22</u>	<u>502,835</u>	<u>\$ 502,813</u>

**Reconciliation to Generally Accepted  
Accounting Principles**

Capital assets, net of accumulated depreciation	<u>2,242,593</u>
Net position, ending	<u>\$ 2,745,428</u>

CITY OF ONTARIO, OREGON  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**BUDGET AND ACTUAL - GOLF COURSE FUND**  
**(BUDGET BASIS)**  
For the Year Ended  
June 30, 2018

	Original Budget	Final Budget	Current Year Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues	\$ -	\$ -	\$ -	\$ -
Expenses	-	-	-	-
Excess of revenues over (under) expenses	-	-	-	-
Other financing sources (uses)				
Transfers out	(803)	(803)	(803)	-
Net change in fund net position	(803)	(803)	(803)	-
Net position, July 1	803	803	6,802	5,999
Net position, June 30	<u>\$ -</u>	<u>\$ -</u>	5,999	<u>\$ 5,999</u>

**Reconciliation to Generally Accepted  
Accounting Principles**

Adjustments	-
Net position, ending	<u>\$ 5,999</u>

CITY OF ONTARIO, OREGON  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**BUDGET AND ACTUAL - AQUATIC FUND**  
**(BUDGET BASIS)**  
For the Year Ended  
June 30, 2018

	Original Budget	Final Budget	Current Year Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Other taxes	\$ 97,500	\$ 97,500	\$ 113,592	\$ 16,092
Grants	390,000	390,000	-	(390,000)
Total revenues	<u>487,500</u>	<u>487,500</u>	<u>113,592</u>	<u>(373,908)</u>
Expenses				
Materials and services	13,000	13,000	6,890	6,110
Capital outlay	600,000	600,000	69,718	530,282
Contingency	10,297	10,297	-	10,297
Total expenses	<u>623,297</u>	<u>623,297</u>	<u>76,608</u>	<u>546,689</u>
Net change in fund net position	(135,797)	(135,797)	36,984	172,781
Net position, July 1	<u>135,797</u>	<u>135,797</u>	<u>147,994</u>	<u>12,197</u>
Net position, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>184,978</u>	<u>\$ 184,978</u>

**Reconciliation to Generally Accepted  
Accounting Principles**

Capital assets, net of accumulated depreciation	<u>69,718</u>
Net position, ending	<u>\$ 254,696</u>

CITY OF ONTARIO, OREGON  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
For the Year Ended  
June 30, 2018

<i>Recreation Board</i>	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
<b>ASSETS</b>				
Cash and investments	\$ 1,290	\$ -	\$ -	\$ 1,290
Total assets	<u>1,290</u>	<u>-</u>	<u>-</u>	<u>1,290</u>
<b>LIABILITIES</b>				
Held in trust for other governments	<u>1,290</u>	<u>-</u>	<u>-</u>	<u>1,290</u>
Total liabilities	<u>\$ 1,290</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,290</u>

<i>Friends of the Aquatic Center</i>	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
<b>ASSETS</b>				
Cash and investments	\$ 50	81,240	2,626	\$ 78,664
Accounts receivable	-	10,000	-	10,000
Total assets	<u>50</u>	<u>91,240</u>	<u>2,626</u>	<u>88,664</u>
<b>LIABILITIES</b>				
Held in trust for other governments	<u>50</u>	<u>91,240</u>	<u>2,626</u>	<u>88,664</u>
Total liabilities	<u>\$ 50</u>	<u>\$ 91,240</u>	<u>\$ 2,626</u>	<u>\$ 88,664</u>

## **OTHER FINANCIAL SCHEDULES**

CITY OF ONTARIO, OREGON  
**SUMMARY SCHEDULE OF CASH, CASH ITEMS AND INVESTMENTS**  
 June 30, 2018

Intermountain Community Bank		
Demand accounts	\$	918,986
Certificates of Deposit		584,737
Oregon State Treasury Local Government Investment Pool **		11,467,669
Cash on hand		1,155
Total cash and investments on books	<u>\$</u>	<u>12,972,547</u>

**SCHEDULE OF COLLATERAL SECURITY**

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

\*Qualified depository for public funds per ORS 295.

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

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

**Independent Auditors’ Report on Compliance and Internal  
 Control Required by Oregon State Regulations**

We have audited the basic financial statements of the City of Ontario as of and for the year ended June 30, 2018, and have issued our report thereon dated December 21, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Compliance and Other Matters**

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

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

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

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

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

1. The City did not comply with ORS 279B.055 (Competitive Sealed Bidding). The City began a Splash Pad project which was quoted at \$262,516. The City received three bids for this project but did not publish an advertisement for competitive sealed bids.
2. The City did not comply with ORS 294.456(6). Expenditures exceeded budgeted appropriations for the year ended June 30, 2018, as follows:

Fund	Over Expenditure
Reserve fund- Materials and Services	\$2,379
Sewer fund- Debt Service	\$100,490

**OAR 162-10-0230 Internal Control**

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

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

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

**Purpose of this Report**

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

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

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

La Grande, Oregon  
December 21, 2018

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**AUDIT DELIVERABLES REQUIRED  
BY THE SINGLE AUDIT ACT OF  
1996**

**City of Ontario, Oregon**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2018**

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<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Identifying Number</u>	<u>Expenditures</u>	<u>Subrecipient Expenditures</u>
<b>U.S. Department of Transportation:</b>				
<u>Direct Programs:</u>				
Airport Improvement Program:	20.106	3-41-0044-013-2017	702,690	
<u>Pass-Through Oregon Department of Transportation:</u>				
Child Safety and Child Booster Seats Incentive Grants	20.616		590	
State and Community Highway Safety	20.616		4,852	
Total National Priority Safety Programs Cluster			5,442	
Total U.S. Department of Transportation			708,132	
<b>U.S. Environmental Protection Agency:</b>				
<u>Direct Programs:</u>				
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	01J38801	30,111	
<b>U.S. Department of Housing and Urban Development:</b>				
<u>Direct Programs:</u>				
Community Development Block Grant	14.218	H17012	167,773	
Total expenditures of federal awards			\$ 906,016	\$ -

**City of Ontario, Oregon**  
**Notes to Schedule of Expenditures of Federal Awards**

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**Note A - Purpose of the Schedule:**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") is a supplementary schedule to the City of Ontario's financial statements and is presented for purposes of additional analysis. Because the Schedule presents only a selected portion of the activities of the City, it is not intended to and does not present either the financial position, results of operations, or changes in fund balances/equity of the City of Ontario.

**Note B - Significant Accounting Policies:**

**Reporting Entity**

The reporting entity is fully described in Note 1 to the City's basic financial statements. The Schedule includes all federal programs administered by the City for the year ended June 30, 2018.

**Basis of Presentation**

The accompanying Schedule includes the federal award activity of the City under programs of the federal government for the year ended June 30, 2018. The information in the Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

**Federal Financial Assistance**

Pursuant to the Single Audit Act and the Uniform Guidance, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations. Accordingly, nonmonetary federal assistance, including federal surplus property, is included in federal financial assistance and, therefore, is reported on the Schedule, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the City and the federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

**Major Programs**

The Single Audit Act and the Uniform Guidance establish criteria to be used in defining major programs. Major programs for the City of Ontario are those programs selected for testing by the auditor using a risk-assessment model, as well as certain minimum expenditure requirements, as outlined in the Uniform Guidance. Programs with similar requirements may be grouped into a cluster for testing purposes.

**Basis of Accounting**

The receipt and expenditure of federal awards are accounted for under the same basis of accounting as the fund in which they are recorded. Federal awards recorded in proprietary funds are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Federal awards recorded in governmental funds are reported using the modified accrual basis of accounting. Revenues are recognized when measurable and available. Expenditures are recorded when the related liability is incurred.

Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Insurance Coverage**

For fiscal year ended June 30, 2018, the City had insurance coverage in effect comparable to other entities of similar

**Indirect Cost Rate**

The City has not elected to use the 10% de minimis indirect cost rate.

**Subrecipients**

The City did not pass any federal funds to subrecipients for the fiscal year ended June 30, 2018.

LEWIS, POE, MOELLER, GUNDERSON & ROBERTS, LLC  
CERTIFIED PUBLIC ACCOUNTANTS  
1121 ADAMS AVENUE • P.O. BOX 1024  
LA GRANDE, OREGON 97850-1024

**Independent Auditors' Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with *Government Auditing Standards***

To the City Council  
City of Ontario, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Ontario, Oregon, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 21, 2018.

**Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a 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 or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Ontario, Oregon's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, additional matters were communicated to the City in a written communication.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

LEWIS, POE, MOELLER, GUNDERSON & ROBERTS, LLC

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

La Grande, Oregon  
December 21, 2018

**Independent Auditor's Report on Compliance for Each Major Program and  
on Internal Control Over Compliance Required by the Uniform Guidance**

To the City Council  
City of Ontario, Oregon

**Report on Compliance for Each Major Federal Program**

We have audited City of Ontario, Oregon's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2018. City of Ontario, Oregon's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of City of Ontario, Oregon's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Ontario, Oregon's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Ontario, Oregon's compliance.

**Opinion on Each Major Federal Program**

In our opinion, City of Ontario, Oregon complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

**Report on Internal Control over Compliance**

Management of City of Ontario, Oregon is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test

and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

LEWIS, POE, MOELLER, GUNDERSON & ROBERTS, LLC



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

La Grande, Oregon  
December 21, 2018

**City of Ontario, Oregon**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2018**

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**A. Summary of Audit Results**

	<b>Results</b>
<b>Financial Statements Audit</b>	
1. Type of auditor's report issued	Unmodified
2. Internal control over financial reporting:	
Were significant deficiencies disclosed?	No
Of the significant deficiencies disclosed were any material weaknesses?	N/A
3. Did the audit disclose any noncompliance material to the financial statements?	No
<b>Federal Awards</b>	
1. Type of auditor's report issued:	
<u>Major programs:</u>	
U.S. Department of Transportation - Airport Improvement Program	
CFDA Number 20.106	Unmodified
2. Internal control over major programs:	
Were significant deficiencies disclosed?	No
Of the significant deficiencies disclosed were any material weaknesses?	N/A
3. Were any of the following disclosed in accordance with 2 CFR Section 200.516(a)?	
Significant deficiencies in internal control over major programs?	No
Material Noncompliance with the provisions of laws, regulations, contracts, or grant agreements related to major programs?	No
Known questioned costs which are greater than \$25,000 for a type of compliance requirement for a major program?	No
Known questioned costs which are greater than \$25,000 for a federal program which is not audited as a major program?	No
4. The threshold for distinguishing Types A and B programs:	\$ 750,000
5. Auditee qualified as a low-risk auditee	Yes

**B. Findings and Questioned Costs - Financial Statement Audit**

None noted as a result of our audit procedures.

**C. Federal Awards Findings and Questioned Costs**

None noted as a result of our audit procedures.

**City of Ontario, Oregon  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2018**

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None noted as a result of our audit procedures.