

CITY OF ONTARIO, OREGON

**INDEPENDENT AUDITOR'S REPORT,
BASIC FINANCIAL STATEMENTS,
REQUIRED SUPPLEMENTARY INFORMATION
AND SINGLE AUDIT**

For the Year Ended June 30, 2011

CITY OF ONTARIO, OREGON
June 30, 2011

CONTENTS

PAGE

INTRODUCTORY SECTION

City Council and Officials 1

FINANCIAL SECTION

Independent Auditor's Report..... 2-3
Management's Discussion and Analysis 4-10
Basic Financial Statements:
Government-wide Financial Statements
Statement of Net Assets..... 11
Statement of Activities 12
Governmental Fund Financial Statements
Balance Sheet – Governmental Funds..... 13
Reconciliation of the Balance Sheet – Governmental Funds to the
Statement of Net Assets..... 14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds 15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances – Governmental Funds to the Statement of Activities 16
Proprietary Fund Financial Statements
Statement of Net Assets..... 17
Reconciliation of the Enterprise Funds Statement of Net Assets to the
Statement of Net Assets..... 18
Statement of Revenues, Expenses, and Changes in Net Assets..... 19
Reconciliation of the Statement of Revenues, Expenses and Changes in Fund Net Assets to the
Statement of Activities 20
Statement of Cash Flows 21
Notes to the Basic Financial Statements 22-42
Required Supplementary Information:
Budgetary Comparison Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget
and Actual – Budget Basis
General Fund..... 43
Grants Fund..... 44
Street Fund 45
Revolving Loan Fund..... 46
Notes to Required Supplementary Information – Budgetary Reporting 47
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet 48
Schedule of Revenues, Expenditures and Changes in Fund Balances..... 49
Budgetary Comparison Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget
and Actual – Budget Basis
Library Fund..... 50
911 Fund 51
Trust Fund 52
Reserve Fund..... 53
Debt Service Fund..... 54

Other Supplementary Information (Continued):

Budgetary Comparison Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Budget Basis (Continued)	
Capital Projects Fund	55
Budgetary Comparison Schedules of Revenues, Expenses and Changes in Fund Net Assets – Budget and Actual – Budget Basis	
Water Fund.....	56
Sewer Fund.....	57
Storm Sewer Fund.....	58
Golf Course Fund.....	59
Public Works Internal Service Fund.....	60
<i>Other Financial Schedules:</i>	
Summary Schedule of Cash, Cash Items and Investments.....	61
Schedule of Property Tax Transactions	62

REPORTS REQUIRED BY OREGON STATE REGULATIONS

Report Required by Oregon State Regulations	63-64
Audit Comments and Disclosures.....	65-66
Summary of Revenues and Expenditures required by the Secretary of State.....	67

SINGLE AUDIT SECTION

Schedule of Expenditures of Federal Awards	68
Notes to the Schedule of Expenditures of Federal Awards.....	69
Schedule of Findings and Questioned Costs.....	70-71
Report on Compliance on Internal Control Over Financial Reporting	
Based on an Audit of Financial Statements Performed in Accordance	
With <i>Government Auditing Standards</i>	72-73
Report on Compliance with Requirements Applicable to each Major Program	
and Internal Control Over Compliance in Accordance with OMB Circular A-133	74-75

INTRODUCTORY SECTION

CITY OF ONTARIO, OREGON
CITY COUNCIL AND OFFICIALS
June 30, 2011

<u>NAME</u>	<u>ADDRESS</u>	<u>POSITION</u>
CITY COUNCIL		
Joe Dominick	Ontario	Mayor
Norm Crume	Ontario	Council President
David Sullivan	Ontario	Councilor
Charlotte Fugate	Ontario	Councilor
Ronald Verini	Ontario	Councilor
Jackson Fox	Ontario	Councilor
Dan Jones	Ontario	Councilor
OFFICIALS		
Henry Lawrence	Ontario	City Manager
Tori Barnett	Ontario	City Recorder
Rachel Hopper	Ontario	Finance Director
Mark Alexander	Ontario	Chief of Police
Al Higinbotham	Ontario	Fire Chief
Charles Mickelson	Ontario	Public Works Director
Kathy Daly	Ontario	Parks & Recreation Director

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

City Council
City of Ontario
Ontario, Malheur County, Oregon

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the internal service fund, each major fund, and the aggregate remaining fund information of the City of Ontario as of and for the year ended June 30, 2011, which collectively comprise the city's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Ontario's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, the internal service fund, each major fund, and the aggregate remaining fund information of the City of Ontario, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2012, on our consideration of the City of Ontario's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 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 this required supplementary 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ontario's financial statements as a whole. The required supplementary information, other supplementary information, combining and individual nonmajor fund financial statements, other financial schedules and the schedule of expenditures of federal awards, required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The required supplementary information, other supplementary information, combining and individual nonmajor fund financial statements, other financial schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section, as listed in the table of contents, 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.

Oster Professional Group, CPA's, PC

By  _____

Burns, Oregon
March 20, 2012



CITY OF ONTARIO, OREGON
Management's Discussion & Analysis
June 30, 2011

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, 2011. 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 transmittal letter and basic financial statements.

FINANCIAL HIGHLIGHTS

- ❖ The assets of the city exceeded its liabilities at June 30, 2011 by \$50,541,454 (net assets). Of this amount, \$11,390,373 was unrestricted net assets and may be used to meet the government's ongoing obligations to citizens and creditors.
- ❖ At June 30, 2011, unassigned fund balance for the General Funds was \$2,912,110.

USING THE ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets 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 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 Assets 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 Assets 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.

These two statements report the city's *net assets* and changes in them. You can think of the city's net assets—the difference between assets and liabilities—as one way to measure the city's financial health,



CITY OF ONTARIO, OREGON
Management's Discussion & Analysis
June 30, 2011

www.ontariooregon.org

or *financial position*. Over time, *increases or decreases* in the city's net assets 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 Assets and the Statement of Activities present information about the following:

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

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the city as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council, with the help of the city's budget committee, establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The city's two kinds of funds—*governmental* and *proprietary*—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 Assets 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
June 30, 2011

www.ontariooregon.org

- ❖ *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 Assets and the Statement of Activities.

THE CITY AS A WHOLE

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

Table 1. Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	6/30/2011	6/30/2010	6/30/2011	6/30/2010	6/30/2011	6/30/2010
Current and other assets	\$ 12,757,238	\$ 10,195,846	\$ 3,325,929	\$ 4,094,131	\$ 16,083,167	\$ 14,289,977
Capital assets	13,434,312	5,663,956	36,782,830	48,877,410	50,217,142	54,541,366
Total assets	<u>26,191,550</u>	<u>15,859,802</u>	<u>40,108,759</u>	<u>52,971,541</u>	<u>66,300,309</u>	<u>68,831,343</u>
Current liabilities	2,698,989	1,071,794	447,734	598,772	3,146,723	1,670,566
Noncurrent liabilities						
Due within one year	80,673	91,342	1,062,965	1,136,878	1,143,638	1,228,220
Due in more than one year	469,768	550,440	10,998,726	12,160,573	11,468,494	12,711,013
Total liabilities	<u>3,249,430</u>	<u>1,713,576</u>	<u>12,509,425</u>	<u>13,896,223</u>	<u>15,758,855</u>	<u>15,609,799</u>
Invested in capital assets, net of debt	12,883,871	5,022,174	24,721,139	35,579,959	37,605,010	40,602,133
Restricted net assets	561,734	3,253,953	984,337	966,759	1,546,071	4,220,712
Unrestricted net assets	9,496,515	5,870,099	1,893,858	2,528,600	11,390,373	8,398,699
Total net assets	<u>\$ 22,942,120</u>	<u>\$ 14,146,226</u>	<u>\$ 27,599,334</u>	<u>\$ 39,075,318</u>	<u>\$ 50,541,454</u>	<u>\$ 53,221,544</u>

Governmental Activities

The city's net assets from governmental activities increased by 62% from \$14,146,226 to \$22,942,120. This increase of \$8,795,894 comes from a \$5,738,423 restatement of net assets and a current year increase of \$3,057,471 as recorded in the Statement of Activities and flows through the Statement of Net Assets. The following is an explanation of the changes between fiscal years as shown in Table 1:

- ❖ Current and other assets increased by \$2,561,362 which is mostly made up of a large increase in accounts receivable, mainly due to a receivable for the Airport Project.
- ❖ Capital assets had a net increase of \$7,770,356, which is due to a valuation of capital assets performed in 2011 that resulted in a large restatement of net assets. Also, there were capital asset increases that exceeded depreciation for the year.



CITY OF ONTARIO, OREGON
Management's Discussion & Analysis
June 30, 2011

www.ontariooregon.org

- ❖ Current liabilities increased by \$1,627,195, made up of an increase in accounts payable and \$608,745 booked as deferred income.
- ❖ Long term debt decreased by \$91,341 due to principal payments on the existing debt, and no new debt in the current year.
- ❖ Unrestricted net assets increased by \$3,626,416 mostly due to the current year increase in net assets.

Business-Type Activities

The city's net assets from business-type activities decreased by 29% from \$39,075,318 to \$27,599,334. This decrease of \$11,475,984 comes from a large restatement of net assets and the current year change in net assets as recorded in the Statement of Activities that flows through the Statement of Activities.

- ❖ Current and other assets decreased by \$768,202 due to a decreased cash position and an amount owed to the governmental activities.
- ❖ Capital assets decreased by \$12,904,580 mainly due to a capital asset valuation performed in 2011 that resulted in a restatement of net assets.
- ❖ Long term debt decreased by \$1,235,760 due to principal payments on the existing debt with no new debt in the current year.
- ❖ Unrestricted net assets decreased by \$634,732 mainly due to the decreased current assets.



CITY OF ONTARIO, OREGON
Management's Discussion & Analysis
June 30, 2011

www.ontariooregon.org

Table 2. Condensed Statement of Activities

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2011	6/30/2010	6/30/2011	6/30/2010	6/30/2011	6/30/2010
Revenues:						
Program revenues:						
Charges for services	\$ 2,151,100	\$ 428,820	\$ 5,873,007	\$ 5,838,764	\$ 8,024,107	\$ 6,267,584
Operating contributions	1,269,375	1,299,954	-	-	1,269,375	1,299,954
Capital contributions	2,095,593	1,140,062	-	-	2,095,593	1,140,062
General revenues:						
Property taxes	3,051,480	3,076,322	-	-	3,051,480	3,076,322
Local taxes and fees	2,242,803	1,922,900	-	-	2,242,803	1,922,900
Unrestricted grants	89,659	-	-	-	89,659	-
Investment income	11,159	95,892	-	83,172	11,159	179,064
Miscellaneous	55,176	(143,367)	-	66,655	55,176	(76,712)
Total revenues and transfers	<u>10,966,345</u>	<u>7,820,583</u>	<u>5,873,007</u>	<u>5,988,591</u>	<u>16,839,352</u>	<u>13,809,174</u>
Expense						
Governmental Activities						
General government	2,190,790	1,235,990	-	-	2,190,790	1,235,990
Highways and streets	918,053	950,189	-	-	918,053	950,189
Public safety	3,907,592	4,175,806	-	-	3,907,592	4,175,806
Parks and recreation	631,303	1,028,766	-	-	631,303	1,028,766
Capital outlay	220,624	-	-	-	220,624	-
Interest on debt	32,484	28,558	-	-	32,484	28,558
Business-Type Activities						
Water	-	-	2,585,132	3,201,679	2,585,132	3,201,679
Sewer	-	-	2,591,863	3,072,979	2,591,863	3,072,979
Golf course	-	-	374,641	455,328	374,641	455,328
Storm sewer	-	-	208,682	337,330	208,682	337,330
Total Expenses	<u>7,900,846</u>	<u>7,419,309</u>	<u>5,760,318</u>	<u>7,067,316</u>	<u>13,661,164</u>	<u>14,486,625</u>
Transfers in (out)	<u>(8,028)</u>	<u>(227,000)</u>	<u>8,028</u>	<u>227,000</u>	<u>-</u>	<u>-</u>
Increase in net assets	<u>3,057,471</u>	<u>174,274</u>	<u>120,717</u>	<u>(851,725)</u>	<u>3,178,188</u>	<u>(677,451)</u>
Net assets - beginning	14,146,226	13,971,952	39,075,318	39,927,043	53,221,544	53,898,995
Restatements	5,738,423	-	(11,596,701)	-	(5,858,278)	-
Net assets - as restated	19,884,649	13,971,952	27,478,617	39,927,043	47,363,266	53,898,995
Net assets, ending	<u>\$ 22,942,120</u>	<u>\$ 14,146,226</u>	<u>\$ 27,599,334</u>	<u>\$ 39,075,318</u>	<u>\$ 50,541,454</u>	<u>\$ 53,221,544</u>

Governmental Activities

The city's total revenues from governmental activities increased from the prior fiscal year by \$3,145,762 (40%) and the total cost of all governmental programs and services increased by \$481,537 (6%). The major increases in revenues came from charges for services and capital grants and contributions. The increases in expenses were primarily from increases in capital outlay and general government.



CITY OF ONTARIO, OREGON
Management's Discussion & Analysis
June 30, 2011

www.ontariooregon.org

Business-Type Activities

The city's business-type activities revenues decreased \$115,584 (-2%) from the prior fiscal year and the total costs of the business-type activities decreased \$1,306,998 (-18%). The total business-type revenues decreased mostly because in 2010 there was an \$185,825 transfer in from the capital projects fund, but there was no such transfer in 2011. The expenses decreased mainly due to a large decrease in depreciation expense due to a capital asset valuation in 2011.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

At year-end, the city's governmental funds reported combined fund balances of \$9,484,746, which is an increase of \$1,093,986 (13%) from the prior fiscal year. This change is due to restatements that increased the fund balance in the General Fund, Grants fund and Debt Service Fund. Also, all of the major funds except the capital projects fund had increases in fund balances in the current fiscal year.

- ❖ The largest increases in fund balances were in the General fund and the Street fund. The General Fund showed \$492,179 more revenues than expenditures. There were increases in property taxes, franchise fees and administrative revenues. The Street fund had a net change of \$268,039. This was mainly due to increases in grants and administrative revenues.

At year-end the city's proprietary funds reported combined net assets of \$25,753,547 for enterprise funds and \$1,845,787 in the internal service fund. This is a combined decrease in net assets of \$11,475,984. This decrease is mainly due to restatements to beginning net assets of (\$11,596,701) mostly due to a capital valuation during the year. The proprietary funds show \$120,717 more revenues than expenses in the current fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The city operates on a biennial budget. Fiscal year 2010-2011 was the second (and last) year of the 09-11 budget.

Expenditures

The final appropriations for personal services for the General Fund were \$9,193,244 and the actual expenditures were \$9,113,439. This is \$79,805 less than budgeted.

The final appropriations for materials and services for the General Fund were \$2,258,365 while actual expenditures were \$2,151,586. This is \$106,779 less than budgeted.

Overall, appropriations were \$13,831,476 and total expenditures were \$11,536,539. This is a variance of \$2,294,937 under budget. The biggest difference between actual and appropriated expenditures was in the contingency line, there was \$1,978,805 appropriated that was not spent.



CITY OF ONTARIO, OREGON
Management's Discussion & Analysis
June 30, 2011

www.ontariooregon.org

Revenues

Actual revenues exceeded budgeted revenues by \$96,937. This was mostly due to receiving more taxes, franchise fees and miscellaneous revenue than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

In 2011, the city had a capital asset valuation performed by Asset Works, Inc. in order to get a detailed capital asset listing. This resulted in some large restatements of net assets to adjust the capital assets to the correct value. At June 30, 2011 the city shows \$50,217,142 of capital assets, net of depreciation. \$13,434,312 capital assets are in governmental activities and \$36,782,830 is in business-type activities. The city had large projects at the airport and within the city hall that helped increase the capital assets in governmental activities. The city also had the Fire Station #2 Project, the Aquatic center design and miscellaneous chip sealing projects that added to the capital assets.

Debt

The city had a total of \$12,612,132 in long-term debt at June 30, 2011; this is a decrease of \$1,327,101. The decrease is due to payments being applied to the principal of the debt. \$12,061,691 of this debt is being paid out of the proprietary funds and the remaining \$550,441 is paid from governmental activities. There was no new debt in fiscal year ended June 30, 2011.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

The city adopted its fourth Biennial Budget for 2011-2013. This will be used beginning fiscal year 2011-2012. This budget 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.

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 Director at 444 SW 4th Street, Ontario, Oregon 97914.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF ONTARIO, OREGON
STATEMENT OF NET ASSETS

June 30, 2011

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 8,556,584	\$ 2,924,244	\$ 11,480,828
Receivables			
Property tax	318,286	-	318,286
Customer accounts receivable	-	552,962	552,962
Accounts	2,394,208	-	2,394,208
Street assessments	337,177	-	337,177
Loans	386,853	-	386,853
Due from other funds	517,467	(517,467)	-
Inventories	-	281,217	281,217
Restricted assets			
Customer deposits	-	84,973	84,973
Deposits held in trust	246,663	-	246,663
Capital assets not being depreciated	7,297,494	4,160,934	11,458,428
Capital assets being depreciated (net of accumulated depreciation)	6,136,818	32,621,896	38,758,714
Total assets	<u>26,191,550</u>	<u>40,108,759</u>	<u>66,300,309</u>
LIABILITIES			
Accounts payable	1,313,791	99,935	1,413,726
Accrued liabilities	171,905	124,049	295,954
Accrued interest payable	11,039	138,777	149,816
Deferred revenues (unearned income)	608,745	-	608,745
Customer deposits	-	84,973	84,973
Deposits held in trust	246,663	-	246,663
Compensated absences	346,846	-	346,846
Long-term liabilities			
Portion due or payable within one year			
Current portion of note payable	80,673	1,062,965	1,143,638
Portion due or payable after one year			
Note payable	469,768	10,998,726	11,468,494
Total liabilities	<u>3,249,430</u>	<u>12,509,425</u>	<u>15,758,855</u>
NET ASSETS			
Invested in capital assets, net of related debt	12,883,871	24,721,139	37,605,010
Restricted for			
Street projects	210,064	-	210,064
Debt service	243,931	984,337	1,228,268
System development	107,739	-	107,739
Unrestricted	9,496,515	1,893,858	11,390,373
Total net assets	<u>\$ 22,942,120</u>	<u>\$ 27,599,334</u>	<u>\$ 50,541,454</u>

CITY OF ONTARIO, OREGON
STATEMENT OF ACTIVITIES
June 30, 2011

Functions/ Programs	Program Revenues				Net (Expense) Revenue and Change in Net Assets		
	Expenses	Charges for services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Primary Government							
Governmental activities							
General government	\$ 2,190,790	\$ 1,071,206	\$ 10,591	\$ -	\$ (1,108,993)	\$ -	\$ (1,108,993)
Highways and streets	918,053	303,078	804,348	11,997	201,370	-	201,370
Public safety	3,907,592	83,085	441,123	-	(3,383,384)	-	(3,383,384)
Parks and recreation	631,303	186,693	13,313	-	(431,297)	-	(431,297)
Capital outlay	220,624	507,038	-	2,083,596	2,370,010	-	2,370,010
Interest on long term debt	32,484	-	-	-	(32,484)	-	(32,484)
Total governmental activities	<u>7,900,846</u>	<u>2,151,100</u>	<u>1,269,375</u>	<u>2,095,593</u>	<u>(2,384,778)</u>	<u>-</u>	<u>(2,384,778)</u>
Business type activities							
Water	2,585,132	2,708,024	-	-	-	122,892	122,892
Sewer	2,591,863	2,871,693	-	-	-	279,830	279,830
Golf course	374,641	189,702	-	-	-	(184,939)	(184,939)
Storm sewer	208,682	103,588	-	-	-	(105,094)	(105,094)
Total business type activities	<u>5,760,318</u>	<u>5,873,007</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>112,689</u>	<u>217,783</u>
Total primary government	<u>\$ 13,661,164</u>	<u>\$ 8,024,107</u>	<u>\$ 1,269,375</u>	<u>\$ 2,095,593</u>	<u>(2,384,778)</u>	<u>112,689</u>	<u>(2,166,995)</u>
General revenues							
Property and other city tax levied for:							
General purposes					3,051,480	-	3,051,480
Local transit taxes and fees					2,242,803	-	2,242,803
Grants and contributions not restricted							
to specific purpose					89,659	-	89,659
Unrestricted investments earnings					11,159	-	11,159
Miscellaneous					55,176	-	55,176
Transfers					(8,028)	8,028	-
Total general revenues and transfers					<u>5,442,249</u>	<u>8,028</u>	<u>5,450,277</u>
Change in net assets							
					3,057,471	120,717	3,178,188
Net assets July 1, 2010, before restatement							
					14,146,226	39,075,318	53,221,544
Restatement, see note 13							
					5,738,423	(11,596,701)	(5,858,278)
Net assets July 1, 2010, after restatement							
					19,884,649	27,478,617	47,363,266
Net assets June 30, 2011							
					<u>\$ 22,942,120</u>	<u>\$ 27,599,334</u>	<u>\$ 50,541,454</u>

GOVERNMENTAL FUND FINANCIAL STATEMENTS

CITY OF ONTARIO, OREGON
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	General Fund	Grants Fund	Street Fund	Revolving Loan Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Funds	Total June 30, 2011
ASSETS								
Cash and investments	\$2,688,913	\$ -	\$ 261,308	\$ 334,330	\$ 37,161	\$ 3,100,375	\$ 2,134,497	\$ 8,556,584
Receivables								
Property taxes	318,286	-	-	-	-	-	-	318,286
Street assessments	-	-	-	-	337,177	-	-	337,177
Other	418,211	1,835,958	2,864	387,366	1,453	134,047	1,162	2,781,061
Due from other funds	632,813	-	-	-	199,406	-	-	832,219
Restricted cash								
Cash held in trust	-	-	-	-	-	-	246,663	246,663
Total assets	<u>\$4,058,223</u>	<u>\$1,835,958</u>	<u>\$ 264,172</u>	<u>\$ 721,696</u>	<u>\$ 575,197</u>	<u>\$ 3,234,422</u>	<u>\$ 2,382,322</u>	<u>\$13,071,990</u>
LIABILITIES AND FUND BALANCES								
Current liabilities								
Accounts payable	\$ 116,799	\$ 946,271	54,108	\$ -	\$ -	\$ 28,045	\$ 168,568	\$ 1,313,791
Deferred revenues	224,596	608,745	-	375,526	331,266	-	-	1,540,133
Payroll liabilities	171,905	-	-	-	-	-	-	171,905
Due to other funds	-	284,890	-	-	-	-	29,862	314,752
Deposits held in trust	-	-	-	-	-	-	246,663	246,663
Total current liabilities	<u>513,300</u>	<u>1,839,906</u>	<u>54,108</u>	<u>375,526</u>	<u>331,266</u>	<u>28,045</u>	<u>445,093</u>	<u>3,587,244</u>
Total liabilities	<u>513,300</u>	<u>1,839,906</u>	<u>54,108</u>	<u>375,526</u>	<u>331,266</u>	<u>28,045</u>	<u>445,093</u>	<u>3,587,244</u>
Fund balances								
Nonspendable	632,813	-	-	-	199,406	-	-	832,219
Spendable:								
Restricted	-	-	210,064	-	44,525	107,739	-	362,328
Committed	-	-	-	346,170	-	3,098,638	1,966,496	5,411,304
Assigned	-	-	-	-	-	-	1,162	1,162
Unassigned	2,912,110	(3,948)	-	-	-	-	(30,429)	2,877,733
Total fund balances	<u>3,544,923</u>	<u>(3,948)</u>	<u>210,064</u>	<u>346,170</u>	<u>243,931</u>	<u>3,206,377</u>	<u>1,937,229</u>	<u>9,484,746</u>
Total liabilities and fund balances	<u>\$4,058,223</u>	<u>\$1,835,958</u>	<u>\$ 264,172</u>	<u>\$ 721,696</u>	<u>\$ 575,197</u>	<u>\$ 3,234,422</u>	<u>\$ 2,382,322</u>	<u>\$13,071,990</u>

See notes to the basic financial statements.

CITY OF ONTARIO, OREGON
**RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT TO NET ASSETS**
June 30, 2011

TOTAL FUND BALANCES		\$ 9,484,746
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
<p>Capital assets are not financial resources and, therefore, are not reported in the governmental funds</p>		
Cost	\$20,154,925	
Accumulated depreciation	<u>(6,720,613)</u>	13,434,312
<p>Compensated absences are not due in the current period and, therefore, are not reported as liabilities in the fund financial statements.</p>		
		(346,846)
<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>		
		931,388
<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>		
Note payable	(550,441)	
Accrued interest	<u>(11,039)</u>	(561,480)
TOTAL NET ASSETS		<u><u>\$22,942,120</u></u>

CITY OF ONTARIO, OREGON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended
June 30, 2011

	General Fund	Grants Fund	Street Fund	Revolving Loan Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Funds	Total June 30, 2011
Revenues								
Property taxes	\$ 3,078,993	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,078,993
Other taxes	366,680	-	-	-	-	-	267,057	633,737
Special assessments collected	-	-	-	-	65,214	-	-	65,214
Franchise fees	1,451,986	-	-	-	-	-	-	1,451,986
Licenses and permits	274,437	-	-	-	-	-	-	274,437
Intergovernmental revenues	564,360	1,877,081	769,256	-	-	105,000	83,654	3,399,351
Charges for services	283,170	-	-	-	-	6,447	8,347	297,964
Fines and forfeits	7,316	-	-	-	-	-	-	7,316
Miscellaneous revenues	72,238	-	5,353	-	-	183,300	11,896	272,787
Donations	-	-	-	-	-	-	2,600	2,600
Interest on investments	10,527	-	(31)	21,026	19,086	663	7,691	58,962
Loan repayments	-	-	-	69,341	-	-	-	69,341
System development charges	-	-	-	-	-	52,576	-	52,576
Utilities capitalization charges	-	-	-	-	-	448,015	-	448,015
Administration	712,788	-	303,078	-	-	-	-	1,015,866
Total revenues	6,822,495	1,877,081	1,077,656	90,367	84,300	796,001	381,245	11,129,145
Expenditures								
General government	1,578,425	1,598	-	511	-	-	322,439	1,902,973
Highways and streets	-	-	829,664	-	-	-	-	829,664
Public safety	3,693,256	-	-	-	-	-	494,600	4,187,856
Parks and recreation	399,147	706	-	-	-	-	-	399,853
Capital outlay	139,169	1,841,708	290,443	-	-	580,218	12,582	2,864,120
Debt service								
Principal	11,871	-	-	-	55,377	-	24,094	91,342
Interest	835	-	-	-	24,331	-	5,181	30,347
Total expenditures	5,822,703	1,844,012	1,120,107	511	79,708	580,218	858,896	10,306,155
Excess of revenues over (under) expenditures	999,792	33,069	(42,451)	89,856	4,592	215,783	(477,651)	822,990
Other financing sources (uses)								
Operating transfers in	7,500	8,890	310,490	-	-	69,128	429,067	825,075
Operating transfers out	(515,113)	-	-	-	-	(310,490)	(7,500)	(833,103)
Total other sources (uses)	(507,613)	8,890	310,490	-	-	(241,362)	421,567	(8,028)
Net change in fund balances	492,179	41,959	268,039	89,856	4,592	(25,579)	(56,084)	814,962
Fund balances July 1, before restatement	2,796,900	(65,985)	(57,975)	256,314	236,237	3,231,956	1,993,313	8,390,760
Restatement, see note 13	255,844	20,078	-	-	3,102	-	-	279,024
Fund balances, July 1, after restatement	3,052,744	(45,907)	(57,975)	256,314	239,339	3,231,956	1,993,313	8,669,784
Fund balances, June 30	\$ 3,544,923	\$ (3,948)	\$ 210,064	\$ 346,170	\$ 243,931	\$ 3,206,377	\$ 1,937,229	\$ 9,484,746

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, 2011

NET CHANGE IN FUND BALANCES \$ 814,962

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	\$ 2,741,663	
Less current year depreciation	(430,705)	2,310,958

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

Debt principal repaid	91,342
-----------------------	--------

Interest on long-term debt is not accrued in the governmental funds but is expensed when paid.

Interest accrued	(2,137)
------------------	---------

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.

(162,694)

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	5,040
----------------------	-------

CHANGE IN NET ASSETS	\$ 3,057,471
----------------------	--------------

PROPRIETARY FUND FINANCIAL STATEMENTS

CITY OF ONTARIO, OREGON
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended
June 30, 2011

	Enterprise Funds					Internal Service Fund
	Water Fund	Sewer Fund	Storm Sewer Fund	Golf Course Fund	Total June 30, 2011	
ASSETS						
Cash and investments	\$ 796,769	\$ 2,032,989	\$ -	\$ -	\$ 2,829,758	\$ 94,486
Receivables						
Customer accounts receivable	303,850	221,076	7,527	9,191	541,644	11,318
Due from other funds	-	232,871	-	-	232,871	-
Inventories	134,984	134,984	11,249	-	281,217	-
Restricted cash						
Customer deposits	11,103	-	-	1,000	12,103	72,870
Capital assets, net of accumulated depreciation	12,314,288	18,796,209	2,904,112	935,611	34,950,220	1,832,610
Total assets	13,560,994	21,418,129	2,922,888	945,802	38,847,813	2,011,284
LIABILITIES						
Current liabilities						
Accounts payable	33,460	19,248	21	29,304	82,033	17,902
Accrued compensated absences	21,282	28,042	-	-	49,324	74,725
Accrued interest	24,814	113,963	-	-	138,777	-
Deposit liability	11,103	-	-	1,000	12,103	72,870
Due to other funds	-	-	232,871	517,467	750,338	-
Current portion of non-current liabilities	212,988	849,977	-	-	1,062,965	-
Total current liabilities	303,647	1,011,230	232,892	547,771	2,095,540	165,497
Non-current liabilities						
Notes payable	4,015,183	6,983,543	-	-	10,998,726	-
Total liabilities	4,318,830	7,994,773	232,892	547,771	13,094,266	165,497
NET ASSETS						
Invested in capital assets, net of related debt	8,086,117	10,962,689	2,904,112	935,611	22,888,529	1,832,610
Restricted net assets						
Debt service	-	984,337	-	-	984,337	-
Unrestricted net assets	1,156,047	1,476,330	(214,116)	(537,580)	1,880,681	13,177
Total net assets	\$ 9,242,164	\$ 13,423,356	\$ 2,689,996	\$ 398,031	\$ 25,753,547	\$ 1,845,787

CITY OF ONTARIO, OREGON
**RECONCILIATION OF ENTERPRISE FUNDS STATEMENT OF NET ASSETS
 TO THE STATEMENT OF NET ASSETS**
 June 30, 2011

TOTAL ENTERPRISE FUNDS NET ASSETS \$25,753,547

Amounts reported for business-type activities in the Statement of Net Assets 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 Assets as follows:

Cash and cash equivalents	\$	167,356	
Accounts receivable		11,318	
Capital assets, net of depreciation		1,832,610	
Accounts payable		(17,902)	
Compensated absences payable		(74,725)	
Deposit liability		(72,870)	
		1,845,787	1,845,787

TOTAL NET ASSETS \$27,599,334

CITY OF ONTARIO, OREGON
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended
June 30, 2011

	Enterprise Funds				Total June 30, 2011	Internal Service Fund
	Water Fund	Sewer Fund	Storm Sewer Fund	Golf Course Fund		
Operating revenues						
Consumer receipts	\$ 2,708,024	\$ 2,869,103	\$ 103,588	\$ 189,702	\$ 5,870,417	\$ 2,628
Miscellaneous	-	2,590	-	-	2,590	66,086
Administrative	-	-	-	-	-	1,414,212
Total operating revenues	<u>2,708,024</u>	<u>2,871,693</u>	<u>103,588</u>	<u>189,702</u>	<u>5,873,007</u>	<u>1,482,926</u>
Operating expenses						
Wages and salaries	232,284	197,769	2,678	132,336	565,067	868,066
Employee benefits	98,914	78,076	2,682	4,937	184,609	323,108
Contract labor	19,094	26,444	-	44,328	89,866	42,056
Depreciation	428,321	518,311	104,111	53,229	1,103,972	73,560
Insurance	34,181	26,286	-	3,130	63,597	7,613
Miscellaneous expense	19,174	39,077	765	20,762	79,778	27,487
Repairs and maintenance	57,012	9,898	7,883	26,173	100,966	107,405
Supplies - general	141,795	29,736	-	34,827	206,358	64,960
Supplies - petroleum	3,578	4,010	-	12,604	20,192	40,454
Telephone	3,334	4,829	-	-	8,163	6,516
Travel and school	2,563	2,788	-	-	5,351	10,417
Utilities	232,017	137,372	2,244	30,581	402,214	43,431
Administrative	1,167,518	1,177,009	85,551	-	2,430,078	-
Capital outlay	4,244	5,128	-	5,400	14,772	-
Total operating expenses	<u>2,444,029</u>	<u>2,256,733</u>	<u>205,914</u>	<u>368,307</u>	<u>5,274,983</u>	<u>1,615,073</u>
Net income from operations	263,995	614,960	(102,326)	(178,605)	598,024	(132,147)
Non operating income (expenses)						
Interest earned on investments	-	-	-	-	-	62,928
Interest expenses	(107,878)	(305,306)	-	(6,332)	(419,516)	-
Bond premium	-	3,400	-	-	3,400	-
Total non operating income (expenses)	<u>(107,878)</u>	<u>(301,906)</u>	<u>-</u>	<u>(6,332)</u>	<u>(416,116)</u>	<u>62,928</u>
Net income	156,117	313,054	(102,326)	(184,937)	181,908	(69,219)
Other financing sources (uses)						
Transfers in	-	-	-	8,028	8,028	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,028</u>	<u>8,028</u>	<u>-</u>
Net change in net assets	156,117	313,054	(102,326)	(176,909)	189,936	(69,219)
Net assets beginning of year, before restatement	18,689,051	16,319,090	3,500,863	557,477	39,066,481	8,837
Restatement, see note 13	(9,603,004)	(3,208,788)	(708,541)	17,463	(13,502,870)	1,906,169
Net assets beginning of year, after restatement	<u>9,086,047</u>	<u>13,110,302</u>	<u>2,792,322</u>	<u>574,940</u>	<u>25,563,611</u>	<u>1,915,006</u>
Net assets end of year	<u>\$ 9,242,164</u>	<u>\$ 13,423,356</u>	<u>\$ 2,689,996</u>	<u>\$ 398,031</u>	<u>\$ 25,753,547</u>	<u>\$ 1,845,787</u>

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

For the Year Ended
June 30, 2011

NET CHANGE IN ENTERPRISE FUNDS NET ASSETS	\$ 189,936
---	------------

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.

(69,219)

CHANGE IN NET ASSETS

\$ 120,717

CITY OF ONTARIO, OREGON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended
June 30, 2011

	Enterprise Funds					Internal Service Fund
	Water Fund	Sewer Fund	Storm Sewer Fund	Golf Course Fund	Total	
Cash flows from operating activities						
Cash received from customers	\$ 2,597,973	\$ 2,860,323	\$ 104,785	\$ 183,415	\$ 5,746,496	72,327
Cash payment to employees for services	(340,872)	(274,712)	(8,104)	(181,600)	(805,288)	(1,240,859)
Cash payment to suppliers for goods and services	(1,710,607)	(1,487,716)	(103,191)	(122,204)	(3,423,718)	(306,755)
Other operating revenues	-	2,590	-	-	2,590	1,480,298
Net cash provided by operating activities	<u>546,494</u>	<u>1,100,485</u>	<u>(6,510)</u>	<u>(120,389)</u>	<u>1,520,080</u>	<u>5,011</u>
Cash flows from noncapital financing activities						
Operating transfers-in from funds	-	-	-	8,028	8,028	-
Interfund loans	-	198,190	6,510	312,767	517,467	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>198,190</u>	<u>6,510</u>	<u>320,795</u>	<u>525,495</u>	<u>-</u>
Cash flows from capital and related financing activities						
Acquisition and construction of capital assets	(335,360)	(344,293)	-	-	(679,653)	-
Interest paid on notes payable	(186,285)	(340,645)	-	(9,639)	(536,569)	-
Payment on notes	(207,166)	(835,426)	-	(189,767)	(1,042,592)	-
Net cash used for capital and related financing activities	<u>(728,811)</u>	<u>(1,520,364)</u>	<u>-</u>	<u>(199,406)</u>	<u>(2,258,814)</u>	<u>-</u>
Cash flows from investing activities						
Interest and dividends on investments	-	-	-	-	-	62,928
Net cash provided (used) in investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,928</u>
Net increase (decrease) in cash and cash equivalents	(182,317)	(221,689)	-	1,000	(403,006)	67,939
Cash and cash equivalents at beginning of year	990,189	2,254,678	-	-	3,244,867	99,417
Cash and cash equivalents at end of year	<u>\$ 807,872</u>	<u>\$ 2,032,989</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 2,841,861</u>	<u>\$ 167,356</u>
Reconciliation of operating income to net cash provided by operating activities						
Net Income	\$ 263,995	\$ 614,960	\$ (102,326)	\$ (178,605)	\$ 598,024	\$ (132,147)
Adjustments to reconcile net income to net cash provided (used) by operating activities:						
Depreciation expense	428,321	518,311	104,111	53,229	1,103,972	73,560
(Increase) decrease in accounts receivable	(39,756)	(8,780)	1,197	(7,287)	(54,626)	(3,171)
(Increase) decrease in inventories	(14,775)	(14,775)	(1,232)	4,247	(26,535)	-
Increase (decrease) in accounts payable	(11,322)	(10,364)	(5,516)	7,027	(20,175)	1,528
Increase (decrease) in accrued compensated absences	(9,674)	1,133	(2,744)	-	(11,285)	(7,629)
Net increase (decrease) in customer deposits	(70,295)	-	-	1,000	(69,295)	72,870
Total adjustments	<u>282,499</u>	<u>485,525</u>	<u>95,816</u>	<u>58,216</u>	<u>922,056</u>	<u>137,158</u>
Net cash provided (used) by operating activities	<u>\$ 546,494</u>	<u>\$ 1,100,485</u>	<u>\$ (6,510)</u>	<u>\$ (120,389)</u>	<u>\$ 1,520,080</u>	<u>\$ 5,011</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on the Statement of Net Assets						
Current assets						
Cash and investments	\$ 796,769	\$ 2,032,989	\$ -	\$ -	\$ 2,829,758	\$ 94,486
Restricted assets						
Water and sewer deposits	11,103	-	-	1,000	12,103	72,870
Total cash and cash equivalents at year end	<u>\$ 807,872</u>	<u>\$ 2,032,989</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 2,841,861</u>	<u>\$ 167,356</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

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 and general government services. It also operates the airport, golf course 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

The accounts of the city are organized based on funds and account groups, each of which is considered a separate accounting entity. The operations of each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures, or expenses as appropriate. 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.

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

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

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

PROPRIETARY FUNDS

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

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

C. Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Assets 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 Assets presents the city's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt 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 assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have 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, 2011

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 non-major 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.

Grants Fund—The Grants Fund is a special revenue fund used to account for grant resources received for specific project.

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.

Revolving Loan Fund—The Revolving Loan Fund is a special revenue fund used to account for funds economic development loans made to businesses and the repayments of the loans.

Debt Service Fund—The Debt Service Fund is used to account for improvements financed by the city and reimbursed by landowners and principal and interest payments on debt.

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.

Storm Sewer Fund – The Storm Sewer Fund is an enterprise fund used to account for the operation services and maintenance of the city's storm drainage system.

Golf Course Fund – The Sewer Reserve Fund is an enterprise fund used to account for the operation of the city's golf course.

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.

D. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless when related cash flows take place. Property tax

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

is recognized as revenue in the year for which the taxes are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available to finance expenditures of the fiscal period. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the city considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the city.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the city funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the city's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary funds of the city apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures.

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 to customers for services and products. Operating expenses for the city's proprietary funds include the cost of services, administrative expenses, capital outlay and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

E. Budgets and Budgetary Accounting

A biennial 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 & 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.

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

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.

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 Assets. 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. Interest incurred during construction is not capitalized. 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 65 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 assets. 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 are due from property owners within the city.

H. Deferred Revenues

Although certain revenues are measurable, they are not available. 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. Deferred revenue in the governmental funds financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

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. Benefits are normally paid from the General, 911, Street, Water, Sewer, Storm Sewer and Public Works Fund.

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 assets.

M. Interfund Transfers

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

N. Statement of Cash Flows

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

O. Inventories

Inventory in the Water, Sewer and Storm Sewer Funds are determined by physical count and are stated at

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

the lower of cost (first in, first out) or market. Expenses are recognized when inventories are consumed.

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.

Note 2. Retirement Plan

Plan Description - The city contributes to two pension plans administered by the Oregon Public Employees Retirement System (PERS). The Oregon Public Employees Retirement Fund (OPERF) applies to the city's contribution for qualifying employees who were hired before August 29, 2003, and is a cost-sharing multiple-employer defined benefit pension plan. The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs: The Pension Program, the defined benefit portion of the plan, applies to qualifying city employees hired after August 29, 2003. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service. Beginning January 1, 2004, all PERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member IAP, not the member's PERS account.

Both PERS plans provide retirement and disability benefits, post employment health care benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute (ORS) Chapter 238, which establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report can be obtained by writing PERS, P.O. Box 23700, Tigard, OR 97281-3700 or by calling 1-503-598-7377.

Funding Policy - Members of PERS are required to contribute 6% of their salary covered under the plan, which is invested in the OPSRP Individual Account Program. The city is required by ORS 238.225 to contribute at an actuarially determined rate for the qualifying employees under the OPSRP plan. The OPERF and the OPSRP rates in effect for the year ended June 30, 2011 were 13.81% and 12.16% for general service employees and 14.87% for police and fire employees. The contribution requirements for plan members are established by the ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

Annual Pension Costs - The city's contributions to PERS for the years ending June 30, 2011, 2010, and 2009 were \$837,662, \$809,724, and \$873,221, respectively, which equaled the required contributions for the year.

Note 3. Other Post Employment Benefits—GASB 45

For the fiscal year ended June 30, 2009, the city implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*. This statement addresses how state and local governments should account for and report their costs and obligations related to Other Postemployment Benefits (OPEB). The statement generally requires that state and local governmental employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. For the fiscal year ended

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2011

June 30, 2011, the city's participation in the City County Insurance Services (CCIS) health plans have been determined to constitute community-rated coverage, as allowed by GASB 45, therefore, there is no implicit subsidy to value and no liability accrued in the financial statements.

Note 4. Accounts Receivable

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

General Fund	Property taxes	\$ 318,286
General Fund	Other	418,211
Grants Fund	Grants	1,835,958
Street Fund	Grants	2,864
Revolving Loan Fund	Economic Development Loans	386,853
Revolving Loan Fund	Other	513
Debt Service Fund	Local Improvement District	337,177
Debt Service Fund	Other	1,453
Capital Projects Fund	Other	134,047
Library Fund	Other	<u>1,162</u>
	TOTAL	<u><u>\$ 3,436,524</u></u>

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

Water Fund	\$ 303,850
Sewer Fund	221,076
Storm Sewer Fund	7,527
Golf Course Fund	9,191
Internal Service Fund	<u>11,318</u>
TOTAL	<u><u>\$ 552,962</u></u>

The city has not set up any allowance for doubtful accounts at June 30, 2011.

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

Note 5. Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2011 is as follows:

Description	Balance 6/30/2010	Increases	Decreases	Balance 6/30/2011	Due within one year
GOVERNMENTAL ACTIVITIES					
Oshkosk Capital	\$ 103,833	\$ -	\$ 24,094	\$ 79,739	\$ 25,296
First American Title	11,871	-	11,871	-	-
US Bank--LID 44 and 45	526,078	-	55,376	470,702	55,377
BUSINESS-TYPE ACTIVITIES					
Golf Course 1998 COP's	189,767	-	189,767	-	-
Water Revenue Bonds	260,061	-	86,677	173,384	86,680
WTP Upgrade OECDD	4,175,276	-	120,489	4,054,787	126,308
OECDD-Wastewater System Improvements	3,880,054	-	97,043	3,783,011	102,554
Oregon DEQ loans	4,710,982	-	738,384	3,972,598	747,423
Bond premium	81,311	-	3,400	77,911	3,400
Total Long-term Debt	<u>\$ 13,939,233</u>	<u>\$ -</u>	<u>\$ 1,327,101</u>	<u>\$ 12,612,132</u>	<u>\$ 1,147,038</u>

Governmental Activities

First American Title Company—Airport Property Purchase

The city had a note payable to First American Title Company for a purchase of property at the airport. The note was payable in annual installments with an interest rate of 6%. The final payment was made in the current fiscal year and was paid from general government revenues.

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
			\$ 470,702
2012	\$ 55,377	\$ 21,701	415,325
2013	55,377	19,070	359,948
2014	55,377	16,440	304,571
2015	55,377	13,810	249,194
2016	55,377	11,179	193,817
2017-2019	193,817	18,413	-
	<u>\$ 470,702</u>	<u>\$ 100,613</u>	

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2011

Capital Lease – Oshkosk Capital

The city has entered into a capital lease agreement as lessee for financing of a pumper truck. This lease qualifies as a capital lease and therefore the vehicle was recorded at the present value of the minimum lease payments as of the date of inception.

	Balance of Lease	Interest Rate
Pierce KW Pumper	\$ 79,739	4.99%

A schedule of future minimum lease payments is as follows:

Fiscal year Ending June 30,	Total
2012	\$ 29,275
2013	29,275
2014	29,275
Total minimum lease payments	87,825
Less: interest included in payments	(8,086)
Present value of minimum lease payment	\$ 79,739

Business-Type Activities

Golf Course Certificates of Participation (COP's)

The city has financed golf course improvements with Certificates of Participation, which are recorded in the Golf Course Fund. Interest Rates ranged from 3.9% to 5.15%. Installments were paid first from user fees and second, if necessary, from general property taxes. The Certificates of Participation were paid off completely in fiscal year ended June 30, 2011.

Water Revenue Bonds

The city issued Water Revenue Bonds, Series 2002, on December 13, 2002 in the amount of \$866,799, with interest at 4.5%. Interest is payable semiannually on the 15th day of December and June each year. Principal payments of \$86,680 are payable annually on December 15th. Final payment is due December 15, 2012. The bonds are not subject to redemption at the option of the city.

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

Fiscal Year Ending June 30,	Principal	Interest	Balance
			\$ 173,384
2012	\$ 86,680	\$ 5,852	86,704
2013	86,704	3,900	-
Total	<u>\$ 173,384</u>	<u>\$ 9,752</u>	

Water Treatment Plant Upgrade Oregon Economic Community Development Department

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

Fiscal Year Ending June 30,	Principal	Interest	Remaining Balance
			\$ 4,054,787
2012	\$ 126,308	\$ 171,713	3,928,479
2013	132,160	166,661	3,796,319
2014	138,047	161,374	3,658,272
2015	138,969	155,852	3,519,303
2016	144,927	150,294	3,374,376
2017-2021	820,451	659,480	2,553,925
2022-2026	1,017,309	472,394	1,536,616
2027-2031	1,253,216	230,995	283,400
2032	283,400	12,399	-
	<u>\$ 4,054,787</u>	<u>\$ 2,181,162</u>	

Wastewater System Improvements - Oregon Economic and Community Development Department

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

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2011

Fiscal Year Ending June 30,	Principal	Interest	Balance	Interest Rate
			\$ 3,783,011	
2012	\$ 102,554	\$ 171,386	3,680,457	3.0%
2013	103,081	168,310	3,577,376	3.5%
2014	108,714	164,702	3,468,662	3.5%
2015	109,368	160,897	3,359,294	4.0%
2016	115,143	156,522	3,244,151	4.0%
2017-2021	658,699	707,726	2,585,452	4% to 4.5%
2022-2026	811,272	548,629	1,774,180	4% to 5.25%
2027-2031	1,029,552	329,037	744,628	4.5% to 5.25%
2032-2034	744,628	71,880	-	4.8%
	<u>\$ 3,783,011</u>	<u>\$ 2,479,089</u>		

Oregon Department of Environmental Quality

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

Loan 70610 - 3% interest

Fiscal Year Ending June 30,	Principal	Interest	Balance
			\$ 1,760,297
2012	\$ 502,942	\$ 49,036	1,257,355
2013	502,942	33,948	754,413
2014	502,942	18,860	251,471
2015	251,471	3,772	-
	<u>\$ 1,760,297</u>	<u>\$ 105,616</u>	

Loan 70611 - 3.98% interest

Fiscal Year Ending June 30,	Principal	Interest	Fees	Balance
				\$ 757,332
2012	\$ 95,828	\$ 29,198	\$ 3,549	661,504
2013	99,680	25,346	3,061	561,824
2014	103,687	21,339	2,552	458,137
2015	107,855	17,171	2,024	350,282
2016	112,191	12,836	1,474	238,091
2017-2018	238,091	11,962	1,208	-
	<u>\$ 757,332</u>	<u>\$ 117,852</u>	<u>\$ 13,868</u>	

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

Loan 70612 - 3.69% interest

Fiscal Year Ending June 30,	Principal	Interest	Fees	Balance
				\$ 1,454,969
2012	\$ 148,653	\$ 52,329	\$ 6,907	1,306,316
2013	154,188	46,794	6,150	1,152,128
2014	159,930	41,052	5,364	992,198
2015	165,886	35,096	4,550	826,312
2016	172,064	28,918	3,705	654,248
2017-2020	654,248	49,166	5,727	-
	<u>\$ 1,454,969</u>	<u>\$ 253,355</u>	<u>\$ 32,403</u>	

Total DEQ

Fiscal Year Ending June 30,	Principal	Interest	Fees	Balance
				\$ 3,972,598
2012	\$ 747,423	\$ 130,563	\$ 10,456	3,225,175
2013	756,810	106,088	9,211	2,468,365
2014	766,559	81,251	7,916	1,701,806
2015	525,212	56,039	6,574	1,176,594
2016	284,255	41,754	5,179	892,339
2017-2020	892,339	61,128	6,935	-
	<u>\$ 3,972,598</u>	<u>\$ 476,823</u>	<u>\$ 46,271</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.

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2011

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, 2011:

Deposits with banks	\$ 1,308,966
Investments	10,502,148
Cash on hand	1,350
	<u>\$ 11,812,464</u>

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

Statement of Net Assets	
Cash and investments	\$ 11,812,464
	<u>\$ 11,812,464</u>

As of June 30, 2011, 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	\$ 7,917,789	75.4%
Federal Farm Credit Banks	1,001,183	9.5%
Federal Home Loan Mortgage Corp	1,002,239	9.5%
Certificates of Deposit	572,437	5.5%
Series H and HH Savings Bonds	8,500	0.1%
	<u>\$ 10,502,148</u>	<u>100%</u>

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, 2011. 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, 2011, the carrying amount of the city's deposits was \$1,308,966 and the bank balance was \$1,393,627. 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.

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2011

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

Investments

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
<u>Cash and cash equivalents</u>			
Local Government Investment Pool (LGIP)	\$ 7,917,789	50% less than 90-days, no more than 25% over one year, and no investment over three years	Unrated
Certificates of Deposit	572,437	11/17/2011	Unrated
<i>Total cash and cash equivalents</i>	80.84% <u>8,490,226</u>		
<u>U.S. Government Obligations</u>			
Federal Farm Credit Banks	1,001,183	9/24/2012	Unrated
Federal Home Loan Mortgage Corp	1,002,239	9/28/2012	Unrated
Series H and HH Savings Bonds	8,500	On demand	Unrated
<i>Total U.S. Government Obligations</i>	19.16% <u>2,011,922</u>		
	100.00% <u>\$ 10,502,148</u>		

At June 30, 2011, the city held \$10,502,148 of investments, which is all classified as cash and investments on the Statement of Net Assets. The city has no 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 2011. 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.

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*

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2011

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, banker repurchase agreements, bankers' acceptances, time certificates of deposit, certain commercial paper, and the Oregon Local Government Investment Pool (LGIP). As of June 30, 2011 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, 2011, 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. Related Parties

Related party transactions for fiscal year ending June 30, 2011 are as follows:

Council Member/ Official	Company	Relationship	Transaction Description	Amount Paid
Joe Dominick	Dominicks Quick Print Company	Owner	Printing Services	\$ 3,870
			Total	<u>\$ 3,870</u>

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

Note 10. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Governmental Funds			Proprietary Funds		
<u>Transfers in</u>	<u>Transfer from</u>	<u>Amount</u>	<u>Transfers in</u>	<u>Transfer from</u>	<u>Amount</u>
General Fund	Trust Fund	\$ 7,500	Golf Course Fund	General Fund	\$ 8,028
Grants Fund	General Fund	8,890			
911 Fund	General Fund	382,092			
Reserve Fund	General Fund	46,975			
Capital Projects Fund	General Fund	69,128			
Street Fund	Capital Projects Fund	310,490			
Total transfers in for governmental funds		<u>\$ 825,075</u>	Total transfers in for proprietary funds		<u>\$ 8,028</u>
<u>Transfers out</u>	<u>Transfer to</u>		<u>Transfers out</u>	<u>Transfer to</u>	
General Fund	Golf Fund	\$ (8,028)			
	Grants Fund	(8,890)			
	911 Fund	(382,092)			
	Reserve fund	(46,975)			
	Capital Projects Fund	(69,128)			
Trust Fund	General Fund	(7,500)			
Capital Projects Fund	Street Fund	(310,490)			
Total transfers out for governmental funds		<u>(833,103)</u>	Total transfers out for proprietary funds		<u>-</u>
Total transfers for governmental funds		<u><u>\$ (8,028)</u></u>	Total transfers for proprietary funds		<u><u>\$ 8,028</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.

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

Note 11. Schedule of Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance June 30, 2010	Restatements	Additions	Deletions	Balance June 30, 2011
Governmental activities					
Capital assets not being depreciated					
Land	\$ 903,837	\$ 3,866,609	\$ -	\$ -	\$ 4,770,446
Construction in progress	1,278,125	(331,846)	1,955,498	374,729	2,527,048
Total capital assets not being depreciated	<u>2,181,962</u>	<u>3,534,763</u>	<u>1,955,498</u>	<u>374,729</u>	<u>7,297,494</u>
Capital assets being depreciated					
Equipment and vehicles	5,159,397	(1,160,927)	130,271	-	4,128,741
Buildings and improvements	2,180,713	5,383,726	521,509	-	8,085,948
Infrastructure	126,614,894	(126,481,266)	509,114	-	642,742
Total capital assets being depreciated	<u>133,955,004</u>	<u>(122,258,467)</u>	<u>1,160,894</u>	<u>-</u>	<u>12,857,431</u>
Less accumulated depreciation for					
Equipment and vehicles	4,761,951	(2,368,180)	246,982	-	2,640,753
Buildings and improvements	1,859,948	2,027,331	158,268	-	4,045,547
Infrastructure	123,851,112	(123,842,254)	25,455	-	34,313
Total accumulated depreciation	<u>130,473,011</u>	<u>(124,183,103)</u>	<u>430,705</u>	<u>-</u>	<u>6,720,613</u>
Total capital assets being depreciated, net	3,481,993	1,924,636	730,189	-	6,136,818
Governmental activities capital assets, net	<u>\$ 5,663,955</u>	<u>\$ 5,459,399</u>	<u>\$ 2,685,687</u>	<u>\$ 374,729</u>	<u>\$ 13,434,312</u>
Business type activities					
Capital assets not being depreciated					
Land	\$ 2,599,040	\$ 46,520	\$ -	\$ -	\$ 2,645,560
Construction in progress	65,227	1,440,640	541,005	531,498	1,515,374
Total capital assets not being depreciated	<u>2,664,267</u>	<u>1,487,160</u>	<u>541,005</u>	<u>531,498</u>	<u>4,160,934</u>
Capital assets being depreciated					
Equipment and vehicles	11,872,036	23,563,051	228,749	-	35,663,836
Buildings and improvements	19,512,749	10,462,242	127,799	-	30,102,790
Infrastructure	39,289,056	(31,248,770)	313,598	-	8,353,884
Total capital assets being depreciated	<u>70,673,841</u>	<u>2,776,523</u>	<u>670,146</u>	<u>-</u>	<u>74,120,510</u>
Less accumulated depreciation for					
Equipment and vehicles	11,350,296	18,714,884	428,725	-	30,493,905
Buildings and improvements	5,103,567	4,624,571	620,285	-	10,348,423
Infrastructure	8,006,835	(7,479,071)	128,522	-	656,286
Total accumulated depreciation	<u>24,460,698</u>	<u>15,860,384</u>	<u>1,177,532</u>	<u>-</u>	<u>41,498,614</u>
Total capital assets being depreciated, net	46,213,143	(13,083,861)	(507,386)	-	32,621,896
Business type activities capital assets, net	<u>\$ 48,877,410</u>	<u>\$ (11,596,701)</u>	<u>\$ 33,619</u>	<u>\$ 531,498</u>	<u>\$ 36,782,830</u>

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

Governmental Activities	
General government	\$ 337,309
Highways and streets	93,396
Business-Type Activities	
Water	428,321
Sewer	518,311
Storm Sewer	104,111
Golf Course	53,229
Internal Service	73,560

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

Note 12. Interfund Receivables and Payables

The interfund receivable and payable at June 30, 2011 consist of the following:

Receivable Fund	Payable Fund	Amount
General Fund	Grants Fund	\$ 284,890
General Fund	Golf Course Fund	318,061
General Fund	911 Fund	29,862
Debt Service Fund	Golf Course Fund	199,406
Sewer Fund	Storm Sewer Fund	232,871
	TOTAL	\$ 1,065,090

Note 13. Accounting Changes and Restatements

Governmental Activities: In the government-wide statements, there was a prior year over statement in the Grants Fund of \$20,078 in accounts payable; there also were adjustments of \$255,844 in the General Fund to restate for franchise fee revenues and \$3,102 in the Debt Service Fund for coupons payable. Also, after valuation of capital assets and accumulated depreciation as required by provision of Governmental Standards Board Statement No. 34, capital assets were increased by \$5,459,399. As a result, the beginning net assets of \$14,146,226, as originally reported, have been increased to \$19,884,649.

Business-Type Activities: In the proprietary fund statements, there was valuation of capital assets and accumulated depreciation as required by a provision of Governmental Standards Board Statement No. 34 as a result; capital assets were decreased by \$11,596,701. The beginning net assets of \$39,075,318 were decreased by \$11,596,701 to \$27,478,617.

Note 14. Deficit Balances

Fund	Amount	Corrective Action in 2011-2012
Grants Fund	\$ (3,948)	There are reimbursable grants that the city will ask for grant money from.
911 Fund	(30,429)	The city will transfer money in from the General Fund.
Storm Sewer	(225,365)	The city expects additional revenue collections. If not, money will be transferred in from the sewer and water funds.
Golf Course Fund	(537,580)	The city is still considering ways to improve the operations of the Golf Course Fund to reduce this deficit.

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

Note 15. Implementation of GASB Statement No. 54—New Fund Balance

The city implemented GASB Statement No. 54 for year ending June 30, 2011. GASB Statement No. 54 requires analysis and presentation of fund balances in five categories. The new fund balance categories are:

- *Nonspendable*—Includes items not immediately converted to cash, such as prepaid items, interfund receivables and inventory.
- *Restricted*—Includes items that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.
- *Committed*—Includes items committed by the city council, by formal council action.
- *Assigned*—Includes items assigned for specific uses, authorized individuals allowed by the city council.
- *Unassigned*—This is the residual classification used for those balances not assigned to another category.

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

Fund Balances	General Fund	Grants Fund	Street Fund	Revolving Loan Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Funds	Total
<u>Nonspendable</u>								
Interfund Receivables	\$ 632,813	\$ -	\$ -	\$ -	\$ 199,406	\$ -	\$ -	\$ 832,219
<u>Restricted</u>								
System development charges	-	-	-	-	-	107,739	-	107,739
Street projects	-	-	210,064	-	-	-	-	210,064
Debt Service	-	-	-	-	44,525	-	-	44,525
	-	-	210,064	-	44,525	107,739	-	362,328
<u>Committed to:</u>								
Capital Projects	-	-	-	-	-	3,098,638	1,636,535	4,735,173
Funds held for other departments	-	-	-	-	-	-	329,961	329,961
Revolving loan fund program	-	-	-	346,170	-	-	-	346,170
	-	-	-	346,170	-	3,098,638	1,966,496	5,411,304
<u>Assigned</u>								
Library	-	-	-	-	-	-	1,162	1,162
<u>Unassigned</u>								
	2,912,110	(3,948)	-	-	-	-	(30,429)	2,877,733
TOTAL FUND BALANCES	\$ 3,544,923	\$ (3,948)	\$ 210,064	\$ 346,170	\$ 243,931	\$ 3,206,377	\$ 1,937,229	\$ 9,484,746

GASB 54 implementation required board approved action to authorize commitments of fund balances. These commitments, outlined in the table above, were approved by the city council on June 20, 2011. Commitments of fund balances must be made prior to the end of the fiscal year.

Also on June 20, 2011, the city council authorized the council or their designee to make assignments of ending fund balance. Assignments of fund balances can be done at any time, including after fiscal year end date.

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2011

Finally, 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. On June 20, 2011, the board 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 16. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. The government-wide financial statements report deferred revenue only for amounts that have been received, but not earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Property taxes receivable			
General Fund	\$ 224,596	\$ -	\$ 224,596
Program advances			
Grants Fund	-	608,745	608,745
Notes and assessments			
Economic Development Loan Fund	375,526	-	375,526
Debt Service Fund	331,266	-	331,266
Total deferred revenue	<u>\$ 931,388</u>	<u>\$ 608,745</u>	<u>\$ 1,540,133</u>

Note 17. 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's 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, 2011, there were 17 active participants. The total cost of \$5,100 in retiree benefits are current year expenditures and were charged to the fund for which the participant was employed.

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, 2011

	Original Budget	Final Budget	1st Year Actual	Current Year Actual	Total Combined Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues						
Property taxes	\$ 6,010,306	\$ 6,010,306	\$ 3,028,030	\$ 3,078,993	\$ 6,107,023	\$ 96,717
Other taxes	664,000	664,000	337,496	366,680	704,176	40,176
Franchise fees	1,991,680	2,521,680	1,100,459	1,451,986	2,552,445	30,765
Licenses and permits	321,100	321,100	75,365	274,437	349,802	28,702
Intergovernmental	1,263,865	1,296,865	650,006	564,360	1,214,366	(82,499)
Charges for services	571,408	571,408	273,882	283,170	557,052	(14,356)
Fines and forfeits	33,000	33,616	4,395	7,316	11,711	(21,905)
Miscellaneous	104,819	104,819	72,561	72,238	144,799	39,980
Interest on investments	45,000	45,000	13,830	10,527	24,357	(20,643)
Total revenues	<u>11,005,178</u>	<u>11,568,794</u>	<u>5,556,024</u>	<u>6,109,707</u>	<u>11,665,731</u>	<u>96,937</u>
Expenditures						
Personal services	9,062,830	9,193,244	4,509,830	4,603,609	9,113,439	79,805
Materials and services	2,240,718	2,258,365	1,084,367	1,067,219	2,151,586	106,779
Capital outlay	284,934	376,062	119,639	151,040	270,679	105,383
Debt service	138,256	25,000	-	835	835	24,165
Contingency	2,103,284	1,978,805	-	-	-	1,978,805
Total expenditures	<u>13,830,022</u>	<u>13,831,476</u>	<u>5,713,836</u>	<u>5,822,703</u>	<u>11,536,539</u>	<u>2,294,937</u>
Excess of revenues over (under) expenditures	(2,824,844)	(2,262,682)	(157,812)	287,004	129,192	2,391,874
Other financing sources (uses)						
Transfers in	1,440,591	1,440,591	720,288	720,288	1,440,576	(15)
Transfers out	(1,187,987)	(1,750,149)	(636,666)	(515,113)	(1,151,779)	598,370
Total other sources (uses)	<u>252,604</u>	<u>(309,558)</u>	<u>83,622</u>	<u>205,175</u>	<u>288,797</u>	<u>598,355</u>
Net change in fund balance	(2,572,240)	(2,572,240)	(74,190)	492,179	417,989	2,990,229
Fund balance, July 1, before restatement	2,572,240	2,572,240	2,871,090	2,796,900	2,871,090	298,850
Restatement, see note 13	-	-	-	255,844	255,844	255,844
Fund balance, July 1, after restatement	<u>2,572,240</u>	<u>2,572,240</u>	<u>2,871,090</u>	<u>3,052,744</u>	<u>3,126,934</u>	<u>554,694</u>
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,796,900</u>	<u>\$ 3,544,923</u>	<u>\$ 3,544,923</u>	<u>\$ 3,544,923</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, 2011

	Original Budget	Final Budget	1st Year Actual	Current Year Actual	Total Combined Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues						
Intergovernmental	\$ 252,843	\$ 10,149,552	\$ 452,911	\$ 1,877,081	\$ 2,329,992	\$ (7,819,560)
Total revenues	<u>252,843</u>	<u>10,149,552</u>	<u>452,911</u>	<u>1,877,081</u>	<u>2,329,992</u>	<u>(7,819,560)</u>
Expenditures						
Materials and services	-	19,960	8,901	1,598	10,499	9,461
Capital outlay	303,392	10,246,032	553,057	1,842,414	2,395,471	7,850,561
Total expenditures	<u>303,392</u>	<u>10,265,992</u>	<u>561,958</u>	<u>1,844,012</u>	<u>2,405,970</u>	<u>7,860,022</u>
Excess of revenues over (under) expenditures	(50,549)	(116,440)	(109,047)	33,069	(75,978)	40,462
Other financing sources (uses)						
Transfers in	-	65,891	24,050	8,890	32,940	(32,951)
Total other financing sources (uses)	<u>-</u>	<u>65,891</u>	<u>24,050</u>	<u>8,890</u>	<u>32,940</u>	<u>(32,951)</u>
Net change in fund balance	(50,549)	(50,549)	(84,997)	41,959	(43,038)	7,511
Fund balance, July 1, before restatement	50,549	50,549	19,012	(65,985)	19,012	(31,537)
Restatement, see note 13	-	-	-	20,078	20,078	20,078
Fund balance, July 1, after restatement	<u>50,549</u>	<u>50,549</u>	<u>19,012</u>	<u>(45,907)</u>	<u>39,090</u>	<u>(11,459)</u>
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (65,985)</u>	<u>\$ (3,948)</u>	<u>\$ (3,948)</u>	<u>\$ (3,948)</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, 2011

	Original Budget	Final Budget	1st Year Actual	Current Year Actual	Total Combined Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues						
Intergovernmental	\$ 1,944,436	\$ 1,633,946	\$ 652,616	\$ 769,256	\$ 1,421,872	\$ (212,074)
Interest on investments	-	-	102	(31)	71	71
Miscellaneous	-	-	29,582	5,353	34,935	34,935
Total revenues	<u>1,944,436</u>	<u>1,633,946</u>	<u>682,300</u>	<u>774,578</u>	<u>1,456,878</u>	<u>(177,068)</u>
Expenditures						
Personal services	944,234	944,234	449,342	464,537	913,879	30,355
Materials and services	721,103	721,103	392,351	365,127	757,478	(36,375)
Capital outlay	941,000	981,000	398,046	290,443	688,489	292,511
Contingency	96,299	56,299	-	-	-	56,299
Total expenditures	<u>2,702,636</u>	<u>2,702,636</u>	<u>1,239,739</u>	<u>1,120,107</u>	<u>2,359,846</u>	<u>342,790</u>
Excess of revenues over (under) expenditures	(758,200)	(1,068,690)	(557,439)	(345,529)	(902,968)	165,722
Other financing sources (uses)						
Transfers in	816,900	1,127,390	394,762	700,628	1,095,390	(32,000)
Transfers out	(174,130)	(174,130)	(87,060)	(87,060)	(174,120)	10
Total other sources (uses)	<u>642,770</u>	<u>953,260</u>	<u>307,702</u>	<u>613,568</u>	<u>921,270</u>	<u>(31,990)</u>
Net change in fund balance	(115,430)	(115,430)	(249,737)	268,039	18,302	133,732
Fund balance, July 1	<u>115,430</u>	<u>115,430</u>	<u>191,762</u>	<u>(57,975)</u>	<u>191,762</u>	<u>76,332</u>
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (57,975)</u>	<u>\$ 210,064</u>	<u>\$ 210,064</u>	<u>\$ 210,064</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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>1st Year Actual</u>	<u>Current Year Actual</u>	<u>Total Combined Actual</u>	<u>Favorable (Unfavorable) Variance with Final Budget</u>
Revenues						
Interest on investments	\$ 42,110	\$ 42,110	\$ 24,462	\$ 21,026	\$ 45,488	\$ 3,378
Loan repayments	71,307	71,307	87,456	69,341	156,797	85,490
Total revenues	<u>113,417</u>	<u>113,417</u>	<u>111,918</u>	<u>90,367</u>	<u>202,285</u>	<u>88,868</u>
Expenditures						
Materials and services	419,208	419,208	18,317	511	18,828	400,380
Total expenditures	<u>419,208</u>	<u>419,208</u>	<u>18,317</u>	<u>511</u>	<u>18,828</u>	<u>400,380</u>
Net change in fund balance	(305,791)	(305,791)	93,601	89,856	183,457	489,248
Fund balance, July 1	<u>305,791</u>	<u>305,791</u>	<u>162,713</u>	<u>256,314</u>	<u>162,713</u>	<u>(143,078)</u>
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 256,314</u>	<u>\$ 346,170</u>	<u>\$ 346,170</u>	<u>\$ 346,170</u>

CITY OF ONTARIO, OREGON
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY REPORTING
June 30, 2011

A biennial 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, 2011 the city had several procedural budget violations and the following funds had disbursements that exceeded the budget:

Street Fund	
Materials & services	\$ 36,375
Reserve Fund	
Materials & services	103
Debt service	5,181
Water Fund	
Personal services	982
Golf Course Fund	
Debt Service	45,743

OTHER SUPPLEMENTARY INFORMATION

CITY OF ONTARIO, OREGON
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

June 30, 2011

	Library Fund	911 Fund	Trust Fund	Reserve Fund	Total June 30, 2011
ASSETS					
Cash and investments	\$ -	\$ -	\$ 363,225	\$ 1,771,272	\$ 2,134,497
Accounts receivable					
Other	1,162	-	-	-	1,162
Restricted cash					
Cash held in trust	-	-	246,663	-	246,663
Total assets	<u>\$ 1,162</u>	<u>\$ -</u>	<u>\$ 609,888</u>	<u>\$ 1,771,272</u>	<u>\$ 2,382,322</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ 567	\$ 33,264	\$ 134,737	\$ 168,568
Interfund payable	-	29,862	-	-	29,862
Deposits held in trust	-	-	246,663	-	246,663
Total liabilities	<u>-</u>	<u>30,429</u>	<u>279,927</u>	<u>134,737</u>	<u>445,093</u>
Fund balances					
Spendable:					
Committed	-	-	329,961	1,636,535	1,966,496
Assigned	1,162	-	-	-	1,162
Unassigned	-	(30,429)	-	-	(30,429)
Total fund balances	<u>1,162</u>	<u>(30,429)</u>	<u>329,961</u>	<u>1,636,535</u>	<u>1,937,229</u>
Total liabilities and fund balances	<u>\$ 1,162</u>	<u>\$ -</u>	<u>\$ 609,888</u>	<u>\$ 1,771,272</u>	<u>\$ 2,382,322</u>

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
SPECIAL REVENUE FUNDS
June 30, 2011

	Library Fund	911 Fund	Trust Fund	Reserve Fund	Total June 30, 2011
Revenues					
Other taxes	\$ -	\$ -	\$ 267,057	\$ -	\$ 267,057
Intergovernmental revenues	-	78,209	-	5,445	83,654
Charges for services	-	2,447	5,900	-	8,347
Miscellaneous	-	-	120	11,776	11,896
Interest on investments	-	-	7,691	-	7,691
Donations	-	-	-	2,600	2,600
Total revenues	-	80,656	280,768	19,821	381,245
Expenditures					
Personal services	-	468,924	-	-	468,924
Materials and services	-	25,679	301,141	21,400	348,220
Capital outlay	-	-	-	36,571	36,571
Debt service	-	-	-	5,181	5,181
Total expenditures	-	494,603	301,141	63,152	858,896
Excess of revenues over (under) expenditures	-	(413,947)	(20,373)	(43,331)	(477,651)
Other financing sources (uses)					
Operating transfers in	-	382,092	-	46,975	429,067
Operating transfers out	-	-	(7,500)	-	(7,500)
Total other financing sources (uses)	-	382,092	(7,500)	46,975	421,567
Net change in fund balances	-	(31,855)	(27,873)	3,644	(56,084)
Fund balances, July 1	1,162	1,426	357,834	1,632,891	1,993,313
Fund balances, June 30	\$ 1,162	\$ (30,429)	\$ 329,961	\$ 1,636,535	\$ 1,937,229

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - LIBRARY FUND
(BUDGET BASIS)
For the Year Ended
June 30, 2011

	Original Budget	Final Budget	1st Year Actual	Current Year Actual	Total Combined Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues						
Interest on investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-	-	-
Expenditures						
Personal services	-	-	-	-	-	-
Total expenditures	-	-	-	-	-	-
Excess of revenues over (under) expenditures	-	-	-	-	-	-
Other financing sources (uses)						
Transfers in	-	-	536	-	536	536
Total other financing sources (uses)	-	-	536	-	536	536
Net change in fund balance	-	-	536	-	536	536
Fund balance, July 1	-	-	626	1,162	626	626
Fund balance, June 30	\$ -	\$ -	\$ 1,162	\$ 1,162	\$ 1,162	\$ 1,162

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - 911 FUND
(BUDGET BASIS)
For the Year Ended
June 30, 2011

	Original Budget	Final Budget	1st Year Actual	Current Year Actual	Total Combined Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues						
Intergovernmental	\$ 158,990	\$ 158,990	\$ 80,027	\$ 78,209	\$ 158,236	\$ (754)
Charges for services	6,500	6,500	3,007	2,447	5,454	(1,046)
Total revenues	<u>165,490</u>	<u>165,490</u>	<u>83,034</u>	<u>80,656</u>	<u>163,690</u>	<u>(1,800)</u>
Expenditures						
Personal services	863,282	959,737	479,421	468,924	948,345	11,392
Materials and services	62,906	62,906	33,007	25,679	58,686	4,220
Capital outlay	3,500	3,400	3,400	-	3,400	-
Total expenditures	<u>929,688</u>	<u>1,026,043</u>	<u>515,828</u>	<u>494,603</u>	<u>1,010,431</u>	<u>15,612</u>
Excess of revenues over (under) expenditures	(764,198)	(860,553)	(432,794)	(413,947)	(846,741)	13,812
Other financing sources (uses)						
Transfers in	764,198	860,553	382,092	382,092	764,184	(96,369)
Total other sources (uses)	<u>764,198</u>	<u>860,553</u>	<u>382,092</u>	<u>382,092</u>	<u>764,184</u>	<u>(96,369)</u>
Net change in fund balance	-	-	(50,702)	(31,855)	(82,557)	(82,557)
Fund balance, July 1	-	-	52,128	1,426	52,128	52,128
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,426</u>	<u>\$ (30,429)</u>	<u>\$ (30,429)</u>	<u>\$ (30,429)</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, 2011

	Original Budget	Final Budget	1st Year Actual	Current Year Actual	Total Combined Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues						
Other taxes	\$ 483,036	\$ 508,396	\$ 245,788	\$ 267,057	\$ 512,845	\$ 4,449
Charges for services	18,000	18,000	3,650	5,900	9,550	(8,450)
Miscellaneous	-	-	1,500	120	1,620	1,620
Interest on investments	13,400	13,400	9,272	7,691	16,963	3,563
Total revenues	<u>514,436</u>	<u>539,796</u>	<u>260,210</u>	<u>280,768</u>	<u>540,978</u>	<u>1,182</u>
Expenditures						
Materials and services	773,400	798,760	259,494	301,141	560,635	238,125
Total expenditures	<u>773,400</u>	<u>798,760</u>	<u>259,494</u>	<u>301,141</u>	<u>560,635</u>	<u>238,125</u>
Excess of revenues over (under) expenditures	(258,964)	(258,964)	716	(20,373)	(19,657)	239,307
Other financing sources (uses)						
Transfers out	(15,000)	(15,000)	(7,500)	(7,500)	(15,000)	-
Total other sources (uses)	<u>(15,000)</u>	<u>(15,000)</u>	<u>(7,500)</u>	<u>(7,500)</u>	<u>(15,000)</u>	<u>-</u>
Net change in fund balance	(273,964)	(273,964)	(6,784)	(27,873)	(34,657)	239,307
Fund balance, July 1	550,758	550,758	364,618	357,834	364,618	(186,140)
Fund balance, June 30	<u>\$ 276,794</u>	<u>\$ 276,794</u>	<u>\$ 357,834</u>	<u>\$ 329,961</u>	<u>\$ 329,961</u>	<u>\$ 53,167</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, 2011

	Original Budget	Final Budget	1st Year Actual	Current Year Actual	Total Combined Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues						
Intergovernmental	\$ 9,523	\$ 9,523	\$ 4,723	\$ 5,445	\$ 10,168	\$ 645
Miscellaneous	-	-	-	11,776	11,776	11,776
Donations	20,000	20,000	-	2,600	2,600	(17,400)
Interest on investements	200	200	380	-	380	180
Total revenues	<u>29,723</u>	<u>29,723</u>	<u>5,103</u>	<u>19,821</u>	<u>24,924</u>	<u>(4,799)</u>
Expenditures						
Materials and services	35,400	35,400	14,103	21,400	35,503	(103)
Capital outlay	692,648	774,928	209,188	36,571	245,759	529,169
Debt service	-	-	-	5,181	5,181	(5,181)
Contingency	814,487	814,487	-	-	-	814,487
Total expenditures	<u>1,542,535</u>	<u>1,624,815</u>	<u>223,291</u>	<u>63,152</u>	<u>286,443</u>	<u>1,338,372</u>
Excess of revenues over (under) expenditures	(1,512,812)	(1,595,092)	(218,188)	(43,331)	(261,519)	1,333,573
Other financing sources (uses)						
Transfers in	133,281	177,981	86,296	46,975	133,271	(44,710)
Total other sources (uses)	<u>133,281</u>	<u>177,981</u>	<u>86,296</u>	<u>46,975</u>	<u>133,271</u>	<u>(44,710)</u>
Net change in fund balance	(1,379,531)	(1,417,111)	(131,892)	3,644	(128,248)	1,288,863
Fund balance, July 1	2,446,295	2,528,575	1,764,783	1,632,891	1,764,783	(763,792)
Fund balance, June 30	<u>\$ 1,066,764</u>	<u>\$ 1,111,464</u>	<u>\$ 1,632,891</u>	<u>\$ 1,636,535</u>	<u>\$ 1,636,535</u>	<u>\$ 525,071</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, 2011

	Original Budget	Final Budget	1st Year Actual	Current Year Actual	Total Combined Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues						
Special assessments	\$ 93,490	\$ 93,490	\$ 75,249	\$ 65,214	\$ 140,463	\$ 46,973
Interest on investments	54,500	54,500	20,640	19,086	39,726	(14,774)
Total revenues	<u>147,990</u>	<u>147,990</u>	<u>95,889</u>	<u>84,300</u>	<u>180,189</u>	<u>32,199</u>
Expenditures						
Debt service	522,990	522,990	187,927	79,708	267,635	255,355
Total expenditures	<u>522,990</u>	<u>522,990</u>	<u>187,927</u>	<u>79,708</u>	<u>267,635</u>	<u>255,355</u>
Net change in fund balance	(375,000)	(375,000)	(92,038)	4,592	(87,446)	287,554
Fund balance, July 1, before restatement	375,000	375,000	328,275	236,237	328,275	(46,725)
Restatement, see note 13	-	-	-	3,102	3,102	3,102
Fund balance, July 1, after restatement	<u>375,000</u>	<u>375,000</u>	<u>328,275</u>	<u>239,339</u>	<u>328,275</u>	<u>(43,623)</u>
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 236,237</u>	<u>\$ 243,931</u>	<u>\$ 240,829</u>	<u>\$ 243,931</u>

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
(BUDGET BASIS)
For the Year Ended
June 30, 2011

	Original Budget	Final Budget	1st Year Actual	Current Year Actual	Total Combined Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues						
Intergovernmental	\$ -	\$ 481,400	\$ 375,200	\$ 105,000	\$ 480,200	\$ (1,200)
Charges for services	14,000	14,000	668	6,447	7,115	(6,885)
Miscellaneous	-	-	-	183,300	183,300	183,300
Interest on investments	-	-	27,206	663	27,869	27,869
System development charges	65,000	65,000	12,606	52,576	65,182	182
Utilities capitalization charges	970,700	970,700	443,111	448,015	891,126	(79,574)
Total revenues	<u>1,049,700</u>	<u>1,531,100</u>	<u>858,791</u>	<u>796,001</u>	<u>1,654,792</u>	<u>123,692</u>
Expenditures						
Capital outlay	1,837,500	2,477,050	461,062	580,218	1,041,280	1,435,770
Contingency	2,268,758	2,230,418	-	-	-	2,230,418
Total expenditures	<u>4,106,258</u>	<u>4,707,468</u>	<u>461,062</u>	<u>580,218</u>	<u>1,041,280</u>	<u>3,666,188</u>
Excess of revenues over (under) expenditures	(3,056,558)	(3,176,368)	397,729	215,783	613,512	3,789,880
Other financing sources (uses)						
Transfers in	-	69,128	-	69,128	69,128	-
Transfers out	-	(310,490)	-	(310,490)	(310,490)	-
Loan proceeds	-	361,172	-	-	-	(361,172)
Total other sources (uses)	<u>-</u>	<u>119,810</u>	<u>-</u>	<u>(241,362)</u>	<u>(241,362)</u>	<u>(361,172)</u>
Net change in fund balance	(3,056,558)	(3,056,558)	397,729	(25,579)	372,150	3,428,708
Fund balance, July 1	3,056,558	3,056,558	2,834,227	3,231,956	2,834,227	(222,331)
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,231,956</u>	<u>\$ 3,206,377</u>	<u>\$ 3,206,377</u>	<u>\$ 3,206,377</u>

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
BUDGET AND ACTUAL - WATER FUND
(BUDGET BASIS)
For the Year Ended
June 30, 2011

	Original Budget	Final Budget	1st Year Actual	Current Year Actual	Total Combined Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues						
Charges for services	\$ 5,790,000	\$ 5,790,000	\$ 2,695,561	\$ 2,693,202	\$ 5,388,763	\$ (401,237)
Miscellaneous	-	-	3,136	14,822	17,958	17,958
Total revenues	<u>5,790,000</u>	<u>5,790,000</u>	<u>2,698,697</u>	<u>2,708,024</u>	<u>5,406,721</u>	<u>(383,279)</u>
Expenses						
Personal services	667,470	667,470	327,581	340,871	668,452	(982)
Materials and services	1,238,680	1,238,680	583,506	543,474	1,126,980	111,700
Capital outlay	914,100	1,052,175	502,560	323,653	826,213	225,962
Debt service	789,634	789,634	396,151	393,451	789,602	32
Contingency	1,190,475	1,034,900	-	-	-	1,034,900
Total expenses	<u>4,800,359</u>	<u>4,782,859</u>	<u>1,809,798</u>	<u>1,601,449</u>	<u>3,411,247</u>	<u>1,371,612</u>
Excess of revenues over (under) expenses	989,641	1,007,141	888,899	1,106,575	1,995,474	988,333
Other financing sources (uses)						
Transfers out	<u>(2,361,358)</u>	<u>(2,378,858)</u>	<u>(1,186,245)</u>	<u>(1,167,518)</u>	<u>(2,353,763)</u>	<u>25,095</u>
Total other financing sources (uses)	<u>(2,361,358)</u>	<u>(2,378,858)</u>	<u>(1,186,245)</u>	<u>(1,167,518)</u>	<u>(2,353,763)</u>	<u>25,095</u>
Net change in fund net assets	(1,371,717)	(1,371,717)	(297,346)	(60,943)	(358,289)	1,013,428
Net assets, July 1	<u>1,371,717</u>	<u>1,371,717</u>	<u>1,425,448</u>	<u>1,128,102</u>	<u>1,425,448</u>	<u>53,731</u>
Net assets, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,128,102</u>	<u>\$ 1,067,159</u>	<u>\$ 1,067,159</u>	<u>\$ 1,067,159</u>

**Reconciliation to Generally Accepted
Accounting Principles**

Capital assets, net of accumulated depreciation	\$ 22,010,254	\$ 12,314,288
Inventory	120,209	134,984
Accrued interest	(103,221)	(24,814)
Compensated absences	(30,956)	(21,282)
Long-term obligations	<u>(4,435,337)</u>	<u>(4,228,171)</u>
Net Assets, Ending	<u>\$ 18,689,051</u>	<u>\$ 9,242,164</u>

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
BUDGET AND ACTUAL - SEWER FUND
(BUDGET BASIS)
For the Year Ended
June 30, 2011

	Original Budget	Final Budget	1st Year Actual	Current Year Actual	Total Combined Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues						
Charges for services	\$ 5,753,000	\$ 5,753,000	\$ 2,841,393	\$ 2,803,151	\$ 5,644,544	\$ (108,456)
Miscellaneous	82,200	82,200	37,831	68,543	106,374	24,174
Total revenues	<u>5,835,200</u>	<u>5,835,200</u>	<u>2,879,224</u>	<u>2,871,694</u>	<u>5,750,918</u>	<u>(84,282)</u>
Expenses						
Personal services	559,317	559,317	242,266	274,713	516,979	42,338
Materials and services	646,135	646,135	300,447	295,216	595,663	50,472
Capital outlay	1,737,270	1,646,775	740,339	349,421	1,089,760	557,015
Debt service	2,087,085	2,345,655	1,121,322	1,176,071	2,297,393	48,262
Contingency	1,498,617	1,318,542	-	-	-	1,318,542
Total expenses	<u>6,528,424</u>	<u>6,516,424</u>	<u>2,404,374</u>	<u>2,095,421</u>	<u>4,499,795</u>	<u>2,016,629</u>
Excess of revenues over (under) expenses	(693,224)	(681,224)	474,850	776,273	1,251,123	1,932,347
Other financing sources (uses)						
Transfers out	(2,364,158)	(2,376,158)	(1,192,441)	(1,177,009)	(2,369,450)	6,708
Total other financing sources (uses)	<u>(2,364,158)</u>	<u>(2,376,158)</u>	<u>(1,192,441)</u>	<u>(1,177,009)</u>	<u>(2,369,450)</u>	<u>6,708</u>
Net change in fund net assets	(3,057,382)	(3,057,382)	(717,591)	(400,736)	(1,118,327)	1,939,055
Net assets, July 1	3,057,382	3,057,382	3,586,015	2,868,424	3,586,015	528,633
Net assets, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,868,424</u>	<u>\$ 2,467,688</u>	<u>\$ 2,467,688</u>	<u>\$ 2,467,688</u>

**Reconciliation to Generally Accepted
Accounting Principles**

Capital assets, net of accumulated depreciation	\$ 22,179,015	\$ 18,796,209
Inventory	120,209	134,984
Accrued interest	(149,302)	(113,963)
Compensated absences	(26,909)	(28,042)
Debt premium	(81,311)	(77,911)
Long-term obligations	<u>(8,591,036)</u>	<u>(7,755,609)</u>
Net Assets, Ending	<u>\$ 16,319,090</u>	<u>\$ 13,423,356</u>

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
BUDGET AND ACTUAL - STORM SEWER FUND
(BUDGET BASIS)
For the Year Ended
June 30, 2011

	Original Budget	Final Budget	1st Year Actual	Current Year Actual	Total Combined Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues						
Charges for services	\$ 210,000	\$ 210,000	\$ 101,977	\$ 103,588	\$ 205,565	\$ (4,435)
Total revenues	210,000	210,000	101,977	103,588	205,565	(4,435)
Expenses						
Personal services	56,650	56,650	29,019	8,105	37,124	19,526
Materials and services	40,018	40,018	15,730	12,123	27,853	12,165
Capital outlay	-	12,000	11,521	-	11,521	479
Total expenses	96,668	108,668	56,270	20,228	76,498	32,170
Excess of revenues over (under) expenses	113,332	101,332	45,707	83,360	129,067	27,735
Other financing sources (uses)						
Transfers in	-	12,000	12,000	-	12,000	-
Transfers out	(171,332)	(171,332)	(85,516)	(85,551)	(171,067)	265
Total other financing sources (uses)	(171,332)	(159,332)	(73,516)	(85,551)	(159,067)	265
Net change in fund net assets	(58,000)	(58,000)	(27,809)	(2,191)	(30,000)	28,000
Net assets, July 1	58,000	58,000	(195,365)	(223,174)	(195,365)	(253,365)
Net assets, June 30	\$ -	\$ -	\$ (223,174)	\$ (225,365)	\$ (225,365)	\$ (225,365)

**Reconciliation to Generally Accepted
Accounting Principles**

Capital assets, net of accumulated depreciation	\$ 3,716,764	\$ 2,904,112
Inventory	10,017	11,249
Compensated absences	(2,744)	-
Net Assets, Ending	<u>\$ 3,500,863</u>	<u>\$ 2,689,996</u>

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
BUDGET AND ACTUAL - GOLF COURSE FUND
(BUDGET BASIS)
For the Year Ended
June 30, 2011

	Original Budget	Final Budget	1st Year Actual	Current Year Actual	Total Combined Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues						
Charges for services	\$ 326,893	\$ 317,730	\$ 158,866	\$ 189,702	\$ 348,568	\$ 30,838
Interest on investments	-	60	36	-	36	(24)
Total revenues	<u>326,893</u>	<u>317,790</u>	<u>158,902</u>	<u>189,702</u>	<u>348,604</u>	<u>30,814</u>
Expenses						
Personal services	137,150	282,975	150,993	129,096	280,089	2,886
Materials and services	202,514	378,014	195,407	176,335	371,742	6,272
Capital outlay	50,000	97,234	91,833	5,400	97,233	1
Debt service	-	153,663	-	199,406	199,406	(45,743)
Total expenses	<u>617,401</u>	<u>911,886</u>	<u>438,233</u>	<u>510,237</u>	<u>948,470</u>	<u>(36,584)</u>
Excess of revenues over (under) expenses	(290,508)	(594,096)	(279,331)	(320,535)	(599,866)	(5,770)
Other financing sources (uses)						
Transfers in	290,508	594,096	161,192	8,028	169,220	(424,876)
Total other financing sources (uses)	<u>290,508</u>	<u>594,096</u>	<u>161,192</u>	<u>8,028</u>	<u>169,220</u>	<u>(424,876)</u>
Net change in fund net assets	-	-	(118,139)	(312,507)	(430,646)	(430,646)
Net assets, July 1	-	-	(106,934)	(225,073)	(106,934)	(106,934)
Net assets, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (225,073)</u>	<u>\$ (537,580)</u>	<u>\$ (537,580)</u>	<u>\$ (537,580)</u>

**Reconciliation to Generally Accepted
Accounting Principles**

Capital assets, net of accumulated depreciation	\$ 971,377	\$ 935,611
Inventory	4,247	-
Accrued interest	(3,307)	-
Long-term obligations	(189,767)	-
Net Assets, Ending	<u>\$ 557,477</u>	<u>\$ 398,031</u>

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
BUDGET AND ACTUAL -PUBLIC WORKS INTERNAL SERVICE FUND
(BUDGET BASIS)
For the Year Ended
June 30, 2011

	Original Budget	Final Budget	1st Year Actual	Current Year Actual	Total Combined Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues						
Charges for services	\$ 120,401	\$ 120,401	\$ 66,217	\$ 68,714	\$ 134,931	\$ 14,530
Interest on investments	350,000	350,000	83,136	62,928	146,064	(203,936)
Total revenues	<u>470,401</u>	<u>470,401</u>	<u>149,353</u>	<u>131,642</u>	<u>280,995</u>	<u>(189,406)</u>
Expenses						
Personal services	2,430,915	2,473,915	1,153,474	1,204,729	2,358,203	115,712
Materials and services	812,661	769,661	318,900	344,414	663,314	106,347
Contingency	55,312	55,312	-	-	-	55,312
Total expenses	<u>3,298,888</u>	<u>3,298,888</u>	<u>1,472,374</u>	<u>1,549,143</u>	<u>3,021,517</u>	<u>277,371</u>
Excess of revenues over (under) expenses	(2,828,487)	(2,828,487)	(1,323,021)	(1,417,501)	(2,740,522)	87,965
Other financing sources (uses)						
Transfers in	4,079,948	4,079,948	2,039,940	2,039,940	4,079,880	(68)
Transfers out	(1,251,461)	(1,251,461)	(625,728)	(625,728)	(1,251,456)	5
Total other financing sources (uses)	<u>2,828,487</u>	<u>2,828,487</u>	<u>1,414,212</u>	<u>1,414,212</u>	<u>2,828,424</u>	<u>(63)</u>
Net change in fund net assets	-	-	91,191	(3,289)	87,902	87,902
Net assets, July 1	-	-	-	91,191	-	-
Net assets, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,191</u>	<u>\$ 87,902</u>	<u>\$ 87,902</u>	<u>\$ 87,902</u>

**Reconciliation to Generally Accepted
Accounting Principles**

Capital assets, net of accumulated depreciation	\$ -	\$ 1,832,610
Compensated absences	(82,354)	(74,725)
Net Assets, Ending	<u>\$ 8,837</u>	<u>\$ 1,845,787</u>

OTHER FINANCIAL SCHEDULES

CITY OF ONTARIO, OREGON
SUMMARY SCHEDULE OF CASH, CASH ITEMS AND INVESTMENTS
 June 30, 2011

Wells Fargo Bank	
Demand accounts	\$ 1,306,442
Intermountain Community Bank	
Demand accounts	2,524
Certificates of Deposit	572,437
Oregon State Treasury Local Government Investment Pool **	7,917,789
Piper Jaffray Investment Account	2,003,422
Series H and HH Savings Bonds	8,500
Cash on hand	1,350
Total cash and investments on books	\$ 11,812,464

SCHEDULE OF COLLATERAL SECURITY

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

*Qualified depository for public funds per ORS 295.

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

CITY OF ONTARIO, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS
For the Year Ended
June 30, 2011

Tax Year	Uncollected Taxes	2010-11 Assessment	(Abatement) and Adjustments	Rebates Allowed	Interest Collected	Taxes Collected	Total Amount Collected	Uncollected Taxes
Special Levy	June 30, 2010							June 30, 2011
2010-11		\$ 3,110,367	\$ -	\$ (75,454)	\$ 1,479	\$ 2,858,572	\$ 2,860,051	\$ 176,341
2010-09	\$ 137,433	-	(3,541)	52	3,627	55,867	59,494	78,077
2008-09	72,501	-	(261)	6	4,038	29,733	33,771	42,513
2007-08	35,535	-	(207)	-	3,138	15,864	19,002	19,464
2006-07	12,861	-	(210)	-	2,752	11,684	14,436	967
2005-06	771	-	(123)	-	33	114	147	534
2004-05	343	-	(78)	-	49	131	180	134
2003-04	80	-	-	-	-	-	-	80
2002-03	124	-	-	-	-	-	-	124
2001-02	84	-	-	-	17	32	49	52
2000-01	56	-	-	-	39	56	95	-
Total	\$ 259,788	\$ 3,110,367	\$ (4,420)	\$ (75,396)	\$ 15,172	\$ 2,972,053	\$ 2,987,225	\$ 318,286

REPORTS REQUIRED BY OREGON STATE REGULATIONS

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

City Council
City of Ontario
Ontario, Malheur County, Oregon

We have audited the basic financial statements of the City of Ontario as of and for the year ended June 30, 2011, and have issued our report thereon dated March 20, 2012. 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

As part of obtaining reasonable assurance about whether the City of Ontario's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial 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 limitations, restrictions, and repayment
- Budgets legally required (ORS Chapter 294)
- Insurance and fidelity bonds in force or required by law
- Programs funded from outside sources
- Highway revenues used for public highways, roads and streets
- Authorized investment of surplus funds (ORS Chapter 294)
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)
- Accountability for Independently Elected Officials

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

OAR 162-10-230 Internal Control

In planning and performing our audit, we considered the City of Ontario's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Ontario's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Ontario'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 city's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

The City of Ontario's responses to the finding identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit City of Ontario's response and, accordingly, we express no opinion on it.

We noted certain matters that we reported to the management of the City of Ontario in a separate letter dated March 20, 2012.

This report is intended solely for the information and use of the city council, management, others within the city, the Oregon Secretary of State, federal awarding agencies and pass-through entities and is not intended to be, and should not be used by anyone other than these specified parties.

Oster Professional Group, CPA's, PC

By  _____

Burns, Oregon
March 20, 2012

CITY OF ONTARIO, OREGON
COMMENTS AND DISCLOSURES REQUIRED BY THE STATE OF OREGON
June 30, 2011

Oregon Administration Rules 162-10-200 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the secretary of state in cooperation with the Oregon State Board of Accountancy, require certain comments and disclosures relating to the review of fiscal affairs and compliance with legal requirements. Comments relating to significant accounting policies, organization and fund structure, cash, and investments are included in the notes to basic financial statements. Other required comments and disclosures relating to this audit are set forth below.

Accounting Systems and Control Structure

The organizational structure of the city provides adequate accounting policies for maintaining an effective system of accountability and responsibility of funds. The accounting records are being maintained in a satisfactory manner and an adequate system of reporting revenues and expenditures to interested parties is in effect.

Where possible, the city has maintained a plan of organization encompassing methods and measures on internal control to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and carry out council policies.

As we have stated in the following report on compliance and on internal control over financial reporting in accordance with *Government Auditing Standards*, we do not express an opinion on the city's effectiveness in those areas. However, there were deficiencies reported in accordance with *Government Auditing Standards*.

Indebtedness

It is noted that no new bonded indebtedness was incurred during the year and that amounts outstanding appear to be within the legal debt limitations as set forth in the statutes.

Budgets

Our review of the 2009-2011 and 2011-2013 biennial budgets indicates the city has in most respects complied with the local budget law in the preparation, adoption, and execution of the 2009-2011 biennial budget and the preparation and adoption of the 2011-2013 biennial budget. However, we noted several procedural violations and that the following expenditures exceeded appropriations:

- | | | |
|--------------------|------------------------|----------|
| • Street Fund | Materials and services | \$36,375 |
| • Reserve Fund | Materials and services | \$103 |
| | Debt service | \$5,181 |
| • Water Fund | Personal services | \$982 |
| • Golf Course Fund | Debt service | \$45,743 |

CITY OF ONTARIO, OREGON
COMMENTS AND DISCLOSURES REQUIRED BY THE STATE OF OREGON
June 30, 2011

Insurance and Fidelity Bond Coverage

We examined policies relating to insurance and fidelity bond coverage and ascertained that such policies appeared to be in force and that they appeared to satisfy bond ordinances and other provisions. The City of Ontario has complied with the provisions of the statutes with respect to bonding of council members and employees. We are not competent by training to state whether the insurance policies in force at June 30, 2011, provide adequate coverage. We understand coverage is reviewed periodically with the city's agent of record and such reviews have been made recently.

Programs Funded From Outside Sources

We have audited the records and grant financial reports and made such tests, to the extent deemed appropriate for the programs in which the City of Ontario participates. Based on our audit, we found that for the items tested, the City of Ontario was in compliance with the material terms and conditions of the federal and state grant contracts and agreements. Further, based on our audit, nothing came to our attention to indicate that the City of Ontario had not complied with the material terms and conditions of federal and state grant contracts and agreements, which were not specifically tested. Each grant is subject to audit by the grantor agency and any adjustments may become a liability of the appropriate fund.

Public Contracts and Purchasing

Our review of city operations indicates the city is in compliance with the statutes relating to public contracting.

Investments

Our review of the city's investments indicates the city is in compliance with the statutes regarding the investments of surplus public funds.

Collateral

The city's bank balances of deposit at June 30, 2011, were either entirely insured or collateralized with the Federal Deposit Insurance Corporation, or the city deposit accounts were only maintained at financial institutions on the list of qualified depositors compiled by the Oregon State Treasurer.

Highway Funds

We have reviewed the city's compliance with Article IX, section 3a of the Oregon Constitution, and compliance with the statutes regarding the use of revenue from taxes on motor vehicle use fuel and road funds. Our review disclosed no conditions that we considered to be matters of noncompliance.

Accountability for Independently Elected Officials

The City of Ontario, Oregon does not have an elected official collecting or receiving money.

**OREGON AUDITS DIVISION
SUMMARY OF REVENUES AND EXPENDITURES**

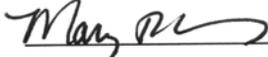
Name of Municipal Corporation City of Ontario

Address Ontario, Oregon 97914

Period Covered by Audit Report: From July 1, 2010 to June 30, 2011

Total Revenues and/or Receipts - All Funds		<u>\$ 16,839,352</u>
Less:		
Revenues of Component Units included in report of primary government	\$ -	
Taxes, assessments and other collections to be distributed to other governmental units	-	-
Net Revenues and/or Receipts		<u>\$ 16,839,352</u>
Total Expenditures and/or Disbursements - All Funds		<u>\$ 13,661,164</u>
Less:		
Expenditures of Component Units included in report of primary government	\$ -	
Turnovers to other municipal corporations		
Taxes and Assessments	-	
Other Distributions	-	
Net Expenditures and/or Disbursements		<u>\$ 13,661,164</u>

The above information is based upon the revenues and expenditures/expenses for all funds of the municipal corporation on the basis of accounting used in the audited or reviewed financial statements.

Auditor/Firm Signature 

PLEASE ENCLOSE PAYMENT WITH SUMMARY

Over	Not Over	Fee	ORS 297.485 (1)
	\$ 50,000	\$ 20	
\$ 50,000	150,000	40	
150,000	500,000	150	
500,000	1,000,000	200	...The filing fee shall be determined by the total expenditures made by the municipal corporation for any and all purposes during the calendar or fiscal year audited, <u>except</u> that expenditures for principal of bonded debt, principal of short-term loans, principal of warrants redeemed which were issued during prior audit periods, transfers or loans between funds and turnovers of taxes or other trust moneys to other municipal corporations shall not be included in the total expenditures upon which the amount of the fee is based.
1,000,000	5,000,000	250	
5,000,000	10,000,000	300	
10,000,000	50,000,000	350	
50,000,000		400	
			<i>(Net Expenditures and/or Disbursements)</i>

Within 30 days after submitting the audit report to the municipal corporation, one copy of this summary must be filed with the Secretary of State, Division of Audits, Salem, Oregon 97310, and one copy must be delivered to the municipal corporation.

For Use by Division of Audits

Account Code _____ Firm Code _____ Filing Fee _____

CITY OF ONTARIO, OREGON

SINGLE AUDIT

For the Year Ended June 30, 2011

CITY OF ONTARIO, OREGON
SINGLE AUDIT
June 30, 2011

CONTENTS

	<u>Page</u>
Schedule of Expenditures of Federal Awards	68
Notes to the Schedule of Expenditures of Federal Awards	69
Schedule of Findings and Questioned Costs	70-71
Report on Compliance on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	72-73
Report on Compliance with Requirements Applicable to each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	74-75

CITY OF ONTARIO, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Budget Basis)
For the Year Ended
June 30, 2011

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Receipts	Expenditures
<u>Federal Aviation Administration</u>			
Direct Program			
Airport Improvement Program	* 20.106	\$ 722,081	\$ 722,081
<u>National Highway Traffic Safety Administration</u>			
Passed through Oregon Department of Transportation			
State and Community Highway Safety	20.600	5,705	4,815
Passed through Malheur County			
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	6,060	6,060
State and Community Highway Safety	20.600	43,227	48,930
<u>U. S. Department of Justice</u>			
Passed through Oregon Office of Homeland Security			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	111,355	103,058
<u>U.S. Department of Energy</u>			
Passed through Oregon Department of Energy			
State Energy Program (ARRA)	* 81.041	511,683	608,758
<u>Department Homeland Security</u>			
Direct Programs			
Assistance to Firefighters Grant	97.044	-	4,320
Total federal assistance		<u>\$ 1,400,111</u>	<u>\$ 1,498,022</u>

* Denotes program tested as major program

See accompanying notes to the schedule of expenditures of federal awards.

CITY OF ONTARIO, OREGON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year Ended
June 30, 2011

Note A. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Ontario, Oregon, and is presented on the budget basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

CITY OF ONTARIO, OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2011

SUMMARY OF AUDITOR'S RESULTS

Type of Report Issued

In our report for the City of Ontario, Oregon, our opinion was unqualified.

Significant Deficiencies in Internal Control

Our audit of the financial statements of the City of Ontario, Oregon disclosed a significant deficiency in internal control.

Noncompliance Material to Financial Statements

Our audit of the financial statements of the City of Ontario, Oregon did not disclose any noncompliance which is material to the financial statements.

Significant Deficiencies in Internal Control Over Major Programs

Our audit of the financial statements of the City of Ontario, Oregon did not disclose any significant deficiencies in internal control over major federal programs.

Type of Report Issued on Compliance for Major Programs

We have issued an unqualified opinion on compliance with requirements applicable to each major federal program.

Audit Findings

Our audit of the City of Ontario, Oregon did not disclose any audit findings that we are required to report in accordance with OMB Circular A-133.

Identification of Major Programs

Federal Aviation Administration

Airport Improvement Program 20.106 \$722,081

U.S. Department of Energy

State Energy Program (ARRA) 81.041 \$608,758

Dollar Threshold Used to Distinguish Between Type A and Type B Programs

Type A programs are the programs with total program expended funds of \$300,000 or more.

CITY OF ONTARIO, OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2011

Risk Classification of Auditee

We have determined that the City of Ontario, Oregon does not qualify as a low-risk auditee.

FINDINGS IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Our audit disclosed findings required to be reported in accordance with *Government Auditing Standards*.

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Current Year Findings

MATERIAL WEAKNESS

Finding 2011-1. Timely reconciliations

Condition. Timely reconciliations were not performed on the city's cash accounts.

Criteria. Internal controls should be in place that provides reasonable assurance that accounts are reconciled from the general ledger to the bank balances monthly.

Cause. The bank reconciliation process in the computer software was not completely understood. The checks that were withdrawn were checked with the ledger, but no actual reconciliation was done.

Effect. At the end of the year management had to go back through the cash accounts to figure out the differences between the general ledger and the bank statement. Then an adjusting journal entry was required to be made.

Recommendation. The city needs to ensure that bank accounts are reconciled to the general ledger monthly.

Management response. The city believes that a large portion of this problem was due to the fact that the cash was tracked through one cash account in the city's accounting software. This has made it difficult to know the balance of each account to be reconciled. As of September 2011, the city has begun the process of separating some of the bank accounts into a separate cash accounts in the general ledger for easier reconciling and reporting. Also, management has worked with the software company regarding the reconciliation process.

Prior Year Findings

The audit for the year ended June 30, 2010 did not report any findings and questioned costs, as a single audit was not required.

**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**

City Council
City of Ontario
Ontario, Malheur County, Oregon

We have audited the financial statements of the governmental activities, business-type activities, the internal service fund, each major fund, and the aggregate remaining fund information of City of Ontario as of and for the year ended June 30, 2011, which collectively comprise the City of Ontario's basic financial statements and have issued our report thereon dated March 20, 2012. 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.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 city's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as items 2011-1 to be material weaknesses.

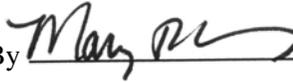
Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Ontario's financial statements are free of 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.

We noted certain matters that we reported to management of City of Ontario in a separate letter dated March 20, 2012.

This report is intended solely for the information and use of the city council, management, others within the city, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Oster Professional Group, CPA's, PC

By  _____

Burns, Oregon
March 20, 2012

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

City Council
City of Ontario
Ontario, Malheur County, Oregon

Compliance

We have audited the compliance of City of Ontario, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2011. City of Ontario's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Ontario's management. Our responsibility is to express an opinion on City of Ontario's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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'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. Our audit does not provide a legal determination on City of Ontario's compliance with those requirements.

In our opinion, City of Ontario, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of City of Ontario is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Ontario's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 City of Ontario'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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the management, city council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Oster Professional Group, CPA's, PC

By  _____

Burns, Oregon
March 20, 2012