

**CITY OF ONTARIO, OREGON**  
**ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended  
June 30, 2006**



428-2006

AUDITS MUNICIPALITIES

	Date	Initial
Rec'd	6-25-07	BH
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**CITY OF ONTARIO, OREGON  
ANNUAL FINANCIAL REPORT  
For the Fiscal Year Ended June 30, 2006**

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**CITY OF ONTARIO, OREGON  
OFFICIALS OF THE CITY  
As of June 30, 2006**

**MAYOR AND CITY COUNCIL**

<u>Name</u>	<u>Position</u>
LeRoy Cammack 1231 SW 11 <sup>th</sup> Avenue Ontario, Oregon 97914	Mayor
John Gaskill 1006 SW 6 <sup>th</sup> Avenue Ontario, Oregon 97914	Council President
Audrey Jacobs 125 SW 13 <sup>th</sup> Street Ontario, Oregon 97914	Council Member
Earl Cheatham 1242 SW 11 <sup>th</sup> Avenue Ontario, Oregon 97914	Council Member
Jim Mosier 1237 SW 12 <sup>th</sup> Avenue Ontario, Oregon 97914	Council Member
Dan Cummings 1065 SW 11 <sup>th</sup> Avenue Ontario, Oregon 97914	Council Member
Lewie Allen 1285 SW 11 <sup>th</sup> Street Ontario, Oregon 97914	Council Member

**CITY ADMINISTRATION**

Scott Trainor	City Manager
Rachel Hopper	Finance Director
Mike Kee	Chief of Police
Terry Mairs	Fire Chief
Steve Gaschler	Director of Public Works
Kathy Daly	Director of Aquatics, Recreation and Parks
Darlyne Johnson	Director of Library
Tori Barnett, CMC	City Recorder

**CITY ADDRESS**

City Hall  
444 SW 4<sup>th</sup> Street  
Ontario, Oregon 97914



# **FINANCIAL SECTION**



## Dickey and Tremper, LLP

Certified Public Accountants and Business Advisors

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Pendleton, OR 97801  
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### INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Ontario, Oregon

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ontario, Oregon, as of and for the year ended June 30, 2006, 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, Oregon'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 financial statements. An audit also includes assessing the accounting principles used and 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, each major fund, and the aggregate remaining fund information of the City of Ontario, Oregon, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for the General Fund 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 November 22, 2006, on our consideration of the City of Ontario, Oregon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

A

## **INDEPENDENT AUDITOR'S REPORT (Continued)**

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ontario, Oregon's basic financial statements. The accompanying financial and supplemental information as listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Ontario, Oregon. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

*Dickey and Tremper, LLP*  
**Dickey and Tremper, LLP**  
**Certified Public Accountants**

November 22, 2006





City of Ontario Oregon  
Management's Discussion & Analysis  
June 30, 2006

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

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As management of the City of Ontario, Oregon, (City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2006. 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 the close of the most recent fiscal year by \$62,020,264 (net assets). Of this amount, \$10,063,452 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- ❖ At the end of the current fiscal year, unreserved and undesignated fund balance for the General Fund was \$1,869,908, or 32.4% of total General Fund expenditures.

### USING THIS 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. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. These basic financial statements are 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, 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.
- ❖ **Component units** – The City's governmental activities do not include any separate legal entities for which the City is financially accountable, therefore, the City is considered a single entity without any component units.

### **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.

- ❖ **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 net assets (Tables 1a and 2a) and the City's governmental and business-type activities (Tables 1b and 2b).

**Table 1a  
STATEMENT OF NET ASSETS  
June 30, 2006**

	<b>Governmental Activities</b>	
	<b>FY 2006</b>	<b>FY 2005</b>
Current and other assets	\$ 10,228,566	\$ 9,173,279
Capital assets (net of accumulated depreciation)	12,913,783	17,356,336
<b>Total Assets</b>	<b>23,142,349</b>	<b>26,529,615</b>
Current Liabilities	826,995	1,129,136
Noncurrent liabilities:		
Due within one year	55,377	65,377
Due in more than one year	692,208	747,585
<b>Total Liabilities</b>	<b>1,574,580</b>	<b>1,942,098</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	12,166,198	16,543,374
Restricted for:		
Debt service	249,335	198,285
Streets	1,238,828	1,248,832
Other	284,458	-
Unrestricted (deficit)	7,628,950	6,597,026
<b>Total Net Assets</b>	<b>\$ 21,567,769</b>	<b>\$ 24,587,517</b>

The City's net assets from governmental activities decreased 12.3% from \$24,587,517 to \$21,567,769. This decrease of \$3,019,748 comes from the change in net assets 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 1a:

- ❖ Current and other assets increased by \$1,055,287 which is made up of slightly reduced revenues in the General Fund, in the Grant Fund thru increased Homeland Security grant funds, and in the Capital Projects Fund through increased loan proceeds and increased capital expenditures on the water treatment plant and system upgrade.
- ❖ Capital assets experienced a net decrease (net of depreciation and disposition) of \$4,442,553 principally due to depreciation exceeding capital additions and work in progress transferred to the business type activities.
- ❖ Long-term debt decreased by \$65,377 due to the principal payments on existing debt.

- ❖ Invested in capital assets net of debt decreased by \$4.38 million due to depreciation exceeding capital additions.
- ❖ Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements, changed from \$6.6 million at June 30, 2005 to \$7.6 million at the end of this year. The net increase of \$1.0 million is due principally to an increase in cash for capital work in progress as project reimbursements were received. The larger depreciation expenses to the General and Street fund are related to the GASB 34 reporting requirements.

**Table 2a**  
**STATEMENT OF NET ASSETS**  
**June 30, 2006**

	<b>Business-type Activities</b>	
	<b>FY 2006</b>	<b>FY 2005</b>
Current and other assets	\$ 3,898,639	\$ 2,574,051
Capital assets (net of accumulated depreciation)	49,774,811	47,129,804
<b>Total Assets</b>	<b>53,673,450</b>	<b>49,703,855</b>
Long-term debt outstanding (less current portion)	11,985,785	8,712,462
Other liabilities	1,235,170	1,286,787
<b>Total Liabilities</b>	<b>13,220,955</b>	<b>9,999,249</b>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	36,919,774	37,556,628
Restricted for debt service	1,098,219	1,032,282
Unrestricted (Deficit)	2,434,502	1,115,696
<b>Total Net Assets</b>	<b>\$ 40,452,495</b>	<b>\$ 39,704,606</b>

The City's net assets from business-type activities increased 1.88% from \$39,704,606 to \$40,452,495. This increase of \$747,889 comes from the change in net assets 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 2a:

- ❖ Current and other assets increased by \$1,324,588 principally due to an increased beginning cash position in the Public Works Fund.
- ❖ Capital assets increased (net of depreciation and disposition) by \$2,645,007 principally due to capital items that were classified as work in progress status (not yet capitalized) from the prior year that are now being reported, and new projects that were completed and capitalized.
- ❖ Long-term debt increased by \$3,273,323 due to the net result of the new DEQ note (interim financing) for the water treatment plant upgrade, and the principal payments on bonded debt.
- ❖ Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements, changed from \$1.1 million at June 30, 2005 to \$2.4 million at the end of this year. The net increase of \$1.3 million is due principally to an increase in beginning current assets for the year.

**Fiscal Year 2006 Governmental Activities**  
(See Table 1b)

<b>Sources of Revenue</b>	<b>Functional Expenses</b>
Property Taxes, Charges for Services	General Government <i>Administrative &amp; Community Development</i>
Property Taxes, 9-1-1 Taxes & Agency Contracts	Public Safety <i>Police, Fire &amp; 9-1-1</i>
State Street Tax & Public Works Franchise Fees	Highways and Streets <i>Street Department</i>
Property Taxes, Transient Room Taxes & Charges for Services	Culture & Recreation <i>Aquatic, Parks &amp; Recreation</i> <i>V&amp;C &amp; Cultural Center (TRT Only)</i>

**Table 1b**  
**STATEMENT OF ACTIVITIES**  
June 30, 2006

	<b>Governmental Activities</b>	
	<b>FY 2006</b>	<b>FY 2005</b>
<b>Revenues</b>		
Program Revenues		
Charges for Services	\$ 968,215	\$ 848,415
Operating Grants & Contributions	1,490,243	1,477,917
Capital Grants & Contributions	928,310	58,570
General Revenues:		
Taxes		
Property Taxes	2,753,664	2,497,652
Franchise Taxes	1,446,679	1,228,221
Interest and Investment Earnings	157,943	287,389
Miscellaneous	390,110	94,140
Gain (loss) on disposition of capital assets	65,315	-
Transfers	161,307	(497,741)
<b>Total Revenues and Transfers</b>	<b>\$ 8,361,786</b>	<b>\$ 5,994,563</b>
<b>Expenses</b>		
General Government	1,404,762	1,440,806
Public Safety	3,558,817	3,371,225
Highways and Streets	5,025,504	4,932,524
Culture and Recreation	1,341,796	1,382,953
Interest on Long-Term Debt	50,655	34,515
<b>Total Expenses</b>	<b>\$ 11,381,534</b>	<b>\$ 11,162,023</b>
<b>Increase (decrease) in Net Assets</b>	<b>\$ (3,019,748)</b>	<b>\$ (5,167,460)</b>

The City's total revenues from Governmental Activities increased from a year ago by \$2.3 million (39.5%) while the total cost of all programs and services increased by \$219,511 (1.97%). The major increases in revenues came from capital grants and contribution for airport and homeland security projects, and increased transfers into the Capital Projects fund from the Public Works and Reserve Funds to complete the water treatment plant project. The increase in Miscellaneous General Revenues is due to one-time payments to the Capital Projects Fund from commercial developers to offset the costs of traffic impact studies and improvements related to their development.

**Governmental Activities**

Table 1c presents the cost of each of the City's five largest programs – general government, public safety, highways and streets, culture and recreation, and interest on long-term debt – as well as each program's *net* cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed either on the City's taxpayers, or new debt (highways and streets only) by each of these functions.

**Table 1c  
NET COST OF GOVERNMENTAL ACTIVITIES  
June 30, 2006**

	TOTAL COST OF SERVICES		NET COST OF SERVICES	
	FY 2006	FY 2005	FY 2006	FY 2005
General Government	1,404,762	1,440,806	105,081	(415,897)
Public Safety	3,558,817	3,371,225	(2,670,259)	(3,021,378)
Highways and Streets	5,025,504	4,932,524	(4,480,717)	(4,353,768)
Culture and Recreation	1,341,796	1,382,953	(898,216)	(951,563)
Interest on Long-Term Debt	50,655	34,515	(50,655)	(34,515)
<b>Totals</b>	<b>\$ 11,381,534</b>	<b>\$ 11,162,023</b>	<b>\$ (7,994,766)</b>	<b>\$ (8,777,121)</b>

- ❖ The decrease in the net cost of services for general government is again a reflection of the increased funding for the airport improvement project and homeland security (public safety) grants.
- ❖ Increased costs in highways and streets reflect the improvement projects completed which include reimbursement districts and other projects within the Capital Projects Fund.
- ❖ The net cost of services indicates that the overall cost of government is greater than the revenues generated to support it from fees and user charges. This is an indication that the taxes and general revenues charged by the City are necessary to support operations. The largest areas of tax support come from property taxes of \$2,753,664, franchise taxes of \$1,446,679, and street (gas) taxes of \$539,339. The largest areas of operations that require tax support are highways and streets and public safety. The large capital projects are completed with loan funding to be repaid through future user fees for the water system. See the statement of Activities for further detail on program revenues and general revenues.

**Fiscal Year 2006 Business-Type Activities**  
(See Table 2b)

<b>Sources of Revenue</b>	<b>Functional Expenses</b>
User Fees	Golf Course Operations
General Fund Transfer	Golf Debt Service
Utility Fees/Rates	Public Works

**Table 2b**  
**STATEMENT OF ACTIVITIES**  
**June 30, 2006**

	<b>Business-type Activities</b>	
	<b>FY 2006</b>	<b>FY 2005</b>
<b>Revenues</b>		
Program Revenues		
Charges for Services - Golf	\$ 79,727	\$ 93,718
Charges for Services - Public Works	6,181,425	5,493,798
General Revenues:		
Interest and Investment Earnings	264,258	23,353
Miscellaneous	66,888	-
Transfers	(161,307)	497,741
<b>Total Revenues and Transfers</b>	<b>\$ 6,430,991</b>	<b>\$ 6,108,610</b>
<b>Expenses</b>		
Golf	237,678	232,386
Public Works	5,445,424	5,363,216
<b>Total Expenses</b>	<b>\$ 5,683,102</b>	<b>\$ 5,595,602</b>
<b>Increase (decrease) in Net Assets</b>	<b>\$ 747,889</b>	<b>\$ 513,008</b>

The City's total revenues from Business-Type Activities increased from a year ago by \$322,381 (5.28%) while the total cost of all programs and services increased by \$87,500 (1.56%). The major increases in revenues came from changes in the rate structure for water and sewer services and a change in the water and sewer rates. These increases are reflective of the second step of a two-step water rate increase to ensure that water services are paying for themselves and provide for debt repayment on the water treatment plant upgrade. The sewer rate changes were done in an effort to charge customers for use rather than a flat residential rate.

**Business-Type Activities**

Table 2c presents the cost of each of the City's business-type programs – golf and public works – as well as each program's *net* cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's public works and golf fund balance by each of these functions.

**Table 2c**  
**NET COST OF BUSINESS-TYPE ACTIVITIES**  
**June 30, 2006**

	TOTAL COST OF SERVICES		NET COST OF SERVICES	
	FY 2006	FY 2005	FY 2006	FY 2005
Golf	237,678	232,386	(157,951)	(138,668)
Public Works	5,445,424	5,363,216	736,001	130,582
<b>Totals</b>	<b>\$ 5,683,102</b>	<b>\$ 5,595,602</b>	<b>\$ 578,050</b>	<b>\$ (8,086)</b>

- ❖ The increase in the net cost of services for golf is a reflection of a debt service obligation that carries an increasing principal payment within the amortization schedule, as well as a decrease in program revenues for the year.
- ❖ The decrease in the net cost of services for public works is a reflection of the increased revenues within the fund due to water and sewer rate structure changes and water rate increases.
- ❖ The net cost of services indicates that the overall cost of golf and public works operations is greater than the revenues generated to support it from fees and user charges. This is due to the golf operations alone and reflects the Budget Committee's position that the General Fund pay outstanding debt service obligations for the existing golf course. This is an indication that the golf fees and general revenues charged by the City are necessary to support operations, or this net cost would equal that of the golf expenses. See the statement of Activities for further detail on program revenues and general revenues.

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

At year-end the City's governmental funds reported combined fund balances of \$8,429,689, which is an increase of \$1,512,305 or 21.8% from last year. This change is due primarily to an increase in the Capital Projects Fund fund balance of \$1,166,050, and slight increases in the General and Grant Fund balance as compared to 2004-2005.

❖ The General Fund closed the year with a fund balance of \$142,043 higher than 2004-2005.

At year-end the City's business-type funds reported combined fund balances of \$3,680,773, which represents an increase of \$1,384,304 or 60.28% from last year. This change is due primarily to an increase in Charges for Services and interest earnings within the Public Works Fund, despite a negative fund balance in the Golf Fund.

### **General Fund Budgetary Highlights**

The final appropriations for personal services and material and services for the General Fund at year-end were \$5,193,882, (when using 50% of the 2005-2007 Biennial Budget) and actual expenditures were \$4,848,909, for a savings of \$344,973. The budget to actual variance in appropriations was due in part to savings through a change to contract services within the Building Department, the retirement of the Fire Chief and subsequent elimination of the Deputy Fire Chief position, and spending cutbacks throughout the fund. Actual expenditures for the General Fund were \$102,028 (2.15%) higher than 2004-2005.

Actual revenues exceeded budgeted (when using 50% of 2005-2007 Biennial Budget) revenues by \$440,112 in 2005-2006, due principally to property tax and license and permit revenues that exceeded projections according to the 'half-way' mark of the 2005-2007 Biennial Budget. Despite the positive position of budget to actual in revenues, the General Fund revenues were still \$91,594 less than the 2004-2005 actual revenues.

### **Public Works Fund Budgetary Highlights**

The final appropriations for personal services and material and services for the Public Works Fund at year-end were \$3,245,565 (when using 50% of the 2005-2007 Biennial Budget) and actual expenditures were \$2,860,572, for a savings of \$384,993. The budget to actual variance in appropriations was principally due to savings in Sewer Department personal services as a result of the elimination of the Sewer Treatment Plant Supervisor position following retirement and combining duties with the existing Water Treatment Plant Supervisor. Additionally, there was a delay in ordering radio read meters within the Utility Maintenance Department until the second half of the 2005-2007 Biennial Budget period. Actual Expenditures for the Public Works Fund were \$60,503 (2.16%) higher than 2004-2005.

Actual revenues (when using 50% of 2005-2007 Biennial Budget) were below budgeted revenues by \$63,245 in 2005-2006, due principally to uncollected miscellaneous revenues. Despite being below budget projections, the Public Works Fund revenues were \$995,314 (18.04%) greater than the 2004-2005 actual revenues.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal year 2006, the City had \$62,688,594 invested in a broad range of capital assets, including police and fire equipment, buildings, land, park facilities, roads, water and sewer treatment facilities and transmission and collection lines, and public works equipment. (See Tables 3a and 3b below.) This amount represents a net decrease (including additions, surplus and depreciation) of \$1,797,546 (-2.79%) compared to fiscal year end 2005.

**Table 3a**  
**CAPITAL ASSETS AT YEAR-END**  
**(Net of Depreciation)**

	<b>Governmental Activities</b>	
	<b>FY 2006</b>	<b>FY 2005</b>
Land & Const in Progress	\$ 1,100,324	\$ 2,021,546
Buildings and Improvements	170,498	135,578
Equipment	1,597,652	1,503,250
Infrastructure	10,045,309	13,695,962
<b>Totals</b>	<b>\$ 12,913,783</b>	<b>\$ 17,356,336</b>

Decreases are due to accumulated depreciation totals exceeding new capital additions for the fiscal year.

**Table 3b**  
**CAPITAL ASSETS AT YEAR-END**  
**(Net of Depreciation)**

	<b>Business-type Activities</b>	
	<b>FY 2006</b>	<b>FY 2005</b>
Land & Const in Progress	\$ 2,451,801	\$ 2,822,427
Buildings and Improvements	15,644,783	15,703,172
Equipment	4,186,139	5,126,666
Infrastructure	27,492,088	23,477,539
<b>Totals</b>	<b>\$ 49,774,811</b>	<b>\$ 47,129,804</b>

Increases are due to new capital additions exceeding accumulated depreciation totals for the year.

## Debt

At year-end, the City had \$14,041,902 in long term liabilities (see Table 4). This represents a net increase of \$3,240,401 due to a new interim financing agreement for the water treatment plant upgrade, and the reduction in principal balances from current year principal payments.

**Table 4**  
**DEBT AT YEAR-END**

	<u>2006</u>	<u>2005</u>
<b>Governmental activities:</b>		
Special Assessment Debt with Governmental Commitment	\$ 747,585	\$ 812,962
Contracts, Loans and Notes	-	-
Compensated Absences	<u>332,226</u>	<u>294,281</u>
 Governmental activity Long-term liabilities	 <u>\$ 1,079,811</u>	 <u>\$ 1,107,243</u>
 <b>Business - type activities:</b>		
Certificates of Participation (COP's)	\$ 515,973	\$ 590,044
Golf Course Econ Dev Note	\$ 9,018	\$ 11,106
Water Revenue Bonds	606,768	693,445
Contracts, Loans and Notes	11,723,278	8,278,581
Compensated Absences	<u>107,054</u>	<u>121,082</u>
 Business-type activity Long-term liabilities	 <u>\$12,962,091</u>	 <u>\$ 9,694,258</u>
	 <u>\$14,041,902</u>	 <u>\$10,801,501</u>

## 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 first Biennial Budget for 2005-2007. 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 the water treatment upgrade project expenditures.

The overall 2005-2007 Biennial Budget reflects a decrease in expenditures of \$10,175,367 or 18.13%, when compared to the prior two budget years for fiscal years 2003-2004 and 2004-2005. With the completion of the first year of the Biennial Budget, management staff have successfully demonstrated the ability to create realistic projections and the ability to work within the established parameters of a two-year budget

## 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 Rachel Hopper, Finance Director, 444 SW 4<sup>th</sup> Street, Ontario, Oregon 97914.



# **BASIC FINANCIAL STATEMENTS**



**CITY OF ONTARIO, OREGON**  
**STATEMENT OF NET ASSETS**  
**June 30, 2006**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,353,239	\$ 2,155,406	\$ 8,508,645
Receivables:			
Accounts	105,033	636,062	741,095
Intergovernmental	358,276	-	358,276
Property taxes	178,982	-	178,982
Assessments	719,548	-	719,548
Notes	449,836	-	449,836
Internal balances	58,363	(58,363)	-
Inventories	4,324	67,315	71,639
Restricted assets (temporary)			
Cash and cash equivalents	1,539,465	1,098,219	2,637,684
Investments	461,500	-	461,500
Capital assets:			
Land	864,587	2,451,801	3,316,388
Construction in progress	235,737	-	235,737
Depreciable assets, net of accumulated depreciation	11,813,459	47,323,010	59,136,469
Total assets	<u>23,142,349</u>	<u>53,673,450</u>	<u>76,815,799</u>
<b>LIABILITIES</b>			
Accounts payable	236,855	81,403	318,258
Customer deposits	-	69,148	69,148
Deferred revenue	242,975	-	242,975
Accrued interest payable	14,939	108,313	123,252
Compensated absences	332,226	107,054	439,280
Noncurrent liabilities:			
Due within one year	55,377	869,252	924,629
Due in more than one year	692,208	11,985,785	12,677,993
Total liabilities	<u>1,574,580</u>	<u>13,220,955</u>	<u>14,795,535</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	12,166,198	36,919,774	49,085,972
Restricted for:			
Debt service	249,335	1,098,219	1,347,554
Streets	1,238,828	-	1,238,828
Other	284,458	-	284,458
Unrestricted	7,628,950	2,434,502	10,063,452
Total net assets	<u>\$ 21,567,769</u>	<u>\$ 40,452,495</u>	<u>\$ 62,020,264</u>

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

**CITY OF ONTARIO, OREGON  
STATEMENT OF ACTIVITIES  
For the fiscal year ended June 30, 2006**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary government:</b>				
<b>Governmental activities:</b>				
General government	\$ 1,404,762	\$ 701,484	\$ 336,929	\$ 471,430
Public safety	3,558,817	42,952	388,726	456,880
Highways and streets	5,025,504	-	544,787	-
Culture and recreation	1,341,796	223,779	219,801	-
Interest on long-term debt	50,655	-	-	-
<b>Total governmental activities</b>	<b>11,381,534</b>	<b>968,215</b>	<b>1,490,243</b>	<b>928,310</b>
<b>Business-type activities:</b>				
Golf	237,678	79,727	-	-
Public Works	5,445,424	6,181,425	-	-
<b>Total business-type activities</b>	<b>5,683,102</b>	<b>6,261,152</b>	<b>-</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 17,064,636</b>	<b>\$ 7,229,367</b>	<b>\$ 1,490,243</b>	<b>\$ 928,310</b>

**General revenues:**

**Taxes**

  Property taxes, levied for general purposes

  Franchise taxes

  Interest and investment earnings

  Miscellaneous

  Gain (loss) on disposition of capital assets

Transfers

**Total general revenues, special items and transfers**

  Change in net assets

Net assets - beginning

Net assets - ending

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

**Net (Expense) Revenue and  
Change in Net Assets**

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ 105,081	\$ -	\$ 105,081
(2,670,259)	-	(2,670,259)
(4,480,717)	-	(4,480,717)
(898,216)	-	(898,216)
(50,655)	-	(50,655)
<u>(7,994,766)</u>	<u>-</u>	<u>(7,994,766)</u>
-	(157,951)	(157,951)
-	736,001	736,001
<u>-</u>	<u>578,050</u>	<u>578,050</u>
<u>(7,994,766)</u>	<u>578,050</u>	<u>(7,416,716)</u>
2,753,664	-	2,753,664
1,446,679	-	1,446,679
157,943	264,258	422,201
390,110	66,888	456,998
65,315	-	65,315
161,307	(161,307)	-
<u>4,975,018</u>	<u>169,839</u>	<u>5,144,857</u>
(3,019,748)	747,889	(2,271,859)
<u>24,587,517</u>	<u>39,704,606</u>	<u>64,292,123</u>
<u>\$ 21,567,769</u>	<u>\$ 40,452,495</u>	<u>\$ 62,020,264</u>



## **FUND FINANCIAL STATEMENTS**

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### **Major Governmental Funds**

#### **General Fund**

The General Fund accounts for the financial operations of the City not accounted for in any other fund. Principal sources of revenue are property taxes, franchise fees, hotel-motel tax, and state shared revenues. Expenditures are primarily for Police, Fire, and General Operations.

#### **Capital Project Fund**

The Capital Projects Fund accounts for the financing and construction of improvements, which are paid for, wholly or in part, from special assessments levied against benefited properties. Other activity includes repair and maintenance of City infrastructure to include sewer, water, storm lines and streets.

**CITY OF ONTARIO, OREGON  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2006**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,524,299	\$ 2,113,667	\$ 4,254,738	\$ 7,892,704
Investments	-	-	461,500	461,500
Receivables:				
Property taxes	178,982	-	-	178,982
Interfund	318,451	-	-	318,451
Accounts	42,962	48,547	13,524	105,033
Intergovernmental	27,093	-	331,183	358,276
Assessments	-	-	719,548	719,548
Notes	-	-	449,836	449,836
Inventory	-	-	4,324	4,324
<b>Total assets</b>	<b><u>\$ 2,091,787</u></b>	<b><u>\$ 2,162,214</u></b>	<b><u>\$ 6,234,653</u></b>	<b><u>\$ 10,488,654</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 75,318	\$ 59,598	\$ 101,939	\$ 236,855
Matured interest outstanding	-	-	3,102	3,102
Interfund payable	-	17,813	242,275	260,088
Deferred revenue	146,561	-	1,412,359	1,558,920
<b>Total liabilities</b>	<b><u>221,879</u></b>	<b><u>77,411</u></b>	<b><u>1,759,675</u></b>	<b><u>2,058,965</u></b>
<b>Fund balances</b>				
Reserved for:				
Debt service	-	-	249,335	249,335
Unreserved, reported in:				
Major funds	1,869,908	2,084,803	-	3,954,711
Special revenue funds	-	-	4,225,643	4,225,643
<b>Total fund balances</b>	<b><u>1,869,908</u></b>	<b><u>2,084,803</u></b>	<b><u>4,474,978</u></b>	<b><u>8,429,689</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 2,091,787</u></b>	<b><u>\$ 2,162,214</u></b>	<b><u>\$ 6,234,653</u></b>	<b><u>\$ 10,488,654</u></b>

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

**CITY OF ONTARIO, OREGON  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
June 30, 2006**

<b>Fund balances - total governmental funds</b>	<b>\$ 8,429,689</b>
<p>Amounts reported for governmental activities in the Statement of Net Assets on page 1 are different because:</p>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	12,913,783
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. Deferred revenues	1,315,945
Accrued compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(332,226)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the fund statements.	(11,837)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(747,585)</u>
<b>Net assets of governmental activities</b>	<b><u>\$ 21,567,769</u></b>

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

**CITY OF ONTARIO, OREGON**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the fiscal year ended June 30, 2006**

	General Fund	Capital Projects Fund	Other Governmental Funds	Total
<b>Revenues</b>				
Taxes	\$ 3,955,572	\$ -	\$ 295,618	\$ 4,251,190
Licenses and permits	202,255	-	-	202,255
Intergovernmental	589,577	-	1,828,975	2,418,552
Charges for services	269,050	454,561	16,454	740,065
Fines and forfeitures	15,255	-	10,640	25,895
Special assessments	-	-	62,088	62,088
Interest	78,920	-	79,023	157,943
Loan repayments	-	-	373,715	373,715
Miscellaneous	66,043	262,400	61,624	390,067
<b>Total revenues</b>	<u>5,176,672</u>	<u>716,961</u>	<u>2,728,137</u>	<u>8,621,770</u>
<b>Expenditures</b>				
Current:				
General government	1,210,415	-	311,231	1,521,646
Public safety	2,930,520	-	442,036	3,372,556
Highways and streets	-	-	744,031	744,031
Culture and recreation	707,974	-	411,585	1,119,559
Capital outlay	76,793	2,969,621	2,148,721	5,195,135
Debt Service	-	-	231,947	231,947
<b>Total expenditures</b>	<u>4,925,702</u>	<u>2,969,621</u>	<u>4,289,551</u>	<u>12,184,874</u>
<b>Revenues over (under) expenditures</b>	<u>250,970</u>	<u>(2,252,660)</u>	<u>(1,561,414)</u>	<u>(3,563,104)</u>
<b>Other financing sources (uses)</b>				
Sale of property	-	-	65,315	65,315
Issuance of debt	-	4,142,658	-	4,142,658
Transfers in	743,280	-	1,780,567	2,523,847
Transfers out	(852,207)	(723,948)	(80,256)	(1,656,411)
<b>Total other financing sources (uses)</b>	<u>(108,927)</u>	<u>3,418,710</u>	<u>1,765,626</u>	<u>5,075,409</u>
<b>Net change in fund balances</b>	142,043	1,166,050	204,212	1,512,305
<b>Fund balances, July 1, 2005</b>	<u>1,727,865</u>	<u>918,753</u>	<u>4,270,766</u>	<u>6,917,384</u>
<b>Fund balances, June 30, 2006</b>	<u>\$ 1,869,908</u>	<u>\$ 2,084,803</u>	<u>\$ 4,474,978</u>	<u>\$ 8,429,689</u>

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

**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 fiscal year ended June 30, 2006**

**Net change in fund balances - total governmental funds** **\$ 1,512,305**

Amounts reported for governmental activities in the statement of activities  
(page 2) are different because:

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

Capital asset additions	1,466,908	
Depreciation expense	<u>(4,752,502)</u>	(3,285,594)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Deferred revenues		(117,809)
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Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Debt principal repayments		65,377
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The Capital Projects and Reserve Funds received loan proceeds and expended funds to construct and acquire capital assets for the enterprise funds. The debt and capital assets were assumed by the Business-Type Activities.

Issuance of debt	(4,142,658)	
Debt assumed by Business-Type Activities	4,142,658	
Capital assets provided to Business-Type Activities	(4,848,787)	
Current year capital outlay expenditures	<u>3,691,828</u>	(1,156,959)

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.

Change in accrued interest expense	877	
Change in compensated absences	<u>(37,945)</u>	<u>(37,068)</u>

**Change in net assets - governmental activities** **\$ (3,019,748)**

**CITY OF ONTARIO, OREGON  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the fiscal year ended June 30, 2006**

	2005-2007 Budgeted Amounts		1st Year Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ 5,332,432	\$ 5,332,432	\$ 2,782,213	\$ (2,550,219)
Other	1,788,720	1,788,720	1,173,359	(615,361)
Licenses and permits	201,800	281,800	202,255	(79,545)
Intergovernmental	1,025,251	1,050,251	589,577	(460,674)
Charges for services	710,475	768,675	269,050	(499,625)
Fines and forfeitures	28,000	28,000	15,255	(12,745)
Interest	156,000	156,000	78,920	(77,080)
Miscellaneous	61,326	67,243	66,043	(1,200)
<b>TOTAL REVENUES</b>	<b>9,304,004</b>	<b>9,473,121</b>	<b>5,176,672</b>	<b>(4,296,449)</b>
<b>EXPENDITURES</b>				
Current:				
General government	2,624,779	2,766,779	1,210,415	1,556,364
Public safety	6,121,502	6,175,674	2,930,520	3,245,154
Culture and recreation	1,445,311	1,445,311	707,974	737,337
Capital outlay	106,600	106,600	76,793	29,807
Contingency	495,222	399,631	-	399,631
<b>TOTAL EXPENDITURES</b>	<b>10,793,414</b>	<b>10,893,995</b>	<b>4,925,702</b>	<b>5,968,293</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(1,489,410)</b>	<b>(1,420,874)</b>	<b>250,970</b>	<b>1,671,844</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,486,553	1,486,553	743,280	(743,273)
Transfers out	(1,001,815)	(1,070,351)	(852,207)	218,144
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>484,738</b>	<b>416,202</b>	<b>(108,927)</b>	<b>(525,129)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(1,004,672)</b>	<b>(1,004,672)</b>	<b>142,043</b>	<b>1,146,715</b>
<b>FUND BALANCE, JULY 1, 2005</b>	<b>1,004,672</b>	<b>1,004,672</b>	<b>1,727,865</b>	<b>723,193</b>
<b>FUND BALANCE, JUNE 30, 2006</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,869,908</b>	<b>\$ 1,869,908</b>

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

## **FUND FINANCIAL STATEMENTS**

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### **Proprietary Funds**

The City of Ontario utilizes two Proprietary Funds comprised of Enterprise Funds.

Enterprise Funds are used to report for activities for which a fee is charged to external users for goods and services, and to account for the acquisition, operation, and maintenance of the water, sewer, storm water, and a public golf course. These funds are entirely or predominantly self-supported through user charges to the customer. Funds included are:

- **Golf Course Fund (Non-Major)**
- **Public Works Fund (Major)**

**CITY OF ONTARIO, OREGON  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2006**

	<b>Business-type Activities - Enterprise Funds</b>		
	<u>Non-Major</u>		
	Golf Course Fund	Public Works Fund	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 2,155,406	\$ 2,155,406
Restricted cash and cash equivalents	-	1,098,219	1,098,219
Accounts receivable, net	5,809	630,253	636,062
Inventories	-	67,315	67,315
Total current assets	5,809	3,951,193	3,957,002
<b>CAPITAL ASSETS, NET</b>	<u>1,175,993</u>	<u>48,598,818</u>	<u>49,774,811</u>
Total assets	<u>\$ 1,181,802</u>	<u>\$ 52,550,011</u>	<u>\$ 53,731,813</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 4,566	\$ 76,837	\$ 81,403
Customer deposits	-	69,148	69,148
Accrued interest payable	8,788	99,525	108,313
Interfund payable	58,363	-	58,363
Compensated absences payable	-	107,054	107,054
Current portion of long-term debt	77,124	792,128	869,252
Total current liabilities	<u>148,841</u>	<u>1,144,692</u>	<u>1,293,533</u>
<b>LONG TERM DEBT - LESS CURRENT PORTION</b>			
Water revenue bonds payable	-	520,088	520,088
Certificates of participation	440,957	-	440,957
Contracts, loans and notes payable	6,910	11,017,830	11,024,740
Total long-term liabilities	<u>447,867</u>	<u>11,537,918</u>	<u>11,985,785</u>
Total liabilities	<u>596,708</u>	<u>12,682,610</u>	<u>13,279,318</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	651,002	36,268,772	36,919,774
Restricted for debt service	-	1,098,219	1,098,219
Unrestricted (Deficit)	(65,908)	2,500,410	2,434,502
Total net assets	<u>585,094</u>	<u>39,867,401</u>	<u>40,452,495</u>
Total liabilities and net assets	<u>\$ 1,181,802</u>	<u>\$ 52,550,011</u>	<u>\$ 53,731,813</u>

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

**CITY OF ONTARIO, OREGON**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**

For the fiscal year ended June 30, 2006

	<b>Business-type Activities - Enterprise Funds</b>		
	Non-Major Golf Course Fund	Public Works Fund	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ 79,727	\$ 6,181,425	\$ 6,261,152
Miscellaneous	-	66,888	66,888
<b>TOTAL OPERATING REVENUES</b>	<u>79,727</u>	<u>6,248,313</u>	<u>6,328,040</u>
<b>OPERATING EXPENSES</b>			
Personal services	-	1,576,670	1,576,670
Materials and services	116,508	1,293,333	1,409,841
Depreciation	90,407	2,245,035	2,335,442
<b>TOTAL OPERATING EXPENSES</b>	<u>206,915</u>	<u>5,115,038</u>	<u>5,321,953</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(127,188)</u>	<u>1,133,275</u>	<u>1,006,087</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest income	461	263,797	264,258
Interest expense	(30,763)	(330,386)	(361,149)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(30,302)</u>	<u>(66,589)</u>	<u>(96,891)</u>
<b>NET INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<u>(157,490)</u>	<u>1,066,686</u>	<u>909,196</u>
<b>TRANSFERS</b>			
Transfers in	121,696	696,539	818,235
Transfers out	-	(979,542)	(979,542)
<b>TOTAL TRANSFERS</b>	<u>121,696</u>	<u>(283,003)</u>	<u>(161,307)</u>
<b>CHANGE IN NET ASSETS</b>	<u>(35,794)</u>	<u>783,683</u>	<u>747,889</u>
<b>NET ASSETS, JULY 1, 2005</b>	<u>620,888</u>	<u>39,083,718</u>	<u>39,704,606</u>
<b>NET ASSETS, JUNE 30, 2006</b>	<u>\$ 585,094</u>	<u>\$ 39,867,401</u>	<u>\$ 40,452,495</u>

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

**CITY OF ONTARIO, OREGON  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the fiscal year ended June 30, 2006**

	<b>Business-type Activities - Enterprise Funds</b>		
	<u>Non-Major Golf Course Fund</u>	<u>Public Works Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 79,412	\$ 6,126,417	\$ 6,205,829
Payments to suppliers	(121,466)	(1,360,863)	(1,482,329)
Payments to employees	-	(1,590,698)	(1,590,698)
	<u>-</u>	<u>(1,590,698)</u>	<u>(1,590,698)</u>
Net cash provided (used) by operating activities	<u>(42,054)</u>	<u>3,174,856</u>	<u>3,132,802</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers in	112,107	-	112,107
Transfers out	-	(979,542)	(979,542)
	<u>-</u>	<u>(979,542)</u>	<u>(979,542)</u>
Net cash provided (used) by noncapital financing activities	<u>112,107</u>	<u>(979,542)</u>	<u>(867,435)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Interfund loan proceeds	36,168	-	36,168
Acquisition of capital assets	-	(131,663)	(131,663)
Payments on long-term debt	(76,159)	(784,638)	(860,797)
Interest paid on debt	(30,523)	(317,035)	(347,558)
	<u>(70,514)</u>	<u>(1,233,336)</u>	<u>(1,303,850)</u>
Net cash provided (used) by capital and related financing activities	<u>(70,514)</u>	<u>(1,233,336)</u>	<u>(1,303,850)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest from investments	461	263,797	264,258
	<u>461</u>	<u>263,797</u>	<u>264,258</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>-</u>	<u>1,225,775</u>	<u>1,225,775</u>
<b>CASH AND CASH EQUIVALENTS, JULY 1, 2005</b>	<u>-</u>	<u>2,027,850</u>	<u>2,027,850</u>
<b>CASH AND CASH EQUIVALENTS, JUNE 30, 2006</b>	<u>\$ -</u>	<u>\$ 3,253,625</u>	<u>\$ 3,253,625</u>
Unrestricted	\$ -	\$ 2,155,406	\$ 2,155,406
Restricted	-	1,098,219	1,098,219
	<u>\$ -</u>	<u>\$ 3,253,625</u>	<u>\$ 3,253,625</u>

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

**Business-type Activities - Enterprise Funds**

	<u>Non-Major</u>		
	Golf Course Fund	Public Works Fund	Total
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (127,188)	\$ 1,133,275	\$ 1,006,087
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	90,407	2,245,035	2,335,442
Change in assets and liabilities:			
Accounts receivable, net	(315)	(134,667)	(134,982)
Accounts payable and accrued expenses	(4,958)	(67,529)	(72,487)
Customer deposits	-	12,770	12,770
Compensated absences payable	-	(14,028)	(14,028)
Net cash provided (used) by operating activities	<u>\$ (42,054)</u>	<u>\$ 3,174,856</u>	<u>\$ 3,132,802</u>
<b>NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>			
Transfer of capital assets/debt between funds	<u>\$ 9,589</u>	<u>\$ 696,539</u>	<u>\$ 706,128</u>



**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**CITY OF ONTARIO, OREGON**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

The City of Ontario, Oregon (the City) is organized under the general laws of the State of Oregon. The City Council, composed of the mayor and six Council members, comprises the legislative branch of the City. Individual departments are under the direction of the City Manager, who is appointed by the City Council.

There are various governmental agencies and special service districts, which provide services within the City's boundaries. However, the City is not financially accountable for any of these entities and, accordingly, their financial information is not included in these financial statements.

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. Based upon the application criteria established by the Governmental Accounting Standards Board (GASB), there are no component units of the City.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting, and Basis of Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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. 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 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

The *capital projects fund* is the City's fund for the accounting of financing and construction of improvements, which are paid for, wholly or in part, from special assessments levied against benefited properties.

The City reports the following major proprietary funds:

The public works fund accounts for revenues and expenses related to the City's operation and maintenance of utility services, to include water, sewer, storm drain and the administration of these services.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs of program revenues reporting in the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* 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 enterprise funds are charges for customer services including water and sewer charges. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

## **D. Assets, Liabilities and Equity**

### **1. Cash and Cash Equivalents**

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.

The City maintains merged bank accounts and investments for its funds in a central pool of cash and investments. The investment policy of the City is to invest in the Local Government Investment Pool and interest bearing demand deposits with local banks and to transfer resources to the general checking account as the need arises. This policy is in accordance with ORS 294.035, which specifies the types of investments authorized for municipal corporations. The City allocates earnings on investments to selected funds based on the average monthly balances throughout the year.

Investments are stated at amortized cost, which approximates fair value.

### **2. Receivables and Payables**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not available expendable financial resources.

Other receivables including accounts, entitlements, and shared revenues are reported in accordance with the policies enumerated in Paragraph C above. The City uses the direct write off method of accounting for uncollectibles.

### **3. Inventories and Prepaid Items**

Inventories in the Public Works Fund and Trust Fund are determined by estimated costs. Expenses are recognized when inventories are consumed. Other inventories are taken for control purposes only with no dollar value assigned.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

#### 4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. The City received an appraisal of its fixed assets, using estimated historical costs, as of June 30, 1999. Assets acquired since that time have been recorded at cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of interest earned on the invested proceeds over the same period. There was no interest capitalized during the year.

Property, plant, and equipment of the City is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and improvements	40
Infrastructure	40
Equipment and vehicles	10

#### 5. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt obligations are reported as liabilities in the applicable governmental activities and business-type activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the lives of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### 6. Compensated Absences

It is the City's 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.

## **7. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## **8. Restricted Net Assets**

The City receives funds from the State of Oregon, which are legally restricted to street maintenance, repairs, and improvements, and the City has additional funds restricted for debt service, as required by debt covenants. In addition, the City has net assets restricted for other items related to trust type activities, to include: motel taxes restricted by enabling legislation, cemetery perpetual care, Turnbull Library, and a deposit received from Ontario Sanitary Services for site clean up costs.

The net amount restricted for governmental activities at June 30, 2006 was \$249,335 for debt service, \$1,238,828 for streets, and \$284,458 for other restriction. There is also \$1,098,219 for debt service in the business-type activities.

## **9. Estimates**

The preparation of 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 certain assets, liabilities, revenues, expenditures, expenses and other disclosures. Accordingly, actual results could differ from those estimates.

# **II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

## **A. Budgetary Information**

Biennial budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for the general fund, special revenue funds, debt service fund, and capital projects fund. The biennial budget for proprietary funds is adopted on a basis not consistent with GAAP in order to comply with Oregon Local Budget Law. All biennial appropriations lapse at the end of the biennium.

Oregon Local Budget Law establishes standard procedures relating to the preparation, adoption, and execution of the biennial budget.

Commencing with the 2005-07 biennium, the budget is presented bi-annually in the spring to the Budget Committee for the subsequent biennium. In previous fiscal years, budgets were prepared on a fiscal year basis and presented annually. The City begins its budgeting process by appointing Budget Committee members in the fall of each biennium. Budget recommendations are developed by management through early spring, with the Budget Committee meeting and approving the budget document in late spring. Public notices of the budget hearing are generally published in May or June and the hearing is held in June. The City Council adopts the budget, makes appropriations, and declares the tax levy no later than June 30. Expenditure appropriations may not be legally over expended, except in the case of grant receipts and bond sale proceeds which could not be reasonably estimated at the time the budget was adopted.

The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. The level of budgetary control is established at the personal services, materials and services, capital outlay, contingency, interfund transfers, and debt service. Unexpected additional resources may be added to the budget and appropriated for expenditure through the use of a supplemental budget. The supplemental budget process requires a hearing before the public, publication in the newspaper, and approval by the City Council. Oregon Local Budget Law also provides certain specific exceptions to the supplemental budget process to increase appropriations. Management must obtain City Council authorization for all appropriation transfers and supplementary budgetary appropriations.

During the fiscal year ended June 30, 2006, appropriation increases and transfers were approved. Appropriations are limited to a biennium; therefore, all spending authority of the City lapses as of the end of the biennium.

**B. Deficit Fund Balances**

Funds having a deficit fund balance at June 30, 2006 are as follows:

<u>Governmental Activities</u>	
<u>Special Revenue Fund</u>	
911 Fund	\$ (2,968)
<u>Business Type Activities</u>	
<u>Enterprise Funds</u>	
Golf Course Fund	\$ (57,120)

The 911 Fund incurred a deficit balance at June 30, 2006. The deficit was caused by unexpected increases in personal service expenditures. It is expected that the fund will eliminate the deficit through normal operations during the next fiscal year.

The City has suffered losses in the Golf Course Fund due to major improvements and upgrades in the past few years. Revenue fell below estimates during the current year due to the new concessionaire receiving a larger percentage of concession revenues. The City continues to consider ways to improve the operation of the Golf Course Fund and other plans to reduce the deficit.

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. Deposits and Investments**

**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 credit risk assumed by the City at June 30, 2006. 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 that exists. The City's deposits with financial institutions are comprised of bank demand deposits and certificates of deposit. For deposits in excess of federal depository insurance, Oregon Revised Statutes require the depository institution to maintain on deposit with a collateral pool manager, securities having a value not less than 25% of the outstanding certificates of participation issued by the pool manager. For the year ended June 30, 2006, the carrying amount of the City's deposits, including certificates of deposit classified as investments, was \$1,307,938 and the bank balance was \$1,809,429. All deposits are held in the name of the City of Ontario. Of the bank balance, \$1,444,802 was covered by federal depository insurance and collateral certificates in the City's name. The remaining \$364,627 was uninsured and uncollateralized.

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

**Investments.** The City of Ontario has invested funds in the State Treasurer's Oregon Short-Term Fund Local Government Investment Pool during the year. The Oregon Short-Term Fund is the local government investment pool for local governments and was established by the State Treasurer. It was created to meet the 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). Local Government Investment Pool (LGIP) 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 as defined by GASB Statement No. 40.

In addition, The Oregon State Treasury LGIP distributes investment income on an amortized cost basis and the 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.

**Credit Risk.** State statutes authorize the City to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial papers, and the State Treasurer's investment pool, among others. The City has no formal investment policy that further restricts its investment choices.

**Concentration of Credit Risk.** The City is required to provide information about the concentration of credit risk associated with its investments in one issuer that represent 5 percent or more of the total investments, excluding investments in external investment pools or those issued and explicitly guaranteed by the U.S. Government. The City has no such investments.

**Interest Rate Risk.** The City has no formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

The City of Ontario also invested in Time Certificate of Deposits and in U.S. Treasury Bonds. These investments are carried at fair value.

Investments held by the City at June 30, 2006 are as follows:

	<u>Maturity</u>	<u>Fair Value</u>
U.S. Government Obligations	On demand	\$ 8,500
Time Certificate of Deposits	Less than one year	<u>453,000</u>
		<u>\$ 461,500</u>

A reconciliation of cash and cash equivalents as shown on the Fund Financial Statements is as follows:

Cash on hand	\$ 770
Deposits with financial institutions	854,938
Local Government Investment Pool	<u>10,290,621</u>
Total	<u>\$ 11,146,329</u>

Cash and cash equivalents, by fund type:

Governmental activities	
General fund	\$ 1,524,299
Capital projects fund	2,113,667
Other governmental funds (includes restricted cash of \$1,539,465)	<u>4,254,738</u>
	7,892,704
Business-type activities	
Public works fund (includes restricted cash of \$1,098,219)	<u>3,253,625</u>
Total	<u>\$ 11,146,329</u>

## B. Receivables

Receivables as of fiscal year-end for the governmental activities individual major funds, and non-major funds, in the aggregate are as follows:

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Activities
Property taxes	\$ 178,982	\$ -	\$ -	\$ 178,982
Accounts	42,962	48,547	13,524	105,033
Intergovernmental	27,093	-	331,183	358,276
Assessments	-	-	719,548	719,548
Notes	-	-	449,836	449,836
Total receivables	<u>\$ 249,037</u>	<u>\$ 48,547</u>	<u>\$ 1,514,091</u>	<u>\$ 1,811,675</u>

Receivables as of fiscal year-end for the business-type activities individual major funds are as follows:

	Golf Course Fund	Public Works Fund	Total Business-type Activities
Accounts	<u>\$ 5,809</u>	<u>\$ 630,253</u>	<u>\$ 636,062</u>

Uncollected property taxes in governmental funds are shown on the Statement of Net Assets as receivables. Property taxes are assessed and attach as an enforceable lien on property as of July 1. Taxes are levied on July 1 and are payable on November 15.

They may be paid in installments due November 15, February 15, and May 15. Taxes unpaid as of May 16 are considered delinquent. Taxes are billed and collected by Malheur County, and remittance to the City is made at periodic intervals. For the fiscal year 2005-2006, the City levied property taxes for a general levy in the amount of \$2,825,195. After reductions for offsets and increases for additional taxes and penalties this resulted in a net levy of \$2,824,096. The tax rate for the fiscal year was \$4.8347, per \$1,000 of assessed value. The assessed valuation for the City was \$584,357,795.

Assessment liens receivable represent the uncollected amounts levied against benefited property for costs of local improvements. Since the assessments are liens against the benefited property, an allowance for uncollectible amounts is not necessary. Assessments are payable over a period of ten years and bear interest at varying rates.

The City has notes receivable from individuals and businesses for real property and improvements. Since the notes are liens against real property, an allowance for uncollectible amounts is not necessary. The notes bear interest at varying rates of interest with original contract terms of ten to fifteen years.

Other accounts and intergovernmental receivables are considered to be fully collectible. Accordingly, no provision for estimated uncollectibles has been established.

### C. 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	\$ 146,561	\$ -	\$ 146,561
Assessments receivable			
Non-major funds	719,548	-	719,548
Notes and assessments			
Non-major funds	449,836	-	449,836
Other			
Non-major funds	-	242,975	242,975
	<u>          </u>	<u>          </u>	<u>          </u>
Total deferred revenue	<u>\$ 1,315,945</u>	<u>\$ 242,975</u>	<u>\$ 1,558,920</u>

## D. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2006 was as follows:

Description	Beginning Balance	Increases	Decreases	Ending Balance
Land	\$ 864,587	\$ -	\$ -	\$ 864,587
Construction in progress	1,156,959	235,737	(1,156,959)	235,737
Total non-depreciable	<u>2,021,546</u>	<u>235,737</u>	<u>(1,156,959)</u>	<u>1,100,324</u>
Equipment and vehicles	5,339,247	661,396	(19,500)	5,981,143
Buildings and improvements	2,227,338	91,750	-	2,319,088
Infrastructure	123,922,327	478,025	-	124,400,352
Total depreciable	<u>131,488,912</u>	<u>1,231,171</u>	<u>(19,500)</u>	<u>132,700,583</u>
Accumulated depreciation				
Equipment and vehicles	(3,835,997)	(566,994)	19,500	(4,383,491)
Buildings and improvements	(2,091,760)	(56,830)	-	(2,148,590)
Infrastructure	(110,226,365)	(4,128,678)	-	(114,355,043)
Total accumulated depreciation	<u>(116,154,122)</u>	<u>(4,752,502)</u>	<u>19,500</u>	<u>(120,887,124)</u>
Total depreciable assets	<u>15,334,790</u>	<u>(3,521,331)</u>	<u>-</u>	<u>11,813,459</u>
Governmental activities capital assets, net	<u>\$ 17,356,336</u>	<u>\$ (3,285,594)</u>	<u>\$ (1,156,959)</u>	<u>\$ 12,913,783</u>

Depreciation expense for governmental activities is charged to governmental functions as follows:

General government	\$ 73,086
Public safety	180,363
Highways and streets	4,273,605
Culture and recreation	225,448
Total depreciation for governmental activities	<u>\$ 4,752,502</u>

Capital asset activity for business-type activities for the year ended June 30, 2006 was as follows:

Description	Beginning Balance	Increases	Decreases	Ending Balance
Land	\$ 2,451,801	\$ -	\$ -	\$ 2,451,801
Construction in progress	370,626	-	(370,626)	-
Total non-depreciable	<u>2,822,427</u>	<u>-</u>	<u>(370,626)</u>	<u>2,451,801</u>
Equipment and vehicles	11,217,491	190,760	-	11,408,251
Buildings and improvements	18,446,779	407,879	-	18,854,658
Infrastructure	27,139,253	4,752,436	-	31,891,689
Total depreciable	<u>56,803,523</u>	<u>5,351,075</u>	<u>-</u>	<u>62,154,598</u>
Accumulated depreciation				
Equipment and vehicles	(6,090,825)	(1,131,287)	-	(7,222,112)
Buildings and improvements	(2,743,607)	(466,268)	-	(3,209,875)
Infrastructure	(3,661,714)	(737,887)	-	(4,399,601)
Total accumulated depreciation	<u>(12,496,146)</u>	<u>(2,335,442)</u>	<u>-</u>	<u>(14,831,588)</u>
Total depreciable assets	<u>44,307,377</u>	<u>3,015,633</u>	<u>-</u>	<u>47,323,010</u>
Business-type activities capital assets, net	<u>\$ 47,129,804</u>	<u>\$ 3,015,633</u>	<u>\$ (370,626)</u>	<u>\$ 49,774,811</u>

Depreciation expense for business-type activities is charged to functions as follows:

Golf Course	\$ 90,407
Public Works	2,245,035
Total depreciation for business-type activities	<u>\$ 2,335,442</u>

#### E. Interfund Receivable/Payable

In the government-wide financial statements, the business-type activities had internal loans payable to the governmental activities in the amount of \$58,363. In the fund financial statements, the General Fund had \$17,813 receivable from the Capital Projects Fund, \$240,020 receivable from the Grant Fund, \$2,255 receivable from the 911 fund and \$58,363 receivable from the Golf Course Fund at June 30, 2006. The interfund loans are for temporary cash management requirements.

**F. Transfers**

Net transfers between governmental activities and business-type activities in the government-wide financial statements consist of transfers out of the business-type activities and transfers into the governmental activities in the amount of \$161,307.

A reconciliation of transfers in the fund financial statements is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 743,280	\$ 852,207
Capital Projects Fund	-	723,948
Non-major governmental funds	1,780,567	80,256
Enterprise Funds		
Golf Course Fund	121,696	-
Public Works Fund	696,539	979,542
Non-current resources	-	706,129
Total all funds	<u>\$ 3,342,082</u>	<u>\$ 3,342,082</u>

Transfers out of the General Fund were for the City's contribution towards maintaining the golf course, library, street, and 911 operations. Also, transfers were made to reclass prior year Franchise Fee Revenue to the Reserve Fund. The Public Works Fund transfers to the General Fund and to the Street Fund as overhead charge reimbursement. Transfers out were also made from the Public Works to the Reserve Funds for funding of future projects and equipment. Capital additions were constructed in the Reserve Fund and the Capital Projects Fund and contributed to the Public Works Fund, net of debt issued during the year.

**G. Long-Term Debt**

**1. Special Assessment Debt with Governmental Commitment – Governmental Activities**

Bancroft Improvement Bonds with interest rates of 5.9%, payable first from collections of assessment liens receivable and second, if necessary, from general property taxes. Payments are made from the Debt Service Fund.

Fiscal year:	<u>Outstanding July 1, 2005</u>	<u>Matured, Called, or Defeased During Year</u>	<u>Outstanding June 30, 2006</u>	<u>Interest</u>
2006	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ -</u>

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 20, 2019.

	Outstanding July 1, 2005	Matured, Called, or Defeased During Year	Outstanding June 30, 2006	Interest
Fiscal year:				
2006	\$ 55,377	\$ 55,377	\$ -	\$ -
2007	55,377	-	55,377	34,853
2008	55,377	-	55,377	32,222
2009	55,377	-	55,377	29,592
2010	55,377	-	55,377	26,962
2011	55,376	-	55,376	24,331
2012-2016	276,883	-	276,883	82,200
2017-2020	193,818	-	193,818	18,413
	<u>\$ 802,962</u>	<u>\$ 55,377</u>	<u>\$ 747,585</u>	<u>\$ 248,573</u>

## 2. Certificates of Participation (COP's) – Business-Type Activities – Golf Course Fund

The City has financed golf course improvements with Certificates of Participation (COP's), which are recorded in the Golf Course Fund, an Enterprise Fund. Interest rates range from 3.9% to 5.15%. Installments are payable first from user fees and second, if necessary, from general property taxes.

	Outstanding July 1, 2005	Principal Matured, Called, or Defeased During Year	Outstanding June 30, 2006	Interest
Fiscal year:				
2006	\$ 74,071	\$ 74,071	\$ -	\$ -
2007	75,016	-	75,016	25,681
2008	81,006	-	81,006	22,078
2009	82,046	-	82,046	18,127
2010	88,137	-	88,137	14,067
2011	94,283	-	94,283	9,638
2012	95,485	-	95,485	4,866
	<u>\$ 590,044</u>	<u>\$ 74,071</u>	<u>\$ 515,973</u>	<u>\$ 94,457</u>

**3. Contracts, Loans and Notes Payable – Business–Type Activities – Golf Course Fund**

The Golf Course Fund borrowed \$11,106 through the Economic Development Department within the City's General Fund, payable in monthly installments of \$209.58, including interest at 5%, with final payment due June 15, 2010.

Fiscal year:	Outstanding July 1, 2005	Matured, Called, or Defeased During Year	Outstanding June 30, 2006	Interest
2006	\$ 2,088	\$ 2,088	\$ -	\$ -
2007	2,108	-	2,108	407
2008	2,215	-	2,215	300
2009	2,329	-	2,329	186
2010	2,366	-	2,366	63
	<u>\$ 11,106</u>	<u>\$ 2,088</u>	<u>\$ 9,018</u>	<u>\$ 956</u>

**4. Contracts and Notes Payable – Business-Type Activities – Public Works Fund**

The City has notes payable to the state of Oregon Department of Environmental Quality for utility systems 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 Public Works Fund, an Enterprise Fund.

Fiscal year:	Loan 70610 - 3%		Loan 70611 - 3.98%	
	Principal	Interest	Principal	Interest
2007	\$ 502,942	\$ 124,478	\$ 78,690	\$ 46,336
2008	502,942	109,390	81,853	43,173
2009	502,942	94,302	85,143	39,883
2010	502,942	79,213	88,565	36,461
2011	502,942	64,125	92,125	32,901
2012-2016	1,760,296	105,618	519,241	105,890
2017-2020	-	-	238,091	11,963
	<u>\$ 4,275,006</u>	<u>\$ 577,126</u>	<u>\$ 1,183,708</u>	<u>\$ 316,607</u>
	Loan 70612 - 3.69%		Total	
	Principal	Interest	Principal	Interest
2007	\$ 123,816	\$ 77,166	\$ 705,448	\$ 247,980
2008	128,426	72,556	713,221	225,119
2009	133,209	67,773	721,294	201,958
2010	138,169	62,813	729,676	178,487
2011	143,316	57,666	738,383	154,692
2012-2016	800,721	204,189	3,080,258	415,697
2017-2020	654,249	49,166	892,340	61,129
	<u>\$ 2,121,906</u>	<u>\$ 591,329</u>	<u>\$ 7,580,620</u>	<u>\$ 1,485,062</u>

The City received approval of an interim-financing note payable to the Oregon Economic and Community Development Department for improvements to the water treatment facilities, in the total amount of \$5,239,000, of which \$4,142,658 has been received as of June 30, 2006. All outstanding principal and accrued unpaid interest, at 1.04% per annum, is due and payable August 1, 2007, at which time the City will convert the note payable to permanent financing.

	Outstanding July 1, 2005	Issued During Year	Matured, Called, or Defeased During Year	Outstanding June 30, 2006	Interest
Fiscal year:					
2006	\$ -	\$ 4,142,658	\$ -	\$ -	\$ 18,234
2007	-	-	-	-	43,480
2008	-	-	-	4,142,658	3,765
	<u>\$ -</u>	<u>\$ 4,142,658</u>	<u>\$ -</u>	<u>\$ 4,142,658</u>	<u>\$ 65,479</u>

#### 5. Water Revenue Bonds – Business–Type Activities – Public Works Fund

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 15<sup>th</sup> day of December and June of each year. Principal payments of \$86,680 are payable annually on December 15<sup>th</sup>. Final payment is due December 15, 2012. The bonds are not subject to redemption at the option of the City.

	Outstanding July 1, 2005	Matured, Called, or Defeased During Year	Outstanding June 30, 2006	Interest
Fiscal year:				
2006	\$ 86,677	\$ 86,677	\$ -	\$ -
2007	86,680	-	86,680	25,354
2008	86,680	-	86,680	21,453
2009	86,680	-	86,680	17,553
2010	86,680	-	86,680	13,652
2011	86,680	-	86,680	9,752
2012-2013	173,368	-	173,368	7,801
	<u>\$ 693,445</u>	<u>\$ 86,677</u>	<u>\$ 606,768</u>	<u>\$ 95,565</u>

## 6. Changes in Long-Term Liabilities

Changes for the year ended June 30, 2006 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
<b>Governmental Activities:</b>					
Special assessments	\$ 10,000	\$ -	\$ 10,000	\$ -	\$ -
Special assessments	802,962	-	55,377	747,585	55,377
Compensated absences	294,281	332,226	294,281	332,226	332,226
Total governmental activities	<u>1,107,243</u>	<u>332,226</u>	<u>359,658</u>	<u>1,079,811</u>	<u>387,603</u>
<b>Business-type Activities:</b>					
Certificates of participation	590,044	-	74,071	515,973	75,016
Compensated absences	121,082	-	14,028	107,054	107,054
Contracts and notes payable:					
Oregon DEQ contracts	8,278,581	-	697,961	7,580,620	705,448
OECD interim financing	-	4,142,658	-	4,142,658	-
Golf Course Economic Development note	11,106	-	2,088	9,018	2,108
Water Revenue Bonds	693,445	-	86,677	606,768	86,680
Total business-type activities	<u>9,694,258</u>	<u>4,142,658</u>	<u>874,825</u>	<u>12,962,091</u>	<u>976,306</u>
	<u>\$ 10,801,501</u>	<u>\$ 4,474,884</u>	<u>\$ 1,234,483</u>	<u>\$ 14,041,902</u>	<u>\$ 1,363,909</u>

## IV. Other Information

### A. 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. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage for the past three years.

### B. Defined Benefit Pension Plan

#### Public Employees Retirement System

##### 1. Plan Description

The City of Ontario contributes to the Oregon Public Employees Retirement Fund (OPERF), a cost-sharing multiple-employer, Defined Benefit Pension Plan, administered by the State of Oregon Public Employees Retirement System (PERS). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Oregon Revised Statute 238 assigns the authority to establish and amend benefit provisions to the PERS Board of Trustees.

In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for PERS. The Oregon Public Service Retirement Plan ("OPSRP") is effective for all new employees hired on or after August 29, 2003, and applies to any inactive PERS members who return to employment following a six-month or greater break in service. The new plan consists of a defined benefit program (the "Pension Program") and a defined contribution portion (the Individual Account Program or "IAP"). The Pension Program portion of OPSRP provides a life pension

funded by employer contributions. 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 and a factor that varies based on the type of service (general versus police or fire).

Beginning January 1, 2004, all PERS member contributions go into the IAP portion of OPSRP. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account. Those employees who had established a PERS membership prior to creation of OPSRP will be members of both the PERS and OPSRP system as long as they remain in covered employment.

Both PERS and OPSRP are administered by the Oregon Public Employees Retirement Board ("OPERB"). The comprehensive annual financial report of the funds administered by OPERB may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700, or by calling 1-888-320-7377, or by accessing the PERS web site at [www.pers.state.or.us](http://www.pers.state.or.us).

## **2. Funding Policy**

Plan members are required to contribute 6% of their annual covered salary. The City is required by ORS 238.225 to contribute at an actuarially determined rate; the current rate is 16.16% of annual covered payroll for Tier I and Tier II employees. Public employees hired after August 29, 2003, after a six month waiting period, become members of the Oregon Public Service Retirement Plan (OPSRP). The rate for OPSRP is set at 8.04% of covered payroll for general services employees and 11.31% for police and fire employees. The contribution requirement of plan members and their employers are established under ORS Chapter 238, and may be amended by the PERS Board of Trustees. The City's contributions to PERS for the years ending June 30, 2006, 2005 and 2004 were \$812,113, \$621,911, and \$639,377, respectively, equal to the required contributions each year.

The pension liability (asset) was determined in accordance with Government Accounting Standards Board Statement No. 27. Since all actuarially determined contributions have been paid, the pension liability (asset) is zero.

## **C. Commitments and Contingencies**

### **1. Construction in Progress**

The City is committed under various construction and engineering contracts at June 30, 2006 to complete the Airport Layout Plan. The total budget for this project is \$394,000, of which \$52,911 has previously been paid. Approximately 13% of the project was complete at June 30, 2006.

The City is committed under engineering contracts at June 30, 2006 to complete the design of lift stations at the sewer treatment plant. The total budget for the design and construction of this project is \$3,000,000, of which \$100,545 has previously been paid. Approximately 3% of the project was complete at June 30, 2006.

The City is committed under engineering contracts at June 30, 2006 to complete the design of Reimbursement District #3. The total budget for this project is \$167,500, of which \$82,281 has previously been paid. Approximately 49% of the project was complete at June 30, 2006.

## **2. Intergovernmental**

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

## **3. Subsequent Events**

In July 2006, the City purchased property at the airport and committed to a promissory note of \$44,000. The note incurs interest at 6% per annum and matures on July 18, 2010. The total purchase price of the property was \$80,000, with a down payment of \$25,000 and \$11,000 due at signing.

The City is also working towards Waste Water Treatment Plant upgrades involving the plant and lift stations. The City expects financing through the Oregon Economic and Community Development Department will total approximately \$2.918 million.

In November 2006, the City Council authorized the Mayor to enter into a loan agreement for up to \$1.98 million to complete the installation of city-wide radio read meters and replace 12,000 lineal feet of deteriorated sanitary sewer pipe. Additional details on the loan agreement were not available as of the report date.

## **D. 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 carryforward from year to year is allowed.

For the year ended June 30, 2006, 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; \$2,820 for the General Fund, \$780 for the 911 Fund, and \$1,500 for the Public Works Fund.

Governmental Accounting Standards Board Statement No. 45 will be effective for the fiscal year ending June 30, 2010. This Statement improves the relevance and usefulness of financial reporting by (a) requiring systematic, accrual-basis measurement and recognition of Other Post Employment Benefits (OPEB) costs (expenses) over a period that approximates employees' years of services and (b) providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. The City is currently reviewing the application of this policy and the financial impact on the Statement of Net Assets and Statement of Activities has not yet been determined.



## **SUPPLEMENTAL INFORMATION**

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## COMBINING STATEMENTS

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### Non-Major Governmental Funds

#### Special Revenue Funds

The Special Revenue Funds account for revenue from specific sources that are legally restricted to expenditures for specified purposes. Funds included in this category are:

**Library Fund** - This fund accounts for revenues received from library related programs, transfer of interest from the Turnbull Library Fund, and expenditures for the operation of the library.

**911 Fund** - This fund accounts for the operation and maintenance of emergency communications and dispatch operations. State telephone tax is the main source of revenue.

**Street Fund** - This fund accounts for franchise fees, charges for services and miscellaneous revenue sources, and expenditures for the maintenance of City streets.

**Trust Fund** - This fund accounts for resources received and held by the City for specific purposes. Disbursements are restricted to support the library, Visitor and Convention Bureau, Chamber of Commerce, and the cemetery.

**Revolving Loan Fund** - This fund accounts for loans made and payment received from revolving loan funds available to local businesses and citizens.

**Reserve Fund** - This fund accounts for the setting aside of monies for future needs of the City to include operations, capital acquisition, construction, and maintenance.

**Grants Fund** - This fund accounts for revenue and expenditures funded wholly, or partially, by other government agencies.

#### Debt Service Fund

**Debt Service Fund** - used to account for revenues and expenditures related to the City's long-term indebtedness, including Local Improvement District debt.



**CITY OF ONTARIO, OREGON  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
June 30, 2006**

	Special Revenue	Debt Service	Total
<b>ASSETS</b>			
<b>Assets:</b>			
Cash and cash equivalents	\$ 4,001,650	\$ 253,088	\$ 4,254,738
Investments	461,500	-	461,500
Receivables:			
Accounts receivable	13,524	-	13,524
Intergovernmental	331,183	-	331,183
Assessments	-	719,548	719,548
Notes	449,836	-	449,836
Inventory	4,324	-	4,324
<b>Total assets</b>	<b>\$ 5,262,017</b>	<b>\$ 972,636</b>	<b>\$ 6,234,653</b>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 101,288	\$ 651	\$ 101,939
Matured interest outstanding	-	3,102	3,102
Interfund payable	242,275	-	242,275
Deferred revenue	692,811	719,548	1,412,359
<b>Total liabilities</b>	1,036,374	723,301	1,759,675
<b>Fund balances:</b>			
Reserved for:			
Debt service	-	249,335	249,335
Unreserved, reported in:			
Special revenue funds	4,225,643	-	4,225,643
<b>Total fund balances</b>	4,225,643	249,335	4,474,978
<b>Total liabilities and fund balances</b>	<b>\$ 5,262,017</b>	<b>\$ 972,636</b>	<b>\$ 6,234,653</b>

See auditor's report.

**CITY OF ONTARIO, OREGON  
SUB-COMBINING BALANCE SHEET  
NON-MAJOR SPECIAL REVENUE FUNDS  
June 30, 2006**

	<u>Library Fund</u>	<u>911 Fund</u>	<u>Street Fund</u>	<u>Trust Fund</u>
<b>ASSETS</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 95,126	\$ -	\$ 1,271,875	\$ 64,510
Investments	-	-	-	461,500
Receivables:				
Accounts receivable	6,688	29	1,602	-
Intergovernmental	-	-	1,189	-
Notes	-	-	-	-
Inventory	-	-	-	4,324
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total assets</b>	<b><u>\$ 101,814</u></b>	<b><u>\$ 29</u></b>	<b><u>\$ 1,274,666</u></b>	<b><u>\$ 530,334</u></b>
 <b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 5,400	\$ 742	\$ 35,838	\$ 17,532
Interfund payable	-	2,255	-	-
Deferred revenue	-	-	-	228,344
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total liabilities</b>	<b>5,400</b>	<b>2,997</b>	<b>35,838</b>	<b>245,876</b>
<b>Fund balances (deficits):</b>				
Unreserved	<u>96,414</u>	<u>(2,968)</u>	<u>1,238,828</u>	<u>284,458</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total liabilities and fund balances</b>	<b><u>\$ 101,814</u></b>	<b><u>\$ 29</u></b>	<b><u>\$ 1,274,666</u></b>	<b><u>\$ 530,334</u></b>

See auditor's report

<u>Revolving Loan Fund</u>	<u>Reserve Fund</u>	<u>Grants Fund</u>	<u>Total</u>
\$ 359,119	\$ 2,211,020	\$ -	\$ 4,001,650
-	-	-	461,500
962	-	4,243	13,524
-	-	329,994	331,183
449,836	-	-	449,836
-	-	-	4,324

<u>\$ 809,917</u>	<u>\$ 2,211,020</u>	<u>\$ 334,237</u>	<u>\$ 5,262,017</u>
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\$ -	\$ 11,224	\$ 30,552	\$ 101,288
-	-	240,020	242,275
449,836	-	14,631	692,811

449,836	11,224	285,203	1,036,374
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360,081	2,199,796	49,034	4,225,643
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<u>\$ 809,917</u>	<u>\$ 2,211,020</u>	<u>\$ 334,237</u>	<u>\$ 5,262,017</u>
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**CITY OF ONTARIO, OREGON  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCE  
 NON-MAJOR GOVERNMENTAL FUNDS  
 For the fiscal year ended June 30, 2006**

	Special Revenue	Debt Service	Total
<b>REVENUES</b>			
Taxes	\$ 295,618	\$ -	\$ 295,618
Intergovernmental	1,828,975	-	1,828,975
Charges for services	16,454	-	16,454
Fines and forfeitures	10,640	-	10,640
Special assessments	-	62,088	62,088
Interest	38,467	40,556	79,023
Loan repayments	258,677	115,038	373,715
Miscellaneous	61,624	-	61,624
<b>TOTAL REVENUES</b>	<b>2,510,455</b>	<b>217,682</b>	<b>2,728,137</b>
<b>EXPENDITURES</b>			
Current:			
General government	311,231	-	311,231
Public safety	442,036	-	442,036
Highways and streets	744,031	-	744,031
Culture and recreation	411,585	-	411,585
Capital outlay	2,148,721	-	2,148,721
Debt service	-	231,947	231,947
<b>TOTAL EXPENDITURES</b>	<b>4,057,604</b>	<b>231,947</b>	<b>4,289,551</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,547,149)</b>	<b>(14,265)</b>	<b>(1,561,414)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of property	-	65,315	65,315
Transfers in	1,780,567	-	1,780,567
Transfers out	(80,256)	-	(80,256)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,700,311</b>	<b>65,315</b>	<b>1,765,626</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>153,162</b>	<b>51,050</b>	<b>204,212</b>
<b>FUND BALANCE, JULY 1, 2005</b>	<b>4,072,481</b>	<b>198,285</b>	<b>4,270,766</b>
<b>FUND BALANCE, JUNE 30, 2006</b>	<b>\$ 4,225,643</b>	<b>\$ 249,335</b>	<b>\$ 4,474,978</b>

**CITY OF ONTARIO, OREGON**  
**SUB-COMBINING SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**NON-MAJOR SPECIAL REVENUE FUNDS**  
**For the fiscal year ended June 30, 2006**

	Library Fund	911 Fund	Street Fund	Trust Fund
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ 225,490
Intergovernmental	202,971	72,999	539,339	-
Charges for services	-	3,254	-	13,200
Fines and forfeitures	10,640	-	-	-
Interest	-	-	-	9,715
Loan repayments	-	-	-	-
Miscellaneous	9,978	156	17,915	-
<b>TOTAL REVENUES</b>	<b>223,589</b>	<b>76,409</b>	<b>557,254</b>	<b>248,405</b>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Public safety	-	442,036	-	-
Highways and streets	-	-	744,031	-
Culture and recreation	197,760	-	-	213,825
Capital outlay	-	-	284,945	-
<b>TOTAL EXPENDITURES</b>	<b>197,760</b>	<b>442,036</b>	<b>1,028,976</b>	<b>213,825</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>25,829</b>	<b>(365,627)</b>	<b>(471,722)</b>	<b>34,580</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	12,000	362,640	536,970	-
Transfers out	-	-	(75,252)	(5,004)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>12,000</b>	<b>362,640</b>	<b>461,718</b>	<b>(5,004)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>37,829</b>	<b>(2,987)</b>	<b>(10,004)</b>	<b>29,576</b>
<b>FUND BALANCE (DEFICIT), JULY 1, 2005</b>	<b>58,585</b>	<b>19</b>	<b>1,248,832</b>	<b>254,882</b>
<b>FUND BALANCE (DEFICIT), JUNE 30, 2006</b>	<b>\$ 96,414</b>	<b>\$ (2,968)</b>	<b>\$ 1,238,828</b>	<b>\$ 284,458</b>

See auditor's report

<u>Revolving Loan Fund</u>	<u>Reserve Fund</u>	<u>Grant Fund</u>	<u>Total</u>
\$ -	\$ 70,128	\$ -	\$ 295,618
-	29,718	983,948	1,828,975
-	-	-	16,454
-	-	-	10,640
28,752	-	-	38,467
258,677	-	-	258,677
-	33,575	-	61,624
<u>287,429</u>	<u>133,421</u>	<u>983,948</u>	<u>2,510,455</u>
278,170	-	33,061	311,231
-	-	-	442,036
-	-	-	744,031
-	-	-	411,585
-	993,940	869,836	2,148,721
<u>278,170</u>	<u>993,940</u>	<u>902,897</u>	<u>4,057,604</u>
9,259	(860,519)	81,051	(1,547,149)
-	859,012	9,945	1,780,567
-	-	-	(80,256)
-	859,012	9,945	1,700,311
9,259	(1,507)	90,996	153,162
<u>350,822</u>	<u>2,201,303</u>	<u>(41,962)</u>	<u>4,072,481</u>
<u>\$ 360,081</u>	<u>\$ 2,199,796</u>	<u>\$ 49,034</u>	<u>\$ 4,225,643</u>



## **BUDGETARY COMPARISON SCHEDULES**

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Pursuant to the provisions of Oregon Revised Statute 297.465, Oregon Administrative Rule #162-010-0130, *Minimum Standards for Audits of Oregon Municipal Corporations*, requires an individual schedule of revenues, expenditures/expenses, and changes in fund balances/net assets, budget and actual be displayed for each fund where legally adopted budgets are required.

In accordance with GASB Statement #34, the City's General Fund is presented in the Basic Financial Statement section. All other budgetary comparisons are displayed in the following pages as supplemental information.



**SCHEDULES OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**

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**Governmental Funds**

**Special Revenue Funds**

- Library Fund
- 911 Fund
- Street Fund
- Trust Fund
- Revolving Loan Fund
- Reserve Fund
- Grants Fund

**Debt Service Fund**

- Debt Service Fund

**Capital Projects Fund**

- Capital Projects Fund

**CITY OF ONTARIO, OREGON  
LIBRARY FUND  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the fiscal year ended June 30, 2006**

	2005-2007 Budgeted Amounts		1st Year Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 406,000	\$ 368,500	\$ 202,971	\$ (165,529)
Fines and forfeitures	18,000	18,000	10,640	(7,360)
Miscellaneous	2,000	2,000	9,978	7,978
<b>TOTAL REVENUES</b>	<u>426,000</u>	<u>388,500</u>	<u>223,589</u>	<u>(164,911)</u>
<b>EXPENDITURES</b>				
Current:				
Culture and recreation:				
Personal services	215,528	215,528	111,994	103,534
Materials and services	222,472	222,472	85,766	136,706
<b>TOTAL EXPENDITURES</b>	<u>438,000</u>	<u>438,000</u>	<u>197,760</u>	<u>240,240</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(12,000)	(49,500)	25,829	75,329
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	12,000	49,500	12,000	(37,500)
<b>NET CHANGE IN FUND BALANCE</b>	-	-	37,829	37,829
<b>FUND BALANCE, JULY 1, 2005</b>	-	-	58,585	58,585
<b>FUND BALANCE, JUNE 30, 2006</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,414</u>	<u>\$ 96,414</u>

**CITY OF ONTARIO, OREGON**  
**911 FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the fiscal year ended June 30, 2006**

	2005-2007 Original and Final Budgeted Amounts	1st Year Actual Amounts	Variance with Final Budget- Positive (Negative)
<b>REVENUES</b>			
Intergovernmental	\$ 151,104	\$ 72,999	\$ (78,105)
Charges for services	5,400	3,254	(2,146)
Miscellaneous	-	156	156
<b>TOTAL REVENUES</b>	<u>156,504</u>	<u>76,409</u>	<u>(80,095)</u>
<b>EXPENDITURES</b>			
Current:			
Public safety:			
Personal services	800,756	412,716	388,040
Materials and services	81,012	29,320	51,692
<b>TOTAL EXPENDITURES</b>	<u>881,768</u>	<u>442,036</u>	<u>439,732</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(725,264)	(365,627)	359,637
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>725,264</u>	<u>362,640</u>	<u>(362,624)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	(2,987)	(2,987)
<b>FUND BALANCE, JULY 1, 2005</b>	<u>-</u>	<u>19</u>	<u>19</u>
<b>FUND BALANCE (DEFICIT), JUNE 30, 2006</b>	<u>\$ -</u>	<u>\$ (2,968)</u>	<u>\$ (2,968)</u>

See auditor's report.

**CITY OF ONTARIO, OREGON  
STREET FUND  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the fiscal year ended June 30, 2006**

	2005-2007 Original and Final Budgeted Amounts	1st Year Actual Amounts	Variance with Final Budget- Positive (Negative)
<b>REVENUES</b>			
Intergovernmental	\$ 1,077,532	\$ 539,339	\$ (538,193)
Miscellaneous	-	17,915	17,915
<b>TOTAL REVENUES</b>	<u>1,077,532</u>	<u>557,254</u>	<u>(520,278)</u>
<b>EXPENDITURES</b>			
Current:			
Highways and streets:			
Personal services	887,391	399,882	487,509
Materials and services	751,507	344,149	407,358
Total current	1,638,898	744,031	894,867
Capital outlay	1,301,405	284,945	1,016,460
Contingency	251,691	-	251,691
<b>TOTAL EXPENDITURES</b>	<u>3,191,994</u>	<u>1,028,976</u>	<u>2,163,018</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(2,114,462)</u>	<u>(471,722)</u>	<u>1,642,740</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	1,073,939	536,970	(536,969)
Transfers out	(150,504)	(75,252)	75,252
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>923,435</u>	<u>461,718</u>	<u>(461,717)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(1,191,027)	(10,004)	1,181,023
<b>FUND BALANCE, JULY 1, 2005</b>	<u>1,191,027</u>	<u>1,248,832</u>	<u>57,805</u>
<b>FUND BALANCE, JUNE 30, 2006</b>	<u>\$ -</u>	<u>\$ 1,238,828</u>	<u>\$ 1,238,828</u>

See auditor's report.

**CITY OF ONTARIO, OREGON  
TRUST FUND  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the fiscal year ended June 30, 2006**

	2005-2007 Original and Final Budgeted Amounts	1st Year Actual Amounts	Variance with Final Budget- Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ 437,000	\$ 225,490	\$ (211,510)
Charges for services	24,000	13,200	(10,800)
Interest	25,000	9,715	(15,285)
<b>TOTAL REVENUES</b>	486,000	248,405	(237,595)
<b>EXPENDITURES</b>			
Current:			
Culture and recreation:			
Materials and services	701,604	213,825	487,779
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(215,604)	34,580	250,184
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	(10,000)	(5,004)	4,996
<b>NET CHANGE IN FUND BALANCE</b>	(225,604)	29,576	255,180
<b>FUND BALANCE, JULY 1, 2005</b>	488,822	254,882	(233,940)
<b>FUND BALANCE, JUNE 30, 2006</b>	\$ 263,218	\$ 284,458	\$ 21,240

See auditor's report.

**CITY OF ONTARIO, OREGON  
 REVOLVING LOAN FUND  
 SCHEDULE OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 For the fiscal year ended June 30, 2006**

	2005-2007 Original and Final Budgeted Amounts	1st Year Actual Amounts	Variance with Final Budget- Positive (Negative)
<b>REVENUES</b>			
Interest	\$ 30,167	\$ 28,752	\$ (1,415)
Loan repayments	251,563	258,677	7,114
<b>TOTAL REVENUES</b>	281,730	287,429	5,699
<b>EXPENDITURES</b>			
Current:			
General government:			
Materials and services	541,692	278,170	263,522
<b>NET CHANGE IN FUND BALANCE</b>	(259,962)	9,259	269,221
<b>FUND BALANCE, JULY 1, 2005</b>	259,962	350,822	90,860
<b>FUND BALANCE, JUNE 30, 2006</b>	\$ -	\$ 360,081	\$ 360,081

See auditor's report.

**CITY OF ONTARIO, OREGON  
RESERVE FUND  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the fiscal year ended June 30, 2006**

	2005-2007 Budgeted Amounts		1st Year Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 136,000	\$ 136,000	\$ 70,128	\$ (65,872)
Intergovernmental	44,351	44,351	29,718	(14,633)
Interest	4,800	4,800	-	(4,800)
Miscellaneous	15,000	15,000	33,575	18,575
<b>TOTAL REVENUES</b>	<u>200,151</u>	<u>200,151</u>	<u>133,421</u>	<u>(66,730)</u>
<b>EXPENDITURES</b>				
Current:				
General government:				
Materials and services	2,967	-	-	-
Capital outlay	1,707,293	1,866,351	993,940	872,411
Contingency	1,141,594	1,131,594	-	1,131,594
<b>TOTAL EXPENDITURES</b>	<u>2,851,854</u>	<u>2,997,945</u>	<u>993,940</u>	<u>2,004,005</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(2,651,703)	(2,797,794)	(860,519)	1,937,275
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,456,822	1,577,913	859,012	(718,901)
<b>NET CHANGE IN FUND BALANCE</b>	(1,194,881)	(1,219,881)	(1,507)	1,218,374
<b>FUND BALANCE, JULY 1, 2005</b>	<u>2,573,752</u>	<u>2,598,752</u>	<u>2,201,303</u>	<u>(397,449)</u>
<b>FUND BALANCE, JUNE 30, 2006</b>	<u>\$ 1,378,871</u>	<u>\$ 1,378,871</u>	<u>\$ 2,199,796</u>	<u>\$ 820,925</u>

**CITY OF ONTARIO, OREGON  
GRANTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the fiscal year ended June 30, 2006**

	2005-2007 Budgeted Amounts		1st Year Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 856,857	\$ 1,101,412	\$ 983,948	\$ (117,464)
<b>EXPENDITURES</b>				
Current:				
General government:				
Materials and services	65,964	65,964	33,061	32,903
Capital outlay	823,160	1,077,660	869,836	207,824
<b>TOTAL EXPENDITURES</b>	889,124	1,143,624	902,897	240,727
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(32,267)	(42,212)	81,051	123,263
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	9,945	9,945	-
<b>NET CHANGE IN FUND BALANCE</b>	(32,267)	(32,267)	90,996	123,263
<b>FUND BALANCE (DEFICIT), JULY 1, 2005</b>	32,267	32,267	(41,962)	(74,229)
<b>FUND BALANCE, JUNE 30, 2006</b>	\$ -	\$ -	\$ 49,034	\$ 49,034

See auditor's report.

**CITY OF ONTARIO, OREGON  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the fiscal year ended June 30, 2006**

	2005-2007 Budgeted Amounts		1st Year Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Special assessments	\$ 111,280	\$ 111,280	\$ 62,088	\$ (49,192)
Interest	84,410	84,410	40,556	(43,854)
Loan repayments	306,768	127,820	115,038	(12,782)
<b>TOTAL REVENUES</b>	502,458	323,510	217,682	(105,828)
 <b>EXPENDITURES</b>				
Debt service	833,194	654,246	231,947	422,299
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(330,736)	(330,736)	(14,265)	316,471
 <b>OTHER FINANCING SOURCES (USES)</b>				
Sale of property	-	-	65,315	65,315
 <b>NET CHANGE IN FUND BALANCE</b>	(330,736)	(330,736)	51,050	381,786
 <b>FUND BALANCE, JULY 1, 2005</b>	330,736	330,736	198,285	(132,451)
 <b>FUND BALANCE, JUNE 30, 2006</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 249,335</u>	<u>\$ 249,335</u>

See auditor's report.

**CITY OF ONTARIO, OREGON  
CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the fiscal year ended June 30, 2006**

	2005-2007 Budgeted Amounts		1st Year Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 1,099,002	\$ 1,099,002	\$ 454,561	\$ (644,441)
Intergovernmental	-	300,000	-	(300,000)
Miscellaneous	-	-	262,400	262,400
<b>TOTAL REVENUES</b>	1,099,002	1,399,002	716,961	(682,041)
<b>EXPENDITURES</b>				
Capital outlay	6,049,820	6,517,320	2,969,621	3,547,699
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(4,950,818)	(5,118,318)	(2,252,660)	2,865,658
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt	4,857,820	4,857,820	4,142,658	(715,162)
Transfers in	-	167,500	-	(167,500)
Transfers out	(1,447,905)	(1,447,905)	(723,948)	723,957
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	3,409,915	3,577,415	3,418,710	(158,705)
<b>NET CHANGE IN FUND BALANCE</b>	(1,540,903)	(1,540,903)	1,166,050	2,706,953
<b>FUND BALANCE, JULY 1, 2005</b>	1,540,903	1,540,903	918,753	(622,150)
<b>FUND BALANCE, JUNE 30, 2006</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,084,803</u>	<u>\$ 2,084,803</u>

See auditor's report.

**SCHEDULES OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**

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**Proprietary Funds**

**Enterprise Funds**

- Golf Course Fund
- Public Works Fund

**CITY OF ONTARIO, OREGON  
GOLF COURSE FUND  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
For the fiscal year ended June 30, 2006**

	2005-2007 Original and Final Budgeted Amounts	1st Year Actual Amounts	Variance with Final Budget- Positive (Negative)
<b>REVENUES</b>			
Charges for services	\$ 223,525	\$ 79,727	\$ (143,798)
Interest	-	461	461
<b>TOTAL REVENUES</b>	<u>223,525</u>	<u>80,188</u>	<u>(143,337)</u>
<b>EXPENDITURES</b>			
Cost of services:			
Materials and services	215,402	116,508	98,894
Capital outlay	24,177	-	24,177
Debt service	211,305	106,682	104,623
<b>TOTAL EXPENDITURES</b>	<u>450,884</u>	<u>223,190</u>	<u>227,694</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(227,359)	(143,002)	84,357
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	227,359	112,107	(115,252)
<b>NET CHANGE IN FUND BALANCE</b>	-	(30,895)	(30,895)
<b>FUND BALANCE (DEFICIT), JULY 1, 2005</b>	-	(26,225)	(26,225)
<b>FUND BALANCE (DEFICIT), JUNE 30, 2006</b>	<u>\$ -</u>	<u>(57,120)</u>	<u>\$ (57,120)</u>
<b>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>			
Capital assets, net of depreciation		1,175,993	
Accrued expenses		(8,788)	
Long-term obligations		<u>(524,991)</u>	
<b>NET ASSETS, JUNE 30, 2006</b>		<u>\$ 585,094</u>	

See auditor's report.

**CITY OF ONTARIO, OREGON  
PUBLIC WORKS FUND  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
For the fiscal year ended June 30, 2006**

	2005-2007 Budgeted Amounts		1st Year Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 12,826,496	\$ 12,826,496	\$ 6,181,425	\$ (6,645,071)
Interest	200,000	200,000	263,797	63,797
Miscellaneous	116,400	124,215	66,888	(57,327)
<b>TOTAL REVENUES</b>	<u>13,142,896</u>	<u>13,150,711</u>	<u>6,512,110</u>	<u>(6,638,601)</u>
<b>EXPENDITURES</b>				
Cost of services:				
Personal services	3,451,109	3,451,109	1,590,698	1,860,411
Materials and services	3,012,206	3,040,021	1,269,874	1,770,147
Total cost of services	6,463,315	6,491,130	2,860,572	3,630,558
Capital outlay	240,600	445,124	155,122	290,002
Debt service	2,282,155	2,282,155	1,101,675	1,180,480
Contingency	2,625,162	2,220,073	-	2,220,073
<b>TOTAL EXPENDITURES</b>	<u>11,611,232</u>	<u>11,438,482</u>	<u>4,117,369</u>	<u>7,321,113</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	1,531,664	1,712,229	2,394,741	682,512
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(2,458,648)	(2,639,213)	(979,542)	1,659,671
<b>NET CHANGE IN FUND BALANCE</b>	(926,984)	(926,984)	1,415,199	2,342,183
<b>FUND BALANCE, JULY 1, 2005</b>	<u>926,984</u>	<u>926,984</u>	<u>2,322,694</u>	<u>1,395,710</u>
<b>FUND BALANCE, JUNE 30, 2006</b>	<u>\$ -</u>	<u>\$ -</u>	<u>3,737,893</u>	<u>\$ 3,737,893</u>
<b>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>				
Capital assets, net of depreciation			48,598,818	
Inventory			67,315	
Accrued expenses			(206,579)	
Long-term obligations			(12,330,046)	
<b>NET ASSETS, JUNE 30, 2006</b>			<u>\$ 39,867,401</u>	

See auditor's report.



**OTHER FINANCIAL SCHEDULES**

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**CITY OF ONTARIO, OREGON  
PUBLIC WORKS FUND  
SCHEDULE OF EXPENDITURES - COST OF SERVICES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
For the fiscal year ended June 30, 2006**

	Personal Services			Variance with Final Budget- Positive (Negative)
	2005-2007 Budgeted Amounts		1st Year Actual Amounts	
	Original	Final		
<b>EXPENDITURES</b>				
Public Works:				
Administrative	\$ 888,797	\$ 888,797	\$ 438,144	\$ 450,653
Water	697,166	697,166	319,011	378,155
Sewer	682,570	682,570	281,438	401,132
Storm drain	56,650	56,650	5,753	50,897
Facility maintenance	135,451	135,451	65,602	69,849
Utility maintenance	990,475	990,475	480,750	509,725
<b>Total Public Works</b>	<b>\$ 3,451,109</b>	<b>\$ 3,451,109</b>	<b>\$ 1,590,698</b>	<b>\$ 1,860,411</b>

Material and Services				Total Cost of Services			
2005-2007 Budgeted Amounts		1st Year Actual Amounts	Variance with Final Budget-Positive (Negative)	2005-2007 Budgeted Amounts		1st Year Actual Amounts	Variance with Final Budget-Positive (Negative)
Original	Final			Original	Final		
\$ 243,120	\$ 250,935	\$ 139,432	\$ 111,503	\$ 1,131,917	\$ 1,139,732	\$ 577,576	\$ 562,156
1,080,254	1,080,254	497,488	582,766	1,777,420	1,777,420	816,499	960,921
774,443	774,443	300,104	474,339	1,457,013	1,457,013	581,542	875,471
44,626	44,626	10,384	34,242	101,276	101,276	16,137	85,139
54,502	54,502	29,176	25,326	189,953	189,953	94,778	95,175
815,261	835,261	293,290	541,971	1,805,736	1,825,736	774,040	1,051,696
<u>\$ 3,012,206</u>	<u>\$ 3,040,021</u>	<u>\$ 1,269,874</u>	<u>\$ 1,770,147</u>	<u>\$ 6,463,315</u>	<u>\$ 6,491,130</u>	<u>\$ 2,860,572</u>	<u>\$ 3,630,558</u>

**CITY OF ONTARIO, OREGON  
GENERAL FUND  
SCHEDULE OF EXPENDITURES OF PERSONAL SERVICES AND MATERIALS AND SERVICES  
BUDGET AND ACTUAL, BY DEPARTMENT  
For the fiscal year ended June 30, 2006**

	<u>Personal Services</u>			Variance with Final Budget- Positive (Negative)
	<u>2005-2007 Budgeted Amounts</u>		1st Year Actual Amounts	
	<u>Original</u>	<u>Final</u>		
<b>EXPENDITURES</b>				
General government:				
Administration	\$ 592,828	\$ 610,741	\$ 300,063	\$ 310,678
Administrative overhead	-	-	-	-
Airport	37,667	37,667	18,023	19,644
Building department	218,771	218,771	62,021	156,750
Community development	172,184	172,184	86,857	85,327
Finance	565,715	565,715	250,813	314,902
Technology	170,775	170,775	82,822	87,953
Total general government	<u>1,757,940</u>	<u>1,775,853</u>	<u>800,599</u>	<u>975,254</u>
Public safety:				
Fire	1,772,557	1,772,557	828,251	944,306
Police	3,886,799	3,899,716	1,893,614	2,006,102
Total public safety	<u>5,659,356</u>	<u>5,672,273</u>	<u>2,721,865</u>	<u>2,950,408</u>
Culture and recreation:				
Aquatic and recreation	533,262	533,262	262,331	270,931
Parks and cemetery	511,538	511,538	243,217	268,321
Total culture and recreation	<u>1,044,800</u>	<u>1,044,800</u>	<u>505,548</u>	<u>539,252</u>
<b>TOTAL EXPENDITURES</b>	<u><u>\$ 8,462,096</u></u>	<u><u>\$ 8,492,926</u></u>	<u><u>\$ 4,028,012</u></u>	<u><u>\$ 4,464,914</u></u>

See auditor's report

Material and Services				Total Current			
2005-2007 Budgeted Amounts		1st Year Actual Amounts	Variance with Final Budget-Positive (Negative)	2005-2007 Budgeted Amounts		1st Year Actual Amounts	Variance with Final Budget-Positive (Negative)
Original	Final			Original	Final		
\$ 64,598	\$ 71,685	\$ 37,095	\$ 34,590	\$ 657,426	\$ 682,426	\$ 337,158	\$ 345,268
661,232	698,232	291,441	406,791	661,232	698,232	291,441	406,791
35,044	35,044	16,804	18,240	72,711	72,711	34,827	37,884
32,028	112,028	40,053	71,975	250,799	330,799	102,074	228,725
22,318	22,318	5,138	17,180	194,502	194,502	91,995	102,507
27,414	27,414	9,547	17,867	593,129	593,129	260,360	332,769
24,205	24,205	9,738	14,467	194,980	194,980	92,560	102,420
<u>866,839</u>	<u>990,926</u>	<u>409,816</u>	<u>581,110</u>	<u>2,624,779</u>	<u>2,766,779</u>	<u>1,210,415</u>	<u>1,556,364</u>
227,176	217,231	45,547	171,684	1,999,733	1,989,788	873,798	1,115,990
234,970	286,170	163,108	123,062	4,121,769	4,185,886	2,056,722	2,129,164
<u>462,146</u>	<u>503,401</u>	<u>208,655</u>	<u>294,746</u>	<u>6,121,502</u>	<u>6,175,674</u>	<u>2,930,520</u>	<u>3,245,154</u>
238,247	238,247	129,547	108,700	771,509	771,509	391,878	379,631
162,264	162,264	72,879	89,385	673,802	673,802	316,096	357,706
<u>400,511</u>	<u>400,511</u>	<u>202,426</u>	<u>198,085</u>	<u>1,445,311</u>	<u>1,445,311</u>	<u>707,974</u>	<u>737,337</u>
<u>\$ 1,729,496</u>	<u>\$ 1,894,838</u>	<u>\$ 820,897</u>	<u>\$ 1,073,941</u>	<u>\$10,191,592</u>	<u>\$10,387,764</u>	<u>\$4,848,909</u>	<u>\$ 5,538,855</u>

**CITY OF ONTARIO**  
**SCHEDULE OF PROPERTY TAX TRANSACTIONS**  
**AND OUTSTANDING BALANCES**  
**For the fiscal year ended June 30, 2006**

	Taxes Uncollected July 1, 2005	Add Levy Extended by Assessor	Add (Deduct) Discounts Interest Cancellations Adjustments	Deduct Interest and Tax Collections	Taxes Uncollected June 30, 2006
2005-06	\$ -	\$ 2,824,096	\$ (5,366,753)	\$ (2,633,101)	\$ 90,444
2004-05	110,384	-	(131,533)	(67,568)	46,419
2003-04	62,117	-	(71,002)	(37,704)	28,819
2002-03	30,906	-	(43,418)	(23,720)	11,208
2001-02	12,829	-	(26,216)	(14,542)	1,155
2000-01	1,339	-	(1,114)	(594)	819
1999-00	236	-	(531)	(295)	-
Prior years	118	-	-	-	118
	<u>\$ 217,929</u>	<u>\$ 2,824,096</u>	<u>\$ (5,640,567)</u>	<u>\$ (2,777,524)</u>	<u>\$ 178,982</u>

See auditor's report.

**REPORTS OF INDEPENDENT CERTIFIED  
PUBLIC ACCOUNTANTS**

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## **INDEPENDENT AUDITOR'S COMMENTS**

Oregon Administrative Rules 162-10-000 through 162-10-330 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, enumerate the financial statements, schedules, comments, and disclosures required in audit reports. The required schedules, comments, and disclosures not included in the preceding section of this report are set forth as follows:

### **1. ACCOUNTING SYSTEMS AND INTERNAL CONTROLS**

We found the accounting system of the City of Ontario, Oregon to be generally well maintained and adequate for audit purposes. The internal controls for the City are operating as designed and no material weakness or reportable conditions were noted. However, we noted other matters involving internal control, which we have reported to management of the City of Ontario in a separate letter dated November 22, 2006.

### **2. INVESTMENTS**

Our review of deposit and investment balances during the year ended June 30, 2006, indicated that the City was in compliance with ORS 294 as it pertains to investment of public funds.

### **3. COLLATERAL**

Oregon Revised Statutes (ORS) Chapter 295 provides that public officials maintain sufficient collateral certificates to secure deposits of public funds, in excess of those insured by the Federal Deposit Insurance Corporation.

Our review of the City's deposited funds, included in various depositories, disclosed instances in which the City exceeded Federal Deposit Insurance Corporation ("FDIC") coverage including additional certificates of collateral participation in effect at the time as required by ORS 295.015.

### **4. INDEBTEDNESS**

We reviewed compliance relating to short-term and long-term debt, including limitations on the amount of debt, which may be incurred, liquidation of debt within the prescribed period of time, and compliance with provisions of bond indentures or other agreements. We found no instances in which the City had not complied with these legal or contractual provisions relating to short-term or long-term debt.

### **5. BUDGET**

We reviewed the supplemental budgets and resolutions for appropriation changes for the first year of the biennial budget period. We also reviewed the resolution adopted imposing and categorizing taxes for the second half of the 2005-07 biennial budget period. The City has complied with statutory requirements in all material respects for the current and ensuing years budget.

The City established the levels of budgetary control at the personal services, materials and services, capital outlay, operating contingencies, interfund transfers, and debt service levels for all funds.

**6. INSURANCE AND FIDELITY BONDS**

We reviewed the City's insurance and fidelity bond coverage at June 30, 2006, and ascertained that such policies appeared to be in force. We are not competent by training to comment whether the insurance policies of the City in force at June 30, 2006, are adequate. The City has complied with provisions of ORS 221.903 regarding bonding of City personnel.

**7. PROGRAMS FUNDED FROM OUTSIDE SOURCES**

We selected and tested, to the extent deemed appropriate, transactions, records, and reports relative to programs funded wholly, or partially, by other governmental agencies.

The results of our tests indicate, for the items tested, the City complied with the laws, rules, and regulations pertaining to programs funded wholly, or partially, by other governmental agencies and, for the items tested, financial reports and related data were materially in agreement with and supported by the accounting records.

Separate reports have been issued to report on compliance with appropriate laws and regulations pertaining to federal financial assistance programs funded from outside sources.

**8. PUBLIC CONTRACTS AND PURCHASING**

We have reviewed the City's compliance with ORS 279, pertaining to the awarding of public contracts and the construction of public improvements. Our review disclosed no conditions, which we considered to be matters of noncompliance of the City's bidding procedures or quote procedures.

**9. HIGHWAY FUNDS**

The City appears to have complied with the provisions of Article IX, Section 3a of the Oregon Constitution and ORS Sections 294, 368, and 373 in regards to the expenditures of motor vehicle use funds.

**10. STATEMENT OF ACCOUNTABILITY FOR INDEPENDENTLY ELECTED OFFICIALS**

This statement is not applicable to the City of Ontario.



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## **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**

November 22, 2006

To the Governing Body of the City of Ontario, Oregon:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ontario, Oregon, as of and for the year ended June 30, 2006, which collectively comprise the City of Ontario, Oregon's basic financial statements and have issued our report thereon, dated November 22, 2006. 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 the City of Ontario, Oregon's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Ontario, Oregon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Ontario, Oregon, in a separate letter dated November 22, 2006.

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

*Dickey and Tremper, LLP*  
Dickey and Tremper, LLP  
Certified Public Accountants



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**Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control  
Over Compliance in Accordance with OMB Circular A-133**

November 22, 2006

To the Governing Body of the City of Ontario, Oregon:

**Compliance**

We have audited the compliance of the City of Ontario, Oregon 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, 2006. The 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 the City of Ontario, Oregon's management. Our responsibility is to express an opinion on the 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 the City of Ontario, Oregon's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Ontario, Oregon's compliance with those requirements.

In our opinion, the City of Ontario, Oregon, 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, 2006.

## Internal Control Over Compliance

The management of the City of Ontario, Oregon, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Ontario, Oregon'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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we considered to be material weaknesses.

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

  
\_\_\_\_\_  
Dickey and Tremper, LLP  
Certified Public Accountants

**CITY OF ONTARIO, OREGON**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For The Fiscal Year Ended June 30, 2006**

**Note A – Basis of Accounting**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Ontario, Oregon and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some 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 EXPENDITURES OF FEDERAL AWARDS**  
**For The Fiscal Year Ended June 30, 2006**

<b>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</b>	<b>Pass-Through Entity Identification Number</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
U.S. Department of Transportation:			
Direct programs:			
Airport Improvement Program	3-41-0044-005	20.106	\$ 316,257
Passed through the Oregon Association of Chiefs of Police:			
Pedestrian Safety Enforcement	05PSE116/117	20.600	1,584
DUII Overtime Project	164AL 05/06-14-02	20.601	6,482
Safety Belt/Three Flags Project	OP 05/06-45-02	20.604	11,835
Passed through the Oregon Department of Transportation:			
Malhuer County Traffic Safety Coordinator	SA-06-25-04	20.600	8,751
Traffic Safety Supplies / Car Seat Clinics		20.600	393
			<u>345,302</u>
Total U.S. Department of Transportation			
National Foundation of Arts and Humanities:			
Passed through State of Oregon			
State Library Program		45.310	15,830
Department of Justice:			
Direct programs:			
Bulletproof Vest Partnership Grant		16.607	1,160
Passed through State of Oregon Criminal Justice Services Division:			
Local Law Enforcement Block Grant	04-470	16.592	2,445
Stop Violence Against Women Grant Program	05-782	16.588	33,061
			<u>36,666</u>
Total U.S. Department of Justice			
US Department of Homeland Security:			
Direct programs:			
Assistance to Firefighters Grant	EMW-2005-FG-05037	97.044	179,555 **
Passed through State of Oregon Criminal Justice Services Division:			
Domestic Preparedness Grant	05-256	97.073	277,325 **
			<u>456,880</u>
Total U.S. Department of Homeland Security			
Total expenditures of Federal Funds			<u>\$ 854,678</u>

\*\* Signifies Major Program

**CITY OF ONTARIO, OREGON  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For The Fiscal Year Ended June 30, 2006**

There were no prior year audit findings to report

**CITY OF ONTARIO, OREGON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Fiscal Year Ended June 30, 2006**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

1. The auditor's report express an unqualified opinion on the basic financial statements of the City of Ontario, Oregon.
2. No reportable conditions or material weaknesses in internal control were disclosed by the audit of the financial statements of the City of Ontario, Oregon.
3. No instances of noncompliance material to the financial statements of the City of Ontario, Oregon were disclosed during the audit.

**Federal Awards**

4. No reportable conditions or material weaknesses in internal control over major federal programs were disclosed by the audit.
5. The auditor's report on compliance for the major federal award programs for the City of Ontario, Oregon, expresses an unqualified opinion.
6. The audit did not disclose any audit findings, which the auditor is required to report in accordance with section 510(a) of Circular A-133.

7. The programs tested as a major programs included:

Domestic Preparedness Grant	CFDA # 97.073
Assistance to Firefighters Grant	CFDA # 97.044

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City of Ontario, Oregon was not determined to be a low-risk auditee.

**SECTION II - FINDINGS – FINANCIAL STATEMENTS AUDIT**

None

**SECTION III - FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None

