

CITY OF ONTARIO, OREGON
ANNUAL FINANCIAL REPORT

**For the Fiscal Year Ended
June 30, 2008**





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FINANCIAL SECTION



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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, 2008, 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.

The City does not have adequate detail for the amounts reported as net depreciable capital assets in their governmental activities, business-type activities, and the Public Works major fund. We were unable to satisfy ourselves by other auditing procedures regarding the cost of these capital assets and the related accumulated depreciation and depreciation expense as reported in the financial statements. The amount by which this departure would affect the assets, net assets, and expenditures in governmental activities, business-type activities and the Public Works major fund is not reasonably determinable.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine sufficiently detailed evidence regarding the cost of capital assets, the related accumulated depreciation, and depreciation expense for the governmental activities, business-type activities and the Public Works major fund, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the Public Works major fund of the City of Ontario, Oregon, as of June 30, 2008, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A

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National Association of Certified Valuation Analysts
Oregon Society of Certified Public Accountants

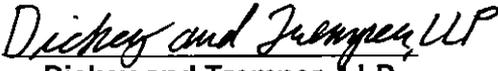
INDEPENDENT AUDITOR'S REPORT (Continued)

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General fund, Capital Projects fund, Grants fund and the aggregate remaining fund information of the City of Ontario, Oregon, as of June 30, 2008, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparisons for the General fund and Grants 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 June 1, 2010, 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.

The management's discussion and analysis on pages a through l 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 financial information listed as supplemental information in the table contents have 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
Certified Public Accountants

June 1, 2010





City of Ontario Oregon
Management's Discussion & Analysis
June 30, 2008

www.ontariooregon.org

As management of the City of Ontario, Oregon, (City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2008. 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 \$55,909,042 (net assets). Of this amount, \$11,034,691 (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 \$2,775,866.

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, 2008

	Governmental Activities	
	FY 2008	FY 2007
Current and other assets	\$ 10,255,682	\$ 12,622,213
Capital assets (net of accumulated depreciation)	7,659,066	11,810,472
Total Assets	17,914,748	24,432,685
Current Liabilities	1,223,748	2,017,867
Noncurrent liabilities:		
Due within one year	88,046	65,122
Due in more than one year	628,709	3,084,401
Total Liabilities	1,940,503	5,167,390
NET ASSETS		
Invested in capital assets, net of related debt	6,942,311	8,660,949
Restricted for:		
Debt service	325,597	261,227
Streets	419,090	658,944
Other	344,870	327,477
Unrestricted (deficit)	7,942,377	9,356,698
Total Net Assets	15,974,245	19,265,295
Total Liab & Net Assets	\$ 17,914,748	\$ 24,432,685

The City's net assets from governmental activities decreased 17.1% from \$19,265,295 to \$15,974,245. This decrease of \$3,291,050 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 decreased by \$2,366,531 which is made up of slightly increased revenues in the General Fund, increased revenues in the Grant Fund due to airport grant funds, and in the Capital Projects Fund, a decrease in system development charges collected.
- ❖ Capital assets experienced a net decrease (net of depreciation and disposition) of \$4,151,406 principally due to depreciation exceeding capital additions and completed work in progress from the prior fiscal year being transferred to the business type activities.
- ❖ Long-term debt decreased by \$2,455,692 due to the transfer of the completed regional sewer lift station project, offset slightly by principal payments on existing debt.

- ❖ Invested in capital assets net of debt decreased by \$1.71 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 \$9.4 million at June 30, 2007 to \$7.9 million at the end of this year. The net decrease of \$1.4 million is due principally to a decrease in cash for capital projects. 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, 2008

	Business-type Activities	
	FY 2008	FY 2007
Current and other assets	\$ 4,882,120	\$ 4,729,566
Capital assets (net of accumulated depreciation)	50,203,273	48,033,706
Total Assets	55,085,393	52,763,272
Long-term debt outstanding (less current portion)	13,562,874	11,364,043
Other liabilities	1,587,722	1,386,567
Total Liabilities	15,150,596	12,750,610
Net Assets:		
Invested in capital assets, net of related debt	35,634,108	35,707,867
Restricted for debt service	1,208,375	1,155,726
Unrestricted (Deficit)	3,092,314	3,149,069
Total Net Assets	39,934,797	40,012,662
Total Liab & Net Assets	\$ 55,085,393	\$ 52,763,272

The City's net assets from business-type activities decreased by 0.19% from \$40,012,662 to \$39,934,797. This decrease of \$77,865 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 \$152,554 principally due to an increased beginning cash position in the Public Works Fund and an increase in inventory value within the Public Works Fund.
- ❖ Capital assets increased (net of depreciation and disposition) by \$2,169,567 principally due to capital items previously classified as work in progress status (not yet capitalized) from the prior year that are now completed. This is net of the depreciation of existing capital assets within the Public Works Fund.
- ❖ Long-term debt increased by \$2,198,831 due to completed capital assets and debt being placed in the business-type funds that were in work in progress from the prior year, net of principal payments over the course of the year.
- ❖ 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 \$3.15 million at June 30, 2007 to \$3.09 million at the end of this year. The net decrease of \$56,755 is due principally to a decrease in capital asset values.

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Fiscal Year 2008 Governmental Activities
(See Table 1b)

Sources of Revenue	Functional Expenses
Property Taxes, Charges for Services	General Government <i>Administrative & Community Development</i>
Property Taxes, 9-1-1 Taxes & Agency Contracts	Public Safety <i>Police, Fire & 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 & Recreation V&C & Cultural Center (TRT Only)</i>

Table 1b
STATEMENT OF ACTIVITIES
June 30, 2008

	Governmental Activities	
	<u>FY 2008</u>	<u>FY 2007</u>
Revenues		
Program Revenues		
Charges for Services	\$ 618,446	\$ 592,267
Operating Grants & Contributions	1,370,220	1,680,526
Capital Grants & Contributions	1,554,926	1,492,813
General Revenues:		
Taxes		
Property Taxes	2,836,851	2,777,176
Franchise Taxes	1,604,226	1,534,538
Interest and Investment Earnings	285,077	187,705
Miscellaneous	94,737	135,907
Gain (loss) on disposition of capital assets	(8,391)	-
Transfers	176,755	868,479
	<u>8,532,847</u>	<u>9,269,411</u>
Expenses		
General Government	1,532,888	1,557,216
Public Safety	3,854,965	3,686,874
Highways and Streets	5,148,773	5,070,439
Culture and Recreation	1,255,415	1,220,513
Interest on Long-Term Debt	31,856	36,843
	<u>11,823,897</u>	<u>11,571,885</u>
Increase (decrease) in Net Assets	<u>\$ (3,291,050)</u>	<u>\$ (2,302,474)</u>

The City's total revenues from Governmental Activities decreased from a year ago by \$736,564 (-7.95%) while the total cost of all programs and services increased by \$252,012 (2.18%). The major decreases in revenues

came from operating grants and contributions, and decreased transfers into the Capital Projects fund from the Public Works Fund.

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, 2008

	TOTAL COST OF SERVICES			NET COST OF SERVICES	
	FY 2008	FY 2007	FY 2006	FY 2008	FY 2007
General Government	1,532,888	1,557,216	1,404,762	578,773	114,723
Public Safety	3,854,965	3,686,874	3,558,817	(3,258,427)	(3,059,903)
Highways and Streets	5,148,773	5,070,439	5,025,504	(4,546,205)	(3,957,552)
Culture and Recreation	1,255,415	1,220,513	1,341,796	(1,022,590)	(866,704)
Interest on Long-Term Debt	31,856	36,843	50,655	(31,856)	(36,843)
Totals	\$ 11,823,897	\$ 11,571,885	\$ 11,381,534	\$ (8,280,305)	\$ (7,806,279)

- ❖ The decrease in the net cost of services for general government is again a reflection of the increased funding for the airport improvement project grant.
- ❖ Continued and increased costs in highways and streets reflect the continued improvement projects completed reimbursement districts and other projects within the Capital Projects and Street Funds.
- ❖ 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 \$2,836,851, franchise taxes of \$1,604,226, and street (gas) taxes of \$490,453. 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 2008 Business-Type Activities
(See Table 2b)

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

Table 2b
STATEMENT OF ACTIVITIES
June 30, 2008

	Business-type Activities	
	FY 2008	FY 2007
Revenues		
Program Revenues		
Charges for Services - Golf	\$ 67,915	\$ 76,950
Charges for Services - Public Works	5,811,240	5,689,231
Operating Grants & Contributions (Golf)	16,100	-
General Revenues:		
Interest and Investment Earnings	310,448	470,208
Transfers	<u>(176,755)</u>	<u>(868,479)</u>
Total Revenues and Transfers	<u>\$ 6,028,948</u>	<u>\$ 5,367,910</u>
Expenses		
Golf	223,657	200,432
Public Works	<u>5,883,156</u>	<u>5,607,311</u>
Total Expenses	<u>\$ 6,106,813</u>	<u>\$ 5,807,743</u>
Increase (decrease) in Net Assets	<u>\$ (77,865)</u>	<u>\$ (439,833)</u>

The City's total revenues from Business-Type Activities increased from a year ago by \$661,038 (12.3%) while the total cost of all programs and services increased by \$299,070 (5.15%). The major increases in revenues came from increased customer consumption and a reduced number of customer adjustments for prior year billing changes.

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, 2008

	TOTAL COST OF SERVICES		NET COST OF SERVICES	
	FY 2008	FY 2007	FY 2008	FY 2007
Golf	223,657	200,432	(139,642)	(123,482)
Public Works	5,883,156	5,607,311	(71,916)	81,920
Totals	<u>\$ 6,106,813</u>	<u>\$ 5,807,743</u>	<u>\$ (211,558)</u>	<u>\$ (41,562)</u>

- ❖ The increase in the net cost of services for golf is a reflection of various emergency repairs and projected revenues not being met.
- ❖ The increase in the net cost of services for public works is a reflection of the increased expenses within the fund due to operations and project costs.
- ❖ The net cost of services indicates that the overall cost of golf and public works operations is greater than the revenues generated to support if from fees and user charges. This is due primarily to golf operations 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. This year the public works operations also spent slightly more than revenues collected. 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 \$7,963,588, which is a decrease of \$1,620,027 or -16.9% from last year. This change is due primarily to a decrease in the Capital Projects Fund fund balance of \$1,811,843, and slight increases in the General and Grant Fund balance as compared to 2006-2007.

- ❖ The General Fund closed the year with a fund balance of \$598,602 higher than 2006-2007.

At year-end the City's business-type funds reported combined net assets of \$39,934,797, which represents a decrease of \$77,865 or less than one percent from last year. This change is due primarily to a decrease in interest earnings and increased interest expense within the Public Works Fund, despite an increased fund balance in the Golf Fund.

General Fund Budgetary Highlights

Expenditures

The final appropriations for personal services for the General Fund at mid-point were \$4,486,736, (when using 50% of the 2007-2009 Biennial Budget) and actual expenditures were \$4,147,390, for a savings of \$339,346.

The final appropriations for materials and services for the General Fund at mid-point were \$1,005,186, (when using 50% of the 2007-2009 Biennial Budget) and actual expenditures were \$1,063,516, which is an over-expenditure of \$58,330.

The budget to actual variance in appropriations was due in part to staff vacancies and spending cutbacks throughout the fund. Actual expenditures for the General Fund were \$103,909 (2.03%) higher than 2006-2007.

Revenues

Actual revenues exceeded budgeted (when using 50% of 2007-2009 Biennial Budget) revenues by \$427,635 in 2007-2008, due to increases in property tax receipts, and licenses and fees that exceeded projections according to the 'half-way' mark of the 2007-2009 Biennial Budget.

The General Fund revenues were \$305,335 higher than the 2006-2007 actual revenues.

Public Works Fund Budgetary Highlights

Expenditures

The final appropriations for personal services and material and services for the Public Works Fund at year-end were \$3,186,512 (when using 50% of the 2007-2009 Biennial Budget) and actual expenditures were \$2,846,686, for a savings of \$339,826. The budget to actual variance in appropriations was principally due to staffing vacancies. Additional savings within the Sewer and Utility Maintenance Department materials and services contributed to the savings. Actual Expenditures for the Public Works Fund were \$66,276 (-1.58%) lower than 2006-2007.

Revenues

Actual revenues (when using 50% of 2007-2009 Biennial Budget) were below budgeted revenues by \$236,482 in 2007-2008, due principally to decreased sewer service revenues as a result of a change in residential billing methods, this despite an increase in interest revenues and inspection fees.

The Public Works Fund revenues were \$37,751 (-0.61%) less than the 2006-2007 actual revenues.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2008, the City had \$57,862,339 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 \$1,981,839 (-3.31%) compared to fiscal year end 2007.

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

	Governmental Activities	
	FY 2008	FY 2007
Land & Const in Progress	\$ 2,830,325	\$ 3,969,050
Buildings and Improvements	533,890	112,521
Equipment	672,149	1,440,314
Infrastructure	3,622,702	6,288,587
Totals	\$ 7,659,066	\$ 11,810,472

Decrease of \$4,151,406 (-35.15%) is due to the transfer of work in progress out to the business-type activities and accumulated depreciation totals exceeding new capital additions for the fiscal year.

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

	Business-type Activities	
	FY 2008	FY 2007
Land & Const in Progress	\$ 2,451,801	\$ 2,451,801
Buildings and Improvements	14,702,050	15,173,416
Equipment	1,986,751	3,065,519
Infrastructure	31,062,671	27,342,970
Totals	\$ 50,203,273	\$ 48,033,706

Increase of \$2,169,567 (4.52%) is due to new capital additions for assets previously classified as work in progress, exceeding accumulated depreciation for the fiscal year.

An individual listing of assets, cost, and date acquired has not been maintained for the City's capital assets due to difficulties with the present asset software system. Depreciation has been calculated on a component basis, which takes the entire balance of the cost basis of the assets and dividing by the estimated useful life for the category of assets. Once some of the older assets are fully depreciated, this method can over depreciate the remaining assets, which should have a remaining life. It appears that accumulated depreciation and depreciation expense is overstated for some equipment and infrastructure categories, and the auditor's have issued a qualified opinion on this segment of the audit. The City is currently working on a detailed capital asset listing, but may require third party assistance on infrastructure due to the level of detail in pipe size, type, year of installation, etc.

Debt

At year-end, the City had \$15,751,073 in long term liabilities (see Table 4). This represents a net increase of \$2,247,362 due to a new financing agreement for the wastewater improvement project within the Public Works Fund, the addition of capital leases for public safety equipment, net of the reduction in principal balances from current year principal payments.

Table 4
DEBT AT YEAR-END

	<u>2008</u>	<u>2007</u>
Governmental activities:		
Special Assessment Debt with Governmental Commitment	\$ 636,832	\$ 692,208
Contracts, Loans and Notes	79,923	2,457,315
Compensated Absences	<u>347,033</u>	<u>332,333</u>
Governmental activity Long-term liabilities	<u>\$ 1,063,788</u>	<u>\$ 3,481,856</u>
Business - type activities:		
Certificates of Participation (COP's)	\$ 359,950	\$ 440,957
Golf Course Econ Dev Note	4,789	7,040
Water Revenue Bonds	433,414	520,092
Contracts, Loans and Notes	13,771,012	11,357,751
Compensated Absences	<u>118,120</u>	<u>109,850</u>
Business-type activity Long-term liabilities	<u>\$ 14,687,285</u>	<u>\$ 12,435,690</u>
	<u>\$ 15,751,073</u>	<u>\$ 15,917,456</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 second Biennial Budget for 2007-2009. 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 sewer treatment upgrade project expenditures.

We are now at the mid-point of the 2007-2009 Biennial Budget and management staff have the opportunity to prepare for a new biennial budget process which will take into consideration the recent changes in fuel and utility prices while attempting to balance current revenues with current expenses.

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 4th Street, Ontario, Oregon 97914.

BASIC FINANCIAL STATEMENTS

CITY OF ONTARIO, OREGON
STATEMENT OF NET ASSETS
June 30, 2008

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 5,559,962	\$ 2,658,104	\$ 8,218,066
Investments	1,865,725	-	1,865,725
Receivables:			
Property taxes	193,460	-	193,460
Accounts	140,009	632,222	772,231
Intergovernmental	121,468	-	121,468
Assessments	535,747	-	535,747
Notes	740,133	-	740,133
Internal balances	5,298	(5,298)	-
Inventories	4,323	388,717	393,040
Restricted assets (temporary):			
Cash and cash equivalents	585,373	1,208,375	1,793,748
Investments	504,184	-	504,184
Capital assets:			
Land	948,024	2,451,801	3,399,825
Construction in progress	1,882,301	-	1,882,301
Depreciable assets, net of depreciation	4,828,741	47,751,472	52,580,213
Total assets	17,914,748	55,085,393	73,000,141
LIABILITIES			
Accounts payable and accrued expenses	590,940	145,153	736,093
Deposits	-	52,667	52,667
Unearned revenue	272,011	-	272,011
Accrued interest payable	13,764	265,491	279,255
Compensated absences payable	347,033	118,120	465,153
Long-term obligations			
Due within one year	88,046	1,006,291	1,094,337
Due in more than one year	628,709	13,562,874	14,191,583
Total liabilities	1,940,503	15,150,596	17,091,099
NET ASSETS			
Invested in capital assets, net of related debt	6,942,311	35,634,108	42,576,419
Restricted for:			
Highways and streets	419,090	-	419,090
Debt service	325,597	1,208,375	1,533,972
Other	344,870	-	344,870
Unrestricted	7,942,377	3,092,314	11,034,691
Total net assets	\$ 15,974,245	\$ 39,934,797	\$ 55,909,042

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, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 1,532,888	\$ 361,054	\$ 266,606	\$ 1,484,001	\$ 578,773	\$ -	\$ 578,773
Public safety	3,854,965	41,352	543,376	11,810	(3,258,427)	-	(3,258,427)
Highways and streets	5,148,773	-	543,453	59,115	(4,546,205)	-	(4,546,205)
Culture and recreation	1,255,415	216,040	16,785	-	(1,022,590)	-	(1,022,590)
Interest on long-term obligations	31,856	-	-	-	(31,856)	-	(31,856)
Total governmental activities	11,823,897	618,446	1,370,220	1,554,926	(8,280,305)	-	(8,280,305)
Business-type activities:							
Golf	223,657	67,915	16,100	-	-	(139,642)	(139,642)
Public Works	5,883,156	5,811,240	-	-	-	(71,916)	(71,916)
Total business-type activities	6,106,813	5,879,155	16,100	-	-	(211,558)	(211,558)
Total primary government	\$17,930,710	\$6,497,601	\$1,386,320	\$1,554,926	(8,280,305)	(211,558)	(8,491,863)
General revenues:							
Property taxes levied for:							
General purposes					2,836,851	-	2,836,851
Franchise and public services taxes					1,604,226	-	1,604,226
Interest and investment earnings					285,077	310,448	595,525
Miscellaneous					94,737	-	94,737
Gain (loss) on sale of property					(8,391)	-	(8,391)
Transfers					176,755	(176,755)	-
Total general revenues, special items, and transfers					4,989,255	133,693	5,122,948
Change in net assets					(3,291,050)	(77,865)	(3,368,915)
Net assets, beginning					19,265,295	40,012,662	59,277,957
Net assets, ending					\$15,974,245	\$ 39,934,797	\$ 55,909,042

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



FUND FINANCIAL STATEMENTS

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.

Grants Fund

The Grants Fund accounts for revenue and expenditures funded wholly, or partially, by other government agencies.

**CITY OF ONTARIO, OREGON
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008**

	General Fund	Capital Projects Fund	Grants Fund	Other Governmental Funds	Totals
ASSETS					
Cash and cash equivalents	\$ 938,657	\$ 2,198,912	\$ 37,706	\$ 2,970,060	\$ 6,145,335
Investments	1,865,725	-	-	504,184	2,369,909
Receivables:					
Property taxes	193,460	-	-	-	193,460
Interfund	23,111	-	-	-	23,111
Accounts	10,067	116,705	-	13,237	140,009
Intergovernmental	47,190	-	73,158	1,120	121,468
Assessments	-	-	-	535,747	535,747
Notes	-	-	-	740,133	740,133
Inventory	-	-	-	4,323	4,323
Total assets	<u>\$ 3,078,210</u>	<u>\$ 2,315,617</u>	<u>\$ 110,864</u>	<u>\$ 4,768,804</u>	<u>\$ 10,273,495</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 149,081	\$ 250,674	\$ 27,875	\$ 160,208	\$ 587,838
Matured interest outstanding	-	-	-	3,102	3,102
Interfund payable	-	17,813	-	-	17,813
Deferred revenue	153,263	-	35,549	1,512,342	1,701,154
Total liabilities	<u>302,344</u>	<u>268,487</u>	<u>63,424</u>	<u>1,675,652</u>	<u>2,309,907</u>
FUND BALANCES					
Reserved for:					
Debt service	-	-	-	325,597	325,597
Unreserved, reported in:					
Major funds	2,775,866	2,047,130	47,440	-	4,870,436
Special revenue funds	-	-	-	2,767,555	2,767,555
Total fund balances	<u>2,775,866</u>	<u>2,047,130</u>	<u>47,440</u>	<u>3,093,152</u>	<u>7,963,588</u>
Total liabilities and fund balances	<u>\$ 3,078,210</u>	<u>\$ 2,315,617</u>	<u>\$ 110,864</u>	<u>\$ 4,768,804</u>	<u>\$ 10,273,495</u>

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, 2008

Fund balances - total governmental funds	\$	7,963,588
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds		7,659,066
Other long-term assets are not available to pay for current period expenditures, and, therefore, are deferred in the fund statements.		1,429,143
Accrued compensated absences are not due and payable in the current period, and, therefore, are not reported in the fund statements.		(347,033)
Accrued interest payable is not due and payable in the current period, and, therefore, is not reported in the fund statements.		(13,764)
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period, and, therefore, are not reported in the fund statements.		<u>(716,755)</u>
Net assets of governmental activities	\$	<u>15,974,245</u>

CITY OF ONTARIO, OREGON
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2008

	General Fund	Capital Projects Fund	Grants Fund	Other Governmental Funds	Totals
REVENUES					
Property taxes	\$ 2,823,483	\$ -	\$ -	\$ -	\$ 2,823,483
Other taxes	357,741	-	-	260,538	618,279
Franchise fees	985,947	-	-	-	985,947
Licenses and fees	256,067	-	-	-	256,067
Intergovernmental	684,432	-	1,102,627	597,819	2,384,878
Charges for services	284,002	31,133	-	18,470	333,605
Fines and forfeitures	20,000	-	-	8,776	28,776
Special assessments	-	59,115	-	119,111	178,226
System development charges	-	481,153	-	-	481,153
Interest on investments	186,109	-	-	98,968	285,077
Loan repayments	-	-	-	73,482	73,482
Miscellaneous	65,706	-	-	32,132	97,838
TOTAL REVENUES	<u>5,663,487</u>	<u>571,401</u>	<u>1,102,627</u>	<u>1,209,296</u>	<u>8,546,811</u>
EXPENDITURES					
Current:					
General government	1,314,069	-	3,784	331,336	1,649,189
Public safety	3,183,720	-	-	428,063	3,611,783
Highways and streets	-	-	-	788,088	788,088
Culture and recreation	713,117	-	-	430,297	1,143,414
Capital outlay	177,080	3,264,553	1,183,021	740,917	5,365,571
Debt service	-	-	-	87,599	87,599
TOTAL EXPENDITURES	<u>5,387,986</u>	<u>3,264,553</u>	<u>1,186,805</u>	<u>2,806,300</u>	<u>12,645,644</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>275,501</u>	<u>(2,693,152)</u>	<u>(84,178)</u>	<u>(1,597,004)</u>	<u>(4,098,833)</u>
OTHER FINANCING SOURCES					
Sale of property	5,100	-	-	-	5,100
Issuance of debt	73,434	791,309	-	-	864,743
Transfers in	1,140,088	90,000	128,752	1,660,004	3,018,844
Transfers out	(895,521)	-	-	(514,360)	(1,409,881)
TOTAL OTHER FINANCING (USES)	<u>323,101</u>	<u>881,309</u>	<u>128,752</u>	<u>1,145,644</u>	<u>2,478,806</u>
NET CHANGE IN FUND BALANCE	598,602	(1,811,843)	44,574	(451,360)	(1,620,027)
FUND BALANCE, Beginning	<u>2,177,264</u>	<u>3,858,973</u>	<u>2,866</u>	<u>3,544,512</u>	<u>9,583,615</u>
FUND BALANCE, Ending	<u>\$ 2,775,866</u>	<u>\$ 2,047,130</u>	<u>\$ 47,440</u>	<u>\$ 3,093,152</u>	<u>\$ 7,963,588</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, 2008

Net change in fund balance - governmental funds \$ (1,620,027)

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

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

Deferred revenues 63,057

Repayment of long-term obligations principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Assets.

92,367

Issuance of debt is a financial resource in governmental funds, but the issuance increases long-term liabilities in the Statement of Net Assets.

(864,743)

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

Change in compensated absences (14,700)
Change in accrued interest payable 2,360

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of capital assets are allocated over the useful lives and reported as depreciation expense.

Capital asset additions	3,058,154	
Depreciation expense	(4,713,403)	
Adjusted basis of assets disposed	(13,491)	(1,668,740)

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

Debt assumed by Business-Type Activities	3,205,144	
Capital assets provided to Business-Type Activities	(4,637,351)	
Current year capital outlay expenditures	2,151,583	719,376

Change in net assets - governmental activities **\$ (3,291,050)**

CITY OF ONTARIO, OREGON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2008

	<u>2007-2009</u> <u>Budgeted Amounts</u>		<u>1st Year</u> <u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive /</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 5,634,929	\$ 5,634,929	\$ 2,823,483	\$ (2,811,446)
Other taxes	630,000	630,000	357,741	(272,259)
Franchise fees	1,845,800	1,845,800	985,947	(859,853)
Licenses and fees	253,070	253,070	256,067	2,997
Intergovernmental	1,199,150	1,199,150	684,432	(514,718)
Charges for services	506,540	506,540	284,002	(222,538)
Fines and forfeitures	28,000	28,000	20,000	(8,000)
Interest on investments	240,000	240,000	186,109	(53,891)
Miscellaneous	134,216	134,216	65,706	(68,510)
TOTAL REVENUES	<u>10,471,705</u>	<u>10,471,705</u>	<u>5,663,487</u>	<u>(4,808,218)</u>
EXPENDITURES				
Current:				
General government	2,831,373	2,820,500	1,314,069	1,506,431
Public safety	6,760,662	6,760,662	3,183,720	3,576,942
Culture and recreation	1,402,682	1,402,682	713,117	689,565
Capital outlay	163,895	174,768	177,080	(2,312) **
Contingency	1,352,242	1,219,190	-	1,219,190
TOTAL EXPENDITURES	<u>12,510,854</u>	<u>12,377,802</u>	<u>5,387,986</u>	<u>6,989,816</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(2,039,149)</u>	<u>(1,906,097)</u>	<u>275,501</u>	<u>2,181,598</u>
OTHER FINANCING SOURCES (USES)				
Sale of property	-	-	5,100	5,100
Issuance of debt	-	-	73,434	73,434
Transfers in	1,881,154	1,881,154	1,140,088	(741,066)
Transfers out	(1,572,976)	(1,706,028)	(895,521)	810,507
TOTAL OTHER FINANCING SOURCES (USES)	<u>308,178</u>	<u>175,126</u>	<u>323,101</u>	<u>147,975</u>
NET CHANGE IN FUND BALANCE	(1,730,971)	(1,730,971)	598,602	2,329,573
FUND BALANCE, Beginning	<u>1,730,971</u>	<u>1,730,971</u>	<u>2,177,264</u>	<u>446,293</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,775,866</u>	<u>\$ 2,775,866</u>

** Exempt from Oregon Budget Law for \$73,434 in capital lease proceeds.

CITY OF ONTARIO, OREGON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GRANTS FUND
For the Fiscal Year Ended June 30, 2008

	2007-2009 Budgeted Amounts		1st Year Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 144,000	\$ 1,638,253	\$ 1,102,627	\$ (535,626)
TOTAL REVENUES	<u>144,000</u>	<u>1,638,253</u>	<u>1,102,627</u>	<u>(535,626)</u>
EXPENDITURES				
Current:				
General government:				
Materials and services	-	4,200	3,784	416
Capital outlay	<u>233,592</u>	<u>1,852,397</u>	<u>1,183,021</u>	<u>669,376</u>
TOTAL EXPENDITURES	<u>233,592</u>	<u>1,856,597</u>	<u>1,186,805</u>	<u>669,792</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(89,592)</u>	<u>(218,344)</u>	<u>(84,178)</u>	<u>134,166</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>20,000</u>	<u>148,752</u>	<u>128,752</u>	<u>(20,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>20,000</u>	<u>148,752</u>	<u>128,752</u>	<u>(20,000)</u>
NET CHANGE IN FUND BALANCE	(69,592)	(69,592)	44,574	114,166
FUND BALANCE, Beginning	<u>69,592</u>	<u>69,592</u>	<u>2,866</u>	<u>(66,726)</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,440</u>	<u>\$ 47,440</u>

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



FUND FINANCIAL STATEMENTS

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 OREGON, OREGON
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2008

	<u>Business - type Activities - Enterprise Funds</u>		
	<u>Non-Major</u>		
	Golf Course Fund	Public Works Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ -	\$ 2,658,104	\$ 2,658,104
Restricted cash and cash equivalents	-	1,208,375	1,208,375
Accounts receivable, net	468	631,754	632,222
Inventories	-	388,717	388,717
	<u>468</u>	<u>4,886,950</u>	<u>4,887,418</u>
Total current assets			
Noncurrent assets:			
Capital assets:			
Land	84,628	2,367,173	2,451,801
Depreciable assets, net of depreciation	<u>925,036</u>	<u>46,826,436</u>	<u>47,751,472</u>
	<u>1,009,664</u>	<u>49,193,609</u>	<u>50,203,273</u>
Total noncurrent assets			
	<u>1,009,664</u>	<u>49,193,609</u>	<u>50,203,273</u>
Total assets	<u>\$ 1,010,132</u>	<u>\$ 54,080,559</u>	<u>\$ 55,090,691</u>
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable	\$ 17,478	\$ 127,675	\$ 145,153
Deposits	-	52,667	52,667
Accrued interest payable	6,210	259,281	265,491
Interfund payable	5,298	-	5,298
Compensated absences payable	-	118,120	118,120
Current portion of long-term debt	<u>84,373</u>	<u>921,918</u>	<u>1,006,291</u>
	<u>113,359</u>	<u>1,479,661</u>	<u>1,593,020</u>
Total current liabilities			
	<u>113,359</u>	<u>1,479,661</u>	<u>1,593,020</u>
Long-term debt, net of current portion:			
Water revenue bonds payable	-	346,733	346,733
Certificates of participation	277,904	-	277,904
Contracts, loans and notes payable	<u>2,462</u>	<u>12,935,775</u>	<u>12,938,237</u>
	<u>280,366</u>	<u>13,282,508</u>	<u>13,562,874</u>
Total long-term liabilities			
	<u>280,366</u>	<u>13,282,508</u>	<u>13,562,874</u>
Total liabilities	<u>393,725</u>	<u>14,762,169</u>	<u>15,155,894</u>
Net assets:			
Invested in capital assets, net of related debt	644,925	34,989,183	35,634,108
Restricted for debt service	-	1,208,375	1,208,375
Unrestricted (Deficit)	<u>(28,518)</u>	<u>3,120,832</u>	<u>3,092,314</u>
	<u>616,407</u>	<u>39,318,390</u>	<u>39,934,797</u>
Total net assets			
	<u>616,407</u>	<u>39,318,390</u>	<u>39,934,797</u>
Total liabilities and net assets	<u>\$ 1,010,132</u>	<u>\$ 54,080,559</u>	<u>\$ 55,090,691</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, 2008

	Business - type Activities - Enterprise Funds		
	<u>Non-Major</u>		
	<u>Golf Course Fund</u>	<u>Public Works Fund</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 67,915	\$ 5,780,976	\$ 5,848,891
Miscellaneous	-	30,264	30,264
TOTAL OPERATING REVENUES	<u>67,915</u>	<u>5,811,240</u>	<u>5,879,155</u>
OPERATING EXPENSES			
Personal services	-	1,601,962	1,601,962
Materials and services	110,451	1,338,243	1,448,694
Depreciation	91,302	2,397,481	2,488,783
TOTAL OPERATING EXPENSES	<u>201,753</u>	<u>5,337,686</u>	<u>5,539,439</u>
OPERATING INCOME (LOSS)	<u>(133,838)</u>	<u>473,554</u>	<u>339,716</u>
NON-OPERATING INCOME (EXPENSES)			
Intergovernmental	16,100	-	16,100
Interest on investments	-	310,448	310,448
Interest expense	(21,904)	(545,470)	(567,374)
TOTAL NON-OPERATING INCOME (EXPENSES)	<u>(5,804)</u>	<u>(235,022)</u>	<u>(240,826)</u>
NET INCOME (LOSS) BEFORE TRANSFERS	<u>(139,642)</u>	<u>238,532</u>	<u>98,890</u>
TRANSFERS			
Transfers in	185,715	1,432,208	1,617,923
Transfers out	-	(1,794,678)	(1,794,678)
TOTAL TRANSFERS	<u>185,715</u>	<u>(362,470)</u>	<u>(176,755)</u>
CHANGE IN NET ASSETS	46,073	(123,938)	(77,865)
NET ASSETS, Beginning	<u>570,334</u>	<u>39,442,328</u>	<u>40,012,662</u>
NET ASSETS, Ending	<u>\$ 616,407</u>	<u>\$ 39,318,390</u>	<u>\$ 39,934,797</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, 2008

	Business-type Activities - Enterprise Funds		
	Non-Major Golf Course Fund	Public Works Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 68,712	\$ 5,667,095	\$ 5,735,807
Payments to suppliers	(101,229)	(1,262,554)	(1,363,783)
Payments to employees	-	(1,593,692)	(1,593,692)
Net cash provided from (used by) operating activities	<u>(32,517)</u>	<u>2,810,849</u>	<u>2,778,332</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers in	185,715	-	185,715
Transfers out	-	(1,794,678)	(1,794,678)
Net cash provided from (used by) non-capital financing activities	<u>185,715</u>	<u>(1,794,678)</u>	<u>(1,608,963)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from intergovernmental revenue	16,100	-	16,100
Interfund loan proceeds	5,298	-	5,298
Interfund loan payments	(52,583)	-	(52,583)
Acquisition of capital assets	(15,500)	(5,500)	(21,000)
Principal paid on long-term obligations	(83,258)	(878,559)	(961,817)
Interest paid on long-term obligations	(23,255)	(387,440)	(410,695)
Net cash provided from (used by) capital and related financing activities	<u>(153,198)</u>	<u>(1,271,499)</u>	<u>(1,424,697)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	-	310,448	310,448
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
	-	55,120	55,120
CASH AND CASH EQUIVALENTS, Beginning	<u>-</u>	<u>3,811,359</u>	<u>3,811,359</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ -</u>	<u>\$ 3,866,479</u>	<u>\$ 3,866,479</u>
COMPRISED AS FOLLOWS:			
Cash and cash equivalents	\$ -	\$ 2,658,104	\$ 2,658,104
Restricted cash and cash equivalents	-	1,208,375	1,208,375
	<u>\$ -</u>	<u>\$ 3,866,479</u>	<u>\$ 3,866,479</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, 2008

	Business-type Activities - Enterprise Funds		
	Non-Major Golf Course Fund	Public Works Fund	Totals
Reconciliation of operating income (loss) to net cash provided from (used by) operating activities			
Operating income (loss)	\$ (133,838)	\$ 473,554	\$ 339,716
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	91,302	2,397,481	2,488,783
(Increase) decrease in assets:			
Receivables	797	(136,196)	(135,399)
Inventories	-	85,250	85,250
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	9,222	(9,561)	(339)
Deposits	-	(7,949)	(7,949)
Compensated absences payable	-	8,270	8,270
Net cash provided from (used by) operating activities	<u>\$ (32,517)</u>	<u>\$ 2,810,849</u>	<u>\$ 2,778,332</u>
NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Transfer of capital assets, inventory, and debt between funds	<u>\$ -</u>	<u>\$ 1,432,208</u>	<u>\$ 1,432,208</u>



NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

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.

The accompanying financial statements present all activities, funds and component units for which the City is considered to be financially accountable. The criteria used in making this determination includes appointment of a voting majority, imposition of will, financial benefit or burden on the primary government, and fiscal dependency on the primary government. Based upon the evaluation of this criteria, 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 non-fiduciary 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.

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 *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's 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.

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.

The bases of accounting described above are in accordance with accounting principles generally accepted in the United States of America.

The City reports the following major governmental funds:

General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except those accounted for in another fund. Principal sources of revenue are property taxes, franchise fees, hotel-motel tax, and state shared revenues. Expenditures are primarily for general government operations, public safety (police), and community development.

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.

Grants fund is the City's fund for the accounting of grants awarded to the city for both operating and capital purposes, not directly associated with major projects of any other fund.

The City reports the following major proprietary funds:

Public works fund accounts for costs of services directly related to the operation and maintenance of the City's utility services, to include water, sewer, storm drain and the administration of these services.

The City also includes the following fund types as other governmental funds:

Special revenue funds are primarily operating funds that account for revenue derived from specific taxes or other revenue sources, which are legally restricted to finance particular functions or activities. When a special revenue fund is not an operating fund, transfers are made from the special revenue fund to the operating funds authorized to make expenditures.

Debt service funds account for the resources accumulated and payments made for principal and interest on long-term debt for governmental funds.

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 a common cash and investment pool that is available for use by all funds. Interest earned on the pooled cash and investments is allocated monthly based on the average monthly balances throughout the year.

The City's investment policies are governed by state statute. The 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, high-grade commercial paper and the State Treasurer's Investment Pool.

Investments in the Local Government Investment Pool are stated at amortized cost, which approximates fair value. All other investments are reported at 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".

Property taxes receivable which have been collected within 60 days after year-end are considered measurable and available and, therefore, are recognized as revenue. The remaining balance is recorded as deferred revenue because it is not deemed available to finance operations of the current period. An allowance for doubtful accounts is not deemed necessary, as uncollectible taxes become a lien on the property. Property taxes are levied and become a lien on July 1. Collection dates are November 15, February 15, and May 15 following the lien date. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

The State of Oregon has a constitutional limit on property taxes for schools and non-school general governments. The maximum allowable combined tax rate for all non-school general governments is \$10 per \$1,000, compression occurs, resulting in proportionately reduced tax collection by each taxing district. The City of Ontario was unable to levy \$905 for 2007-2008 as a result of compression.

The City's permanent rate of \$4.8347 per \$1,000 does not change. Annual growth in property tax receipts occurs through allowed annual increases to assessed values which cannot exceed 3% per year, unless there is new construction on existing property.

Assessment liens receivable in the Debt Service funds are recognized at the time property owners are assessed for property improvements. Assessment liens receivable are offset by deferred revenue in the fund financial statements and accordingly, have not been recognized as revenue. Assessment interest receivable is recorded when earned; the assessment interest revenue is recognized when it becomes measurable and available.

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 and an allowance for uncollectible accounts has not been established.

3. Inventories and Prepaid Items

Inventory in the Trust Fund is determined by estimated costs, while the Public Works inventory is determined by physical count at year end. 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, pathways, etc.) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In the governmental fund statements, capital assets are charged to expenditures as purchased, and capitalized in the proprietary fund statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value as of the date of donation.

Capital assets are defined by the City are assets with an initial, individual cost of \$5,000 or more, and have an estimated useful life of greater than one year. Additions or improvements and other capital outlays that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Assets and is provided on the straight-line basis over the following estimated useful lives:

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

One-half year of depreciation is taken in the year individual assets are acquired or retired. Gains or losses from sales or retirements of capital assets are included in operations of the current period.

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, business-type activities, or proprietary fund type statement of net assets. 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 treated as period costs in the year of issue and are shown as other financing uses.

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, 2008 was \$325,597 for debt service, \$419,090 for highways and streets, and \$344,870 for other restriction. There is also \$1,208,375 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.

Oregon Local Budget Law establishes standard procedures relating to the preparation, adoption, and execution of the biennial budget. The process under which the budget is adopted is described in the following paragraphs.

Prior to the beginning of each budget period, the budget prepared by City staff is submitted to the Budget Committee (consisting of the City Council and citizens of the City). The City's budget is prepared for each fund on the modified accrual basis of accounting. Interfund loans are budgeted as sources and uses in accordance with state budget laws. Estimated receipts and expenditures are budgeted by fund, program and object. Information on the past years' actual receipts and expenditures, current-year estimates are included in the budget document.

The Budget Committee conducts public hearings for the purpose of obtaining citizens' comments, and then approves a budget. The budget is submitted to the City Council for final adoption. The approved expenditures for each fund may not be increased by more than 10% by the Council without returning to the Budget Committee for a second approval. After the City Council adopts the budget and certifies the total of ad valorem taxes to be levied, no additional tax levy may be made for that fiscal year.

The City Council legally adopts the budget by resolution before July 1. The resolution establishes appropriations for each fund and expenditures cannot legally exceed these appropriations. The level of control established by the resolution for each fund is at the object group level (i.e. personal services, materials and services, capital outlay, debt service, interfund transfers, and contingency). All biennial appropriations lapse at the end of the biennium.

The City Council may change the budget throughout the budget period by transferring appropriations between levels of control and by adopting supplemental budgets as authorized by Oregon Revised Statutes. 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 of City Council. Oregon Local Budget Law also provides certain specific exceptions to the supplemental budget process to increase appropriations. Expenditures may not legally exceed budgeted appropriation as adopted and adjusted. Exceptions to budget law are also

available for expenditures associated with debt issued during the budget period. Management may transfer budget amounts between individual line items within the object group, but cannot make changes to the object groups themselves, which is the legal level of control.

During the biennial budget period ended June 30, 2008, appropriation increases and transfers were approved, and supplemental budgets were adopted.

B. Deficit Fund Balances

Funds having a deficit fund balance at June 30, 2008 are as follows:

Business Type Activities

Enterprise Funds

Golf Course Fund	<u>\$ (22,308)</u>
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The City has continued to suffer losses in the Golf Course Fund due to major improvements and upgrades in the past few years. Revenue fell below estimates during the current biennium due to the new concessionaire receiving a larger percentage of concession revenues. The City continues to consider ways to improve the operations 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, 2008. 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 fiscal year ended June 30, 2008, the carrying amount of the City's deposits, including certificates of deposit classified as investments, was \$2,900,214 and the bank balance was \$3,277,849. All deposits are held in the name of the City of Ontario. Of the bank balance, \$1,643,755 was covered by federal depository insurance and collateral certificates in the City's name. The remaining \$1,634,094 was uninsured and uncollateralized per GAAP standards, but the entire amount was collateralized in accordance with Oregon Minimum Standards

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 deposit policy for custodial credit risk.

Effective July 1, 2008, there were significant changes to ORS 295, which governs the collateralization of Oregon public funds. Public officials will no longer request Certificates of Participation for balances in excess of FDIC insured amounts. Instead, public officials must ensure the bank they are doing business with is on the Office of the State Treasurer's (OST) list of qualified depositories. Public officials will be required to report to OST all bank depositories in which they deposit public funds and bank depositories will report financial information and total public funds deposits quarterly to

OST. OST will then calculate the required collateral that must be pledged based on this information and the depository's FDIC assigned capitalization category. Bank depositories will then have a shared liability in the event of a bank loss.

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 unrated 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 US 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's investment policy limits long-term investments to 25% of the investment portfolio using specific identification. The City defines long-term as having a maturity of greater than 18 months to a maximum of 36 months. As of June 30, 2008 all of the City's investments were classified as short-term.

The City of Ontario also invested funds in U.S. Government Obligations and Time Certificates of Deposit. These investments are carried at fair value.

Investments held by the City at June 30, 2008 are as follows:

	<u>Maturity</u>	<u>Percentage of Portfolio</u>	<u>Carrying Amount/ Fair Value</u>
U.S. Government Obligations:	On demand	0%	\$ 8,500
	Less than one year	9%	855,562
	13 to 18 months	10%	1,010,163
Local Government Investment Pool	1 day	76%	7,606,124
Time Certificate of Deposits	Less than one year	5%	495,684
		<u>100%</u>	<u>9,976,033</u>
Less amounts classified as cash equivalents			<u>(7,606,124)</u>
Total Investments			<u>\$ 2,369,909</u>

A reconciliation of cash and cash equivalents as shown on the Statement of Net Assets is as follows:

Cash on hand	\$ 1,160
Deposits with financial institutions	2,404,530
Local Government Investment Pool	<u>7,606,124</u>
Total	<u>\$ 10,011,814</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	Grants Fund	Other Governmental Funds	Total Governmental Activities
Property taxes	\$ 193,460	\$ -	\$ -	\$ -	\$ 193,460
Accounts	10,067	116,705	-	13,237	140,009
Intergovernmental	47,190	-	73,158	1,120	121,468
Assessments	-	-	-	535,747	535,747
Notes	-	-	-	740,133	740,133
Total receivables	<u>\$ 250,717</u>	<u>\$ 116,705</u>	<u>\$ 73,158</u>	<u>\$ 1,290,237</u>	<u>\$ 1,730,817</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>\$ 468</u>	<u>\$ 631,754</u>	<u>\$ 632,222</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 2007-2008, the City levied property taxes for a general levy in the amount of \$2,889,469. After reductions for offsets and increases for additional taxes and penalties this resulted in a net levy of \$2,888,564. The tax rate for the fiscal year was \$4.8347, per \$1,000 of assessed value. The assessed valuation for the City was \$597,652,227.

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	\$ 153,263	\$ -	\$ 153,263
Program advances			
Grants fund	-	35,549	35,549
Assessments receivable			
Non-major funds	535,747	-	535,747
Notes and assessments			
Non-major funds	740,133	-	740,133
Other			
Non-major funds	-	236,462	236,462
	<u> </u>	<u> </u>	<u> </u>
Total deferred revenue	<u>\$ 1,429,143</u>	<u>\$ 272,011</u>	<u>\$ 1,701,154</u>

D. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2008 was as follows:

Description	Beginning Balance	Increases	Decreases	Ending Balance
Land	\$ 948,024	\$ -	\$ -	\$ 948,024
Construction in progress	3,021,026	1,548,867	(2,687,592)	1,882,301
Total non-depreciable	<u>3,969,050</u>	<u>1,548,867</u>	<u>(2,687,592)</u>	<u>2,830,325</u>
Equipment and vehicles	6,288,748	198,922	(38,225)	6,449,445
Buildings and improvements	2,319,088	14,077	-	2,333,165
Infrastructure	124,785,602	1,501,214	-	126,286,816
Total depreciable	<u>133,393,438</u>	<u>1,714,213</u>	<u>(38,225)</u>	<u>135,069,426</u>
Accumulated depreciation				
Equipment and vehicles	(5,313,703)	(488,327)	24,734	(5,777,296)
Buildings and improvements	(1,741,298)	(57,977)	-	(1,799,275)
Infrastructure	(118,497,015)	(4,167,099)	-	(122,664,114)
Total accumulated depreciation	<u>(125,552,016)</u>	<u>(4,713,403)</u>	<u>24,734</u>	<u>(130,240,685)</u>
Total depreciable assets	<u>7,841,422</u>	<u>(2,999,190)</u>	<u>(13,491)</u>	<u>4,828,741</u>
Governmental activities capital assets, net	<u>\$ 11,810,472</u>	<u>\$ (1,450,323)</u>	<u>\$ (2,701,083)</u>	<u>\$ 7,659,066</u>

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

General government	\$ 84,155
Public safety	224,247
Highways and streets	4,301,816
Culture and recreation	103,185
Total depreciation for governmental activities	<u>\$ 4,713,403</u>

Capital asset activity for business-type activities for the year ended June 30, 2008 was as follows:

Description	Beginning Balance	Increases	Decreases	Ending Balance
Land	\$ 2,451,801	\$ -	\$ -	\$ 2,451,801
Total non-depreciable	2,451,801	-	-	2,451,801
Equipment and vehicles	11,429,519	67,563	-	11,497,082
Buildings and improvements	18,854,658	-	-	18,854,658
Infrastructure	32,548,068	4,590,787	-	37,138,855
Total depreciable	62,832,245	4,658,350	-	67,490,595
Accumulated depreciation				
Equipment and vehicles	(8,364,000)	(1,146,331)	-	(9,510,331)
Buildings and improvements	(3,681,242)	(471,366)	-	(4,152,608)
Infrastructure	(5,205,098)	(871,086)	-	(6,076,184)
Total accumulated depreciation	(17,250,340)	(2,488,783)	-	(19,739,123)
Total depreciable assets	45,581,905	2,169,567	-	47,751,472
Business-type activities capital assets, net	<u>\$ 48,033,706</u>	<u>\$ 2,169,567</u>	<u>\$ -</u>	<u>\$ 50,203,273</u>

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

Golf Course	\$ 91,302
Public Works	2,397,481
Total depreciation for business-type activities	<u>\$ 2,488,783</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 \$5,298. In the fund financial statements, the General Fund had \$5,298 receivable from the Golf Course Fund and \$17,813 receivable from the Capital Projects Fund at June 30, 2008. 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 into the business-type activities and transfers out of the governmental activities in the amount of \$176,755.

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

	Transfers In	Transfers Out
General Fund	\$ 1,140,088	\$ 895,521
Capital Projects Fund	90,000	-
Grants Fund	128,752	-
Non-major governmental funds	1,660,004	514,360
Enterprise Funds		
Golf Course Fund	185,715	-
Public Works Fund	1,432,208	1,794,678
Non-current resources	-	1,432,208
Total all funds	\$ 4,636,767	\$ 4,636,767

Transfers out of the General Fund were for the City's contribution towards maintaining the golf course, library and 911 operations. Additional transfer was made from the General Fund to the Grants Fund to fund program costs not covered entirely by grant proceeds. 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 and Street Fund to the Capital Projects 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

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

Fiscal year:	Outstanding July 1, 2007	Matured, Called, or Defeased During Year	Outstanding June 30, 2008	Interest
2008	\$ 55,376	\$ 55,376	\$ -	\$ -
2009	55,377	-	55,377	29,592
2010	55,377	-	55,377	26,962
2011	55,376	-	55,376	24,331
2012	55,376	-	55,376	21,701
2013	55,377	-	55,377	19,070
2014-2018	276,883	-	276,883	55,896
2019-2020	83,066	-	83,066	3,946
	\$ 692,208	\$ 55,376	\$ 636,832	\$ 181,498

2. Contracts and Notes Payable – Governmental Activities

The City has a note payable to First American Title Company for property at the airport. The note is payable annually with installments of \$12,307, including interest at 6%. The final payment is due July 18, 2010. The loan is secured by the property purchased and is payable from general government revenues.

	Outstanding July 1, 2007	Matured, Called, or Defeased During Year	Outstanding June 30, 2008	Interest
Fiscal year:				
2008	\$ 10,324	\$ 10,324	-	-
2009	10,317	-	10,317	1,989
2010	10,937	-	10,937	1,370
2011	11,902	-	11,902	733
	<u>\$ 43,480</u>	<u>\$ 10,324</u>	<u>\$ 33,156</u>	<u>\$ 4,092</u>

3. Capital Leases – Governmental Activities

The City has entered into various capital lease agreements as lessee for financing of police vehicles during the year. The leases qualify as capital leases and therefore the vehicles have been recorded at the present value of the minimum lease payments as of the date of inception.

Assets leased under capital leases at June 30, 2008 are as follows:

	Balance of Lease	Interest Rate
2 Dodge Chargers	\$ 28,622	9.40%
Chevy Tahoe	18,145	8.95%
Total capital leases	<u>\$ 46,767</u>	

A schedule of future minimum lease payments is as follows:

Year Ending June 30	Total
2009	\$ 26,667
2010	26,667
Total minimum lease payments	53,334
Less: interest included in payments	(6,567)
Present value of minimum lease payment	<u>\$ 46,767</u>

3. 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.

Fiscal year:	Principal			Interest
	Outstanding July 1, 2007	Matured, Called, or Defeased During Year	Outstanding June 30, 2008	
2008	81,007	81,007	-	-
2009	82,046	-	82,046	18,127
2010	88,137	-	88,137	14,067
2011	94,283	-	94,283	9,638
2012	95,484	-	95,484	4,866
	<u>\$ 440,957</u>	<u>\$ 81,007</u>	<u>\$ 359,950</u>	<u>\$ 46,698</u>

4. 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:	Matured, Called, or Defeased			Interest
	Outstanding July 1, 2007	During Year	Outstanding June 30, 2008	
2008	2,251	2,251	-	-
2009	2,327	-	2,327	188
2010	2,462	-	2,462	69
	<u>\$ 7,040</u>	<u>\$ 2,251</u>	<u>\$ 4,789</u>	<u>\$ 257</u>

5. 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
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	502,942	49,037	95,829	29,198
2013	502,942	33,949	99,680	25,346
2014-2018	754,411	22,632	561,825	63,307
2019-2020	-	-	-	-
	<u>\$ 3,269,121</u>	<u>\$ 343,258</u>	<u>\$ 1,023,167</u>	<u>\$ 227,096</u>
	Loan 70612 - 3.69%		Total	
	Principal	Interest	Principal	Interest
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	148,653	52,329	747,424	130,564
2013	154,188	46,794	756,810	106,089
2014-2018	861,469	143,441	2,177,705	229,380
2019-2020	290,658	10,791	290,658	10,791
	<u>\$ 1,869,662</u>	<u>\$ 441,607</u>	<u>\$ 6,161,950</u>	<u>\$ 1,011,961</u>

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

Fiscal year:	Outstanding July 1, 2007	Matured, Called, or Defeased During Year	Outstanding June 30, 2008	Interest
2008	78,662	78,662	-	-
2009	113,943	-	113,943	185,678
2010	114,700	-	114,700	181,121
2011	120,489	-	120,489	176,533
2012	126,308	-	126,308	171,713
2013-2017	705,027	-	705,027	778,678
2018-2022	856,167	-	856,167	626,089
2023-2027	1,059,741	-	1,059,741	428,515
2028-2032	1,307,543	-	1,307,543	176,167
	<u>\$ 4,482,580</u>	<u>\$ 78,662</u>	<u>\$ 4,403,918</u>	<u>\$ 2,724,494</u>

The City received approval of an interim-financing note payable to the Oregon Economic and Community Development Department for improvements to the wastewater treatment facilities, in the total amount of \$4,061,600, of which \$3,205,144 has been requested as of June 30, 2008. All outstanding principal and accrued unpaid interest, at 3.52% per annum, is due and payable August 28, 2009, at which time the City will convert the note payable to permanent financing.

	Outstanding July 1, 2007	Issued During Year	Matured, Called, or Defeased During Year	Outstanding June 30, 2008	Interest
Fiscal year:					
2008	2,413,835	791,309	-	-	102,721
2009	-	-	-	-	115,921
2010	-	-	-	3,205,144	28,544
	<u>\$ 2,413,835</u>	<u>\$ 791,309</u>	<u>\$ -</u>	<u>\$ 3,205,144</u>	<u>\$ 247,186</u>

6. 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 15th day of December and June of each year. Principal payments of \$86,680 are payable annually on December 15th. Final payment is due December 15, 2012. The bonds are not subject to redemption at the option of the City.

	Outstanding July 1, 2007	Matured, Called, or Defeased During Year	Outstanding June 30, 2008	Interest
Fiscal year:				
2008	86,678	86,678	-	-
2009	86,681	-	86,681	17,553
2010	86,681	-	86,681	13,652
2011	86,681	-	86,681	9,752
2012	86,681	-	86,681	5,851
2013	86,690	-	86,690	1,950
	<u>\$ 520,092</u>	<u>\$ 86,678</u>	<u>\$ 433,414</u>	<u>\$ 48,758</u>

7. Changes in Long-Term Liabilities

Changes for the year ended June 30, 2008 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Governmental Activities:					
Note payable	\$ 43,480	\$ -	\$ 10,324	\$ 33,156	\$ 10,317
Special assessments	692,208	-	55,376	636,832	55,377
Capital leases	-	73,434	26,667	46,767	22,352
Compensated absences	332,333	14,700	-	347,033	347,033
Total governmental activities	1,068,021	88,134	92,367	1,063,788	435,079
Business-type Activities:					
Certificates of participation	440,957	-	81,007	359,950	82,046
Compensated absences	109,850	8,270	-	118,120	118,120
Contracts and notes payable:					
OECD interim financing	2,413,835	791,309	-	3,205,144	-
Oregon DEQ contracts	6,875,171	-	713,221	6,161,950	721,294
OECD permanent financing	4,482,580	-	78,662	4,403,918	113,943
Golf Course Economic Development note	7,040	-	2,251	4,789	2,327
Water Revenue Bonds	520,092	-	86,678	433,414	86,681
Total business-type activities	14,849,525	799,579	961,819	14,687,285	1,124,411
	<u>\$ 15,917,546</u>	<u>\$ 887,713</u>	<u>\$ 1,054,186</u>	<u>\$ 15,751,073</u>	<u>\$ 1,559,490</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.

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 15.86% 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 16.37% of covered payroll for general services employees and 19.64% 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, 2008, 2007 and 2006 were \$847,075, \$834,445, and \$812,113, 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 engineering contracts at June 30, 2008 to complete the design of Reimbursement District #3. The total budget for this project is \$167,500, of which \$113,338 has previously been paid. Approximately 68% of the project was complete at June 30, 2008.

The City is under various construction and engineering contracts at June 30, 2008 to complete the replacement of 12,000 lineal feet of deteriorated sanitary sewer pipe. The total budget for this project is \$1,327,618, of which \$1,296,015 has previously been paid. Approximately 98% of the project was complete at June 30, 2008.

The City is under engineering contracts at June 30, 2008 to complete the design of the Washington Avenue/North Oregon realignment project. The total budget for this project is \$328,500, of which \$253,500 has previously been spent. Approximately 77% of the project was complete at June 30, 2008.

The City is under construction contracts at June 30, 2008 to upgrade electrical infrastructure on 8th Avenue. The total budget for this project is \$40,978, of which \$32,681 has previously been paid. Approximately 80% of the project was complete at June 30, 2008.

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.

4. Subsequent Events

In October 2008, the City awarded a construction contract to Mid-Valley Construction for SE 2nd Street sanitary sewer improvements in the amount of \$96,980. This project was completed at June 30, 2009.

In June 2009, the City approved amendment #1 to the agreement with Anderson Perry, Inc. for construction administration and construction engineering for the design of the reconstruction of North Oregon Street from Idaho Avenue to NW 1st Street in the amount of \$230,000. No expenditures were made on this contract at June 30, 2009.

In June 2009, the City accepted a counter offer to purchase real property in the amount of \$750,000. The property is slated to become the one-stop shop for the Public Works Department. A \$10,000 down payment was made on the purchase, with an anticipated closing of August 24, 2009.

In August 2009, the City awarded a construction contract to Adamson Pump and Drilling in the amount of \$105,172 for the drilling and equipping with submersible pumps of two wells.

In December 2009, the City approved selling approximately 66 acres of City owned real property for an estimated selling price of \$1,333,000. Closing of the transaction is expected during calendar year 2010.

Also in December 2009, the City authorized the purchase of a 2010 Combination Jet Rodder/Sewer Cleaner Truck from Enviro-Clean Equipment in the net amount of \$298,952.

In February 2010, the City was awarded a grant from the Oregon Department of Energy in the amount of \$728,000. The grant will be used to replace the heating and cooling system at City Hall, as well as the entire lighting system.

In April 2010, the City authorized contracts for kitchen appliances and equipment and construction for the golf course kitchen remodel of approximately \$99,000.

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, 2008, 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



COMBINING STATEMENTS

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.

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, 2008

	Special Revenue	Debt Service	Totals
ASSETS			
Cash and cash equivalents	\$ 2,641,361	\$ 328,699	\$ 2,970,060
Investments	504,184	-	504,184
Receivables:			
Accounts	13,237	-	13,237
Intergovernmental	1,120	-	1,120
Assessments	-	535,747	535,747
Notes	740,133	-	740,133
Inventory	4,323	-	4,323
	<u>\$ 3,904,358</u>	<u>\$ 864,446</u>	<u>\$ 4,768,804</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 160,208	\$ -	\$ 160,208
Matured interest outstanding	-	3,102	3,102
Deferred revenue	976,595	535,747	1,512,342
	<u>1,136,803</u>	<u>538,849</u>	<u>1,675,652</u>
FUND BALANCES			
Reserved for:			
Debt service	-	325,597	325,597
Unreserved, reported in:			
Special revenue funds	2,767,555	-	2,767,555
	<u>2,767,555</u>	<u>325,597</u>	<u>3,093,152</u>
Total liabilities and fund balances	<u>\$ 3,904,358</u>	<u>\$ 864,446</u>	<u>\$ 4,768,804</u>

CITY OF ONTARIO, OREGON
SUB-COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
June 30, 2008

	Library Fund	911 Fund	Street Fund	Trust Fund
ASSETS				
Cash and cash equivalents	\$ 139,821	\$ 81,019	\$ 533,246	\$ 75,574
Investments	-	-	-	504,184
Receivables:				
Accounts	6,661	-	250	880
Intergovernmental	-	-	1,120	-
Notes	-	-	-	-
Inventory	-	-	-	4,323
Total assets	<u>\$ 146,482</u>	<u>\$ 81,019</u>	<u>\$ 534,616</u>	<u>\$ 584,961</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 3,061	\$ 2,001	\$ 115,526	\$ 3,629
Deferred revenue	-	-	-	236,462
Total liabilities	<u>3,061</u>	<u>2,001</u>	<u>115,526</u>	<u>240,091</u>
FUND BALANCES				
Unreserved, reported in: Special revenue funds	<u>143,421</u>	<u>79,018</u>	<u>419,090</u>	<u>344,870</u>
Total liabilities and fund balances	<u>\$ 146,482</u>	<u>\$ 81,019</u>	<u>\$ 534,616</u>	<u>\$ 584,961</u>

Revolving Loan Fund	Reserve Fund	Totals
\$ 56,263	\$ 1,755,438	\$ 2,641,361
-	-	504,184
5,446	-	13,237
-	-	1,120
740,133	-	740,133
-	-	4,323
<u>\$ 801,842</u>	<u>\$ 1,755,438</u>	<u>\$ 3,904,358</u>
\$ -	\$ 35,991	\$ 160,208
<u>740,133</u>	<u>-</u>	<u>976,595</u>
<u>740,133</u>	<u>35,991</u>	<u>1,136,803</u>
<u>61,709</u>	<u>1,719,447</u>	<u>2,767,555</u>
<u>\$ 801,842</u>	<u>\$ 1,755,438</u>	<u>\$ 3,904,358</u>



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, 2008

	Special Revenue	Debt Service	Totals
REVENUES			
Other taxes	\$ 260,538	\$ -	\$ 260,538
Intergovernmental	597,819	-	597,819
Charges for services	18,470	-	18,470
Fines and forfeitures	8,776	-	8,776
Special assessments	-	119,111	119,111
Interest on investments	66,110	32,858	98,968
Loan repayments	73,482	-	73,482
Miscellaneous	32,132	-	32,132
TOTAL REVENUES	<u>1,057,327</u>	<u>151,969</u>	<u>1,209,296</u>
EXPENDITURES			
Current:			
General government	331,336	-	331,336
Public safety	428,063	-	428,063
Highways and streets	788,088	-	788,088
Culture and recreation	430,297	-	430,297
Capital outlay	740,917	-	740,917
Debt service	-	87,599	87,599
TOTAL EXPENDITURES	<u>2,718,701</u>	<u>87,599</u>	<u>2,806,300</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,661,374)</u>	<u>64,370</u>	<u>(1,597,004)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,660,004	-	1,660,004
Transfers out	(514,360)	-	(514,360)
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,145,644</u>	<u>-</u>	<u>1,145,644</u>
NET CHANGE IN FUND BALANCE	(515,730)	64,370	(451,360)
FUND BALANCE, Beginning	<u>3,283,285</u>	<u>261,227</u>	<u>3,544,512</u>
FUND BALANCE, Ending	<u>\$ 2,767,555</u>	<u>\$ 325,597</u>	<u>\$ 3,093,152</u>

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, 2008

	Library Fund	911 Fund	Street Fund	Trust Fund
REVENUES				
Other taxes	\$ -	\$ -	\$ -	\$ 260,538
Intergovernmental	8,500	93,912	490,453	-
Charges for services	-	3,170	-	15,300
Fines and forfeitures	8,776	-	-	-
Interest on investments	-	-	7,113	18,301
Loan repayments	-	-	-	-
Miscellaneous	417	1,534	8,509	6,672
TOTAL REVENUES	<u>17,693</u>	<u>98,616</u>	<u>506,075</u>	<u>300,811</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	428,063	-	-
Highways and streets	-	-	788,088	-
Culture and recreation	154,379	-	-	275,918
Capital outlay	-	-	271,106	-
TOTAL EXPENDITURES	<u>154,379</u>	<u>428,063</u>	<u>1,059,194</u>	<u>275,918</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(136,686)</u>	<u>(329,447)</u>	<u>(553,119)</u>	<u>24,893</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	188,652	392,940	400,325	-
Transfers out	-	-	(87,060)	(7,500)
TOTAL OTHER FINANCING SOURCES (USES)	<u>188,652</u>	<u>392,940</u>	<u>313,265</u>	<u>(7,500)</u>
NET CHANGE IN FUND BALANCE	51,966	63,493	(239,854)	17,393
FUND BALANCE, Beginning	<u>91,455</u>	<u>15,525</u>	<u>658,944</u>	<u>327,477</u>
FUND BALANCE, Ending	<u>\$ 143,421</u>	<u>\$ 79,018</u>	<u>\$ 419,090</u>	<u>\$ 344,870</u>

Revolving Loan Fund	Reserve Fund	Totals
\$ -	\$ -	\$ 260,538
-	4,954	597,819
-	-	18,470
-	-	8,776
40,696	-	66,110
73,482	-	73,482
-	15,000	32,132
<u>114,178</u>	<u>19,954</u>	<u>1,057,327</u>
309,112	22,224	331,336
-	-	428,063
-	-	788,088
-	-	430,297
-	469,811	740,917
<u>309,112</u>	<u>492,035</u>	<u>2,718,701</u>
<u>(194,934)</u>	<u>(472,081)</u>	<u>(1,661,374)</u>
-	678,087	1,660,004
-	(419,800)	(514,360)
-	258,287	1,145,644
(194,934)	(213,794)	(515,730)
<u>256,643</u>	<u>1,933,241</u>	<u>3,283,285</u>
<u>\$ 61,709</u>	<u>\$ 1,719,447</u>	<u>\$ 2,767,555</u>



BUDGETARY COMPARISON SCHEDULES

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 and Grants Fund are 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**

Governmental Funds

Special Revenue Funds

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

Debt Service Fund

- Debt Service Fund

Capital Projects Fund

- Capital Projects Fund

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
LIBRARY FUND
For the Fiscal Year Ended June 30, 2008

	2007-2009 Budgeted Amounts		1st Year Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ 8,500	\$ 8,500	\$ -
Fines and forfeitures	17,000	17,000	8,776	(8,224)
Miscellaneous	5,500	5,500	417	(5,083)
TOTAL REVENUES	<u>22,500</u>	<u>31,000</u>	<u>17,693</u>	<u>(13,307)</u>
EXPENDITURES				
Current:				
Culture and recreation:				
Personal services	262,298	266,838	109,384	157,454
Materials and services	137,499	141,459	44,995	96,464
TOTAL EXPENDITURES	<u>399,797</u>	<u>408,297</u>	<u>154,379</u>	<u>253,918</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(377,297)</u>	<u>(377,297)</u>	<u>(136,686)</u>	<u>240,611</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	377,297	377,297	188,652	(188,645)
TOTAL OTHER FINANCING SOURCES (USES)	<u>377,297</u>	<u>377,297</u>	<u>188,652</u>	<u>(188,645)</u>
NET CHANGE IN FUND BALANCE	-	-	51,966	51,966
FUND BALANCE, Beginning	-	-	91,455	91,455
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 143,421</u>	<u>\$ 143,421</u>

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
9-1-1 FUND
For the Fiscal Year Ended June 30, 2008

	2007-2009 Budgeted Amounts		1st Year Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 142,552	\$ 142,552	\$ 93,912	\$ (48,640)
Charges for services	6,000	6,000	3,170	(2,830)
Miscellaneous	-	-	1,534	1,534
TOTAL REVENUES	<u>148,552</u>	<u>148,552</u>	<u>98,616</u>	<u>(49,936)</u>
EXPENDITURES				
Current:				
Public safety:				
Personal services	860,279	860,279	402,948	457,331
Materials and services	<u>74,142</u>	<u>74,142</u>	<u>25,115</u>	<u>49,027</u>
TOTAL EXPENDITURES	<u>934,421</u>	<u>934,421</u>	<u>428,063</u>	<u>506,358</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(785,869)</u>	<u>(785,869)</u>	<u>(329,447)</u>	<u>456,422</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>785,869</u>	<u>785,869</u>	<u>392,940</u>	<u>(392,929)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>785,869</u>	<u>785,869</u>	<u>392,940</u>	<u>(392,929)</u>
NET CHANGE IN FUND BALANCE	-	-	63,493	63,493
FUND BALANCE, Beginning	<u>-</u>	<u>-</u>	<u>15,525</u>	<u>15,525</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,018</u>	<u>\$ 79,018</u>

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
STREET FUND
For the Fiscal Year Ended June 30, 2008

	2007-2009 Budgeted Amounts		1st Year Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,022,848	\$ 1,202,848	\$ 490,453	\$ (712,395)
Interest on investments	-	-	7,113	7,113
Miscellaneous	-	-	8,509	8,509
TOTAL REVENUES	<u>1,022,848</u>	<u>1,202,848</u>	<u>506,075</u>	<u>(696,773)</u>
EXPENDITURES				
Current:				
Highways and streets:				
Personal services	948,294	948,294	420,203	528,091
Materials and services	788,004	807,754	367,885	439,869
Capital outlay	304,400	444,400	271,106	173,294
Contingency	-	61,390	-	61,390
TOTAL EXPENDITURES	<u>2,040,698</u>	<u>2,261,838</u>	<u>1,059,194</u>	<u>1,202,644</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,017,850)</u>	<u>(1,058,990)</u>	<u>(553,119)</u>	<u>505,871</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	802,850	843,990	400,325	(443,665)
Transfers out	(174,130)	(174,130)	(87,060)	87,070
TOTAL OTHER FINANCING SOURCES (USES)	<u>628,720</u>	<u>669,860</u>	<u>313,265</u>	<u>(356,595)</u>
NET CHANGE IN FUND BALANCE	(389,130)	(389,130)	(239,854)	149,276
FUND BALANCE, Beginning	<u>389,130</u>	<u>389,130</u>	<u>658,944</u>	<u>269,814</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 419,090</u>	<u>\$ 419,090</u>

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
TRUST FUND
For the Fiscal Year Ended June 30, 2008

	2007-2009 Budgeted Amounts		1st Year Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Other taxes	455,000	455,000	260,538	(194,462)
Charges for services	20,200	20,200	15,300	(4,900)
Interest on investments	29,000	29,000	18,301	(10,699)
Miscellaneous	-	-	6,672	6,672
TOTAL REVENUES	<u>504,200</u>	<u>504,200</u>	<u>300,811</u>	<u>(203,389)</u>
EXPENDITURES				
Current:				
Culture and recreation:				
Materials and services	738,439	738,439	275,918	462,521
TOTAL EXPENDITURES	<u>738,439</u>	<u>738,439</u>	<u>275,918</u>	<u>462,521</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(234,239)</u>	<u>(234,239)</u>	<u>24,893</u>	<u>259,132</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(15,000)	(15,000)	(7,500)	7,500
TOTAL OTHER FINANCING SOURCES (USES)	<u>(15,000)</u>	<u>(15,000)</u>	<u>(7,500)</u>	<u>7,500</u>
NET CHANGE IN FUND BALANCE	<u>(249,239)</u>	<u>(249,239)</u>	<u>17,393</u>	<u>266,632</u>
FUND BALANCE, Beginning	<u>533,651</u>	<u>533,651</u>	<u>327,477</u>	<u>(206,174)</u>
FUND BALANCE, Ending	<u>\$ 284,412</u>	<u>\$ 284,412</u>	<u>\$ 344,870</u>	<u>\$ 60,458</u>

See auditor's report.

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
REVOLVING LOAN FUND
For the Fiscal Year Ended June 30, 2008

	2007-2009 Budgeted Amounts		1st Year Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Interest on investments	\$ 16,875	\$ 16,875	\$ 40,696	\$ 23,821
Loan repayments	48,263	48,263	73,482	25,219
TOTAL REVENUES	<u>65,138</u>	<u>65,138</u>	<u>114,178</u>	<u>49,040</u>
EXPENDITURES				
Current:				
General government:				
Materials and services	<u>331,947</u>	<u>331,947</u>	<u>309,112</u>	<u>22,835</u>
TOTAL EXPENDITURES	<u>331,947</u>	<u>331,947</u>	<u>309,112</u>	<u>22,835</u>
NET CHANGE IN FUND BALANCE	(266,809)	(266,809)	(194,934)	71,875
FUND BALANCE, Beginning	<u>266,809</u>	<u>266,809</u>	<u>256,643</u>	<u>(10,166)</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,709</u>	<u>\$ 61,709</u>

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
RESERVE FUND
For the Fiscal Year Ended June 30, 2008

	2007-2009 Budgeted Amounts		1st Year Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 10,325	\$ 10,325	\$ 4,954	\$ (5,371)
Interest on investments	1,800	1,800	-	(1,800)
Miscellaneous	10,000	10,000	15,000	5,000
TOTAL REVENUES	<u>22,125</u>	<u>22,125</u>	<u>19,954</u>	<u>(2,171)</u>
EXPENDITURES				
Current:				
General government:				
Materials and services	62,400	62,400	22,224	40,176
Capital outlay	1,625,088	1,666,727	469,811	1,196,916
Contingency	741,709	741,709	-	741,709
TOTAL EXPENDITURES	<u>2,429,197</u>	<u>2,470,836</u>	<u>492,035</u>	<u>1,978,801</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(2,407,072)</u>	<u>(2,448,711)</u>	<u>(472,081)</u>	<u>1,976,630</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,153,880	1,195,519	678,087	(517,432)
Transfers out	(440,563)	(440,563)	(419,800)	20,763
TOTAL OTHER FINANCING SOURCES (USES)	<u>713,317</u>	<u>754,956</u>	<u>258,287</u>	<u>(496,669)</u>
NET CHANGE IN FUND BALANCE	(1,693,755)	(1,693,755)	(213,794)	1,479,961
FUND BALANCE, Beginning	<u>3,204,188</u>	<u>3,204,188</u>	<u>1,933,241</u>	<u>(1,270,947)</u>
FUND BALANCE, Ending	<u>\$ 1,510,433</u>	<u>\$ 1,510,433</u>	<u>\$ 1,719,447</u>	<u>\$ 209,014</u>

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Fiscal Year Ended June 30, 2008

	<u>2007-2009 Budgeted Amounts</u>		<u>1st Year Actual Amounts</u>	<u>Variance with Final Budget - Positive / (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Special assessments	\$ 108,010	\$ 108,010	\$ 119,111	\$ 11,101
Interest on investments	71,700	71,700	32,858	(38,842)
TOTAL REVENUES	<u>179,710</u>	<u>179,710</u>	<u>151,969</u>	<u>(27,741)</u>
EXPENDITURES				
Debt service	<u>441,328</u>	<u>441,328</u>	<u>87,599</u>	<u>353,729</u>
TOTAL EXPENDITURES	<u>441,328</u>	<u>441,328</u>	<u>87,599</u>	<u>353,729</u>
NET CHANGE IN FUND BALANCE	(261,618)	(261,618)	64,370	325,988
FUND BALANCE, Beginning	<u>261,618</u>	<u>261,618</u>	<u>261,227</u>	<u>(391)</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 325,597</u>	<u>\$ 325,597</u>

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2008

	2007-2009 Budgeted Amounts		1st Year Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Assessments	\$ 933,000	\$ 933,000	\$ 59,115	\$ (873,885)
Charges for services	14,000	14,000	31,133	17,133
System development charges	1,076,500	1,076,500	481,153	(595,347)
TOTAL REVENUES	<u>2,023,500</u>	<u>2,023,500</u>	<u>571,401</u>	<u>(1,452,099)</u>
EXPENDITURES				
Capital outlay	7,455,633	7,545,633	3,264,553	4,281,080
Contingency	429,246	429,246	-	429,246
TOTAL EXPENDITURES	<u>7,884,879</u>	<u>7,974,879</u>	<u>3,264,553</u>	<u>4,710,326</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(5,861,379)</u>	<u>(5,951,379)</u>	<u>(2,693,152)</u>	<u>3,258,227</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt	5,256,960	5,256,960	791,309	(4,465,651)
Transfers in	285,953	375,953	90,000	(285,953)
TOTAL OTHER FINANCING SOURCES (USES)	<u>5,542,913</u>	<u>5,632,913</u>	<u>881,309</u>	<u>(4,751,604)</u>
NET CHANGE IN FUND BALANCE	<u>(318,466)</u>	<u>(318,466)</u>	<u>(1,811,843)</u>	<u>(1,493,377)</u>
FUND BALANCE, Beginning	<u>318,466</u>	<u>318,466</u>	<u>3,858,973</u>	<u>3,540,507</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,047,130</u>	<u>\$ 2,047,130</u>

See auditor's report.



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

Proprietary Funds

Enterprise Funds

- Golf Course Fund
- Public Works Fund

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GOLF COURSE FUND
For the Fiscal Year Ended June 30, 2008

	2007-2009 Budgeted Amounts		1st Year Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 184,546	\$ 184,546	\$ 67,915	\$ (116,631)
Intergovernmental	-	16,100	16,100	-
TOTAL REVENUES	<u>184,546</u>	<u>200,646</u>	<u>84,015</u>	<u>(116,631)</u>
EXPENDITURES				
Cost of services:				
Materials and services	189,029	189,029	93,543	95,486
Capital outlay	17,071	105,771	32,409	73,362
Debt service	205,294	205,294	106,512	98,782
TOTAL EXPENDITURES	<u>411,394</u>	<u>500,094</u>	<u>232,464</u>	<u>267,630</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(226,848)</u>	<u>(299,448)</u>	<u>(148,449)</u>	<u>150,999</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	226,848	299,448	185,715	(113,733)
TOTAL OTHER FINANCING SOURCES (USES)	<u>226,848</u>	<u>299,448</u>	<u>185,715</u>	<u>(113,733)</u>
NET CHANGE IN FUND BALANCE	-	-	37,266	37,266
FUND BALANCE (DEFICIT), Beginning	-	-	(59,574)	(59,574)
FUND BALANCE (DEFICIT), Ending	<u>\$ -</u>	<u>\$ -</u>	<u>(22,308)</u>	<u>\$ (22,308)</u>
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Capital assets, net of depreciation			1,009,664	
Accrued expenses			(6,210)	
Long-term obligations			<u>(364,739)</u>	
NET ASSETS, Ending			<u>\$ 616,407</u>	

See auditor's report.

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
PUBLIC WORKS FUND
For the Fiscal Year Ended June 30, 2008

	2007-2009 Budgeted Amounts		1st Year Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 12,234,140	\$ 12,234,140	\$ 5,780,976	\$ (6,453,164)
Interest on investments	400,000	400,000	310,448	(89,552)
Miscellaneous	82,200	82,200	30,264	(51,936)
TOTAL REVENUES	<u>12,716,340</u>	<u>12,716,340</u>	<u>6,121,688</u>	<u>(6,594,652)</u>
EXPENDITURES				
Cost of services:				
Personal services	3,352,148	3,347,398	1,593,693	1,753,705
Materials and services	3,020,876	3,025,626	1,252,993	1,772,633
Capital outlay	51,900	51,900	5,500	46,400
Debt service	2,617,390	2,617,390	1,265,998	1,351,392
Contingency	2,956,662	2,715,583	-	2,715,583
TOTAL EXPENDITURES	<u>11,998,976</u>	<u>11,757,897</u>	<u>4,118,184</u>	<u>7,639,713</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>717,364</u>	<u>958,443</u>	<u>2,003,504</u>	<u>1,045,061</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(3,331,182)</u>	<u>(3,572,261)</u>	<u>(1,794,678)</u>	<u>1,777,583</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,331,182)</u>	<u>(3,572,261)</u>	<u>(1,794,678)</u>	<u>1,777,583</u>
NET CHANGE IN FUND BALANCE	(2,613,818)	(2,613,818)	208,826	2,822,644
FUND BALANCE, Beginning	<u>2,613,818</u>	<u>2,613,818</u>	<u>4,109,065</u>	<u>1,495,247</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>4,317,891</u>	<u>\$ 4,317,891</u>
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Capital assets, net of depreciation			49,193,609	
Inventory			388,717	
Accrued expenses			(377,401)	
Long-term obligations			<u>(14,204,426)</u>	
NET ASSETS, Ending			<u>\$ 39,318,390</u>	

See auditor's report.



OTHER FINANCIAL SCHEDULES

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, 2008

	Personal Services			Variance with Final Budget- Positive (Negative)
	2007-2009 Budgeted Amounts		1st Year Actual Amounts	
	Original	Final		
EXPENDITURES				
Public Works:				
Administrative	\$ 959,334	\$ 954,584	\$ 407,974	\$ 546,610
Water	629,283	629,283	298,278	331,005
Sewer	526,610	526,610	254,016	272,594
Storm drain	56,650	56,650	13,364	43,286
Facility maintenance	140,051	140,051	68,483	71,568
Utility maintenance	1,040,220	1,040,220	551,578	488,642
 Total Public Works	 <u>\$ 3,352,148</u>	 <u>\$ 3,347,398</u>	 <u>\$ 1,593,693</u>	 <u>\$ 1,753,705</u>

Material and Services				Total Cost of Services			
2007-2009 Budgeted Amounts		1st Year Actual Amounts	Variance with Final Budget-Positive (Negative)	2007-2009 Budgeted Amounts		1st Year Actual Amounts	Variance with Final Budget-Positive (Negative)
Original	Final			Original	Final		
\$ 345,787	\$ 350,537	\$ 137,787	\$ 212,750	\$ 1,305,121	\$ 1,305,121	\$ 545,761	\$ 759,360
1,113,661	1,113,661	504,472	609,189	1,742,944	1,742,944	802,750	940,194
714,959	714,959	336,026	378,933	1,241,569	1,241,569	590,042	651,527
52,159	52,159	9,024	43,135	108,809	108,809	22,388	86,421
56,381	56,381	29,098	27,283	196,432	196,432	97,581	98,851
737,929	737,929	236,586	501,343	1,778,149	1,778,149	788,164	989,985
<u>\$ 3,020,876</u>	<u>\$ 3,025,626</u>	<u>\$ 1,252,993</u>	<u>\$ 1,772,633</u>	<u>\$ 6,373,024</u>	<u>\$ 6,373,024</u>	<u>\$ 2,846,686</u>	<u>\$ 3,526,338</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, 2008**

	Personal Services			
	2007-2009 Budgeted Amounts		1st Year Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
EXPENDITURES				
General government:				
Administration	\$ 671,716	\$ 666,966	\$ 271,470	\$ 395,496
Administrative overhead	-	-	-	-
Airport	37,638	37,638	23,118	14,520
Building department	42,701	42,701	14,127	28,574
Community development	193,992	193,992	84,291	109,701
Finance	650,774	650,774	263,644	387,130
Technology	-	-	-	-
Total general government	<u>1,596,821</u>	<u>1,592,071</u>	<u>656,650</u>	<u>935,421</u>
Public safety:				
Fire	1,968,367	1,968,367	939,854	1,028,513
Police	<u>4,358,210</u>	<u>4,358,210</u>	<u>2,030,190</u>	<u>2,328,020</u>
Total public safety	<u>6,326,577</u>	<u>6,326,577</u>	<u>2,970,044</u>	<u>3,356,533</u>
Culture and recreation:				
Aquatic and recreation	335,658	335,658	169,801	165,857
Parks and cemetery	457,705	457,705	234,112	223,593
Recreation	<u>261,461</u>	<u>261,461</u>	<u>116,783</u>	<u>144,678</u>
Total culture and recreation	<u>1,054,824</u>	<u>1,054,824</u>	<u>520,696</u>	<u>534,128</u>
TOTAL EXPENDITURES	<u>\$ 8,978,222</u>	<u>\$ 8,973,472</u>	<u>\$ 4,147,390</u>	<u>\$ 4,826,082</u>

Material and Services				Total Current			
2007-2009 Budgeted Amounts		1st Year Actual Amounts	Variance with Final Budget-Positive (Negative)	2007-2009 Budgeted Amounts		1st Year Actual Amounts	Variance with Final Budget-Positive (Negative)
Original	Final			Original	Final		
\$ 79,681	\$ 79,681	\$ 36,232	\$ 43,449	\$ 751,397	\$ 746,647	\$ 307,702	\$ 438,945
730,467	724,344	384,329	340,015	730,467	724,344	384,329	340,015
37,417	37,417	11,094	26,323	75,055	75,055	34,212	40,843
150,694	150,694	125,334	25,360	193,395	193,395	139,461	53,934
40,694	40,694	14,287	26,407	234,686	234,686	98,578	136,108
27,274	27,274	8,674	18,600	678,048	678,048	272,318	405,730
168,325	168,325	77,469	90,856	168,325	168,325	77,469	90,856
<u>1,234,552</u>	<u>1,228,429</u>	<u>657,419</u>	<u>571,010</u>	<u>2,831,373</u>	<u>2,820,500</u>	<u>1,314,069</u>	<u>1,506,431</u>
162,025	162,025	59,756	102,269	2,130,392	2,130,392	999,610	1,130,782
272,060	272,060	153,920	118,140	4,630,270	4,630,270	2,184,110	2,446,160
<u>434,085</u>	<u>434,085</u>	<u>213,676</u>	<u>220,409</u>	<u>6,760,662</u>	<u>6,760,662</u>	<u>3,183,720</u>	<u>3,576,942</u>
132,855	132,855	66,702	66,153	468,513	468,513	236,503	232,010
162,076	162,076	87,668	74,408	619,781	619,781	321,780	298,001
52,927	52,927	38,051	14,876	314,388	314,388	154,834	159,554
<u>347,858</u>	<u>347,858</u>	<u>192,421</u>	<u>155,437</u>	<u>1,402,682</u>	<u>1,402,682</u>	<u>713,117</u>	<u>689,565</u>
<u>\$ 2,016,495</u>	<u>\$ 2,010,372</u>	<u>\$ 1,063,516</u>	<u>\$ 946,856</u>	<u>\$ 10,994,717</u>	<u>\$ 10,983,844</u>	<u>\$ 5,210,906</u>	<u>\$ 5,772,938</u>

CITY OF ONTARIO
SCHEDULE OF PROPERTY TAX TRANSACTIONS
AND OUTSTANDING BALANCES
For the fiscal year ended June 30, 2008

	Taxes Uncollected July 1, 2007	Add Levy Extended by Assessor	Add (Deduct) Discounts Interest Cancellations Adjustments	Deduct Interest and Tax Collections	Taxes Uncollected June 30, 2008
2007-08	\$ -	\$ 2,888,564	\$ (73,507)	\$ (2,709,864)	105,193
2006-07	89,936	-	1,893	(43,535)	48,294
2005-06	46,339	-	2,016	(21,680)	26,675
2004-05	25,433	-	2,112	(15,390)	12,155
2003-04	11,220	-	2,179	(12,724)	675
2002-03	782	-	79	(619)	242
2001-02	313	-	2	(217)	98
Prior years	274	-	60	(206)	128
	<u>\$ 174,297</u>	<u>\$ 2,888,564</u>	<u>\$ (65,166)</u>	<u>\$ (2,804,235)</u>	<u>\$ 193,460</u>

See auditor's report.

**REPORTS OF INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS**

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 generally operating as designed; however, there were material weaknesses and a significant deficiency reported in accordance with *SAS 112* and *Governmental Auditing Standards*. We noted other matters involving internal control, which we have reported to management of the City of Ontario in a separate letter dated June 1, 2010.

2. INVESTMENTS

Our review of deposit and investment balances during the year ended June 30, 2008, 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, did not disclose any 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 2007-09 biennial budget period. The City has complied with statutory requirements in all material respects for the current and ensuing year's 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, 2008, 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, 2008, 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, except the City was reimbursed for \$20,078.39 of expenses which were not allowable in accordance with the City's ConnectOregon grant agreement with ODOT. ODOT has requested the City reimburse them for these expenses and repayment has been accrued and is reflected in the financial statements for the fiscal year ended June 30, 2008.

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

June 1, 2010

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

We have audited the 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, 2008, which collectively comprise the City of Ontario, Oregon's basic financial statements and have issued our report thereon, dated June 1, 2010. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Ontario, Oregon's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Ontario, Oregon's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatement on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the City of Ontario, Oregon's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Ontario, Oregon's financial statements that is more than inconsequential will not be prevented or detected by the City of Ontario, Oregon's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

The City's controls over safeguarding of cash assets do not include a timely detailed monthly reconciliation between the City's books and the associated bank balances. We found significant adjustments were required in the area of cash, which could be reduced in the future through consistent, detailed, and timely reconciliation of the City's bank accounts.

The City's controls over the fiscal year end financial reporting process rely largely on manual adjustments to record activity on the modified accrual basis of accounting. We found significant adjustments required in the area of accounts receivable and accounts payable, which could be reduced in the future through secondary reviews of accruals and other year-end adjustments, a detailed review of subsequent cash receipts for unrecorded items, and comparison of the June 30 year-end balance sheet to the prior year amounts, while giving consideration to current expectations.

The City's capital asset records do not include a detailed listing of capital assets by fund. Additions and disposals are researched and recorded each year and depreciation expense is recorded on a component basis. However, the lack of detailed records increases the risk of misstatement of the net depreciable value of the capital assets and the risk of misappropriation of assets.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Ontario, Oregon's internal control. We consider the significant deficiencies mentioned above to also be a material weakness.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered 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 the following instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*:

The City's controls over contract compliance did not allow for appropriate monitoring of compliance with provisions of those contracts. We found an instance in which the City was reimbursed for expenditures which were not eligible for reimbursement per the associated grant agreement. Repayment of this overpayment was accrued to the fiscal year ended June 30, 2008.

We consider the instance of noncompliance with contract provisions to also be a material weakness.

We noted certain matters that we reported to management of the City of Ontario, Oregon, in a separate letter dated June 1, 2010.

This report is intended solely for the information and use of the City Council, the audit committee, management of the City of Ontario, Oregon, 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