

CITY OF ONTARIO, OREGON

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended  
June 30, 2009





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ANNUAL FINANCIAL REPORT  
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## INTRODUCTORY SECTION



CITY OF ONTARIO, OREGON  
OFFICIALS OF THE CITY  
As of June 30, 2009

MAYOR AND CITY COUNCIL

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Joe Dominick 1064 West Idaho Avenue Ontario, Oregon 97914	Mayor	December 31, 2010
Susann Mills 1141 SW 3 <sup>rd</sup> Avenue Ontario, Oregon 97914	Council Member	December 31, 2010
John Gaskill 1006 SW 6 <sup>th</sup> Avenue Ontario, Oregon 97914	Council Member	December 31, 2010
Ronald Verini PO Box 933 Ontario, Oregon 97914	Council Member	December 31, 2010
David Sullivan 1015 SW 8 <sup>th</sup> Avenue Ontario, Oregon 97914	Council Member	December 31, 2012
Norm Crume 757 Skylane Drive Ontario, Oregon 97914	Council Member	December 31, 2012
Charlotte Fugate 821 SW 2 <sup>nd</sup> Street Ontario, Oregon 97914	Council Member	December 31, 2012

CITY ADMINISTRATION

Henry Lawrence	City Manager
Rachel Hopper	Finance Director
Mike Kee	Chief of Police
Terry Mairs	Fire Chief (6/08-10/08)
Al Higinbotham	Fire Chief (10/08-6/09)
Charles R. Mickelson	Public Works Director
Kathy Daly	Director of Aquatics, Recreation and Parks
Darlyne Johnson	Director of Library
Tori Barnett	City Recorder

CITY ADDRESS

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



## FINANCIAL SECTION



**Dickey and Tremper, LLP**

Certified Public Accountants and Business Advisors

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Pendleton, OR 97801  
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## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Ontario, Oregon

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ontario, Oregon, as of and for the year ended June 30, 2009, 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, 2009, 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.

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Members of: American Institute of Certified Public Accountants  
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, Street fund, Capital Projects fund and the aggregate remaining fund information of the City of Ontario, Oregon, as of June 30, 2009, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparisons for the General fund and Street 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 December 17, 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*  
Dickey and Tremper, LLP  
Certified Public Accountants

December 17, 2010





City of Ontario Oregon  
Management's Discussion & Analysis  
June 30, 2009

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

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As management of the City of Ontario, Oregon, (City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2009. 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 \$53,898,994 (net assets). Of this amount, \$10,140,651 (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 \$2,871,090.

### 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, 2009**

	Governmental Activities	
	FY 2009	FY 2008
Current and other assets	\$ 10,453,526	\$ 10,255,682
Capital assets (net of accumulated depreciation)	5,298,350	7,659,066
<b>Total Assets</b>	<b>15,751,876</b>	<b>17,914,748</b>
Current Liabilities	1,024,488	1,223,748
Noncurrent liabilities:		
Due within one year	113,691	88,046
Due in more than one year	641,745	628,709
<b>Total Liabilities</b>	<b>1,779,924</b>	<b>1,940,503</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	4,542,914	6,942,311
Restricted for:		
Debt service	328,274	325,597
Streets	196,156	419,090
System Development	2,108,303	
Other	364,618	344,870
Unrestricted (deficit)	6,431,687	7,942,377
<b>Total Net Assets</b>	<b>\$ 13,971,952</b>	<b>\$ 15,974,245</b>
<b>Total Liab &amp; Net Assets</b>	<b>\$ 15,751,876</b>	<b>\$ 17,914,748</b>

The City's net assets from governmental activities decreased 12.5% from \$15,974,245 to \$13,971,952. This decrease of \$2,002,293 comes from the change in net assets as recorded in the Statement of Activities and flows through the Statement of Net Assets. The following is an explanation of the changes between fiscal years as shown in Table 1a:

- ❖ Current and other assets increased by \$197,844 which is made up of decreased interest revenues and increased franchise revenue in the General Fund, decreased revenues in the Grant Fund due to fewer grants, and an increase in the Capital Projects Fund revenue.
- ❖ Capital assets experienced a net decrease (net of depreciation and disposition) of \$2,306,716 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 increased by \$38,681 due to a combination of new debt for the Rescue One vehicle, a change in the balance of compensated absences, and the payment of principal on the existing debt over the course of the year.
- ❖ Invested in capital assets net of debt decreased by \$2.39 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 \$7.94 million at June 30, 2008 to \$6.43 million at the end of this year. The net decrease of \$1.5 million is due principally to a decrease in cash in Streets, and a reclass of funds restricted for system development. 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, 2009**

	<b>Business-type Activities</b>	
	<b>FY 2009</b>	<b>FY 2008</b>
Current and other assets	\$ 5,250,616	\$ 4,882,120
Capital assets (net of accumulated depreciation)	49,585,656	50,203,273
<b>Total Assets</b>	<b>54,836,272</b>	<b>55,085,393</b>
Long-term debt outstanding (less current portion)	13,187,910	13,562,874
Other liabilities	1,721,320	1,587,722
<b>Total Liabilities</b>	<b>14,909,230</b>	<b>15,150,596</b>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	35,251,319	35,634,108
Restricted for debt service	966,759	1,208,375
Unrestricted (Deficit)	3,708,964	3,092,314
<b>Total Net Assets</b>	<b>\$ 39,927,042</b>	<b>\$ 39,934,797</b>
<b>Total Liab &amp; Net Assets</b>	<b>\$ 54,836,272</b>	<b>\$ 55,085,393</b>

The City's net assets from business-type activities decreased by 0.02% from \$39,934,797 to \$39,927,042. This decrease of \$7,755 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 \$368,496 principally due to an increased beginning cash position in the Public Works Fund.
- ❖ Capital assets decreased (net of depreciation and disposition) by \$617,617 principally due to capital items previously classified as work in progress status (not yet capitalized) from the prior year that are now completed, the sale of a surplus parcel of land, and depreciation exceeding new year additions.
- ❖ Long-term debt decreased by \$374,964 due to a combination of 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 \$3.09 million at June 30, 2009 to \$3.71 million at the end of this year. The net increase of \$616,650 is due principally to a decrease in liabilities and a decrease in required debt service restricted assets during the year.

[This area intentionally left blank.]

**Fiscal Year 2009 Governmental Activities**  
(See Table 1b)

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

**Table 1b**  
**STATEMENT OF ACTIVITIES**  
June 30, 2009

	<b>Governmental Activities</b>	
	<u>FY 2009</u>	<u>FY 2008</u>
<b>Revenues</b>		
Program Revenues		
Charges for Services	\$ 590,414	\$ 618,446
Operating Grants & Contributions	1,099,552	1,370,220
Capital Grants & Contributions	629,352	1,554,926
General Revenues:		
Taxes		
Property Taxes	2,964,291	2,836,851
Franchise Taxes	1,850,502	1,604,226
Interest and Investment Earnings	176,722	285,077
Miscellaneous	32,979	94,737
Gain (loss) on disposition of capital assets	8,750	(8,391)
Transfers	(80,416)	176,755
Total Revenues and Transfers	<u>\$ 7,272,146</u>	<u>\$ 8,532,847</u>
<b>Expenses</b>		
General Government	2,011,594	1,532,888
Public Safety	4,031,035	3,854,965
Highways and Streets	1,929,606	5,148,773
Culture and Recreation	1,260,191	1,255,415
Interest on Long-Term Debt	42,013	31,856
Total Expenses	<u>\$ 9,274,439</u>	<u>\$ 11,823,897</u>
<b>Increase (decrease) in Net Assets</b>	<u>\$ (2,002,293)</u>	<u>\$ (3,291,050)</u>

The City's total revenues from Governmental Activities decreased from a year ago by \$1,260,701 (-14.77%) while the total cost of all programs and services decreased by \$2,549,458 (-21.56%). The major decreases in revenues

came from both capital and 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, 2009**

	TOTAL COST OF SERVICES			NET COST OF SERVICES		
	FY 2009	FY 2008	FY 2007	FY 2009	FY 2008	FY 2007
General Government	2,011,594	1,532,888	1,557,216	(1,190,300)	578,773	114,723
Public Safety	4,031,035	3,854,965	3,686,874	(3,417,075)	(3,258,427)	(3,059,903)
Highways and Streets	1,929,606	5,148,773	5,070,439	(1,301,078)	(4,546,205)	(3,957,552)
Culture and Recreation	1,260,191	1,255,415	1,220,513	(1,004,655)	(1,022,590)	(866,704)
Interest on Long-Term Debt	42,013	31,856	36,843	(42,013)	(31,856)	(36,843)
<b>Totals</b>	<b>\$ 9,274,439</b>	<b>\$ 11,823,897</b>	<b>\$ 11,571,885</b>	<b>\$ (6,955,121)</b>	<b>\$ (8,280,305)</b>	<b>\$ (7,806,279)</b>

- ❖ The decrease in the net cost of services for general government is a reflection of the decreased capital grant funding for airport improvements.
- ❖ Decreased costs in highways and streets reflect the completion of improvement projects within the Capital Projects and Street Funds in prior years and fewer projects during the current year.
- ❖ 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 \$2,964,291, franchise taxes of \$1,850,502, and street (gas) taxes of \$435,067. 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 2009 Business-Type Activities**  
(See Table 2b)

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

**Table 2b**  
**STATEMENT OF ACTIVITIES**  
June 30, 2009

	<b>Business-type Activities</b>	
	<b>FY 2009</b>	<b>FY 2008</b>
<b>Revenues</b>		
Program Revenues		
Charges for Services - Golf	\$ 168,914	\$ 67,915
Charges for Services - Public Works	5,852,292	5,811,240
Operating Grants & Contributions (Golf)	-	16,100
General Revenues:		
Interest and Investment Earnings	175,829	310,448
Miscellaneous	-	-
Transfers	80,416	(176,755)
<b>Total Revenues and Transfers</b>	<b>\$ 6,277,451</b>	<b>\$ 6,028,948</b>
<b>Expenses</b>		
Golf	307,211	223,657
Public Works	5,977,994	5,883,156
<b>Total Expenses</b>	<b>\$ 6,285,205</b>	<b>\$ 6,106,813</b>
<b>Increase (decrease) in Net Assets</b>	<b>\$ (7,754)</b>	<b>\$ (77,865)</b>

The City's total revenues from Business-Type Activities increased from a year ago by \$248,503 (4.12%) while the total cost of all programs and services increased by \$178,392 (2.92%). The major increases in revenues came from a combination of increased charges for service at the Golf Course as the City began operating the course in November 2008, decreased interest revenue in the Public Works Fund, and increased transfer revenues.

**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, 2009**

	TOTAL COST OF SERVICES		NET COST OF SERVICES	
	FY 2009	FY 2008	FY 2009	FY 2008
Golf	307,211	223,657	(138,297)	(139,642)
Public Works	5,977,994	5,883,156	(125,702)	(71,916)
<b>Totals</b>	<b>\$ 6,285,205</b>	<b>\$ 6,106,813</b>	<b>\$ (263,999)</b>	<b>\$ (211,558)</b>

- ❖ The slight decrease in the net cost of services for golf is a reflection of operation changes which increased service revenues, but included sharp increases in expenditures as the course was undergoing various improvements projects.
- ❖ 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 that were larger than increases in service revenues during the year.
- ❖ 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 public works operations. 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 golf 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 \$8,589,232, which is an increase of \$625,644 or 7.86% from last year. This change is due to a combination of an increase in the Capital Projects Fund fund balance of \$787,097, and a slight increase in the General and Grant Fund balance as compared to 2007-2008.

- ❖ The General Fund closed the year with a fund balance of \$95,224 higher than 2007-2008.

At year-end the City's business-type funds reported combined net assets of \$39,927,042, which represents a decrease of \$7,755 or less than one tenth of 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, and an interfund payable in the Golf Fund to the General Fund.

**General Fund Budgetary Highlights**

Expenditures

The final appropriations for personal services for the General Fund at mid-point were \$4,516,326, (when using 50% of the 2007-2009 Biennial Budget) and actual expenditures were \$4,411,286, for a savings of \$105,040.

The final appropriations for materials and services for the General Fund at mid-point were \$1,091,372, (when using 50% of the 2007-2009 Biennial Budget) and actual expenditures were \$1,060,802, for a savings of \$30,570.

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 \$160,704 (2.98%) higher than 2007-2008.

## Revenues

Actual revenues were less than budgeted (when using 50% of 2007-2009 Biennial Budget) revenues by \$4,611 in 2008-2009, due primarily to decreases in interest earnings.

The General Fund revenues were \$529,726 lower than the 2007-2008 actual revenues due primarily to the prior year one-time transfer of \$419,800 from the closed telephone franchise revenue trust, and secondarily due to a drastic reduction in interest revenues earned.

## **Public Works Fund Budgetary Highlights**

### Expenditures

The final appropriations for personal services for the Public Works Fund at year-end were \$1,673,699 (when using 50% of the 2007-2009 Biennial Budget) and actual expenditures were \$1,659,749, for a savings of \$13,950.

The final appropriations for materials and services for the Public Works Fund at mid-point were \$1,512,813, (when using 50% of the 2007-2009 Biennial Budget) and actual expenditures were \$1,329,222, for a savings of \$183,591.

Actual Expenditures for the Public Works Fund were \$382,187 (-6.46%) lower than 2007-2008, due to a combination of increased debt service expenses for new loans and decreases in capital and material and supply expenditures.

### Revenues

Actual revenues (when using 50% of 2007-2009 Biennial Budget) were below budgeted revenues by \$329,289 in 2008-2009, due principally to decreased interest earnings and decreased water service revenues, despite an increase in sewer service revenues as a result of a change in residential billing methods, and proceeds from the sale of two surplus properties.

The Public Works Fund revenues were \$92,807 (-1.52%) less than the 2007-2008 actual revenues.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of fiscal year 2009, the City had \$54,884,006 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 \$2,978,333 (-5.15%) compared to fiscal year end 2008.

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

	Governmental Activities	
	FY 2009	FY 2008
Land & Const in Progress	\$ 1,565,245	\$ 2,830,325
Buildings and Improvements	475,561	533,890
Equipment	636,978	672,149
Infrastructure	2,620,566	3,622,702
<b>Totals</b>	<b>\$ 5,298,350</b>	<b>\$ 7,659,066</b>

Decrease of \$2,360,716 (-30.82%) 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 2009	FY 2008
Land & Const in Progress	\$ 2,442,147	\$ 2,451,801
Buildings and Improvements	14,230,684	14,702,050
Equipment	912,291	1,986,751
Infrastructure	32,000,534	31,062,671
<b>Totals</b>	<b>\$ 49,585,656</b>	<b>\$ 50,203,273</b>

Decrease of \$617,617 (-1.23%) is due to new capital additions for assets previously classified as work in progress being less than the total 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 thru the services of a third party on infrastructure due to the level of detail in pipe size, type, year of installation, etc. Work continues to this end during Fiscal Years 2009 and 2010 and it is anticipated that this detail will be in place by FY 2011.

## Debt

At year-end, the City had \$15,653,054 in long term liabilities (see Table 4). This represents a net decrease of \$98,019 due payment of principal amounts during the current year.

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

	<u>2009</u>	<u>2008</u>
<b>Governmental activities:</b>		
Special Assessment Debt with Governmental Commitment	\$ 581,455	\$ 636,832
Contracts, Loans and Notes	173,981	79,923
Compensated Absences	<u>351,422</u>	<u>347,033</u>
 Governmental activity Long-term liabilities	 <u>\$ 1,106,858</u>	 <u>\$ 1,063,788</u>
 <b>Business - type activities:</b>		
Certificates of Participation (COP's)	\$ 277,905	\$ 359,950
Golf Course Econ Dev Note	2,462	4,789
Water Revenue Bonds	346,738	433,414
Contracts, Loans and Notes	13,791,943	13,771,012
Compensated Absences	<u>127,148</u>	<u>118,120</u>
 Business-type activity Long-term liabilities	 <u>\$ 14,546,196</u>	 <u>\$ 14,687,285</u>
	 <u>\$ 15,653,054</u>	 <u>\$ 15,751,073</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.

Fiscal Year 2009 represents the conclusion 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 4<sup>th</sup> Street, Ontario, Oregon 97914.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF ONTARIO, OREGON**  
**STATEMENT OF NET ASSETS**  
**June 30, 2009**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,781,344	\$ 3,429,512	\$ 8,210,856
Investments	760,213	-	760,213
Receivables:			
Property taxes	235,015	-	235,015
Accounts	58,455	532,008	590,463
Intergovernmental	263,253	1,160	264,413
Assessments	471,762	-	471,762
Notes	532,412	-	532,412
Internal balances	112,936	(112,936)	-
Inventories	4,324	368,273	372,597
Restricted assets (temporary):			
Cash and cash equivalents	2,710,843	1,032,599	3,743,442
Investments	522,969	-	522,969
Capital assets:			
Land	948,024	2,442,147	3,390,171
Construction in progress	617,221	-	617,221
Depreciable assets, net of depreciation	3,733,105	47,143,509	50,876,614
<b>Total assets</b>	<b>15,751,876</b>	<b>54,836,272</b>	<b>70,588,148</b>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	368,319	107,341	475,660
Unearned revenue	47,879	-	47,879
Accrued interest payable	20,407	189,853	210,260
Compensated absences payable	351,422	127,148	478,570
Liabilities payable from restricted assets:			
Deposits	236,461	65,840	302,301
Long-term obligations			
Due within one year	113,691	1,118,202	1,231,893
Due in more than one year	641,745	13,300,846	13,942,591
<b>Total liabilities</b>	<b>1,779,924</b>	<b>14,909,230</b>	<b>16,689,154</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	4,542,914	35,251,319	39,794,233
Restricted for:			
Highways and streets	196,156	-	196,156
System development	2,108,303	-	2,108,303
Debt service	328,274	966,759	1,295,033
Other	364,618	-	364,618
Unrestricted	6,431,687	3,708,964	10,140,651
<b>Total net assets</b>	<b>\$ 13,971,952</b>	<b>\$ 39,927,042</b>	<b>\$ 53,898,994</b>

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, 2009

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
<b>Governmental activities:</b>							
General government	\$ 2,011,594	\$ 260,266	\$ 81,303	\$ 479,725	\$ (1,190,300)	\$ -	\$ (1,190,300)
Public safety	4,031,035	88,031	525,929	-	(3,417,075)	-	(3,417,075)
Highways and streets	1,929,606	4,439	474,462	149,627	(1,301,078)	-	(1,301,078)
Culture and recreation	1,260,191	237,678	17,858	-	(1,004,655)	-	(1,004,655)
Interest on long-term obligations	42,013	-	-	-	(42,013)	-	(42,013)
<b>Total governmental activities</b>	<b>9,274,439</b>	<b>590,414</b>	<b>1,099,552</b>	<b>629,352</b>	<b>(6,955,121)</b>	<b>-</b>	<b>(6,955,121)</b>
<b>Business-type activities:</b>							
Golf	307,211	168,914	-	-	-	(138,297)	(138,297)
Public Works	5,977,994	5,852,292	-	-	-	(125,702)	(125,702)
<b>Total business-type activities</b>	<b>6,285,205</b>	<b>6,021,206</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(263,999)</b>	<b>(263,999)</b>
<b>Total primary government</b>	<b>\$ 15,559,644</b>	<b>\$ 6,611,620</b>	<b>\$ 1,099,552</b>	<b>\$ 629,352</b>	<b>(6,955,121)</b>	<b>(263,999)</b>	<b>(7,219,120)</b>
<b>General revenues:</b>							
Property taxes levied for:							
General purposes							
					2,964,291	-	2,964,291
Franchise and public services taxes							
					1,850,502	-	1,850,502
Interest and investment earnings							
					176,722	175,829	352,551
Miscellaneous							
					32,979	-	32,979
Gain (loss) on sale of property							
					8,750	-	8,750
Transfers							
					(80,416)	80,416	-
<b>Total general revenues, special items, and transfers</b>					<b>4,952,628</b>	<b>256,245</b>	<b>5,209,073</b>
<b>Change in net assets</b>					<b>(2,002,293)</b>	<b>(7,754)</b>	<b>(2,010,047)</b>
<b>Net assets, beginning</b>					<b>15,974,245</b>	<b>39,934,796</b>	<b>55,909,041</b>
<b>Net assets, ending</b>					<b>\$ 13,971,952</b>	<b>\$ 39,927,042</b>	<b>\$ 53,898,994</b>

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



## **FUND FINANCIAL STATEMENTS**

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### **Major Governmental Funds**

#### **General Fund**

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

#### **Street Fund**

The Street Fund accounts for franchise fees, charges for services, State road taxes and miscellaneous revenue sources, and expenditures for the maintenance of City streets.

#### **Capital Project Fund**

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

**CITY OF ONTARIO, OREGON**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2009**

	General Fund	Street Fund	Capital Projects Fund	Other Governmental Funds	Totals
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,013,423	\$ 235,969	\$ 2,800,052	\$ 2,442,743	\$ 7,492,187
Investments	760,213	-	-	522,969	1,283,182
Receivables:					
Property taxes	235,015	-	-	-	235,015
Interfund	189,765	-	-	-	189,765
Accounts	6,604	-	43,980	7,871	58,455
Intergovernmental Assessments	84,887	1,230	7,481	169,655	263,253
Notes	-	-	-	471,762	471,762
Inventory	-	-	-	672,075	672,075
				<u>4,324</u>	<u>4,324</u>
<b>Total assets</b>	<u>\$ 3,289,907</u>	<u>\$ 237,199</u>	<u>\$ 2,851,513</u>	<u>\$ 4,291,399</u>	<u>\$ 10,670,018</u>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ 215,000	\$ 45,438	\$ 17,286	\$ 90,595	\$ 368,319
Matured interest outstanding	-	-	-	3,102	3,102
Interfund payable	-	-	-	76,829	76,829
Deposits	-	-	-	236,461	236,461
Deferred revenue	203,817	-	-	1,192,258	1,396,075
<b>Total liabilities</b>	<u>418,817</u>	<u>45,438</u>	<u>17,286</u>	<u>1,599,245</u>	<u>2,080,786</u>
<b>FUND BALANCES</b>					
Reserved for:					
Debt service	-	-	-	328,274	328,274
System development	-	-	2,108,303	-	2,108,303
Unreserved, reported in:					
Major funds	2,871,090	191,761	725,924	-	3,788,775
Special revenue funds	-	-	-	2,363,880	2,363,880
<b>Total fund balances</b>	<u>2,871,090</u>	<u>191,761</u>	<u>2,834,227</u>	<u>2,692,154</u>	<u>8,589,232</u>
<b>Total liabilities and fund balances</b>	<u>\$ 3,289,907</u>	<u>\$ 237,199</u>	<u>\$ 2,851,513</u>	<u>\$ 4,291,399</u>	<u>\$ 10,670,018</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, 2009

<b>Fund balances - total governmental funds</b>	<b>\$</b>	<b>8,589,232</b>
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		5,298,350
Other long-term assets are not available to pay for current period expenditures, and, therefore, are deferred in the fund statements.		1,208,533
Accrued compensated absences are not due and payable in the current period, and, therefore, are not reported in the fund statements.		(351,422)
Accrued interest payable is not due and payable in the current period, and, therefore, is not reported in the fund statements.		(17,305)
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>(755,436)</u>
<b>Net assets of governmental activities</b>	<b>\$</b>	<b><u>13,971,952</u></b>

**CITY OF ONTARIO, OREGON**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2009**

	General Fund	Street Fund	Capital Projects Fund	Other Governmental Funds	Totals
<b>REVENUES</b>					
Property taxes	\$ 2,913,738	\$ -	\$ -	\$ -	\$ 2,913,738
Other taxes	334,717	-	-	243,779	578,496
Franchise fees	1,027,019	-	-	-	1,027,019
Licenses and fees	212,514	-	-	-	212,514
Intergovernmental	668,641	435,068	149,627	240,832	1,494,168
Charges for services	273,390	-	6,024	7,263	286,677
Fines and forfeitures	12,700	-	-	9,769	22,469
Special assessments	-	-	12,202	63,443	75,645
System development charges	-	-	467,523	-	467,523
Interest on investments	86,224	11,463	-	79,036	176,723
Loan repayments	-	-	-	68,058	68,058
Miscellaneous	94,387	4,439	-	2,907	101,733
<b>TOTAL REVENUES</b>	<u>5,623,330</u>	<u>450,970</u>	<u>635,376</u>	<u>715,087</u>	<u>7,424,763</u>
<b>EXPENDITURES</b>					
Current:					
General government	1,454,730	-	6,640	47,156	1,508,526
Public safety	3,313,456	-	-	480,524	3,793,980
Highways and streets	-	820,479	-	-	820,479
Culture and recreation	703,903	-	-	435,485	1,139,388
Capital outlay	76,601	164,684	698,095	327,666	1,267,046
Debt service	-	-	-	87,577	87,577
<b>TOTAL EXPENDITURES</b>	<u>5,548,690</u>	<u>985,163</u>	<u>704,735</u>	<u>1,378,408</u>	<u>8,616,996</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>74,640</u>	<u>(534,193)</u>	<u>(69,359)</u>	<u>(663,321)</u>	<u>(1,192,233)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of property	8,750	-	-	-	8,750
Issuance of debt	-	-	856,456	-	856,456
Transfers in	720,303	393,934	-	641,473	1,755,710
Transfers out	(708,469)	(87,070)	-	(7,500)	(803,039)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>20,584</u>	<u>306,864</u>	<u>856,456</u>	<u>633,973</u>	<u>1,817,877</u>
<b>NET CHANGE IN FUND BALANCE</b>	95,224	(227,329)	787,097	(29,348)	625,644
<b>FUND BALANCE, Beginning</b>	<u>2,775,866</u>	<u>419,090</u>	<u>2,047,130</u>	<u>2,721,502</u>	<u>7,963,588</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 2,871,090</u>	<u>\$ 191,761</u>	<u>\$ 2,834,227</u>	<u>\$ 2,692,154</u>	<u>\$ 8,589,232</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, 2009**

<b>Net change in fund balance - governmental funds</b>		<b>\$ 625,644</b>
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		(220,610)
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.		
		188,101
Issuance of debt is a financial resource in governmental funds, but the issuance increases long-term liabilities in the Statement of Net Assets		
		(226,782)
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		(4,389)
Change in accrued interest payable		(6,643)
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	713,337	
Depreciation expense	<u>(1,555,489)</u>	
		(842,152)
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		
Issuance of debt	(856,456)	
Debt assumed by Business-Type Activities	856,456	
Capital assets provided to Business-Type Activities	(1,889,545)	
Current year capital outlay expenditures	<u>374,083</u>	
		<u>(1,515,462)</u>
<b>Change in net assets - governmental activities</b>		<b>\$ <u>(2,002,293)</u></b>

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

**CITY OF ONTARIO, OREGON**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2009**

	2007-2009 Budgeted Amounts		1st Year Actual Amounts	2nd Year Actual Amounts	Combined Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final				
<b>REVENUES</b>						
Property taxes	\$ 5,634,929	\$ 5,634,929	\$ 2,823,483	\$ 2,913,738	\$ 5,737,221	\$ 102,292
Other taxes	630,000	677,800	357,741	334,717	692,458	14,658
Franchise fees	1,845,800	1,845,800	985,947	1,027,019	2,012,966	167,166
Licenses and fees	253,070	478,400	256,067	212,514	468,581	(9,819)
Intergovernmental	1,199,150	1,229,150	684,432	668,641	1,353,073	123,923
Charges for services	506,540	506,540	264,002	273,390	557,392	50,852
Fines and forfeitures	28,000	28,000	20,000	12,700	32,700	4,700
Interest on investments	240,000	281,000	186,109	86,224	272,333	(8,667)
Miscellaneous	134,216	151,216	65,706	94,387	160,093	8,877
<b>TOTAL REVENUES</b>	<u>10,471,705</u>	<u>10,832,835</u>	<u>5,663,487</u>	<u>5,623,330</u>	<u>11,286,817</u>	<u>453,982</u>
<b>EXPENDITURES</b>						
Current:						
General government	2,831,373	3,053,125	1,314,069	1,454,730	2,768,799	284,326
Public safety	6,760,662	6,759,588	3,183,720	3,313,456	6,497,176	262,412
Culture and recreation	1,402,682	1,402,682	713,117	703,903	1,417,020	(14,338)
Capital outlay	163,895	206,518	177,080	76,601	253,681	(47,163)
Contingency	1,352,242	1,213,280	-	-	-	1,213,280
<b>TOTAL EXPENDITURES</b>	<u>12,510,854</u>	<u>12,635,193</u>	<u>5,387,986</u>	<u>5,548,690</u>	<u>10,936,676</u>	<u>1,698,517</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(2,039,149)</u>	<u>(1,802,358)</u>	<u>275,501</u>	<u>74,640</u>	<u>350,141</u>	<u>2,152,499</u>
<b>OTHER FINANCING SOURCES</b>						
Sale of property	-	-	5,100	8,750	13,850	13,850
Issuance of debt	-	-	73,434	-	73,434	73,434
Transfers in	1,881,154	1,881,154	1,140,088	720,303	1,860,391	(20,763)
Transfers out	(1,572,976)	(1,809,767)	(895,521)	(708,469)	(1,603,990)	205,777
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>308,178</u>	<u>71,387</u>	<u>323,101</u>	<u>20,584</u>	<u>343,685</u>	<u>272,298</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(1,730,971)</u>	<u>(1,730,971)</u>	<u>598,602</u>	<u>95,224</u>	<u>693,826</u>	<u>2,424,797</u>
<b>FUND BALANCE, Beginning</b>	<u>1,730,971</u>	<u>1,730,971</u>	<u>2,177,264</u>	<u>2,775,866</u>	<u>2,177,264</u>	<u>446,293</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,775,866</u>	<u>\$ 2,871,090</u>	<u>\$ 2,871,090</u>	<u>\$ 2,871,090</u>

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

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

CITY OF ONTARIO, OREGON  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
STREET FUND  
For the Fiscal Year Ended June 30, 2009

	2007-2009 Budgeted Amounts		1st Year Actual Amounts	2nd Year Actual Amounts	Combined Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final				
<b>REVENUES</b>						
Intergovernmental	\$ 1,022,848	\$ 1,202,848	\$ 490,453	\$ 435,068	\$ 925,521	\$ (277,327)
Interest on investments	-	-	7,113	11,463	18,576	18,576
Miscellaneous	-	-	8,509	4,439	12,948	12,948
<b>TOTAL REVENUES</b>	<u>1,022,848</u>	<u>1,202,848</u>	<u>506,075</u>	<u>450,970</u>	<u>957,045</u>	<u>(245,803)</u>
<b>EXPENDITURES</b>						
Current:						
Highways and streets:						
Personal services	948,294	948,294	420,203	463,528	883,731	64,583
Materials and services	788,004	807,754	367,885	356,951	724,836	82,918
Capital outlay	304,400	479,400	271,106	164,684	435,790	43,610
Contingency	-	26,390	-	-	-	26,390
<b>TOTAL EXPENDITURES</b>	<u>2,040,698</u>	<u>2,261,838</u>	<u>1,059,194</u>	<u>985,163</u>	<u>2,044,357</u>	<u>217,481</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,017,850)</u>	<u>(1,058,990)</u>	<u>(553,119)</u>	<u>(534,193)</u>	<u>(1,087,312)</u>	<u>(28,322)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	802,850	843,990	400,325	393,934	794,259	(49,731)
Transfers out	(174,130)	(174,130)	(87,060)	(87,070)	(174,130)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>628,720</u>	<u>669,860</u>	<u>313,265</u>	<u>306,864</u>	<u>620,129</u>	<u>(49,731)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(389,130)</u>	<u>(389,130)</u>	<u>(239,854)</u>	<u>(227,329)</u>	<u>(467,183)</u>	<u>(78,053)</u>
<b>FUND BALANCE, Beginning</b>	<u>389,130</u>	<u>389,130</u>	<u>658,944</u>	<u>419,090</u>	<u>658,944</u>	<u>269,814</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 419,090</u>	<u>\$ 191,761</u>	<u>\$ 191,761</u>	<u>\$ 191,761</u>

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



## FUND FINANCIAL STATEMENTS

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### Proprietary Funds

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

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

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

**CITY OF ONTARIO, OREGON**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2009**

	<u>Business - type Activities - Enterprise Funds</u>		
	<u>Non-Major</u>		
<b>ASSETS</b>	<u>Golf Course Fund</u>	<u>Public Works Fund</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ -	\$ 3,429,512	\$ 3,429,512
Restricted cash and cash equivalents	-	1,032,599	1,032,599
Accounts receivable, net	14,057	517,951	532,008
Intergovernmental	-	1,160	1,160
Inventories	-	368,273	368,273
Total current assets	<u>14,057</u>	<u>5,349,495</u>	<u>5,363,552</u>
Noncurrent assets:			
Capital assets:			
Land	84,628	2,357,519	2,442,147
Depreciable assets, net of depreciation	894,633	46,248,876	47,143,509
Total noncurrent assets	<u>979,261</u>	<u>48,606,395</u>	<u>49,585,656</u>
Total assets	<u>\$ 993,318</u>	<u>\$ 53,955,890</u>	<u>\$ 54,949,208</u>
<b>LIABILITIES AND NET ASSETS</b>			
Current liabilities:			
Accounts payable	\$ 8,056	\$ 99,285	\$ 107,341
Deposits	-	65,840	65,840
Accrued interest payable	4,824	185,029	189,853
Interfund payable	112,936	-	112,936
Compensated absences payable	-	127,148	127,148
Current portion of long-term debt	90,599	1,027,603	1,118,202
Total current liabilities (unrestricted)	216,415	1,504,905	1,721,320
Current liabilities (payable from restricted assets):			
Deposits	-	65,840	65,840
Total current liabilities	<u>216,415</u>	<u>1,504,905</u>	<u>1,721,320</u>
Long-term debt, net of current portion:			
Debt premium	-	84,711	84,711
Water revenue bonds payable	-	260,058	260,058
Certificates of participation	189,766	-	189,766
Contracts, loans and notes payable	-	12,766,311	12,766,311
Total long-term liabilities	<u>189,766</u>	<u>13,111,080</u>	<u>13,300,846</u>
Total liabilities	<u>406,181</u>	<u>14,615,985</u>	<u>15,022,166</u>
Net assets:			
Invested in capital assets, net of related debt	698,896	34,552,423	35,251,319
Restricted for debt service	-	966,759	966,759
Unrestricted (Deficit)	(111,759)	3,820,723	3,708,964
Total net assets	<u>587,137</u>	<u>39,339,905</u>	<u>39,927,042</u>
Total liabilities and net assets	<u>\$ 993,318</u>	<u>\$ 53,955,890</u>	<u>\$ 54,949,208</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, 2009

	<u>Business - type Activities - Enterprise Funds</u>		
	<u>Non-Major</u>		
	<u>Golf Course Fund</u>	<u>Public Works Fund</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 168,914	\$ 5,762,864	\$ 5,931,778
Miscellaneous	-	89,428	89,428
<b>TOTAL OPERATING REVENUES</b>	<u>168,914</u>	<u>5,852,292</u>	<u>6,021,206</u>
<b>OPERATING EXPENSES</b>			
Personal services	66,184	1,668,778	1,734,962
Materials and services	130,464	1,372,019	1,502,483
Depreciation	95,324	2,481,394	2,576,718
<b>TOTAL OPERATING EXPENSES</b>	<u>291,972</u>	<u>5,522,191</u>	<u>5,814,163</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(123,058)</u>	<u>330,101</u>	<u>207,043</u>
<b>NON-OPERATING INCOME (EXPENSES)</b>			
Gain (loss) on disposal of capital assets	-	97,161	97,161
Interest on investments	-	175,829	175,829
Interest expense	(15,239)	(562,964)	(568,203)
<b>TOTAL NON-OPERATING INCOME (EXPENSES)</b>	<u>(15,239)</u>	<u>(279,974)</u>	<u>(295,213)</u>
<b>NET INCOME (LOSS) BEFORE TRANSFERS</b>	<u>(138,297)</u>	<u>50,127</u>	<u>(88,170)</u>
<b>TRANSFERS</b>			
Transfers in	109,027	1,033,087	1,142,114
Transfers out	-	(1,061,698)	(1,061,698)
<b>TOTAL TRANSFERS</b>	<u>109,027</u>	<u>(28,611)</u>	<u>80,416</u>
<b>CHANGE IN NET ASSETS</b>	<u>(29,270)</u>	<u>21,516</u>	<u>(7,754)</u>
<b>NET ASSETS, Beginning</b>	<u>616,407</u>	<u>39,318,389</u>	<u>39,934,796</u>
<b>NET ASSETS, Ending</b>	<u>\$ 587,137</u>	<u>\$ 39,339,905</u>	<u>\$ 39,927,042</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, 2009

	Business-type Activities - Enterprise Funds		
	Non-Major		
	Golf Course Fund	Public Works Fund	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 155,325	\$ 5,978,108	\$ 6,133,433
Payments to suppliers	(139,886)	(1,379,965)	(1,519,851)
Payments to employees	(66,184)	(1,659,750)	(1,725,934)
Net cash provided from (used by) operating activities	<u>(50,745)</u>	<u>2,938,393</u>	<u>2,887,648</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Transfers in	109,027	-	109,027
Transfers out	-	(1,061,698)	(1,061,698)
Net cash provided from (used by) non-capital financing activities	<u>109,027</u>	<u>(1,061,698)</u>	<u>(952,671)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds from sale of capital assets	-	106,815	106,815
Intertund loan proceeds	112,936	-	112,936
Intertund loan payments	(5,298)	-	(5,298)
Acquisition of capital assets	(64,920)	(14,289)	(79,209)
Principal paid on long-term obligations	(84,373)	(921,915)	(1,006,288)
Interest paid on long-term obligations	(16,627)	(627,503)	(644,130)
Net cash provided from (used by) capital and related financing activities	<u>(58,282)</u>	<u>(1,456,892)</u>	<u>(1,515,174)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on investments	-	175,829	175,829
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	-	595,632	595,632
<b>CASH AND CASH EQUIVALENTS, Beginning</b>	-	3,866,479	3,866,479
<b>CASH AND CASH EQUIVALENTS, Ending</b>	<u>\$ -</u>	<u>\$ 4,462,111</u>	<u>\$ 4,462,111</u>
<b>COMPRISED AS FOLLOWS:</b>			
Cash and cash equivalents	\$ -	\$ 3,429,512	\$ 3,429,512
Restricted cash and cash equivalents	-	1,032,599	1,032,599
	<u>\$ -</u>	<u>\$ 4,462,111</u>	<u>\$ 4,462,111</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, 2009

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Non-Major Golf Course Fund</u>	<u>Public Works Fund</u>	<u>Totals</u>
<b>Reconciliation of operating income (loss) to net cash provided from (used by) operating activities</b>			
Operating income (loss)	\$ (123,058)	\$ 330,101	\$ 207,043
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	95,324	2,481,394	2,576,718
(Increase) decrease in assets:			
Receivables	(13,589)	112,643	99,054
Inventories	-	20,444	20,444
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	(9,422)	(28,390)	(37,812)
Deposits	-	13,173	13,173
Compensated absences payable	-	9,028	9,028
Net cash provided from (used by) operating activities	<u>\$ (50,745)</u>	<u>\$ 2,938,393</u>	<u>\$ 2,887,648</u>
<b>NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>			
Transfer of capital assets and debt between funds	<u>\$ -</u>	<u>\$ 1,033,087</u>	<u>\$ 1,033,087</u>

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



**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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CITY OF ONTARIO, OREGON  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009

**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 60 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.

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

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

The City reports the following major proprietary fund:

*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 \$1,018 for 2008-2009 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:

Assets	Years
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, Cash, and Investments**

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, 2009 was \$328,274 for debt service, \$196,156 for highways and streets, \$2,108,303 for system development, and \$364,618 for other trust deposits. There is also \$966,759 for debt service in the business-type activities.

Cash and investments are restricted for the amounts above. In addition, cash and investments are restricted for deposits held for others of \$236,461 in governmental activities and \$65,840 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.

## **E. Adoption of New GASB Pronouncement**

For the fiscal year ended June 30, 2009, the City implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement addresses how state and local governments should account for and report their costs and obligations related to Other Postemployment Benefits (OPEB). The Statement generally requires that state and local governmental employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. For the fiscal year ended June 30, 2009, the City's participation in the City County Insurance Services (CCIS) health plans have been determined to constitute a community-rated situation, as allowed by GASB 45, and therefore there is no implicit subsidy to value and no liability accrued in the financial statements.

## **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, 2009, appropriation increases and transfers were approved. Appropriations are limited to a biennium; therefore, all spending authority of the City lapses as of the end of the biennium.

#### **B. Excess of Expenditures over Appropriations**

Expenditures exceed appropriations in the following funds and amounts:

##### **Governmental Activities**

###### Special Revenue Funds

###### Grants Fund:

Materials and services	<u>\$ (16,000)</u>
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###### Capital Projects Fund:

Materials and services	<u>\$ (6,640)</u>
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##### **Business-Type Activities**

###### Proprietary Funds

###### Golf Course Fund:

Personal services	<u>\$ (1,559)</u>
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Materials and services	<u>\$ (22,316)</u>
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Debt service	<u>\$ (2,217)</u>
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###### Public Works Fund:

Debt service	<u>\$ (27,027)</u>
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### C. Deficit Fund Balances

Funds having a deficit fund balance at June 30, 2009 are as follows:

Business Type Activities

Enterprise Funds

Golf Course Fund

\$ (106,934)

The City has continued to suffer losses in the Golf Course Fund due to major improvements and upgrades in the past few years. Expenses exceeded estimates during the current biennium due to the City taking over operation of the Course and implementing several changes intended to improve operations. 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 includes standards to categorize deposits to give an indication of the level of custodial credit risk assumed by the City at June 30, 2009. 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 that Public officials report to the Office of the State Treasurer (OST) all bank depositories in which they deposit public funds and bank depositories will then report financial information and total public funds deposits quarterly to OST. OST will then calculate the required collateral that must be pledged by the bank 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. For the fiscal year ended June 30, 2009, the carrying amount of the City's deposits, including certificates of deposit classified as investments, was \$3,561,239 and the bank balance was \$4,050,925. All deposits are held in the name of the City of Ontario. Of the bank balance, \$500,000 was covered by federal depository insurance. The remaining \$3,550,925 was collateralized under ORS 295.

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.

**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, 2009 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, 2009 are as follows:

	<u>Maturity</u>	<u>Percentage of Portfolio</u>	<u>Carrying Amount/ Fair Value</u>
U.S. Government Obligations	On demand	0.1%	\$ 8,500
	Less than one year	5.0%	509,623
	13 to 18 months	2.5%	250,590
Local Government Investment Pool	1 day	87.4%	8,906,298
Time Certificate of Deposits	Less than one year	5.0%	514,469
		<u>100%</u>	<u>10,189,480</u>
Less amounts classified as cash equivalents			<u>(8,906,298)</u>
Total Investments			<u>\$ 1,283,182</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	3,046,840
Local Government Investment Pool	<u>8,906,298</u>
Total	<u>\$ 11,954,298</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	Street Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Activities
Property taxes	\$ 235,015	\$ -	\$ -	\$ -	\$ 235,015
Accounts	6,604	-	43,980	7,871	58,455
Intergovernmental	84,887	1,230	7,481	169,655	263,253
Assessments	-	-	-	471,762	471,762
Notes	-	-	-	672,075	672,075
Allowance for doubtful accounts	-	-	-	(139,663)	(139,663)
<b>Total receivables</b>	<b>\$ 326,506</b>	<b>\$ 1,230</b>	<b>\$ 51,461</b>	<b>\$ 1,181,700</b>	<b>\$ 1,560,897</b>

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	\$ 14,057	\$ 517,951	\$ 532,008
Intergovernmental	-	1,160	1,160
<b>Total receivables</b>	<b>\$ 14,057</b>	<b>\$ 519,111</b>	<b>\$ 533,168</b>

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 \$3,016,467. After reductions for offsets and increases for additional taxes and penalties this resulted in a net levy of \$3,015,449. The tax rate for the fiscal year was \$4.8347, per \$1,000 of assessed value. The assessed valuation for the City was \$623,920,273.

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. The notes are liens against property and an allowance for uncollectible amounts is normally not necessary. However, there was a loan in default at June 30, 2009 of \$139,663 for which the business and owner have declared bankruptcy and no proceeds are expected. An allowance was established for this amount on the government-wide statements. The notes are deferred on the fund statements and an allowance was not considered 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	\$ 203,817	\$ -	\$ 203,817
Program advances			
Non-major funds	-	47,879	47,879
Assessments receivable			
Non-major funds	472,304	-	472,304
Notes and assessments			
Non-major funds	<u>672,075</u>	<u>-</u>	<u>672,075</u>
Total deferred revenue	<u>\$ 1,348,196</u>	<u>\$ 47,879</u>	<u>\$ 1,396,075</u>

### D. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2009 was as follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Land	\$ 948,024	\$ -	\$ -	\$ 948,024
Construction in progress	<u>1,882,301</u>	<u>624,465</u>	<u>(1,889,545)</u>	<u>617,221</u>
Total non-depreciable	<u>2,830,325</u>	<u>624,465</u>	<u>(1,889,545)</u>	<u>1,565,245</u>
Equipment and vehicles	6,449,445	348,795	(221,551)	6,576,689
Buildings and improvements	2,333,165	-	-	2,333,165
Infrastructure	<u>126,286,816</u>	<u>111,058</u>	<u>-</u>	<u>126,397,874</u>
Total depreciable	<u>135,069,426</u>	<u>459,853</u>	<u>(221,551)</u>	<u>135,307,728</u>
Accumulated depreciation				
Equipment and vehicles	(5,777,296)	(383,966)	221,551	(5,939,711)
Buildings and improvements	(1,799,275)	(58,329)	-	(1,857,604)
Infrastructure	<u>(122,664,114)</u>	<u>(1,113,194)</u>	<u>-</u>	<u>(123,777,308)</u>
Total accumulated depreciation	<u>(130,240,685)</u>	<u>(1,555,489)</u>	<u>221,551</u>	<u>(131,574,623)</u>
Total depreciable assets	<u>4,828,741</u>	<u>(1,095,636)</u>	<u>-</u>	<u>3,733,105</u>
Governmental activities capital assets, net	<u>\$ 7,659,066</u>	<u>\$ (471,171)</u>	<u>\$ (1,889,545)</u>	<u>\$ 5,298,350</u>

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

General government	\$ 88,807
Public safety	237,037
Highways and streets	1,108,841
Culture and recreation	<u>120,804</u>

Total depreciation for governmental activities \$ 1,555,489

Capital asset activity for business-type activities for the year ended June 30, 2009 was as follows:

Description	Beginning Balance	Increases	Decreases	Ending Balance
Land	\$ 2,451,801	\$ -	\$ (9,654)	\$ 2,442,147
Total non-depreciable	<u>2,451,801</u>	<u>-</u>	<u>(9,654)</u>	<u>2,442,147</u>
Equipment and vehicles	11,497,082	79,209	(8,000)	11,568,291
Buildings and improvements	18,854,658	-	-	18,854,658
Infrastructure	37,138,855	1,889,545	-	39,028,400
Total depreciable	<u>67,490,595</u>	<u>1,968,754</u>	<u>(8,000)</u>	<u>69,451,349</u>
Accumulated depreciation				
Equipment and vehicles	(9,510,331)	(1,153,669)	8,000	(10,656,000)
Buildings and improvements	(4,152,608)	(471,366)	-	(4,623,974)
Infrastructure	(6,076,184)	(951,682)	-	(7,027,866)
Total accumulated depreciation	<u>(19,739,123)</u>	<u>(2,576,717)</u>	<u>8,000</u>	<u>(22,307,840)</u>
Total depreciable assets	<u>47,751,472</u>	<u>(607,963)</u>	<u>-</u>	<u>47,143,509</u>
Business-type activities capital assets, net	<u>\$ 50,203,273</u>	<u>\$ (607,963)</u>	<u>\$ (9,654)</u>	<u>\$ 49,585,656</u>

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

Golf Course	\$ 95,323
Public Works	<u>2,481,394</u>

Total depreciation for business-type activities \$ 2,576,717

#### 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 \$112,936. In the fund financial statements, the General Fund had \$112,936 receivable from the Golf Course Fund and \$76,829 receivable from the Grants Fund at June 30, 2009. 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 \$80,416.

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

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 720,303	\$ 708,469
Street Fund	393,934	87,070
Non-major governmental funds	641,473	7,500
Enterprise Funds		
Golf Course Fund	109,027	-
Public Works Fund	1,033,087	1,061,698
Non-current resources	-	1,033,087
<b>Total all funds</b>	<b><u>\$ 2,897,824</u></b>	<b><u>\$ 2,897,824</u></b>

Transfers out of the General Fund were for the City's contribution towards maintaining the golf course, library and 911 operations. Additional transfers were made from the General Fund to the Reserve Fund to fund future facility improvements and emergency equipment purchases. The Public Works Fund transfers to the General Fund and to the Street Fund as overhead charge reimbursement. 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:	<u>Outstanding July 1, 2008</u>	<u>Matured, Called, or Defeased During Year</u>	<u>Outstanding June 30, 2009</u>	<u>Interest</u>
2009	\$ 55,377	\$ 55,377	\$ -	\$ 29,596
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	55,377	-	55,377	19,070
2015-2019	276,883	-	276,883	55,896
2020	27,689	-	27,689	3,946
	<b><u>\$ 636,832</u></b>	<b><u>\$ 55,377</u></b>	<b><u>\$ 581,455</u></b>	<b><u>\$ 200,572</u></b>

## 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.

Fiscal year:	Outstanding July 1, 2008	Matured, Called, or Defeased During Year	Outstanding June 30, 2009	Interest
2009	\$ 10,372	\$ 10,372	\$ -	\$ 1,946
2010	10,950	-	10,950	1,370
2011	11,834	-	11,834	733
	<u>\$ 33,156</u>	<u>\$ 10,372</u>	<u>\$ 22,784</u>	<u>\$ 4,049</u>

## 3. Capital Leases – Governmental Activities

The City has entered into various capital lease agreements as lessee for financing of a pumper truck during the current year and police vehicles in the prior 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, 2009 are as follows:

	Balance of Lease	Interest Rate
Pierce KW Pumper	\$ 126,782	4.99%
2 Dodge Chargers	9,461	9.40%
Chevy Tahoe	14,954	8.95%
Total capital leases	<u>\$ 151,197</u>	

A schedule of future minimum lease payments is as follows:

Year Ending June 30	Total
2010	\$ 55,942
2011	29,275
2012	29,275
2013	29,275
2014	29,275
Total minimum lease payments	173,042
Less: interest included in payments	<u>(21,845)</u>
Present value of minimum lease payment	<u>\$ 151,197</u>

**4. 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, 2008	Matured, Called, or Defeased During Year	Outstanding June 30, 2009	
2009	\$ 82,045	\$ 82,045	\$ -	\$ 18,127
2010	88,137	-	88,137	14,067
2011	94,283	-	94,283	9,638
2012	95,485	-	95,485	4,866
	<u>\$ 359,950</u>	<u>\$ 82,045</u>	<u>\$ 277,905</u>	<u>\$ 46,698</u>

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

**6. 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
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	502,942	18,860	103,687	21,339
2015-2019	251,469	3,772	458,138	41,970
2020	-	-	-	-
	<u>\$ 2,766,179</u>	<u>\$ 248,956</u>	<u>\$ 938,024</u>	<u>\$ 187,215</u>
	Loan 70612 - 3.69%		Total	
	Principal	Interest	Principal	Interest
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	159,930	41,052	766,559	81,251
2015-2019	893,550	111,360	1,603,157	157,102
2020	98,647	1,820	98,647	1,820
	<u>\$ 1,736,453</u>	<u>\$ 373,834</u>	<u>\$ 5,440,656</u>	<u>\$ 810,005</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, 2008	Matured, Called, or Defeased During Year	Outstanding June 30, 2009	Interest
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	132,160	-	132,160	166,661
2014	138,047	-	138,047	161,374
2015-2019	754,821	-	754,821	721,284
2020-2024	933,536	-	933,536	553,594
2025-2029	1,155,717	-	1,155,717	334,245
2030-2032	814,197	-	814,197	72,291
	<u>\$ 4,403,918</u>	<u>\$ 113,943</u>	<u>\$ 4,289,975</u>	<u>\$ 2,724,494</u>

The City received an additional \$856,456 in funds from their approved interim-financing note payable to the Oregon Economic and Community Development Department for improvements to the wastewater treatment facilities. The note accrued interest at 3.52% per annum, which was paid prior to converting the interim financing agreement to permanent financing. All outstanding principal on the interim agreement was converted to permanent financing on May 27, 2009.

Fiscal year:	Outstanding July 1, 2008	Issued During Year	Matured, Called, or Defeased During Year	Outstanding June 30, 2009	Interest
2009	3,205,144	856,456	4,061,600	-	208,306
	<u>\$ 3,205,144</u>	<u>\$ 856,456</u>	<u>\$ 4,061,600</u>	<u>\$ -</u>	<u>\$ 208,306</u>

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

Fiscal year:	Outstanding July 1, 2008	Issued During Year	Matured, Called, or Defeased During Year	Outstanding June 30, 2009	Interest
2009	\$ -	\$ -	\$ -	\$ -	\$ -
2010	-	96,546	-	96,546	103,802
2011	-	97,043	-	97,043	174,298
2012	-	102,554	-	102,554	171,386
2013	-	103,081	-	103,081	168,310
2014	-	108,714	-	108,714	164,702
2015-2019	-	604,905	-	604,905	758,420
2020-2024	-	744,235	-	744,235	618,016
2025-2029	-	932,976	-	932,976	423,987
2030-2034	-	1,186,546	-	1,186,546	174,268
	<u>\$ -</u>	<u>\$ 3,976,600</u>	<u>\$ -</u>	<u>\$ 3,976,600</u>	<u>\$ 2,757,189</u>

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

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

	Outstanding July 1, 2008	Matured, Called, or Defeased During Year	Outstanding June 30, 2009	Interest
Fiscal year:				
2009	\$ 86,676	\$ 86,676	\$ -	\$ 17,640
2010	86,681	-	86,681	13,652
2011	86,681	-	86,681	9,752
2012	86,682	-	86,682	5,851
2013	86,694	-	86,694	1,950
	<u>\$ 433,414</u>	<u>\$ 86,676</u>	<u>\$ 346,738</u>	<u>\$ 48,845</u>

## 8. Changes in Long-Term Liabilities

Changes for the year ended June 30, 2009 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
<b>Governmental Activities:</b>					
Note payable	\$ 33,156	\$ -	\$ 10,372	\$ 22,784	\$ 10,950
Special assessments	636,832	-	55,377	581,455	55,377
Capital leases	46,767	226,782	122,352	151,197	47,364
Compensated absences	347,033	351,422	347,033	351,422	351,422
Total governmental activities	1,063,788	578,204	535,134	1,106,858	465,113
<b>Business-type Activities:</b>					
Certificates of participation	359,950	-	82,045	277,905	88,137
Compensated absences	118,120	127,148	118,120	127,148	127,148
Contracts and notes payable:					
OECD interim financing	3,205,144	856,456	4,061,600	-	-
Oregon DEQ contracts	6,161,950	-	721,294	5,440,656	729,676
OECD Water Treatment	4,403,918	-	113,942	4,289,976	114,700
OECD Wastewater Treatment	-	3,976,600	-	3,976,600	96,546
Premium on OECD WWTP	-	85,000	289	84,711	-
Golf Course Economic Development note	4,789	-	2,327	2,462	2,462
Water Revenue Bonds	433,414	-	86,676	346,738	86,681
Total business-type activities	14,687,285	5,045,204	5,186,293	14,546,196	1,245,350
	<u>\$ 15,751,073</u>	<u>\$ 5,623,408</u>	<u>\$ 5,721,427</u>	<u>\$ 15,653,054</u>	<u>\$ 1,710,463</u>

## IV. Other Information

### A. Risk Management

The City is exposed to various risks of loss related to torts; theft or damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage for the past three years.

## **B. Defined Benefit Pension Plan**

### **Public Employees Retirement System**

#### **1. Plan Description**

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

In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for PERS. The Oregon Public Service Retirement Plan ("OPSRP") is effective for all new employees hired on or after August 29, 2003, and applies to any inactive PERS members who return to employment following a six-month or greater break in service. The new plan consists of a defined benefit program (the "Pension Program") and a defined contribution portion (the Individual Account Program or "IAP"). The Pension Program portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service and a factor that varies based on the type of service (general versus police or fire).

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

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

#### **2. Funding Policy**

Plan members are required to contribute 6% of their annual covered salary. The City is required by ORS 238.225 to contribute at an actuarially determined rate; the current rate is 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, 2009, 2008 and 2007 were \$873,221, \$847,075, and \$834,445, 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, 2009 to complete the design of Reimbursement District #3. The total budget for this project is \$167,500, of which \$147,676 has previously been paid. Approximately 88% of the project was complete at June 30, 2009.

The City is under engineering contracts at June 30, 2009 to complete the design of the Washington Avenue/North Oregon realignment project. The total budget for this project is \$548,500, of which \$435,977 has previously been spent. Approximately 79% of the project was complete 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.

### **2. Intergovernmental**

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

### **3. Subsequent Events**

In 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 1<sup>st</sup> 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 November 2010, the City awarded the bid for the City Hall HVAC and lighting upgrade for \$546,600.

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

In June 2010, the City awarded a design build agreement for the construction of a five bay fire station storage building for \$485,300. The Rural Fire Board has pledged \$105,000 towards the project.

In June 2010, the City Council authorized the City Manager to sign a new three year labor agreement with the Ontario Police Association, which includes wage increases retroactive to July 1, 2009 and a one time signing bonus.

In July 2010, the city approved a local agency agreement with the State of Oregon to provide \$4.5 million in funding for the Northwest Washington Avenue Realignment Project. In addition, the City will use \$375,200 in funds currently on hand and take responsibility for maintenance of the improvements.

In August 2010, the City approved a Fund Exchange agreement with the State of Oregon for \$110,185 for improvements to various City Streets.

In October 2010, the City accepted additional Connect Oregon II grant funds for the Airport Pavement Improvement Project and approved an agreement for additional engineering costs related to the project.

In November 2010, the City awarded the bid for the Water Treatment Plant Upgrade Project for \$36,649 and awarded the bid for the Aquatic Center Renovation and Design Phase 2 in an amount not to exceed \$72,834.

Also in November 2010, the City approved Cooperative Agreement #26638 with ODOT for signal upgrades and street improvements. Total project costs are estimated at \$2 million with the City's portion estimated at \$800,000.

#### **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, 2009, there were 16 active participants. The total cost of \$4,800 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, \$480 for the 911 Fund, and \$1,500 for the Public Works Fund.

**SUPPLEMENTAL INFORMATION**

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## COMBINING STATEMENTS

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### Non-Major Governmental Funds

#### Special Revenue Funds

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

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

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

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

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

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

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

#### Debt Service Fund

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



**CITY OF ONTARIO, OREGON  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
June 30, 2009**

	Special Revenue	Debt Service	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,110,884	\$ 331,859	\$ 2,442,743
Investments	522,969	-	522,969
Receivables:			
Accounts	7,812	59	7,871
Intergovernmental	169,855	-	169,655
Assessments	-	471,762	471,762
Notes	672,075	-	672,075
Inventory	4,324	-	4,324
	<u>\$ 3,487,719</u>	<u>\$ 803,680</u>	<u>\$ 4,291,399</u>
Total assets			
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 90,595	\$ -	\$ 90,595
Matured interest outstanding	-	3,102	3,102
Interfund payable	76,829	-	76,829
Deposits	236,461	-	236,461
Deferred revenue	719,954	472,304	1,192,258
	<u>1,123,839</u>	<u>475,406</u>	<u>1,599,245</u>
Total liabilities			
<b>FUND BALANCES</b>			
Reserved for:			
Debt service	-	328,274	328,274
Unreserved, reported in:			
Special revenue funds	2,363,880	-	2,363,880
	<u>2,363,880</u>	<u>328,274</u>	<u>2,692,154</u>
Total fund balances			
Total liabilities and fund balances	<u>\$ 3,487,719</u>	<u>\$ 803,680</u>	<u>\$ 4,291,399</u>

See auditor's report.

CITY OF ONTARIO, OREGON  
 SUB-COMBING BALANCE SHEET  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 June 30, 2009

	Library Fund	911 Fund	Trust Fund	Revolving Loan Fund
<b>ASSETS</b>				
Cash and cash equivalents	\$ 24,902	\$ 53,006	\$ 74,147	\$ 157,551
Investments	-	-	522,969	-
Receivables:				
Accounts	13	-	276	5,445
Intergovernmental	1,162	-	-	-
Notes	-	-	-	672,075
Inventory	-	-	4,324	-
<b>Total assets</b>	<b><u>\$ 26,077</u></b>	<b><u>\$ 53,006</u></b>	<b><u>\$ 601,716</u></b>	<b><u>\$ 835,071</u></b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 25,451	\$ 877	\$ 637	\$ 284
Interfund payable	-	-	-	-
Deposits	-	-	236,461	-
Deferred revenue	-	-	-	672,075
<b>Total liabilities</b>	<b><u>25,451</u></b>	<b><u>877</u></b>	<b><u>237,098</u></b>	<b><u>672,359</u></b>
<b>FUND BALANCES</b>				
Unreserved, reported in:				
Special revenue funds	<u>626</u>	<u>52,129</u>	<u>364,618</u>	<u>162,712</u>
<b>Total liabilities and fund balances</b>	<b><u>\$ 26,077</u></b>	<b><u>\$ 53,006</u></b>	<b><u>\$ 601,716</u></b>	<b><u>\$ 835,071</u></b>

See auditor's report.

Reserve Fund	Grants Fund	Totals
\$ 1,801,278	\$ -	\$ 2,110,884
-	-	522,969
-	2,078	7,812
-	168,493	169,655
-	-	672,075
-	-	4,324
<u>\$ 1,801,278</u>	<u>\$ 170,571</u>	<u>\$ 3,487,719</u>
\$ 36,495	\$ 26,851	\$ 90,595
-	76,829	76,829
-	-	236,461
-	47,879	719,954
<u>36,495</u>	<u>151,559</u>	<u>1,123,839</u>
<u>1,764,783</u>	<u>19,012</u>	<u>2,363,880</u>
<u>\$ 1,801,278</u>	<u>\$ 170,571</u>	<u>\$ 3,487,719</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, 2009**

	Special Revenue	Debt Service	Totals
<b>REVENUES</b>			
Other taxes	\$ 243,779	\$ -	\$ 243,779
Intergovernmental	240,832	-	240,832
Charges for services	7,263	-	7,263
Fines and forfeitures	9,769	-	9,769
Special assessments	-	63,443	63,443
Interest on investments	52,225	26,811	79,036
Loan repayments	68,058	-	68,058
Miscellaneous	2,907	-	2,907
<b>TOTAL REVENUES</b>	<u>624,833</u>	<u>90,254</u>	<u>715,087</u>
<b>EXPENDITURES</b>			
Current:			
General government	47,156	-	47,156
Public safety	480,524	-	480,524
Culture and recreation	435,485	-	435,485
Capital outlay	327,666	-	327,666
Debt service	-	87,577	87,577
<b>TOTAL EXPENDITURES</b>	<u>1,290,831</u>	<u>87,577</u>	<u>1,378,408</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(665,998)</u>	<u>2,677</u>	<u>(663,321)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	641,473	-	641,473
Transfers out	(7,500)	-	(7,500)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>633,973</u>	<u>-</u>	<u>633,973</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(32,025)</u>	<u>2,677</u>	<u>(29,348)</u>
<b>FUND BALANCE, Beginning</b>	<u>2,395,905</u>	<u>325,597</u>	<u>2,721,502</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 2,363,880</u>	<u>\$ 328,274</u>	<u>\$ 2,692,154</u>

See auditor's report.

**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, 2009**

	Library Fund	911 Fund	Trust Fund	Revolving Loan Fund
<b>REVENUES</b>				
Other taxes	\$ -	\$ -	\$ 243,779	\$ -
Intergovernmental	8,500	82,079	-	-
Charges for services	-	3,080	4,183	-
Fines and forfeitures	9,769	-	-	-
Interest on investments	-	-	18,898	33,327
Loan repayments	-	-	-	68,058
Miscellaneous	1,246	1,536	-	-
<b>TOTAL REVENUES</b>	<u>19,515</u>	<u>86,695</u>	<u>266,860</u>	<u>101,385</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	382
Public safety	-	480,524	-	-
Culture and recreation	195,873	-	239,612	-
Capital outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>195,873</u>	<u>480,524</u>	<u>239,612</u>	<u>382</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(176,358)</u>	<u>(393,829)</u>	<u>27,248</u>	<u>101,003</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	33,563	366,940	-	-
Transfers out	-	-	(7,500)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>33,563</u>	<u>366,940</u>	<u>(7,500)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(142,795)	(26,889)	19,748	101,003
<b>FUND BALANCE, Beginning</b>	<u>143,421</u>	<u>79,018</u>	<u>344,870</u>	<u>61,709</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 626</u>	<u>\$ 52,129</u>	<u>\$ 364,618</u>	<u>\$ 162,712</u>

See auditor's report.

Reserve Fund	Grants Fund	Totals
\$ -	\$ -	\$ 243,779
4,395	145,858	240,832
-	-	7,263
-	-	9,769
-	-	52,225
-	-	68,058
125	-	2,907
<u>4,520</u>	<u>145,858</u>	<u>624,833</u>
30,774	16,000	47,156
-	-	480,524
-	-	435,485
<u>169,380</u>	<u>158,286</u>	<u>327,666</u>
<u>200,154</u>	<u>174,286</u>	<u>1,290,831</u>
<u>(195,634)</u>	<u>(28,428)</u>	<u>(665,998)</u>
240,970	-	641,473
-	-	(7,500)
<u>240,970</u>	<u>-</u>	<u>633,973</u>
45,336	(28,428)	(32,025)
<u>1,719,447</u>	<u>47,440</u>	<u>2,395,905</u>
<u>\$ 1,764,783</u>	<u>\$ 19,012</u>	<u>\$ 2,363,880</u>

See auditor's report.



## BUDGETARY COMPARISON SCHEDULES

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

In accordance with GASB Statement #34, the City's General Fund and Streets 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**

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**Governmental Funds**

**Special Revenue Funds**

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

**Debt Service Fund**

- Debt Service Fund

**Capital Projects Fund**

- Capital Projects Fund

CITY OF ONTARIO, OREGON  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
LIBRARY FUND  
For the Fiscal Year Ended June 30, 2009

	2007-2009 Budgeted Amounts		1st Year Actual Amounts	2nd Year Actual Amounts	Combined Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final				
<b>REVENUES</b>						
Intergovernmental	\$ -	\$ 8,500	\$ 8,500	\$ 8,500	\$ 17,000	\$ 8,500
Fines and forfeitures	17,000	17,000	8,776	9,769	18,545	1,545
Miscellaneous	5,500	5,500	417	1,246	1,663	(3,837)
<b>TOTAL REVENUES</b>	<u>22,500</u>	<u>31,000</u>	<u>17,693</u>	<u>19,515</u>	<u>37,208</u>	<u>6,208</u>
<b>EXPENDITURES</b>						
Current:						
Culture and recreation:						
Personal services	262,298	266,838	109,384	117,274	226,658	40,180
Materials and services	137,499	141,459	44,995	78,599	123,594	17,865
<b>TOTAL EXPENDITURES</b>	<u>399,797</u>	<u>408,297</u>	<u>154,379</u>	<u>195,873</u>	<u>350,252</u>	<u>58,045</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(377,297)</u>	<u>(377,297)</u>	<u>(136,686)</u>	<u>(176,358)</u>	<u>(313,044)</u>	<u>64,253</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	377,297	377,297	188,652	33,563	222,215	(155,082)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>377,297</u>	<u>377,297</u>	<u>188,652</u>	<u>33,563</u>	<u>222,215</u>	<u>(155,082)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	51,966	(142,795)	(90,829)	(90,829)
<b>FUND BALANCE, Beginning</b>	-	-	91,455	143,421	91,455	91,455
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 143,421</u>	<u>\$ 626</u>	<u>\$ 626</u>	<u>\$ 626</u>

See auditor's report.

**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, 2009**

	2007-2009 Budgeted Amounts		1st Year Actual Amounts	2nd Year Actual Amounts	Combined Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final				
<b>REVENUES</b>						
Intergovernmental	\$ 142,552	\$ 142,552	\$ 93,912	\$ 82,079	\$ 175,991	\$ 33,439
Charges for services	6,000	6,000	3,170	3,080	6,250	250
Miscellaneous	-	-	1,534	1,536	3,070	3,070
<b>TOTAL REVENUES</b>	<u>148,552</u>	<u>148,552</u>	<u>98,616</u>	<u>86,695</u>	<u>185,311</u>	<u>35,759</u>
<b>EXPENDITURES</b>						
Current:						
Public safety:						
Personal services	860,279	860,279	402,948	441,658	844,606	15,673
Materials and services	74,142	74,142	25,115	38,866	63,981	10,161
<b>TOTAL EXPENDITURES</b>	<u>934,421</u>	<u>934,421</u>	<u>428,063</u>	<u>480,524</u>	<u>908,587</u>	<u>25,834</u>
<b>REVENUES OVER (UNDER)</b>						
<b>EXPENDITURES</b>	<u>(785,869)</u>	<u>(785,869)</u>	<u>(329,447)</u>	<u>(393,829)</u>	<u>(723,276)</u>	<u>62,593</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	785,869	785,869	392,940	366,940	759,880	(25,989)
<b>TOTAL OTHER FINANCING</b>						
<b>SOURCES (USES)</b>	<u>785,869</u>	<u>785,869</u>	<u>392,940</u>	<u>366,940</u>	<u>759,880</u>	<u>(25,989)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	63,493	(26,889)	36,604	36,604
<b>FUND BALANCE (DEFICIT), Beginning</b>	-	-	15,525	79,018	15,525	15,525
<b>FUND BALANCE (DEFICIT), Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,018</u>	<u>\$ 52,129</u>	<u>\$ 52,129</u>	<u>\$ 52,129</u>

See auditor's report.

**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, 2009**

	2007-2009 Budgeted Amounts		1st Year Actual Amounts	2nd Year Actual Amounts	Combined Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final				
<b>REVENUES</b>						
Other taxes	\$ 455,000	\$ 511,002	\$ 260,538	\$ 243,779	\$ 504,317	\$ (6,685)
Charges for services	20,200	20,200	15,300	4,183	19,483	(717)
Interest on investments	29,000	29,000	18,301	18,898	37,199	8,199
Miscellaneous	-	-	6,672	-	6,672	6,672
<b>TOTAL REVENUES</b>	<u>504,200</u>	<u>560,202</u>	<u>300,811</u>	<u>266,860</u>	<u>567,671</u>	<u>7,469</u>
<b>EXPENDITURES</b>						
Current:						
Culture and recreation:						
Materials and services	<u>738,439</u>	<u>794,441</u>	<u>275,918</u>	<u>239,612</u>	<u>515,530</u>	<u>278,911</u>
<b>TOTAL EXPENDITURES</b>	<u>738,439</u>	<u>794,441</u>	<u>275,918</u>	<u>239,612</u>	<u>515,530</u>	<u>278,911</u>
<b>REVENUES OVER (UNDER)</b>						
<b>EXPENDITURES</b>	<u>(234,239)</u>	<u>(234,239)</u>	<u>24,893</u>	<u>27,248</u>	<u>52,141</u>	<u>286,380</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers out	<u>(15,000)</u>	<u>(15,000)</u>	<u>(7,500)</u>	<u>(7,500)</u>	<u>(15,000)</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(15,000)</u>	<u>(15,000)</u>	<u>(7,500)</u>	<u>(7,500)</u>	<u>(15,000)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(249,239)</u>	<u>(249,239)</u>	<u>17,393</u>	<u>19,748</u>	<u>37,141</u>	<u>286,380</u>
<b>FUND BALANCE, Beginning</b>	<u>533,651</u>	<u>533,651</u>	<u>327,477</u>	<u>344,870</u>	<u>327,477</u>	<u>(206,174)</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 284,412</u>	<u>\$ 284,412</u>	<u>\$ 344,870</u>	<u>\$ 364,618</u>	<u>\$ 364,618</u>	<u>\$ 80,206</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, 2009

	2007-2009 Budgeted Amounts		1st Year Actual Amounts	2nd Year Actual Amounts	Combined Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final				
<b>REVENUES</b>						
Interest on investments	\$ 16,875	\$ 16,875	\$ 40,696	\$ 33,327	\$ 74,023	\$ 57,148
Loan repayments	48,263	48,263	73,482	68,058	141,540	93,277
<b>TOTAL REVENUES</b>	<u>65,138</u>	<u>65,138</u>	<u>114,178</u>	<u>101,385</u>	<u>215,563</u>	<u>150,425</u>
<b>EXPENDITURES</b>						
Current:						
General government:						
Materials and services	331,947	331,947	309,112	382	309,494	22,453
<b>TOTAL EXPENDITURES</b>	<u>331,947</u>	<u>331,947</u>	<u>309,112</u>	<u>382</u>	<u>309,494</u>	<u>22,453</u>
<b>NET CHANGE IN FUND BALANCE</b>	(266,809)	(266,809)	(194,934)	101,003	(93,931)	172,878
<b>FUND BALANCE, Beginning</b>	266,809	266,809	256,643	61,709	256,643	(10,166)
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,709</u>	<u>\$ 162,712</u>	<u>\$ 162,712</u>	<u>\$ 162,712</u>

See auditor's report.

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, 2009

	2007-2009 Budgeted Amounts		1st Year Actual Amounts	2nd Year Actual Amounts	Combined Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final				
<b>REVENUES</b>						
Intergovernmental	\$ 10,325	\$ 10,325	\$ 4,954	\$ 4,395	\$ 9,349	\$ (976)
Interest on investments	1,800	1,800	-	-	-	(1,800)
Miscellaneous	10,000	10,000	15,000	125	15,125	5,125
<b>TOTAL REVENUES</b>	<u>22,125</u>	<u>22,125</u>	<u>19,954</u>	<u>4,520</u>	<u>24,474</u>	<u>2,349</u>
<b>EXPENDITURES</b>						
Current:						
General government:						
Materials and services	62,400	62,400	22,224	30,774	52,998	9,402
Capital outlay	1,625,088	1,666,727	469,811	169,380	639,191	1,027,536
Contingency	741,709	741,709	-	-	-	741,709
<b>TOTAL EXPENDITURES</b>	<u>2,429,197</u>	<u>2,470,836</u>	<u>492,035</u>	<u>200,154</u>	<u>692,189</u>	<u>1,778,647</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(2,407,072)</u>	<u>(2,448,711)</u>	<u>(472,081)</u>	<u>(195,634)</u>	<u>(667,715)</u>	<u>1,780,996</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	1,153,880	1,299,258	678,087	240,970	919,057	(380,201)
Transfers out	(440,563)	(440,563)	(419,800)	-	(419,800)	20,763
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>713,317</u>	<u>858,695</u>	<u>258,287</u>	<u>240,970</u>	<u>499,257</u>	<u>(359,438)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(1,693,755)</u>	<u>(1,590,016)</u>	<u>(213,794)</u>	<u>45,336</u>	<u>(168,458)</u>	<u>1,421,558</u>
<b>FUND BALANCE, Beginning</b>	<u>3,204,188</u>	<u>3,204,188</u>	<u>1,933,241</u>	<u>1,719,447</u>	<u>1,933,241</u>	<u>(1,270,947)</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 1,510,433</u>	<u>\$ 1,614,172</u>	<u>\$ 1,719,447</u>	<u>\$ 1,764,783</u>	<u>\$ 1,764,783</u>	<u>\$ 150,811</u>

See auditor's report.

CITY OF ONTARIO, OREGON  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
GRANTS FUND  
For the Fiscal Year Ended June 30, 2009

	2007-2009 Budgeted Amounts		1st Year Actual Amounts	2nd Year Actual Amounts	Combined Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final				
<b>REVENUES</b>						
Intergovernmental	\$ 144,000	\$ 1,655,853	\$ 1,102,627	\$ 145,858	\$ 1,248,485	\$ (407,368)
<b>TOTAL REVENUES</b>	<u>144,000</u>	<u>1,655,853</u>	<u>1,102,627</u>	<u>145,858</u>	<u>1,248,485</u>	<u>(407,368)</u>
<b>EXPENDITURES</b>						
Current:						
General government:						
Materials and services				16,000	16,000	(16,000)
Capital outlay	233,592	1,874,197	1,186,805	158,286	1,345,091	529,106
<b>TOTAL EXPENDITURES</b>	<u>233,592</u>	<u>1,874,197</u>	<u>1,186,805</u>	<u>174,286</u>	<u>1,361,091</u>	<u>513,106</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(89,592)</u>	<u>(218,344)</u>	<u>(84,178)</u>	<u>(28,428)</u>	<u>(112,606)</u>	<u>105,738</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	20,000	148,752	128,752	-	128,752	(20,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>20,000</u>	<u>148,752</u>	<u>128,752</u>	<u>-</u>	<u>128,752</u>	<u>(20,000)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(69,592)</u>	<u>(69,592)</u>	<u>44,574</u>	<u>(28,428)</u>	<u>16,146</u>	<u>85,738</u>
<b>FUND BALANCE, Beginning</b>	<u>69,592</u>	<u>69,592</u>	<u>2,866</u>	<u>47,440</u>	<u>2,866</u>	<u>(56,726)</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,440</u>	<u>\$ 19,012</u>	<u>\$ 19,012</u>	<u>\$ 19,012</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, 2009**

	2007-2009 Budgeted Amounts		1st Year Actual Amounts	2nd Year Actual Amounts	Combined Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final				
<b>REVENUES</b>						
Special assessments	\$ 108,010	\$ 108,010	\$ 119,111	\$ 63,443	\$ 182,554	\$ 74,544
Interest on investments	71,700	71,700	32,858	26,811	59,669	(12,031)
<b>TOTAL REVENUES</b>	<u>179,710</u>	<u>179,710</u>	<u>151,969</u>	<u>90,254</u>	<u>242,223</u>	<u>62,513</u>
<b>EXPENDITURES</b>						
Debt service	441,328	441,328	87,599	87,577	175,176	266,152
<b>TOTAL EXPENDITURES</b>	<u>441,328</u>	<u>441,328</u>	<u>87,599</u>	<u>87,577</u>	<u>175,176</u>	<u>266,152</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(261,618)</u>	<u>(261,618)</u>	<u>64,370</u>	<u>2,677</u>	<u>67,047</u>	<u>328,665</u>
<b>NET CHANGE IN FUND BALANCE</b>	(261,618)	(261,618)	64,370	2,677	67,047	328,665
<b>FUND BALANCE, Beginning</b>	261,618	261,618	261,227	325,597	261,227	(391)
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 325,597</u>	<u>\$ 328,274</u>	<u>\$ 328,274</u>	<u>\$ 328,274</u>

See auditor's report.

**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, 2009**

	2007-2009 Budgeted Amounts		1st Year Actual Amounts	2nd Year Actual Amounts	Combined Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final				
<b>REVENUES</b>						
Assessments	\$ 933,000	\$ 933,000	\$ 59,115	\$ 12,202	\$ 71,317	\$ (861,683)
Charges for services	14,000	14,000	31,133	6,024	37,157	23,157
Intergovernmental	-	-	-	149,627	149,627	149,627
System development charges	1,076,500	1,076,500	481,153	487,523	948,676	(127,824)
<b>TOTAL REVENUES</b>	<b>2,023,500</b>	<b>2,023,500</b>	<b>571,401</b>	<b>635,376</b>	<b>1,206,777</b>	<b>(816,723)</b>
<b>EXPENDITURES</b>						
Current:						
General services:						
Materials and services	-	-	-	6,640	6,640	(6,640)
Capital outlay	7,455,633	7,545,633	3,264,553	698,095	3,962,648	3,582,985
Contingency	429,246	429,246	-	-	-	429,246
<b>TOTAL EXPENDITURES</b>	<b>7,884,879</b>	<b>7,974,879</b>	<b>3,264,553</b>	<b>704,735</b>	<b>3,969,288</b>	<b>4,005,591</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(5,861,379)</b>	<b>(5,951,379)</b>	<b>(2,693,152)</b>	<b>(69,359)</b>	<b>(2,762,511)</b>	<b>3,188,868</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Issuance of debt	5,256,960	5,256,960	791,309	856,466	1,647,765	(3,609,195)
Transfers in	285,953	375,953	90,000	-	90,000	(285,953)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>5,542,913</b>	<b>5,632,913</b>	<b>881,309</b>	<b>856,466</b>	<b>1,737,765</b>	<b>(3,895,148)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(318,466)</b>	<b>(318,466)</b>	<b>(1,811,843)</b>	<b>787,097</b>	<b>(1,024,746)</b>	<b>(706,280)</b>
<b>FUND BALANCE, Beginning</b>	<b>318,466</b>	<b>318,466</b>	<b>3,858,973</b>	<b>2,047,130</b>	<b>3,858,973</b>	<b>3,540,507</b>
<b>FUND BALANCE, Ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,047,130</b>	<b>\$ 2,834,227</b>	<b>\$ 2,834,227</b>	<b>\$ 2,834,227</b>

See auditor's report.



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

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**Proprietary Funds**

**Enterprise Funds**

- Golf Course Fund
- Public Works Fund

**CITY OF ONTARIO, OREGON**  
**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, 2009**

	2007-2009 Budgeted Amounts		1st Year Actual Amounts	2nd Year Actual Amounts	Combined Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final				
<b>REVENUES</b>						
Charges for services	\$ 184,546	\$ 261,171	\$ 67,915	\$ 168,914	\$ 236,829	\$ (24,342)
Intergovernmental	-	16,100	16,100	-	16,100	-
<b>TOTAL REVENUES</b>	<u>184,546</u>	<u>277,271</u>	<u>84,015</u>	<u>168,914</u>	<u>252,929</u>	<u>(24,342)</u>
<b>EXPENDITURES</b>						
Cost of services:						
Personal services	-	64,625	-	65,184	66,184	(1,559)
Materials and services	189,029	201,029	93,543	129,802	223,345	(22,316)
Capital outlay	17,071	105,771	32,409	65,582	97,991	7,780
Debt service	205,294	205,294	106,512	100,999	207,511	(2,217)
<b>TOTAL EXPENDITURES</b>	<u>411,394</u>	<u>576,719</u>	<u>232,464</u>	<u>362,567</u>	<u>595,031</u>	<u>(18,312)</u>
<b>REVENUES OVER (UNDER)</b>						
<b>EXPENDITURES</b>	<u>(226,848)</u>	<u>(299,448)</u>	<u>(148,449)</u>	<u>(193,653)</u>	<u>(342,102)</u>	<u>(42,654)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	226,848	299,448	185,715	109,027	294,742	(4,706)
<b>TOTAL OTHER FINANCING</b>						
<b>SOURCES (USES)</b>	<u>226,848</u>	<u>299,448</u>	<u>185,715</u>	<u>109,027</u>	<u>294,742</u>	<u>(4,706)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	37,266	(84,626)	(47,360)	(47,360)
<b>FUND BALANCE (DEFICIT), Beginning</b>	-	-	(59,574)	(22,308)	(59,574)	(59,574)
<b>FUND BALANCE (DEFICIT), Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (22,308)</u>	<u>\$ (106,934)</u>	<u>(106,934)</u>	<u>\$ (106,934)</u>
<b>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>						
Capital assets, net of depreciation					979,261	
Accrued expenses					(4,824)	
Long-term obligations					(280,366)	
<b>NET ASSETS, Ending</b>					<u>\$ 587,137</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, 2009**

	2007-2009 Budgeted Amounts		1st Year Actual Amounts	2nd Year Actual Amounts	Combined Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final				
<b>REVENUES</b>						
Charges for services	\$12,234,140	\$12,234,140	\$ 5,780,976	\$ 5,763,624	\$ 11,544,600	\$ (689,540)
Interest on investments	400,000	400,000	310,448	175,829	486,277	86,277
Miscellaneous	82,200	82,200	30,264	89,428	119,692	37,492
<b>TOTAL REVENUES</b>	<u>12,716,340</u>	<u>12,716,340</u>	<u>6,121,688</u>	<u>6,028,881</u>	<u>12,150,569</u>	<u>(565,771)</u>
<b>EXPENDITURES</b>						
Cost of services:						
Personal services	3,352,148	3,347,398	1,593,693	1,659,750	3,253,443	93,955
Materials and services	3,020,876	3,025,626	1,252,993	1,329,222	2,582,215	443,411
Capital outlay	51,900	51,900	5,500	36,641	42,141	9,759
Debt service	2,617,390	2,788,390	1,265,998	1,549,419	2,815,417	(27,027)
Contingency	2,956,662	2,544,583	-	-	-	2,544,583
<b>TOTAL EXPENDITURES</b>	<u>11,998,976</u>	<u>11,757,897</u>	<u>4,118,184</u>	<u>4,575,032</u>	<u>8,693,216</u>	<u>3,064,681</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>717,364</u>	<u>958,443</u>	<u>2,003,504</u>	<u>1,453,849</u>	<u>3,457,353</u>	<u>2,498,910</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale of property	-	-	-	106,055	106,055	106,055
Transfers out	(3,331,182)	(3,572,261)	(1,794,678)	(1,061,698)	(2,856,376)	715,885
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(3,331,182)</u>	<u>(3,572,261)</u>	<u>(1,794,678)</u>	<u>(955,643)</u>	<u>(2,750,321)</u>	<u>821,940</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(2,613,818)</u>	<u>(2,613,818)</u>	<u>208,826</u>	<u>498,206</u>	<u>707,032</u>	<u>3,320,850</u>
<b>FUND BALANCE, Beginning</b>	<u>2,613,818</u>	<u>2,613,818</u>	<u>4,109,065</u>	<u>4,317,891</u>	<u>4,109,065</u>	<u>1,495,247</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,317,891</u>	<u>\$ 4,816,097</u>	<u>4,816,097</u>	<u>\$ 4,816,097</u>
<b>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>						
Capital assets, net of depreciation					48,606,395	
Inventory					368,273	
Accrued expenses					(312,177)	
Debt premium					(84,711)	
Long-term obligations					(14,053,972)	
<b>NET ASSETS, Ending</b>					<u>\$ 39,339,905</u>	

See auditor's report.



**OTHER FINANCIAL SCHEDULES**

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CITY OF ONTARIO, OREGON  
 PUBLIC WORKS FUND  
 SCHEDULE OF EXPENDITURES - COST OF SERVICES  
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 For the fiscal year ended June 30, 2009

	Personal Services					Variance with Final Budget- Positive (Negative)	Material and Services	
	2007-2009 Budgeted Amounts		1st Year Actual Amounts	2nd Year Actual Amounts	Combined Actual Amounts		2007-2009 Budgeted Amounts	
	Original	Final					Original	Final
<b>EXPENDITURES</b>								
<b>Public Works:</b>								
Administrative	\$ 959,334	\$ 954,584	\$ 407,974	\$ 505,944	\$ 913,918	\$ 40,666	\$ 345,787	\$ 356,537
Water	629,283	629,283	298,278	330,578	628,856	427	1,113,661	1,113,661
Sewer	526,610	526,610	254,016	269,703	523,719	2,891	714,959	714,959
Storm drain	56,650	56,650	13,364	25,711	39,075	17,575	52,159	52,159
Facility maintenance	140,051	140,051	68,483	73,741	142,224	(2,173)	56,381	56,381
Utility maintenance	1,040,220	1,040,220	551,578	454,073	1,005,651	34,569	737,929	737,929
<b>Total Public Works</b>	<b>\$ 3,352,148</b>	<b>\$ 3,347,398</b>	<b>\$ 1,593,693</b>	<b>\$ 1,659,750</b>	<b>\$ 3,253,443</b>	<b>\$ 93,955</b>	<b>\$ 3,020,876</b>	<b>\$ 3,025,626</b>

See auditor's report

Material and Services				Total Cost of Services					
1st Year Actual Amounts	2nd Year Actual Amounts	Combined Actual Amounts	Variance with Final Budget- Positive (Negative)	2007-2009 Budgeted Amounts		1st Year Actual Amounts	2nd Year Actual Amounts	Combined Actual Amounts	Variance with Final Budget- Positive (Negative)
				Original	Final				
\$ 137,787	\$ 109,697	\$ 247,484	\$ 103,053	\$ 1,305,121	\$ 1,305,121	\$ 545,761	\$ 615,641	\$ 1,161,402	\$ 143,719
504,472	582,556	1,087,028	46,633	1,742,944	1,742,944	802,750	893,134	1,695,884	47,060
336,026	299,506	635,532	79,427	1,241,569	1,241,569	590,042	569,209	1,159,251	82,318
9,024	27,784	36,808	15,351	108,809	108,809	22,388	53,495	75,883	32,926
29,098	24,263	53,361	3,020	196,432	196,432	97,581	98,004	195,585	847
236,586	305,416	542,002	195,927	1,778,149	1,778,149	788,164	759,489	1,547,653	230,496
<u>\$ 1,252,993</u>	<u>\$ 1,329,222</u>	<u>\$ 2,582,215</u>	<u>\$ 443,411</u>	<u>\$ 6,373,024</u>	<u>\$ 6,373,024</u>	<u>\$ 2,846,686</u>	<u>\$ 2,988,972</u>	<u>\$ 5,835,658</u>	<u>\$ 537,366</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, 2009

	Personal Services					Material and Services		
	2007-2009 Budgeted Amounts		1st Year Actual Amounts	2nd Year Actual Amounts	Combined Actual Amounts	Variance with Final Budget- Positive (Negative)	2007-2009 Budgeted Amounts	
	Original	Final					Original	Final
<b>EXPENDITURES</b>								
General government:								
Administration	\$ 671,716	\$ 718,742	\$ 271,470	\$ 350,300	\$ 621,770	\$ 96,972	\$ 79,681	\$ 89,089
Administrative overhead	-	-	-	-	-	-	730,467	754,344
Airport	37,638	57,488	23,118	33,230	66,338	1,150	37,417	37,417
Building department	42,701	42,701	14,127	20,238	34,365	8,336	150,694	272,285
Community development	193,992	193,982	84,291	76,152	160,443	33,549	40,694	40,694
Finance	650,774	650,774	283,644	285,587	549,231	101,543	27,274	27,274
Technology	-	-	-	-	-	-	168,325	168,325
<b>Total general government</b>	<b>1,595,821</b>	<b>1,683,697</b>	<b>656,650</b>	<b>765,497</b>	<b>1,422,147</b>	<b>241,550</b>	<b>1,234,552</b>	<b>1,389,428</b>
Public safety:								
Fire	1,968,367	1,985,367	939,854	974,349	1,914,203	71,164	162,025	162,025
Police	4,358,210	4,337,586	2,030,190	2,145,042	4,175,232	162,354	272,060	274,610
<b>Total public safety</b>	<b>6,326,577</b>	<b>6,322,953</b>	<b>2,970,044</b>	<b>3,119,391</b>	<b>6,089,435</b>	<b>233,518</b>	<b>434,085</b>	<b>436,635</b>
Culture and recreation:								
Aquatic	335,658	335,658	169,801	169,718	339,519	(3,861)	132,855	132,855
Recreation	261,461	252,838	116,783	120,167	236,950	15,688	52,927	61,750
Parks and cemetery	457,705	457,298	204,112	238,514	470,626	(12,921)	162,076	162,076
<b>Total culture and recreation</b>	<b>1,054,824</b>	<b>1,045,794</b>	<b>520,696</b>	<b>528,399</b>	<b>1,047,095</b>	<b>(1,094)</b>	<b>347,858</b>	<b>356,681</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 8,978,222</b>	<b>\$ 9,032,651</b>	<b>\$ 4,147,390</b>	<b>\$ 4,411,287</b>	<b>\$ 8,558,677</b>	<b>\$ 473,974</b>	<b>\$ 2,016,495</b>	<b>\$ 2,182,744</b>

See auditor's report

Material and Services				Total Current					
1st Year Actual Amounts	2nd Year Actual Amounts	Combined Actual Amounts	Variance with Final Budget-Positive (Negative)	2007-2009 Budgeted Amounts		1st Year Actual Amounts	2nd Year Actual Amounts	Combined Actual Amounts	Variance with Final Budget-Positive (Negative)
				Original	Final				
\$ 36,232	\$ 33,454	\$ 69,686	\$ 19,403	\$ 751,397	\$ 807,831	\$ 307,702	\$ 383,754	\$ 691,456	\$ 116,375
384,329	394,547	778,876	(24,532)	730,467	754,344	384,329	394,547	778,876	(24,532)
11,094	13,409	24,503	12,914	75,055	94,905	34,212	46,629	80,841	14,064
125,334	114,273	239,607	32,678	193,395	314,966	139,481	134,511	273,972	41,014
14,287	37,130	51,417	(10,723)	234,686	234,686	98,578	113,282	211,860	22,826
8,674	10,768	19,442	7,832	678,048	678,048	272,318	296,355	568,673	108,375
77,469	85,652	163,121	5,204	168,325	168,325	77,469	85,652	163,121	5,204
<u>657,419</u>	<u>689,233</u>	<u>1,346,652</u>	<u>42,778</u>	<u>2,831,373</u>	<u>3,053,125</u>	<u>1,314,069</u>	<u>1,454,730</u>	<u>2,768,799</u>	<u>284,326</u>
59,756	73,929	133,685	28,340	2,130,392	2,147,392	999,610	1,048,278	2,047,888	99,504
153,920	120,136	274,056	554	4,830,270	4,812,196	2,184,110	2,265,178	4,449,288	162,908
<u>213,676</u>	<u>194,065</u>	<u>407,741</u>	<u>26,894</u>	<u>6,760,662</u>	<u>6,789,588</u>	<u>3,183,720</u>	<u>3,313,456</u>	<u>6,497,176</u>	<u>262,412</u>
60,702	69,385	130,087	(3,232)	468,513	468,513	238,503	239,103	475,606	(7,053)
38,051	34,048	72,099	(10,349)	314,388	314,388	164,834	154,215	309,049	8,339
87,688	74,071	161,739	337	619,781	619,781	321,780	310,565	632,365	(12,584)
<u>192,421</u>	<u>177,504</u>	<u>369,925</u>	<u>(13,214)</u>	<u>1,402,682</u>	<u>1,402,682</u>	<u>713,117</u>	<u>703,903</u>	<u>1,417,020</u>	<u>(14,338)</u>
<u>\$ 1,053,516</u>	<u>\$ 1,060,802</u>	<u>\$ 2,124,318</u>	<u>\$ 58,426</u>	<u>\$ 10,994,717</u>	<u>\$ 11,215,385</u>	<u>\$ 5,210,906</u>	<u>\$ 5,472,089</u>	<u>\$ 10,682,995</u>	<u>\$ 532,400</u>

**CITY OF ONTARIO  
SCHEDULE OF PROPERTY TAX TRANSACTIONS  
AND OUTSTANDING BALANCES  
For the fiscal year ended June 30, 2009**

	Taxes Uncollected July 1, 2008	Add Levy Extended by Assessor	Add (Deduct) Discounts Interest Cancellations Adjustments	Deduct Interest and Tax Collections	Taxes Uncollected June 30, 2009
2008-09	\$ -	3,015,449	(76,881)	(2,809,717)	128,851
2007-08	105,193	-	1,508	(45,493)	61,208
2006-07	48,294	-	1,566	(18,623)	31,237
2005-06	26,675	-	2,395	(16,624)	12,446
2004-05	12,155	-	2,439	(13,954)	640
2003-04	675	-	28	(411)	292
2002-03	242	-	(56)	(41)	145
Prior years	226	-	14	(44)	196
	<u>\$ 193,460</u>	<u>\$ 3,015,449</u>	<u>\$ (68,987)</u>	<u>\$ (2,904,907)</u>	<u>\$ 235,015</u>

See auditor's report.

**REPORTS OF INDEPENDENT CERTIFIED  
PUBLIC ACCOUNTANTS**

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## INDEPENDENT AUDITOR'S COMMENTS

Oregon Administrative Rules 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments, and disclosures required in audit reports. The required schedules, comments, and disclosures not included in the preceding section of this report are set forth as follows:

### 1. ACCOUNTING SYSTEMS AND INTERNAL CONTROLS

We found the accounting system of the City of Ontario, Oregon to be generally well maintained and adequate for audit purposes. The internal controls for the City are generally operating as designed; however, there were material weaknesses and a significant deficiency reported in accordance with SAS 112 and *Governmental Auditing Standards*.

### 2. INVESTMENTS

Our review of deposit and investment balances during the year ended June 30, 2009, 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 must ensure the banks they are doing business with are on the Office of the State Treasurer's (OST) list of qualified depositories. Public officials are also required to report to OST all bank depositories in which they deposit public funds.

Our review of the City's deposited funds did not disclose any instances where the City deposited funds with unapproved depositories or did not properly notify the OST of what depositories held their public funds, as required by ORS 295.

### 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 second year of the biennial budget period. We also reviewed the preparation and adoption of the budget for the 2009-11 biennial budget. The City has complied with statutory requirements in all material respects for the current and ensuing year's budgets, except as follows:

The Notice of Budget Hearing publication for the 2009-11 biennial budget did not list the \$201,514 approved materials and services budget for the Golf Fund, however, the total fund requirements were listed correctly. The error appears to be a publishing error by the newspaper.

The budgeted expenditures for the Grants Fund were increased from the approved budget by greater than 10%.

Expenditures for the 2007-09 biennium exceeded appropriations in the following amounts:

Grants Fund:	
Materials and services	\$ 16,000
Capital Projects Fund:	
Materials and services	\$ 6,640
Golf Course Fund:	
Personal services	\$ 1,559
Materials and services	\$ 22,316
Debt service	\$ 2,217
Public Works Fund:	
Debt service	\$ 27,027

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, 2009, 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, 2009, 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.

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.



**Dickey and Tremper, LLP**

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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**

December 17, 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, 2009, which collectively comprise the City of Ontario, Oregon's basic financial statements and have issued our report thereon, dated December 17, 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:

Although the procedures over the safeguarding of cash assets have improved from the prior year and the City did perform year end reconciliations, there were errors found in the reconciliations and other adjustments required to correct the effects from the prior year cash adjustments. In addition, there was one large adjustment required to reclassify amounts between accounts payable and outstanding checks for June payroll and accounts payable checks that were not released by year end.

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, 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. The City has informed us that they are currently working on a detailed capital asset listing through the services of a third party and they anticipate that this detail will be in place for the fiscal year ending June 30, 2011.

The City took over the operations of the golf course during the year and it appears that the hiring of the golf course manager was done outside of the normal hiring procedures for the City. It also does not appear that the employee went through the normal orientation process or received sufficient training on City procedures. There were a number of errors found in relation to the golf course operations, which include: instances where required purchase orders were not completed; year end inventory was not taken in a timely manner, and there were over expenditures of appropriations in three expenditure categories.

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 over the safeguarding of cash assets, fiscal year end financial reporting and the City's capital assets records mentioned above to also be material weaknesses.

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. The above items have been discussed with management and management agrees with the comments.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Ontario, Oregon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed

no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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