

CITY OF ONTARIO, OREGON

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

For the Year Ended June 30, 2013

CITY OF ONTARIO, OREGON  
June 30, 2013

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## INTRODUCTORY SECTION

**CITY OF ONTARIO, OREGON**  
**CITY COUNCIL AND OFFICIALS**  
June 30, 2013

<u>NAME</u>	<u>ADDRESS</u>	<u>POSITION</u>
<b>CITY COUNCIL</b>		
Vacant	-	Mayor
Dan Jones	Ontario	Council President
Larry Tuttle	Ontario	Councilor
Charlotte Fugate	Ontario	Councilor
Ronald Verini	Ontario	Councilor
Jackson Fox	Ontario	Councilor
Norm Crume	Ontario	Councilor
<b>OFFICIALS</b>		
Jay Henry	Ontario	City Manager
Tori Barnett	Ontario	City Recorder
Michael Long	Ontario	Finance Director
Mark Alexander	Ontario	Chief of Police
Al Higinbotham	Ontario	Fire Chief
Bob Walker	Ontario	Public Works Director

## FINANCIAL SECTION



Certified Public Accountants, LLP

George W. Wilber, CPA, CFF  
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Arlie W. Oster, CPA (1931-1998)

Offices in:  
Burns, Oregon  
John Day, Oregon

## INDEPENDENT AUDITOR'S REPORT

City Council  
City of Ontario  
Ontario, Malheur County, Oregon

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ontario, as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the City of Ontario's basic financial statements as listed in the table of contents.

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

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

#### *Auditor's Responsibility*

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for a qualified audit opinion on the governmental activities, business-type activities, each major fund and aggregate remaining fund information.

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***Basis for Qualified Opinion on Governmental Activities, Business-Type Activities, Each Major Fund and Aggregate Remaining Fund Information***

Subsidiary records for cash, accounts receivable, capital assets and payroll were not reconciled to the general ledger. Consequently, material audit adjustments were required in order to reconcile the above mentioned asset and liability accounts. The information provided was not sufficient to provide reasonable assurance that these areas were free from material misstatement.

***Qualified Opinion on the Governmental Activities, Business-Type Activities, Each Major Fund and Aggregate Remaining Fund Information***

In our opinion, except for effects, if any of the matter described in the Basis for Qualified Opinion paragraph on the governmental activities, business-type activities, each major fund and the aggregate remaining fund information, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the City of Ontario, as of June 30, 2013, 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.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to this required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison information for the General Fund and the major special revenue fund on pages 44 through 45 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. This budgetary information is the responsibility of management and has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ontario's financial statements as a whole. The combining and individual nonmajor fund financial statements, other supplementary information, other financial schedules and the introductory section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, other supplementary information and other financial schedules are the responsibility of management and were derived from and relate directly to the underlying accounting

and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

## **Reporting on Other Legal and Regulatory Requirements**

### *Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued our report dated January 13, 2014 on our consideration of the City of Ontario's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Ontario's internal control over financial reporting and compliance.

### *Reporting Required by Oregon Regulations*

In accordance with Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated January 13, 2014 on our consideration of the City of Ontario's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations in considering the City of Ontario's internal control over financial reporting and compliance.

*Oster Professional Group, CPA's, LLP*

By Murphy

Burns, Oregon  
January 13, 2014



**CITY OF ONTARIO, OREGON**  
**Management's Discussion & Analysis**  
**June 30, 2013**

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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, 2013. This Management's Discussion and Analysis (MD&A) is based upon currently known facts, decisions, and conditions that existed as of the date of the independent auditor's report.

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

### **FINANCIAL HIGHLIGHTS**

- ❖ The assets of the city exceeded its liabilities at June 30, 2013 by \$55,321,094(net position). Of this amount, \$10,544,865 was unrestricted net position and may be used to meet the government's ongoing obligations to citizens and creditors.
- ❖ At June 30, 2013, unassigned fund balance for the General Fund was \$297,755.

### **USING THE ANNUAL REPORT**

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

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

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

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

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

These two statements report the city's *net position* and changes in them. You can think of the city's net position—the differences between assets, deferred outflows, deferred inflows and liabilities—as one



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**June 30, 2013**

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way to measure the city's financial health, or *financial position*. Over time, *increases or decreases* in the city's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the city's property tax base and the condition of the city's roads, to assess the *overall health* of the city.

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

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

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

#### Fund Financial Statements

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

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

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



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- ❖ *Proprietary funds*—When the city charges for certain services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

## THE CITY AS A WHOLE

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

Table 1. Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	6/30/2013	6/30/2012	6/30/2013	6/30/2012	6/30/2013	6/30/2012
Current and other assets	\$ 11,462,259	\$ 11,134,414	\$ 3,252,639	\$ 2,749,924	\$ 14,714,898	\$ 13,884,338
Capital assets	17,376,047	17,121,549	35,412,166	36,040,701	52,788,213	53,162,250
Total assets	<u>28,838,306</u>	<u>28,255,963</u>	<u>38,664,805</u>	<u>38,790,625</u>	<u>67,503,111</u>	<u>67,046,588</u>
Current liabilities	1,323,907	784,766	628,217	646,055	1,952,124	1,430,821
Noncurrent liabilities						
Due within one year	83,261	81,935	1,013,320	1,002,369	1,096,581	1,084,304
Due in more than one year	304,572	387,832	8,828,740	9,916,571	9,133,312	10,304,403
Total liabilities	<u>1,711,740</u>	<u>1,254,533</u>	<u>10,470,277</u>	<u>11,564,995</u>	<u>12,182,017</u>	<u>12,819,528</u>
Net investment in capital assets	16,988,214	16,651,782	25,570,106	25,121,761	42,558,320	41,773,543
Restricted net position	1,369,446	995,210	848,463	984,337	2,217,909	1,979,547
Unrestricted net position	8,768,906	9,354,438	1,775,959	1,119,532	10,544,865	10,473,970
Total net position	<u>\$ 27,126,566</u>	<u>\$ 27,001,430</u>	<u>\$ 28,194,528</u>	<u>\$ 27,225,630</u>	<u>\$ 55,321,094</u>	<u>\$ 54,227,060</u>

### Governmental Activities

The city's net position from governmental activities increased by .4% from \$27,001,430 to \$27,126,566. This increase of \$125,136 comes from a \$38,114 restatement of net position and a current year increase of \$87,022 as recorded in the Statement of Activities and flows through the Statement of Net Position. The following is an explanation of the changes between fiscal years as shown in Table 1:

- ❖ Current and other assets increased by \$327,845 which is mostly made up of a large increase in cash.
- ❖ Capital assets had a net increase of \$254,498, which is due to capital asset additions that exceeded depreciation for the year.



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- ❖ Current liabilities increased by \$539,141, made up mostly of a large increase in accounts payable.
- ❖ Long term debt decreased by \$81,934 due to principal payments on the existing debt, and no new debt in the current year.
- ❖ Unrestricted net position decreased by \$585,532 mostly due to an increase in restricted net position.

#### Business-Type Activities

The city's net position from business-type activities increased by 2% from \$27,225,630 to \$28,194,528. This increase of \$968,898 comes from the current year change in net position as recorded in the Statement of Activities and a restatement of beginning net position.

- ❖ Current and other assets increased by \$502,715 due to an increased cash position and a decrease in the amount owed to the governmental activities.
- ❖ Capital assets decreased by \$628,535 mainly due to depreciation exceeding capital asset additions in the current year.
- ❖ Long term debt decreased by \$1,076,880 due to principal payments on the existing debt with no new debt in the current year. Also, there was a restatement that reduced the bond premium to zero due to the implementation of GASB 65.
- ❖ Unrestricted net position increased by \$656,427 mainly due to a large transfer to the business-type activities from governmental activities.



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**Table 2. Condensed Statement of Activities**

	Governmental Activities		Business-Type Activities		Total Primary	Government
	6/30/2013	6/30/2012	6/30/2013	6/30/2012	6/30/2013	6/30/2012
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 2,567,934	\$ 2,748,751	\$ 6,009,907	\$ 6,031,290	\$ 8,577,841	\$ 8,780,041
Operating contributions	1,073,055	1,280,747	-	-	1,073,055	1,280,747
Capital contributions	575,770	3,919,392	-	-	575,770	3,919,392
General revenues:						
Property taxes	3,188,819	3,111,431	-	-	3,188,819	3,111,431
Local taxes and fees	2,081,438	1,859,023	-	-	2,081,438	1,859,023
Unrestricted grants	106,204	97,995	-	-	106,204	97,995
Investment income	33,757	11,568	46,793	-	80,550	11,568
Miscellaneous	84,433	57,549	-	-	84,433	57,549
<b>Total revenues</b>	<b>9,711,410</b>	<b>13,086,456</b>	<b>6,056,700</b>	<b>6,031,290</b>	<b>15,768,110</b>	<b>19,117,746</b>
<b>Expenses</b>						
Governmental Activities						
General government	2,506,399	2,059,360	-	-	2,506,399	2,059,360
Highways and streets	1,012,815	705,816	-	-	1,012,815	705,816
Public safety	4,133,329	4,097,983	-	-	4,133,329	4,097,983
Parks and recreation	687,365	522,769	-	-	687,365	522,769
Capital outlay	308,138	1,488,888	-	-	308,138	1,488,888
Interest on debt	43,525	19,556	-	-	43,525	19,556
<b>Business-Type Activities</b>						
Water	-	-	2,884,252	2,923,937	2,884,252	2,923,937
Sewer	-	-	2,650,979	2,953,538	2,650,979	2,953,538
Golf course	-	-	350,071	443,935	350,071	443,935
Storm sewer	-	-	211,911	207,976	211,911	207,976
<b>Total Expenses</b>	<b>8,691,571</b>	<b>8,894,372</b>	<b>6,097,213</b>	<b>6,529,386</b>	<b>14,788,784</b>	<b>15,423,758</b>
Transfers in (out)	(799,185)	(124,392)	799,185	124,392	-	-
Capital contributions	(135,715)	-	135,715	-	-	-
Gain (loss) on sale of asset	2,083	-	-	-	2,083	-
Increase in net position	87,022	4,067,692	894,387	(373,704)	981,409	3,693,988
Net position - beginning	27,001,430	22,942,120	27,225,630	27,599,334	54,227,060	50,541,454
Restatements	38,114	(8,382)	74,511	-	112,625	(8,382)
Net position - as restated	<b>27,039,544</b>	<b>22,933,738</b>	<b>27,300,141</b>	<b>27,599,334</b>	<b>54,339,685</b>	<b>50,533,072</b>
<b>Net position, ending</b>	<b>\$ 27,126,566</b>	<b>\$ 27,001,430</b>	<b>\$ 28,194,528</b>	<b>\$ 27,225,630</b>	<b>\$ 55,321,094</b>	<b>\$ 54,227,060</b>

#### Governmental Activities

The city's total revenues from governmental activities decreased from the prior fiscal year by \$3,375,046 (26%) and the total cost of all governmental programs and services decreased by \$202,801 (2%). The



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major decreases in revenues came from the large Airport Improvement Grant in the prior year. The decreases in expenses were primarily from decreases in capital outlay and increases in other expenses.

#### **Business-Type Activities**

The city's business-type activities revenues increased \$25,410 (.4%) from the prior fiscal year and the total costs of the business-type activities decreased \$432,173 (7%). The total business-type revenues increased mostly because of increases in water and sewer revenues. The expenses decreased mainly due to decreases in expenses in the water and sewer funds.

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

At year-end, the city's governmental funds reported combined fund balances of \$9,660,564 which is a decrease of \$51,201 (.5%) from the prior fiscal year.

- ❖ The largest increase in fund balance was in the Street fund. The Street fund had a net change of \$324,010. This was mainly due to a portion of the transient occupancy tax being allocated to the Street Fund per City Ordinance.
- ❖ The largest decrease was in the General Fund. The General Fund had a net decrease of \$485,017, before restatements. This decrease was mainly due to large transfer to the Golf Fund in the current fiscal year.

At year-end, the city's proprietary funds reported combined net position of \$25,998,958 for enterprise funds and \$2,195,570 in the internal service fund. This is a combined increase in net position of \$968,898.

#### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The city operates on a biennial budget. Fiscal year 2012-2013 was the last year of the 2011-2013 budget. Beginning in the 2013-2014 fiscal year, the city will now be operating on an annual budget.

##### **Expenditures**

The final appropriations of the budget for personal services for the General Fund were \$9,284,412 and the actual expenditures were \$9,234,396. This is 99.5% of the budget expended.

The final appropriations of the budget for materials and services for the General Fund were \$2,321,344 while actual expenditures were \$2,472,491. This is 106.5% of the budget expended.

Overall, appropriations were \$13,255,023 and total expenditures were \$11,869,512. This shows that 89.5% of the appropriated biennial budget was expended in fiscal years ended June 30, 2012 and 2013.



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**Revenues**

98.4% of the budgeted revenues for the 2011-2013 biennial budget was received.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2013 the city shows \$52,788,213 of capital assets, net of depreciation, this is a decrease of \$374,037 from the prior year. The city has \$17,376,047 of capital assets in governmental activities and \$34,412,166 in business-type activities. The city had some street projects and equipment purchased that helped increase the capital assets in governmental activities. The business-type activities had some equipment and infrastructure additions. Depreciation expense was higher than the value of the additions; consequently, the net capital assets decreased in the business-type activities.

**Debt**

The city had a total of \$10,229,893 in long-term debt at June 30, 2013; this is a decrease of \$1,158,814. The decrease is due to payments being applied to the principal of the debt and the restatement of bond premium. \$9,842,060 of this debt is being paid out of the proprietary funds and the remaining \$387,833 is paid from governmental activities. There was no new debt in fiscal year ended June 30, 2013.

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

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

The city adopted its fourth Biennial Budget for 2011-2013. This was used beginning fiscal year 2011-2012, with the final year in 2012-2013. However, beginning with the 2013-2014 budget, the city decided to utilize an annual budget. This budget takes into account the projected property tax rates and valuations, historical trends in transient occupancy taxes, rate increases as allowed by ordinance for water services and the balance of project expenditures.

**REQUEST FOR INFORMATION**

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CITY OF ONTARIO, OREGON**  
**STATEMENT OF NET POSITION**

June 30, 2013

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 8,820,984	\$ 1,829,073	\$ 10,650,057
Receivables			
Property tax	253,601	-	253,601
Customer accounts receivable	-	612,947	612,947
Accounts	919,435	-	919,435
Street assessments	363,922	-	363,922
Loans	274,008	-	274,008
Due from other funds	403,917	(403,917)	-
Inventories	-	272,998	272,998
Restricted cash			
System development charges	150,654	-	150,654
Customer deposits	-	93,075	93,075
Deposits held in trust	275,738	-	275,738
Debt service	-	848,463	848,463
Capital assets not being depreciated	6,046,753	4,568,011	10,614,764
Capital assets being depreciated (net of accumulated depreciation)	<u>11,329,294</u>	<u>30,844,155</u>	<u>42,173,449</u>
Total assets	<u>28,838,306</u>	<u>38,664,805</u>	<u>67,503,111</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>LIABILITIES</b>			
Accounts payable	562,088	231,356	793,444
Accrued liabilities	194,724	-	194,724
Accrued interest payable	8,305	203,300	211,605
Customer deposits	-	93,075	93,075
Deposits held in trust	246,663	-	246,663
Compensated absences	312,127	100,486	412,613
Long-term liabilities			
Portion due or payable within one year			
Current portion of note payable	83,261	1,013,320	1,096,581
Portion due or payable after one year			
Note payable	<u>304,572</u>	<u>8,828,740</u>	<u>9,133,312</u>
Total liabilities	<u>1,711,740</u>	<u>10,470,277</u>	<u>12,182,017</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
<b>NET POSITION</b>			
Net investment in capital assets	16,988,214	25,570,106	42,558,320
Restricted for			
Street projects	955,018	-	955,018
Debt service	229,180	848,463	1,077,643
System development	150,654	-	150,654
Emergency services	34,594	-	34,594
Unrestricted	<u>8,768,906</u>	<u>1,775,959</u>	<u>10,544,865</u>
Total net position	<u>\$ 27,126,566</u>	<u>\$ 28,194,528</u>	<u>\$ 55,321,094</u>

**CITY OF ONTARIO, OREGON**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended  
June 30, 2013

Functions/ Programs	Program Revenues				Net (Expense) Revenue and Change in Net Position		
	Expenses	Charges for services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Primary Government							
Governmental activities							
General government	\$ 2,506,399	\$ 1,095,078	\$ 120,819	\$ -	\$ (1,290,502)	\$ -	\$ (1,290,502)
Highways and streets	1,012,815	574,801	634,927	357,579	554,492	-	554,492
Public safety	4,133,329	149,023	300,265	-	(3,684,041)	-	(3,684,041)
Parks and recreation	687,365	206,357	17,044	-	(463,964)	-	(463,964)
Capital outlay	308,138	542,675	-	218,191	452,728	-	452,728
Interest on long term debt	43,525	-	-	-	(43,525)	-	(43,525)
Total governmental activities	<u>\$ 8,691,571</u>	<u>\$ 2,567,934</u>	<u>\$ 1,073,055</u>	<u>\$ 575,770</u>	<u>\$ (4,474,812)</u>	<u>\$ -</u>	<u>\$ (4,474,812)</u>
Business-Type activities							
Water	2,884,252	2,914,550	-	-	-	30,298	30,298
Sewer	2,650,979	2,960,998	-	-	-	310,019	310,019
Golf course	350,071	28,628	-	-	-	(321,443)	(321,443)
Storm sewer	211,911	105,731	-	-	-	(106,180)	(106,180)
Total business type activities	<u>\$ 6,097,213</u>	<u>\$ 6,009,907</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (87,306)</u>	<u>\$ 18,874</u>
Total primary government	<u>\$ 14,788,784</u>	<u>\$ 8,577,841</u>	<u>\$ 1,073,055</u>	<u>\$ 575,770</u>	<u>\$ (4,474,812)</u>	<u>\$ (87,306)</u>	<u>\$ (4,455,938)</u>
General revenues							
Property and other city tax levied for:							
General purposes					3,188,819	-	3,188,819
Local transit taxes and fees					2,081,438	-	2,081,438
Grants and contributions not restricted							
to specific purpose				106,204	-	106,204	
Unrestricted investments earnings				33,757	46,793	-	80,550
Miscellaneous				84,433	-	84,433	
Total general revenues				<u>\$ 5,494,651</u>	<u>\$ 46,793</u>	<u>\$ -</u>	<u>\$ 5,541,444</u>
Capital contributions					(135,715)	135,715	-
Transfers					(799,185)	799,185	-
Gain (loss) on sale of asset					2,083	-	2,083
Changes in net position					87,022	894,387	981,409
Net position, July 1, 2012, before restatement					<u>\$ 27,001,430</u>	<u>\$ 27,225,630</u>	<u>\$ 54,227,060</u>
Restatement, see note 11					<u>\$ 38,114</u>	<u>\$ 74,511</u>	<u>\$ 112,625</u>
Net position, July 1, 2012, after restatement					<u>\$ 27,039,544</u>	<u>\$ 27,300,141</u>	<u>\$ 54,339,685</u>
Net position, June 30, 2013					<u>\$ 27,126,566</u>	<u>\$ 28,194,528</u>	<u>\$ 55,321,094</u>

GOVERNMENTAL FUND FINANCIAL STATEMENTS

**CITY OF ONTARIO, OREGON**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2013

	General Fund	Street Fund	Capital Projects Fund	Nonmajor Funds	Total June 30, 2013
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>					
<b>Assets</b>					
Cash and investments	\$ 2,237,600	\$ 948,033	\$ 3,114,986	\$ 2,520,365	\$ 8,820,984
Receivables					
Property taxes	253,601	-	-	-	253,601
Special assessments	-	-	96,586	541,344	637,930
Other	476,002	44,856	48,482	350,095	919,435
Due from other funds	523,890	1,894,474	231,709	-	2,650,073
Restricted cash					
Cash held in trust	-	-	-	275,738	275,738
System development charges	-	-	150,654	-	150,654
Total assets	<u>3,491,093</u>	<u>2,887,363</u>	<u>3,642,417</u>	<u>3,687,542</u>	<u>13,708,415</u>
Deferred outflows of resources	-	-	-	-	-
Total assets and deferred outflows	<u><u>\$ 3,491,093</u></u>	<u><u>\$ 2,887,363</u></u>	<u><u>\$ 3,642,417</u></u>	<u><u>\$ 3,687,542</u></u>	<u><u>\$ 13,708,415</u></u>
<b>LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Current liabilities					
Accounts payable	\$ 133,355	\$ 37,871	\$ 105,635	\$ 285,227	\$ 562,088
Payroll liabilities	194,724	-	-	-	194,724
Due to other funds	2,126,183	-	-	119,973	2,246,156
Deposits held in trust	-	-	-	246,663	246,663
Total liabilities	<u>2,454,262</u>	<u>37,871</u>	<u>105,635</u>	<u>651,863</u>	<u>3,249,631</u>
Deferred inflows of resources					
Deferred property tax revenues	215,186	-	-	-	215,186
Deferred special assessment revenues	-	-	95,900	487,134	583,034
Total deferred inflows	<u>215,186</u>	<u>-</u>	<u>95,900</u>	<u>487,134</u>	<u>798,220</u>
Fund balances					
Nonspendable	523,890	1,894,474	231,709	-	2,650,073
Spendable					
Restricted	-	955,018	150,654	263,774	1,369,446
Committed	-	-	3,058,519	2,346,109	5,404,628
Unassigned	<u>297,755</u>	<u>-</u>	<u>-</u>	<u>(61,338)</u>	<u>236,417</u>
Total fund balances	<u>821,645</u>	<u>2,849,492</u>	<u>3,440,882</u>	<u>2,548,545</u>	<u>9,660,564</u>
Total liabilities, deferred inflows and fund balances	<u><u>\$ 3,491,093</u></u>	<u><u>\$ 2,887,363</u></u>	<u><u>\$ 3,642,417</u></u>	<u><u>\$ 3,687,542</u></u>	<u><u>\$ 13,708,415</u></u>

**CITY OF ONTARIO, OREGON**  
**RECONCILIATION OF GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT TO NET POSITION**  
June 30, 2013

TOTAL FUND BALANCES		\$ 9,660,564
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets are not financial resources and, therefore, are not reported in the governmental funds		
Cost	\$25,254,776	
Accumulated depreciation	<u>(7,878,729)</u>	17,376,047
Compensated absences are not due in the current period and, therefore, are not reported as liabilities in the fund financial statements.		(312,127)
Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.		798,220
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest in long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.		
Note payable	(387,833)	
Accrued interest	<u>(8,305)</u>	(396,138)
TOTAL NET POSITION		<u><u>\$27,126,566</u></u>

**CITY OF ONTARIO, OREGON**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Year Ended  
June 30, 2013

	General Fund	Street Fund	Capital Projects Fund	Nonmajor Funds	Total June 30, 2013
<b>Revenues</b>					
Property taxes	\$ 3,239,003	\$ -	\$ -	\$ -	\$ 3,239,003
Other taxes	75,379	319,875	-	287,842	683,096
Special assessments collected	-	-	-	75,654	75,654
Franchise fees	1,576,866	-	-	-	1,576,866
Licenses and permits	105,996	-	-	-	105,996
Intergovernmental revenues	647,830	617,309	-	726,552	1,991,691
Charges for services	293,310	-	2,665	13,245	309,220
Fines and forfeits	3,610	-	-	-	3,610
Miscellaneous revenues	96,460	23,639	4,705	8,228	133,032
Interest on investments	11,961	(247)	22,043	32,079	65,836
Loan repayments	-	-	-	57,583	57,583
System development charges	-	-	69,018	-	69,018
Utilities capitalization charges	-	-	470,992	-	470,992
Administration	712,788	408,432	-	-	1,121,220
<b>Total revenues</b>	<b>6,763,203</b>	<b>1,369,008</b>	<b>569,423</b>	<b>1,201,183</b>	<b>9,902,817</b>
<b>Expenditures</b>					
Current					
General government	1,512,394	-	73,789	319,727	1,905,910
Highways and streets	-	877,815	-	-	877,815
Public safety	3,898,240	-	-	486,861	4,385,101
Parks and recreation	439,857	-	-	-	439,857
Capital outlay	80,576	167,183	591,477	580,734	1,419,970
Debt service					
Principal	-	-	-	81,935	81,935
Interest	22,327	-	-	21,918	44,245
<b>Total expenditures</b>	<b>5,953,394</b>	<b>1,044,998</b>	<b>665,266</b>	<b>1,491,175</b>	<b>9,154,833</b>
Excess of revenues over (under) expenditures	809,809	324,010	(95,843)	(289,992)	747,984
Other financing sources (uses)					
Operating transfers in	29,463	-	-	525,104	554,567
Operating transfers out	(1,324,289)	-	-	(29,463)	(1,353,752)
<b>Total other sources (uses)</b>	<b>(1,294,826)</b>	<b>-</b>	<b>-</b>	<b>495,641</b>	<b>(799,185)</b>
Net change in fund balances	(485,017)	324,010	(95,843)	205,649	(51,201)
Fund balances, July 1, before restatement	1,633,217	2,525,482	3,189,344	2,342,896	9,690,939
Restatement, see note 11	(326,555)	-	347,381	-	20,826
Fund balances, July 1, after restatement	1,306,662	2,525,482	3,536,725	2,342,896	9,711,765
<b>Fund balances, June 30</b>	<b>\$ 821,645</b>	<b>\$ 2,849,492</b>	<b>\$ 3,440,882</b>	<b>\$ 2,548,545</b>	<b>\$ 9,660,564</b>

**CITY OF ONTARIO, OREGON**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
For the Year Ended  
June 30, 2013

NET CHANGE IN FUND BALANCES	\$ (51,201)
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Amounts reported for governmental activities in the Statement of Activities are different because:

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

Expenditures for capital assets	\$ 983,408	
Less current year depreciation	<u>(742,780)</u>	240,628

In the Statement of Activities, the loss or gain on the disposition of capital assets is reported while in the governmental funds only the proceeds from the sale is reported.

(3,417)

Long-term debt proceeds are reported as other financing sources in governmental funds. In the Statement of Net Position, however, issuing long-term debt increases liabilities. Repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Position.

Debt principal repaid	81,935	
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Interest on long-term debt is not accrued in the governmental funds but is expensed when paid.

Interest accrued	720	
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Certain revenues not collected for several months after year end are not considered available revenue and is deferred in the governmental funds. The change in deferred revenue is not reflected in the governmental funds, but is in the Statement of Activities as a change in revenues.

(185,907)

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

Compensated absences	4,264	
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CHANGE IN NET POSITION	<u>\$ 87,022</u>
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PROPRIETARY FUND FINANCIAL STATEMENTS

**CITY OF ONTARIO, OREGON**  
**STATEMENT OF FUND NET POSITION**  
**PROPRIETARY FUNDS**  
June 30, 2013

	Enterprise Funds					Internal Service Fund
	Water Fund	Sewer Fund	Storm Sewer Fund	Golf Course Fund	Total June 30, 2013	
<b>ASSETS</b>						
Cash and investments	\$ 1,011,003	\$ -	\$ 358,482	\$ -	\$ 1,369,485	\$ 459,588
Receivables						
Customer accounts receivable	282,201	282,625	8,170	5,074	578,070	34,877
Inventories	131,039	131,039	10,920	-	272,998	-
Restricted cash						
Customer deposits	11,103	-	-	1,000	12,103	80,972
Debt service	-	848,463	-	-	848,463	-
Capital assets, net of accumulated depreciation	11,668,328	18,392,445	2,695,890	859,647	33,616,310	1,795,856
<b>Total assets</b>	<b>13,103,674</b>	<b>19,654,572</b>	<b>3,073,462</b>	<b>865,721</b>	<b>36,697,429</b>	<b>2,371,293</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
<b>LIABILITIES</b>						
Current liabilities						
Accounts payable	76,116	79,697	4,302	52,901	213,016	18,340
Accrued compensated absences	16,531	7,544	-	-	24,075	76,411
Accrued interest	94,135	109,165	-	-	203,300	-
Deposit liability	11,103	-	-	1,000	12,103	80,972
Due to other funds	-	340,003	-	63,914	403,917	-
Current portion of non-current liabilities	138,047	875,273	-	-	1,013,320	-
Total current liabilities	335,932	1,411,682	4,302	117,815	1,869,731	175,723
Non-current liabilities						
Notes payable	3,658,272	5,170,468	-	-	8,828,740	-
Total liabilities	3,994,204	6,582,150	4,302	117,815	10,698,471	175,723
<b>DEFERRED INFLOWS OF RESOURCES</b>						
<b>NET POSITION</b>						
Net investment in capital assets	7,872,009	12,346,704	2,695,890	859,647	23,774,250	1,795,856
Restricted net position						
Debt service	-	848,463	-	-	848,463	-
Unrestricted net position	1,237,461	(122,745)	373,270	(111,741)	1,376,245	399,714
<b>Total net position</b>	<b>\$ 9,109,470</b>	<b>\$ 13,072,422</b>	<b>\$ 3,069,160</b>	<b>\$ 747,906</b>	<b>\$ 25,998,958</b>	<b>\$ 2,195,570</b>

**CITY OF ONTARIO, OREGON**  
**RECONCILIATION OF ENTERPRISE FUNDS STATEMENT OF FUND NET POSITION**  
**TO THE STATEMENT OF NET POSITION**  
June 30, 2013

TOTAL ENTERPRISE FUNDS NET POSITION	\$25,998,958
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Amounts reported for business-type activities in the Statement of Net Position are different because:

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

Cash and cash equivalents	\$ 540,560
Accounts receivable	34,877
Capital assets, net of depreciation	1,795,856
Accounts payable	(18,340)
Compensated absences payable	(76,411)
Deposit liability	<u>(80,972)</u>
	2,195,570

TOTAL NET POSITION	<u><u>\$28,194,528</u></u>
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**CITY OF ONTARIO, OREGON**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
For the Year Ended  
June 30, 2013

	Enterprise Funds					
	Water Fund	Sewer Fund	Storm Sewer Fund	Golf Course Fund	Total June 30, 2013	Internal Service Fund
Operating revenues						
Consumer receipts	\$ 2,914,551	\$ 2,954,003	\$ 105,731	\$ 28,628	\$ 6,002,913	\$ 2,215,428
Miscellaneous	-	6,995	-	-	6,995	97,193
Total operating revenues	<u>2,914,551</u>	<u>2,960,998</u>	<u>105,731</u>	<u>28,628</u>	<u>6,009,908</u>	<u>2,312,621</u>
Operating expenses						
Wages and salaries	224,725	180,678	10,275	52,914	468,592	778,661
Employee benefits	100,732	86,624	6,016	8,863	202,235	331,777
Contract labor	75,206	21,406	-	91,426	188,038	35,085
Depreciation	421,808	523,150	104,111	50,236	1,099,305	69,864
Insurance	36,163	30,199	-	7,370	73,732	26,365
Miscellaneous expense	11,411	31,689	563	13,469	57,132	29,700
Repairs and maintenance	128,197	36,931	8,256	52,243	225,627	115,203
Supplies - general	157,408	27,021	-	14,970	199,399	54,207
Supplies - petroleum	4,311	5,025	-	5,771	15,107	37,991
Telephone	4,667	4,667	-	-	9,334	6,415
Travel and school	2,607	3,556	-	-	6,163	10,033
Utilities	321,619	242,824	2,500	39,484	606,427	45,566
Bad debt expense	-	3,699	-	5,660	9,359	2,914
Administrative	1,261,884	1,273,276	85,913	-	2,621,073	625,728
Capital outlay	36,686	300	-	7,665	44,651	-
Total operating expenses	<u>2,787,424</u>	<u>2,471,045</u>	<u>217,634</u>	<u>350,071</u>	<u>5,826,174</u>	<u>2,169,509</u>
Net income from operations	127,127	489,953	(111,903)	(321,443)	183,734	143,112
Non operating income (expenses)						
Interest earned on investments	-	-	-	-	-	46,793
Interest expenses	(165,523)	(248,629)	-	-	(414,152)	-
Total non operating income (expenses)	<u>(165,523)</u>	<u>(248,629)</u>	<u>-</u>	<u>-</u>	<u>(414,152)</u>	<u>46,793</u>
Net income	(38,396)	241,324	(111,903)	(321,443)	(230,418)	189,905
Other items						
Capital contribution (distribution)	111,722	(9,761)	-	-	101,961	33,754
Transfers in	-	-	-	799,185	799,185	-
Total other items	<u>111,722</u>	<u>(9,761)</u>	<u>-</u>	<u>799,185</u>	<u>901,146</u>	<u>33,754</u>
Change in net position	73,326	231,563	(111,903)	477,742	670,728	223,659
Net position beginning of year, before restatement	9,036,144	13,364,755	2,582,656	270,164	25,253,719	1,971,911
Restatement, see note 11	-	(523,896)	598,407	-	74,511	-
Net position beginning of year, after restatement	9,036,144	12,840,859	3,181,063	270,164	25,328,230	1,971,911
Net position end of year	<u>\$ 9,109,470</u>	<u>\$ 13,072,422</u>	<u>\$ 3,069,160</u>	<u>\$ 747,906</u>	<u>\$ 25,998,958</u>	<u>\$ 2,195,570</u>

CITY OF ONTARIO, OREGON  
**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN FUND NET POSITION OF  
ENTERPRISE FUNDS TO THE STATEMENT OF POSITION**  
For the Year Ended  
June 30, 2013

NET CHANGE IN ENTERPRISE FUNDS NET POSITION	\$ 670,728
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Amounts reported for business-type activities in the Statement of Activities are different because:

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

223,659

CHANGE IN NET POSITION	<u>\$ 894,387</u>
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CITY OF ONTARIO, OREGON

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended

June 30, 2013

	Enterprise Funds					Internal Service Fund
	Water Fund	Sewer Fund	Storm Sewer Fund	Golf Course Fund	Total	
Cash flows from operating activities						
Cash received from customers	\$ 2,903,461	\$ 2,896,354	\$ 105,820	\$ 29,641	\$ 5,935,276	\$ 2,207,958
Cash payment to employees for services	(322,456)	(280,643)	(16,292)	(153,203)	(772,594)	(1,121,424)
Cash payment to suppliers for goods and services	(2,063,834)	(1,661,992)	(94,439)	(123,786)	(3,944,051)	(1,006,805)
Other operating revenues	-	6,995	-	-	6,995	97,193
Net cash provided by operating activities	<u>517,171</u>	<u>960,714</u>	<u>(4,911)</u>	<u>(247,348)</u>	<u>1,225,626</u>	<u>176,922</u>
Cash flows from noncapital financing activities						
Operating transfers-in from funds	-	-	-	799,185	799,185	-
Interfund loans	-	575,017	(235,014)	(525,337)	(185,334)	-
Reallocation of funds	-	(598,407)	598,407	-	-	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>(23,390)</u>	<u>363,393</u>	<u>273,848</u>	<u>613,851</u>	<u>-</u>
Cash flows from capital and related financing activities						
Acquisition and construction of capital assets	(77,017)	(301,401)	-	(26,500)	(404,918)	-
Interest paid on notes payable	(168,607)	(254,901)	-	-	(423,508)	-
Payment on notes	(218,867)	(783,502)	-	-	(1,002,369)	-
Net cash used for capital and related financing activities	<u>(464,491)</u>	<u>(1,339,804)</u>	<u>-</u>	<u>(26,500)</u>	<u>(1,830,795)</u>	<u>-</u>
Cash flows from investing activities						
Interest and dividends on investments	-	-	-	-	-	46,793
Net cash provided (used) in investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,793</u>
Net increase (decrease) in cash and cash equivalents	52,680	(402,480)	358,482	-	8,682	223,715
Cash and cash equivalents at beginning of year	969,426	1,250,943	-	1,000	2,221,369	316,845
Cash and cash equivalents at end of year	<u>\$ 1,022,106</u>	<u>\$ 848,463</u>	<u>\$ 358,482</u>	<u>\$ 1,000</u>	<u>\$ 2,230,051</u>	<u>\$ 540,560</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>						
Net Income	\$ 127,127	\$ 489,953	\$ (111,903)	\$ (321,443)	\$ 183,734	\$ 143,112
Adjustments to reconcile net income to net cash provided ( used ) by operating activities:						
Depreciation expense	421,808	523,150	104,111	50,236	1,099,305	69,864
(Increase) decrease in accounts receivable	(11,090)	(53,950)	89	6,673	(58,278)	(6,205)
(Increase) decrease in inventories	(9,841)	(9,841)	(820)	-	(20,502)	-
Increase (decrease) in accounts payable	(13,834)	24,745	3,612	17,186	31,709	(20,512)
Increase (decrease) in accrued compensated absences	3,001	(13,343)	-	-	(10,342)	(10,986)
Net increase (decrease) in customer deposits	-	-	-	-	-	1,649
Total adjustments	<u>390,044</u>	<u>470,761</u>	<u>106,992</u>	<u>74,095</u>	<u>1,041,892</u>	<u>33,810</u>
Net cash provided (used) by operating activities	<u>\$ 517,171</u>	<u>\$ 960,714</u>	<u>\$ (4,911)</u>	<u>\$ (247,348)</u>	<u>\$ 1,225,626</u>	<u>\$ 176,922</u>
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on the Statement of Net Position</b>						
Current assets						
Cash and investments	\$ 1,011,003	\$ -	\$ 358,482	\$ -	\$ 1,369,485	\$ 459,588
Restricted assets						
Water and sewer deposits	11,103	-	-	1,000	12,103	80,972
Debt service	-	848,463	-	-	848,463	-
Total cash and cash equivalents at year end	<u>\$ 1,022,106</u>	<u>\$ 848,463</u>	<u>\$ 358,482</u>	<u>\$ 1,000</u>	<u>\$ 2,230,051</u>	<u>\$ 540,560</u>
Non cash capital financing transactions						
Capital contributions from (to) other funds	\$ 111,722	\$ (9,761)	\$ -	\$ -	\$ 101,961	\$ 33,754

See notes to the basic financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ONTARIO, OREGON**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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Note 1. Significant Accounting Policies

Organizational Authority

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

A. The Reporting Entity

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

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

B. Fund Accounting

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

**GOVERNMENTAL FUNDS**

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

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

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

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

#### PROPRIETARY FUNDS

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

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

#### C. Basis of Presentation

##### Government-Wide Financial Statements

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

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

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

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

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

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

##### Fund Financial Statements

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

CITY OF ONTARIO, OREGON  
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The city reports the following major governmental funds:

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

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

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

The city reports on the following major proprietary funds:

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

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

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

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

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

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the city's proprietary funds are charges to customers for services and products. Operating expenses for the city's proprietary funds include the cost of services, administrative expenses, capital outlay and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

**E. Budgets and Budgetary Accounting**

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

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

**F. Capital Assets**

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

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following useful lives.

Buildings and improvements	20 to 50 years
Improvements other than buildings	20 years
Equipment	5 to 30 years
Vehicles	8 years
Infrastructure	10 to 65 years

**G. Property Taxes Receivable**

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

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

**H. Deferred Outflows of Resources**

Deferred outflows of resources in the Statement of Net Position represent consumption of net position that is applicable to a future reporting period. The city did not have any deferred outflows of resources as of June 30, 2013.

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

The city maintains a policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for non-vested unpaid accumulated sick pay benefits. All vacation pay and vested sick pay benefits is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Benefits are normally paid from the General, 911, Street, Water, Sewer, Storm Sewer and Public Works Funds. The compensated absences liability was \$412,613 at June 30, 2013 and \$316,393 at June 30, 2012.

**J. Cash and Investments**

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

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

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**K. Deferred Inflows of Resources**

Deferred inflows of resources represent an acquisition of net position that is applicable to a future reporting period. In the Statement of Net Position, this includes resources that are received before the city has met its eligibility requirements related to time. In the governmental fund financial statements, deferred inflows or resources also include revenues that are measurable but not available.

**L. Encumbrances**

The city does not use encumbrance accounting.

**M. Interfund Receivables and Payables**

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

**N. Interfund Transfers**

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

**O. Statement of Cash Flows**

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

**P. Inventories**

Inventory in the Water, Sewer and Storm Sewer Funds are determined by physical count and are stated at the lower of cost (first in, first out) or market. Expenses are recognized when inventories are consumed.

**Q. Use of Estimates**

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

**R. Fund Balances**

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

- *Nonspendable*—Includes items not immediately converted to cash, such as prepaid items,

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interfund receivables and inventory.

- *Restricted*—Includes items that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.
- *Committed*—Includes items committed by the city council, by formal council action.
- *Assigned*—Includes items assigned for specific uses, authorized by the city council or their designee.
- *Unassigned*—This is the residual classification used for those balances not assigned to another category.

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

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

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

**S. Change in Accounting Principle**

The City of Ontario adopted GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position as of July 1, 2012. This standard impacted financial reporting by establishing accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities.

The City of Ontario adopted GASB Statement No. 65, Items Previously Recognized as Assets and Liabilities as of July 1, 2012. This standard impacted financial reporting by establishing accounting and financial reporting standards that further reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities.

See Note 11 for the total impact on the beginning of the year net position.

**Note 2. Retirement Plans**

*Oregon Public Employees Retirement System*

**Plan Description** - The city contributes to two pension plans administered by the Oregon Public Employees Retirement System (PERS). The Oregon Public Employees Retirement Fund (OPERF) applies to the city's contribution for qualifying employees who were hired before August 29, 2003, and is a cost-sharing multiple-employer defined benefit pension plan. The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs: The Pension Program, the defined benefit portion

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of the plan, applies to qualifying city employees hired after August 29, 2003. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service. Beginning January 1, 2004, all PERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member IAP, not the member's PERS account.

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

**Funding Policy** - Members of PERS are required to contribute 6% of their salary covered under the plan, which is invested in the OPSRP Individual Account Program. The city is required by ORS 238.225 to contribute at an actuarially determined rate for the qualifying employees under the OPSRP plan. The OPERF and the OPSPR rates in effect for the year ended June 30, 2013 were 17.87% and 14.34% for general service employees and 17.05% for police and fire employees. The contribution requirements for plan members are established by the ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

**Annual Pension Costs** – The city's contributions to PERS for the years ending June 30, 2013, 2012, and 2011 were \$943,898, \$976,278, and \$837,662, respectively, which equaled the required contributions for the year.

*Deferred Compensation Plan*

**Plan Description** – The city offers employees a deferred compensation plan (the plan) sponsored by the city. The plan is a defined contribution plan created in accordance with Internal Revenue Code Section 457. The plan is available to all represented and non-represented city employees, and permits them to defer a portion of their salary until future years. Contributions are made through salary deductions from participating employees up to the amounts specified in the Internal Revenue Code Section 457. No contributions are required from the city. As of June 30, 2013, 99 individuals were participating in the Internal Revenue Code Section 457 plans. Amounts deferred are not available to employees until termination, retirement, death, or unforeseeable emergency. All assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. No plan assets have been used for purposes other than the payment of benefits.

At June 30, 2013, the amount deferred and investments earnings thereon, adjusted to fair market value, amount to \$1,553,597. The plan assets are held in custodial accounts by the plan provider for the exclusive benefit of the participants or their beneficiaries. The city does not perform the investing function and has no fiduciary accountability for the plan. Therefore, plan assets and any related liability to plan participants are not reported in the city financial statements as of June 30, 2013.

Note 3. Other Post Employment Benefits—GASB 45

For the fiscal year ended June 30, 2009, the city implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*. This statement addresses how state and local governments should account for and report their costs and obligations related to Other Postemployment Benefits (OPEB). The statement generally requires that state and local governmental

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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, 2013, the city's participation in the City County Insurance Services (CCIS) health plans have been determined to constitute community-rated coverage, as allowed by GASB 45, therefore, there is no implicit subsidy to value and no liability accrued in the financial statements.

**Note 4. Accounts Receivable**

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

General Fund	Property taxes	\$ 253,601
General Fund	Other	476,002
Street Fund	Grants	2,715
Street Fund	Occupancy tax	42,141
Nonmajor funds	Special assessments	541,344
Nonmajor funds	Other	350,095
Capital Projects Fund	Local Improvement District	96,586
Capital Projects Fund	Other	<u>48,482</u>
	TOTAL	<u><u>\$ 1,810,966</u></u>

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

Water Fund	\$ 282,201
Sewer Fund	282,625
Storm Sewer Fund	8,170
Golf Course Fund	5,074
Internal Service Fund	<u>34,877</u>
TOTAL	<u><u>\$ 612,947</u></u>

The city has not set up any allowance for doubtful accounts at June 30, 2013.

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Note 5. Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2013 is as follows:

Description	Balance 6/30/2012	Increases	Decreases	Balance 6/30/2013	Due within one year
<b>GOVERNMENTAL ACTIVITIES</b>					
Oshkosh Capital	\$ 54,442	\$ -	\$ 26,558	\$ 27,884	\$ 27,884
US Bank--LID 44 and 45	415,325	-	55,376	359,949	55,377
<b>BUSINESS-TYPE ACTIVITIES</b>					
Water Revenue Bonds	86,707	-	86,707	-	-
WTP Upgrade OECDD	3,928,479	-	132,160	3,796,319	138,047
OECDD-Wastewater System Improvements	3,680,457	-	103,081	3,577,376	108,714
Oregon DEQ loans	3,148,786	-	680,421	2,468,365	766,559
Total Long-term Debt	<u>\$ 11,314,196</u>	<u>\$ -</u>	<u>\$ 1,084,303</u>	<u>\$ 10,229,893</u>	<u>\$ 1,096,581</u>

Governmental Activities

US Bank Special Assessment Debt

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

Fiscal Year Ending June 30,	Principal	Interest	Remaining Balance
			\$ 359,949
2014	\$ 55,377	\$ 16,440	304,572
2015	55,377	13,810	249,195
2016	55,377	11,179	193,818
2017	55,377	8,549	138,441
2018	55,377	5,918	83,064
2019-2020	83,064	3,946	-
	<u>\$ 359,949</u>	<u>\$ 59,842</u>	

Capital Lease – Oshkosh Capital

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

	Balance of Lease	Interest Rate
Pierce KW Pumper	\$ 27,884	4.99%

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A schedule of future minimum lease payments is as follows:

Fiscal year Ending June 30, 2014	<u>Total</u>
	<u>\$ 29,275</u>
Total minimum lease payments	29,275
Less: interest included in payments	<u>(1,391)</u>
Present value of minimum lease payment	<u><u>\$ 27,884</u></u>

**Business-Type Activities**

**Water Revenue Bonds**

The city issued Water Revenue Bonds, Series 2002, on December 13, 2002 in the amount of \$866,799, with interest at 4.5%. Interest is payable semiannually on the 15<sup>th</sup> day of December and June each year. Principal payments of \$86,680 are payable annually on December 15<sup>th</sup>. Final payment was paid in fiscal year ended June 30, 2013. The bonds are not subject to redemption at the option of the city.

**Water Treatment Plant Upgrade Oregon Economic Community Development Department**

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

Fiscal Year Ending June 30,	Principal	Interest	Remaining Balance
2014	\$ 138,047	\$ 161,374	\$ 3,796,319
2015	138,969	155,852	3,658,272
2016	144,927	150,294	3,519,303
2017	150,924	144,497	3,374,376
2018	156,961	138,460	3,223,452
2019-2023	892,190	590,803	3,066,491
2024-2028	1,107,538	382,547	2,174,301
2029-2032	1,066,763	118,962	1,066,763
	<u><u>\$ 3,796,319</u></u>	<u><u>\$ 1,842,789</u></u>	-

**Wastewater System Improvements - Oregon Economic and Community Development Department**

The city converted sewer treatment facilities improvements interim-financing from the Oregon Economic and Community Development Department (OECDD) to a promissory note in the amount of \$3,976,600 on May 27,

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2009. Principal and interest, at rates from 3.0% to 5.25%, is payable annually. The final payment is due December 1, 2033. The city has pledged its full faith and credit and the net operating revenues of the sewer system to repay the note.

Fiscal Year Ending June 30,	Principal	Interest	Balance	Interest Rate
			\$ 3,577,376	
2014	\$ 108,714	\$ 164,702	3,468,662	3.5%
2015	109,368	160,897	3,359,294	3.5%
2016	115,143	153,522	3,244,151	4.0%
2017	120,949	151,916	3,123,202	4.0%
2018	126,787	147,078	2,996,415	4.0%
2019-2023	713,590	650,586	2,282,825	4.25% to 5%
2024-2028	890,330	467,796	1,392,495	4% to 5.25%
2029-2033	1,132,266	227,535	260,229	4.5% to 4.75%
2034	260,229	24,149	-	4.75%
	<b>\$ 3,577,376</b>	<b>\$ 2,148,181</b>		

Oregon Department of Environmental Quality

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

Loan 70610 - 3% interest				
Fiscal Year Ending June 30,	Principal	Interest	Balance	
			\$ 754,413	
2014	\$ 502,942	\$ 18,860	251,471	
2015	251,471	3,772	-	
	<b>\$ 754,413</b>	<b>\$ 22,632</b>		

Loan 70611 - 3.98% interest				
Fiscal Year Ending June 30,	Principal	Interest	Fees	Balance
				\$ 561,824
2014	\$ 103,687	\$ 21,339	\$ 2,552	458,137
2015	107,855	17,171	2,024	350,282
2016	112,191	12,836	1,474	238,091
2017	116,700	8,326	902	121,391
2018	121,391	3,635	306	-
	<b>\$ 561,824</b>	<b>\$ 63,307</b>	<b>\$ 7,258</b>	

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Loan 70612 - 3.69% interest					
Fiscal Year Ending June 30,	Principal	Interest	Fees	Balance	
2014	\$ 159,930	\$ 41,052	\$ 5,364	992,198	\$ 1,152,128
2015	165,886	35,096	4,550	826,312	
2016	172,064	28,918	3,705	654,248	
2017	178,471	22,511	2,829	475,777	
2018	185,118	15,864	1,920	290,659	
2019-2020	290,659	10,791	978	-	
	<b><u>\$ 1,152,128</u></b>	<b><u>\$ 154,232</u></b>	<b><u>\$ 19,346</u></b>		

  

Total DEQ					
Fiscal Year Ending June 30,	Principal	Interest	Fees	Balance	
2014	\$ 766,559	\$ 81,251	\$ 7,916	1,701,806	\$ 2,468,365
2015	525,212	56,039	6,574	1,176,594	
2016	284,255	41,754	5,179	892,339	
2017	295,171	30,837	3,731	597,168	
2018	306,509	19,499	2,226	290,659	
2019-2021	290,659	10,791	978	-	
	<b><u>\$ 2,468,365</u></b>	<b><u>\$ 240,171</u></b>	<b><u>\$ 26,604</u></b>		

Note 6. Risk Management

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

The City of Ontario is a member of the City County Insurance Services (CCIS) trust. This trust was established in 1981, by the League of Oregon Cities (LOC) and the Association of Oregon Counties (AOC) to provide risk management services including insurance and loss control to member entities. The city participates for property and liability insurance coverage.

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**Note 7. Deposits and Investments**

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

Cash and investments are comprised of the following at June 30, 2013:

Deposits with banks	\$ 1,805,740
Investments	10,211,092
Cash on hand	1,155
	<u>\$ 12,017,987</u>

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

Statement of Net Position	
Cash and investments	\$ 10,650,057
Restricted cash	1,367,930
	<u>\$ 12,017,987</u>

As of June 30, 2013, the city held the following investments and maturities:

Investment type	Fair Value	% of investment portfolio
Local Government Investment Pool	\$ 9,631,539	94.3%
Certificates of Deposit	579,553	5.7%
	<u>\$ 10,211,092</u>	<u>100%</u>

**Deposits**

The Governmental Accounting Standards Board has adopted accounting principles generally accepted in the United States of America (GAAP), which include standards to categorize deposits to give an indication of the level of custodial risk assumed by the city at June 30, 2013. If bank deposits at year end are not entirely insured or collateralized with securities held by the city or by its agent in the city's name, the city must disclose the custodial credit risk (below) that exists. Deposits with financial institutions are comprised of bank demand deposits. For deposits in excess of federal depository insurance, Oregon Revised Statutes require depository institutions to be in compliance with ORS 295.

At June 30, 2013, the carrying amount of the city's deposits was \$1,805,740 and the bank balance was \$1,860,724. Of these deposits, all were covered by federal depository insurance or were in qualified depositories. The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. Federal depository insurance (FDIC) of \$250,000 applies to the deposits in each depository. Where balances continually exceed \$250,000, ORS 295.018 requires the depositor to verify that deposit accounts are only maintained at financial institutions on the list of qualified depositories found on the Oregon state treasurer's website. Qualifying depository banks must pledge securities with a particular value based on the banks level of capitalization. The city deposits were in compliance with requirements of ORS 295.018.

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

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

#### Investments

Investment Type	Fair Value	Maturity	Rating
<i><u>Cash and cash equivalents</u></i>			
Local Government Investment Pool (LGIP)	\$ 9,631,539	50% less than 90-days, no more than 25% over one year, and no investment over three years	Unrated
Certificates of Deposit	579,553	11/6/2014	Unrated
<i>Total cash and cash equivalents</i>	<u>100.00%</u> <u>\$ 10,211,092</u>		
	<u>100.00%</u> <u><u>\$ 10,211,092</u></u>		

At June 30, 2013, the city held \$10,211,092 of investments, which is all classified as cash and investments on the Statement of Net Position. The city has no formal policy for managing interest rate risk or credit risk.

The city has invested funds in the Oregon Short-term Fund Local Government Investment Pool (LGIP) during fiscal year 2013. The Local Government Investment Pool was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). The Local Government Investment Pool is an external investment pool managed by the State Treasurer's office, which allows governments within the state to pool their funds for investment purposes. The amounts invested in the pool are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry form as defined by GASB Statement No. 40.

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

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

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

Oregon statutes restrict the types of investments in which the city may invest. Authorized investments included obligations of the United States Government and its agencies, certain bonded obligations of Oregon

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municipalities, bank repurchase agreements, bankers' acceptances, time certificates of deposit, certain commercial paper, and the Oregon Local Government Investment Pool (LGIP). As of June 30, 2013 and for the year then ended, the city was in compliance with the aforementioned Oregon statutes.

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

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

*Interest Rate Risk*—The city's investment policy limits long-term investments to 25% of the investment portfolio using specific identification. The city defines long-term as having a maturity of greater than 18 months to a maximum of 36 months. As of June 30, 2013, all of the city's investments were classified as short-term.

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

**Note 8. Commitments and Contingencies**

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

**Note 9. Interfund Receivables and Payables**

The interfund receivable and payable at June 30, 2013 consist of the following:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor funds	\$ 119,973
General Fund	Golf Course Fund	63,914
General Fund	Sewer Fund	340,003
Streets Fund	General Fund	1,894,474
Capital Projects	General Fund	231,709
	TOTAL	<u>\$ 2,650,073</u>

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

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receivable fund.

All interfund payables are expected to be paid to the receivable fund within the next fiscal year except the following:

The \$1,894,474 payable from the General Fund to the Street Fund is to account for transient occupancy tax that was received into the General Fund instead of the Street Fund as required by City Ordinance.

The \$231,709 payable from the General Fund to the Capital Projects Fund was an interfund loan set up to finance the Fire Substation #2.

**Note 10. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<b>Governmental Funds</b>		<b>Proprietary Funds</b>		
Transfers in	Transfer from	Amount	Transfers in	Transfer from
General Fund	Nonmajor funds	\$ 29,463	Golf Course Fund	General Fund
No nonmajor funds	General Fund	525,104		
Total transfers in for governmental funds		<u>\$ 554,567</u>	Total transfers in for proprietary funds	<u>\$ 799,185</u>
Transfers out	Transfer to		Transfers out	Transfer to
General Fund	Golf Fund	\$ (799,185)		
	Nonmajor funds	(525,104)		
No nonmajor funds	General Fund	(29,463)		
Total transfers out for governmental funds		<u>(1,353,752)</u>	Total transfers out for proprietary funds	<u>-</u>
<b>Total transfers for governmental funds</b>		<b><u>\$ (799,185)</u></b>	<b>Total transfers for proprietary funds</b>	<b><u>\$ 799,185</u></b>

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

**Note 11.Accounting Changes and Restatements**

**Governmental Activities:** In the government-wide statements, there was a prior year under statement in cash of \$20,826 in accounts receivable. Also, there was emergency equipment of \$17,288 that should have been added in the prior year. As a result, the beginning net position of \$27,001,430 as originally reported has been increased by \$38,114 to \$27,039,544.

**Governmental Funds:** In the governmental fund statements, there were restatements that decreased General Fund beginning fund balance by \$347,381 and increased Capital Projects Fund beginning fund balance by \$347,381. This is to account for a loan made by the Capital Projects Fund to the General Fund in order to finance the Fire Substation #2. The \$20,826 increase in cash also affected the governmental funds.

**Proprietary Funds:** In the proprietary fund statements, there was an adjustment made to reallocate between the Sewer Fund and the Storm Sewer Fund. Consequently, there was a restatement that decreased Sewer Fund beginning net position by \$598,407 and increased Storm Sewer beginning net position by \$598,407.

The implementation of GASB 65 required a restatement of the beginning net position balance of the sewer

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fund to remove unamortized bond premium. This results in an increase in beginning net position on the of \$74,511.

**Note 12. Schedule of Capital Assets**

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance June 30, 2012	Restatements	Additions	Deletions	Balance June 30, 2013
<b>Governmental activities</b>					
Capital assets not being depreciated					
Land	\$ 4,770,446	\$ -	\$ -	\$ -	\$ 4,770,446
Construction in progress	5,737,744	-	576,772	5,038,209	1,276,307
Total capital assets not being depreciated	<u>10,508,190</u>	<u>-</u>	<u>576,772</u>	<u>5,038,209</u>	<u>6,046,753</u>
Capital assets being depreciated					
Equipment and vehicles	4,134,300	17,288	106,750	28,958	4,229,380
Buildings and improvements	8,773,806	-	34,122	-	8,807,928
Infrastructure	866,742	-	5,303,973	-	6,170,715
Total capital assets being depreciated	<u>13,774,848</u>	<u>17,288</u>	<u>5,444,845</u>	<u>28,958</u>	<u>19,208,023</u>
Less accumulated depreciation for					
Equipment and vehicles	2,886,805	-	256,928	25,541	3,118,192
Buildings and improvements	4,205,957	-	194,400	-	4,400,357
Infrastructure	68,728	-	291,452	-	360,180
Total accumulated depreciation	<u>7,161,490</u>	<u>-</u>	<u>742,780</u>	<u>25,541</u>	<u>7,878,729</u>
Total capital assets being depreciated, net	6,613,358	17,288	4,702,065	3,417	11,329,294
Governmental activities capital assets, net	<u>\$ 17,121,548</u>	<u>\$ 17,288</u>	<u>\$ 5,278,837</u>	<u>\$ 5,041,626</u>	<u>\$ 17,376,047</u>
<b>Business-type activities</b>					
Capital assets not being depreciated					
Land	\$ 2,645,560	\$ -	\$ -	\$ -	\$ 2,645,560
Construction in progress	1,466,972	-	455,479	-	1,922,451
Total capital assets not being depreciated	<u>4,112,532</u>	<u>-</u>	<u>455,479</u>	<u>-</u>	<u>4,568,011</u>
Capital assets being depreciated					
Equipment and vehicles	35,767,670	-	85,155	-	35,852,825
Buildings and improvements	30,461,783	-	-	-	30,461,783
Infrastructure	8,384,942	-	177	177	8,384,942
Total capital assets being depreciated	<u>74,614,395</u>	<u>-</u>	<u>85,332</u>	<u>177</u>	<u>74,699,550</u>
Less accumulated depreciation for					
Equipment and vehicles	30,923,052	-	414,704	-	31,337,756
Buildings and improvements	10,975,888	-	627,465	-	11,603,353
Infrastructure	787,286	-	127,177	177	914,286
Total accumulated depreciation	<u>42,686,226</u>	<u>-</u>	<u>1,169,346</u>	<u>177</u>	<u>43,855,395</u>
Total capital assets being depreciated, net	31,928,169	-	(1,084,014)	-	30,844,155
Business-type activities capital assets, net	<u>\$ 36,040,701</u>	<u>\$ -</u>	<u>\$ (628,535)</u>	<u>\$ -</u>	<u>\$ 35,412,166</u>

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

Governmental Activities	
General government	\$ 607,778
Highways and streets	135,002
Business-Type Activities	
Water	421,808
Sewer	523,150
Storm Sewer	104,288

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Golf Course	50,236
Internal Service	69,864

**Note 13. Deficit Balances**

<u>Fund</u>	<u>Amount</u>	<u>Corrective Action in 2012-2013</u>
Grants Fund	\$ (61,338)	There are reimbursable grants that the city will ask for grant money to be reimbursed for expenses.

**Note 14. Fund Balance Classifications**

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

<u>Fund Balances</u>	<u>General Fund</u>	<u>Street Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<u>Nonspendable</u>					
Interfund Receivables	\$ 523,890	\$ 1,894,474	\$ 231,709	\$ -	\$ 2,650,073
<u>Restricted</u>					
System development charges	-	-	150,654	-	150,654
Street projects	-	955,018	-	-	955,018
Emergency services	-	-	-	34,594	34,594
Debt Service	-	-	-	229,180	229,180
	<u>-</u>	<u>955,018</u>	<u>150,654</u>	<u>263,774</u>	<u>1,369,446</u>
<u>Committed to</u>					
Capital Projects	-	-	3,058,519	1,507,441	4,565,960
Funds held for other departments	-	-	-	372,684	372,684
Revolving loan fund program	-	-	-	465,984	465,984
	<u>-</u>	<u>-</u>	<u>3,058,519</u>	<u>2,346,109</u>	<u>5,404,628</u>
<u>Unassigned</u>	<u>297,755</u>	<u>-</u>	<u>-</u>	<u>(61,338)</u>	<u>236,417</u>
<b>TOTAL FUND BALANCES</b>	<b>\$ 821,645</b>	<b>\$ 2,849,492</b>	<b>\$ 3,440,882</b>	<b>\$ 2,548,545</b>	<b>\$ 9,660,564</b>

GASB 54 requires city council approved action to authorize commitments of fund balances. These commitments, outlined in the table above, were approved by the city council on June 17, 2013. Commitments of fund balances must be made prior to the end of the fiscal year.

**Note 15. Post Retirement Benefits**

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

For the year ended June 30, 2013, there were 14 active participants. The total cost of \$4,200 in retiree benefits

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are current year expenditures and were charged to the fund for which the participant was employed.

**Note 16. New Accounting Pronouncements and Accounting Standards**

***GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements.***

This statement will improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. A SCA is an arrangement between a transferor (government) and an operator (governmental or nongovernmental), where the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (facility) in exchange for significant consideration and the operator collects and is compensated by fees from third parties. The Statement applies only to those SCAs in which set criteria determine whether a transferor has control over the facility are met. This statement has been implemented by City of Ontario for fiscal year ending June 30, 2013. Management has evaluated existing contracts, leases and other agreements to determine if they are in fact a SCA, and if the criteria outlined in the statement for a SCA have been met. The city does not have any agreements which require accounting and reporting under GASB No. 60. On an annual basis, management will evaluate new lease agreements and other arrangements in accordance with the criteria outlined in statement No. 60.

***GASB Statement No. 61, The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34.***

The objective of this statement is to improve financial reporting for a governmental financial reporting entity. This statement modifies certain requirements for inclusion of component units in the financial reporting entity. This statement also amended statements No. 14, The Financial Reporting Entity, and No. 34, Basic Financial Statements – and Management’s Discussion and Analysis for State and Local Governments, to better meet user needs and to address reporting entity issues that have arisen since the issuance of those statements. This statement has been implemented by City of Ontario for fiscal year ending June 30, 2013. Management reviewed the financial reporting criteria outlined in GASB No. 61 to identify any potential component units. Management’s analysis did not identify any reportable component units that were material to include or disclose in the financial statements.

***GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.***

The intent of this statement is to provide a single source for applicable guidance from FASB and the AICPA, rather than establishing new guidance on affected topics. City of Ontario implemented this statement effective for fiscal year ending June 30, 2013.

This statement had minimal impact to the city’s financial statements or related accounting and financial reporting. The effect of implementing this standard was to remove footnote disclosure in the Summary of Significant Accounting Policies referencing private-sector standards issued prior to December 1, 1989. There were no other changes to the city’s financials as a result of implementing this standard.

***GASB Statement No. 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position***

The objective of this statement is to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s net position. The statement provides reporting guidance for financial statement line items and the actual financial statements presentation and disclosure of these financial statement elements. City of Ontario implemented

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this standard for fiscal year ending June 30, 2013.

Management has reviewed the requirements of this standard and has determined the impact to the city's financial reporting is to rename the Statement of Net Assets to the Statement of Net Position and change related references throughout the financial statements. In addition, the line item for "invested in capital assets, net of related debt" will change to "net investment in capital assets." There does not appear to be any other impact to the city's financial accounting and reporting.

***GASB Statement No. 65 – Items Previously Reported as Assets and Liabilities***

This statement evaluates and reclassifies various financial statements items that have been previously reported as either assets or liabilities and evaluates them against the definitions provided for deferred outflows and deferred inflows of resources. This statement is effective for fiscal year ending June 30, 2014; however management has elected to early implement this standard for fiscal year ending June 30, 2013.

***GASB Statement No. 66 – Technical Corrections***

This statement clarified conflicting guidance that was created by GASB Statements No. 54 and No. 62 with existing guidance in statements No. 10, No. 13 and No. 48. More specifically, statement No. 66 addressed certain transactions related to risk financing activities, operating leases, purchased loans and gains or losses recognized when service fees related to a transferred loan is significantly different than "normal" service fee rates. This statement is effective for fiscal year ending June 30, 2014; however management has elected to early implement this standard for fiscal year ending June 30, 2013.

*The following pronouncements have been issued by the Governmental Accounting Standards Board (GASB) but not yet implemented by the city.*

***GASB Statement No. 67 – Financial Reporting for Pension Plans***

The objective of this statement is to improve the financial reporting by state and local governmental pension plans. This statement replaces the requirements of statements No. 25 and will be effective for fiscal year ending June 30, 2014.

The city along with other local governments participate in a cost-sharing multiple employer defined benefit public employees' pension plan, PERS. This statement will not directly affect the city reporting for PERS, however changes implemented by PERS under No. 67 will affect the city's reporting and disclosures for No. 68.

***GASB Statement No. 68 – Accounting and Financial Reporting for Pensions***

This statement was issued to improve accounting and financial reporting by state and local government for pensions. This statement replaces statement No. 27 as well as requirements of statement No. 50. This statement and statement No. 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pension and paying benefits to plan members as they come due. This statement will be effective for fiscal year ending June 30, 2015.

The city along with other local governments participate in a cost-sharing multiple employer defined benefit public employees' pension plan, PERS. The requirements of this standard appear to have a significant impact over financial accounting and reporting for the city's participation in the PERS plan. At this point management is researching all of the requirements outlined in this standard and will be working with other local governments and PERS to ensure proper financial reporting and disclosures are met.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ONTARIO, OREGON  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**(BUDGET BASIS)**  
For the Year Ended  
June 30, 2013

	Original Budget	Final Budget	1st Year Actual	Current Year Actual	Total Combined Actual	Favorable (Unfavorable) Variance with Final Budget
<b>Revenues</b>						
Property taxes	\$ 6,368,750	\$ 6,368,750	\$ 3,070,657	\$ 3,239,003	\$ 6,309,660	\$ (59,090)
Other taxes	727,810	727,810	82,165	75,379	157,544	(570,266)
Franchise fees	2,704,548	2,704,548	1,421,222	1,576,866	2,998,088	293,540
Licenses and permits	143,100	143,100	192,537	105,996	298,533	155,433
Intergovernmental	1,280,779	1,280,779	635,968	647,830	1,283,798	3,019
Charges for services	503,230	601,476	294,216	293,310	587,526	(13,950)
Fines and forfeits	14,600	14,600	5,602	3,610	9,212	(5,388)
Miscellaneous	130,440	154,232	66,350	96,460	162,810	8,578
Donations	-	24,511	24,511	-	24,511	-
Interest on investments	30,000	30,000	9,407	11,961	21,368	(8,632)
<b>Total revenues</b>	<b>11,903,257</b>	<b>12,049,806</b>	<b>5,802,635</b>	<b>6,050,415</b>	<b>11,853,050</b>	<b>(196,756)</b>
<b>Expenditures</b>						
Personal services	9,260,587	9,284,412	4,594,231	4,640,165	9,234,396	50,016
Materials and services	2,155,686	2,321,344	1,262,165	1,210,326	2,472,491	(151,147)
Capital outlay	591,880	153,831	59,722	80,576	140,298	13,533
Debt service	138,000	138,000	-	22,327	22,327	115,673
Contingency	1,688,401	1,357,436	-	-	-	1,357,436
<b>Total expenditures</b>	<b>13,834,554</b>	<b>13,255,023</b>	<b>5,916,118</b>	<b>5,953,394</b>	<b>11,869,512</b>	<b>1,385,511</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(1,931,297)</b>	<b>(1,205,217)</b>	<b>(113,483)</b>	<b>97,021</b>	<b>(16,462)</b>	<b>1,188,755</b>
<b>Other financing sources (uses)</b>						
Transfers in	1,488,510	1,488,510	744,248	742,251	1,486,499	(2,011)
Transfers out	(1,295,094)	(1,971,886)	(647,997)	(1,324,289)	(1,972,286)	(400)
<b>Total other sources (uses)</b>	<b>193,416</b>	<b>(483,376)</b>	<b>96,251</b>	<b>(582,038)</b>	<b>(485,787)</b>	<b>(2,411)</b>
<b>Net change in fund balance</b>	<b>(1,737,881)</b>	<b>(1,688,593)</b>	<b>(17,232)</b>	<b>(485,017)</b>	<b>(502,249)</b>	<b>1,186,344</b>
<b>Fund balance, July 1, before restatement</b>	<b>2,587,881</b>	<b>2,587,881</b>	<b>3,544,923</b>	<b>1,633,217</b>	<b>3,544,923</b>	<b>957,042</b>
Restatement, see note 11	-	-	(1,894,474)	(326,555)	(2,221,029)	(2,221,029)
<b>Fund balance, July 1, after restatement</b>	<b>2,587,881</b>	<b>2,587,881</b>	<b>1,650,449</b>	<b>1,306,662</b>	<b>1,323,894</b>	<b>(1,263,987)</b>
<b>Fund balance, June 30</b>	<b>\$ 850,000</b>	<b>\$ 899,288</b>	<b>\$ 1,633,217</b>	<b>\$ 821,645</b>	<b>\$ 821,645</b>	<b>\$ (77,643)</b>

**CITY OF ONTARIO, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - STREET FUND**  
**(BUDGET BASIS)**  
For the Year Ended  
June 30, 2013

	Original Budget	Final Budget	1st Year Actual	Current Year Actual	Total Combined Actual	Favorable (Unfavorable) Variance with Final Budget
<b>Revenues</b>						
Intergovernmental	\$ 1,744,414	\$ 1,744,414	\$ 905,951	\$ 617,309	\$ 1,523,260	\$ (221,154)
Interest on investments	-	-	-	(247)	(247)	(247)
Other taxes	-	-	345,093	319,875	664,968	664,968
Miscellaneous	-	-	12,195	23,639	35,834	35,834
<b>Total revenues</b>	<b>1,744,414</b>	<b>1,744,414</b>	<b>1,263,239</b>	<b>960,576</b>	<b>2,223,815</b>	<b>479,401</b>
<b>Expenditures</b>						
Personal services	892,976	892,976	403,828	437,109	840,937	52,039
Materials and services	881,690	881,690	404,250	353,646	757,896	123,794
Capital outlay	585,732	585,732	371,089	167,183	538,272	47,460
Contingency	298,106	298,106	-	-	-	298,106
<b>Total expenditures</b>	<b>2,658,504</b>	<b>2,658,504</b>	<b>1,179,167</b>	<b>957,938</b>	<b>2,137,105</b>	<b>521,399</b>
Excess of revenues over (under) expenditures	(914,090)	(914,090)	84,072	2,638	86,710	1,000,800
<b>Other financing sources (uses)</b>						
Transfers in	818,220	818,220	423,932	408,432	832,364	14,144
Transfers out	(174,130)	(174,130)	(87,060)	(87,060)	(174,120)	10
<b>Total other sources (uses)</b>	<b>644,090</b>	<b>644,090</b>	<b>336,872</b>	<b>321,372</b>	<b>658,244</b>	<b>14,154</b>
<b>Net change in fund balance</b>	<b>(270,000)</b>	<b>(270,000)</b>	<b>420,944</b>	<b>324,010</b>	<b>744,954</b>	<b>1,014,954</b>
<b>Fund balance, July 1, before restatement</b>	<b>270,000</b>	<b>270,000</b>	<b>210,064</b>	<b>2,525,482</b>	<b>210,064</b>	<b>(59,936)</b>
Restatement, see note 11	-	-	1,894,474	-	1,894,474	1,894,474
<b>Fund balance, July 1, after restatement</b>	<b>270,000</b>	<b>270,000</b>	<b>2,104,538</b>	<b>2,525,482</b>	<b>2,104,538</b>	<b>1,834,538</b>
<b>Fund balance, June 30</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,525,482</b>	<b>\$ 2,849,492</b>	<b>\$ 2,849,492</b>	<b>\$ 2,849,492</b>

**CITY OF ONTARIO, OREGON**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY REPORTING**  
For the Year Ended  
June 30, 2013

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

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

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

During the year ended June 30, 2013 the city had several procedural budget violations and the following over expenditures of appropriations:

General Fund		
Materials and services	\$151,147	
Transfers	400	
Library Fund		
Materials and services	\$1,162	
Debt Service Fund		
Debt service	\$130	
Water Fund		
Transfers	\$4,636	
Sewer Fund		
Materials and services	\$9,372	
Transfers	9,172	
Storm Sewer Fund		
Transfers	\$336	

OTHER SUPPLEMENTARY INFORMATION

**CITY OF ONTARIO, OREGON**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
June 30, 2013

	Special Revenue Funds	
	Grants Fund	Library Fund
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
Assets		
Cash and investments	\$      -	\$      -
Accounts receivable		
Assessments	-      -	-      -
Other	303,116	-      -
Restricted cash		
Cash held in trust	-      -	-      -
Total assets	<u>303,116</u>	-      -
Deferred outflows of resources	-      -	-      -
Total assets and deferred outflows	<u>\$ 303,116</u>	<u>\$      -</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>		
Liabilities		
Accounts payable	\$ 244,481	\$      -
Interfund payable	119,973	-      -
Deposits held in trust	-      -	-      -
Total liabilities	<u>364,454</u>	-      -
Deferred inflows of resources		
Deferred special assessment revenues	-      -	-      -
Total deferred inflows	<u>-      -</u>	<u>-      -</u>
Fund balances		
Spendable		
Restricted	-      -	-      -
Committed	-      -	-      -
Unassigned	<u>(61,338)</u>	-      -
Total fund balances	<u>(61,338)</u>	-      -
Total liabilities, deferred inflows and fund balances	<u>\$ 303,116</u>	<u>\$      -</u>

See accompanying independent auditor's report.

Special Revenue Funds							Total
911 Fund	Trust Fund	Reserve Fund	Revolving Loan Fund	Debt Service Fund			June 30, 2013
\$ 29,229	\$ 338,887	\$ 1,507,441	\$ 462,001	\$ 182,807			\$ 2,520,365
-	-	-	274,008	267,336			541,344
7,847	37,986	-	-	-	1,146		350,095
-	275,738	-	-	-	-		275,738
<u>37,076</u>	<u>652,611</u>	<u>1,507,441</u>	<u>736,009</u>	<u>451,289</u>			<u>3,687,542</u>
-	-	-	-	-	-		-
<u>\$ 37,076</u>	<u>\$ 652,611</u>	<u>\$ 1,507,441</u>	<u>\$ 736,009</u>	<u>\$ 451,289</u>			<u>\$ 3,687,542</u>
\$ 2,482	\$ 33,264	\$ -	\$ 5,000	\$ -			\$ 285,227
-	-	-	-	-			119,973
-	246,663	-	-	-	-		246,663
<u>2,482</u>	<u>279,927</u>	<u>-</u>	<u>5,000</u>	<u>-</u>			<u>651,863</u>
-	-	-	265,025	222,109			487,134
-	-	-	265,025	222,109			487,134
34,594	-	-	-	229,180			263,774
-	372,684	1,507,441	465,984	-			2,346,109
-	-	-	-	-			(61,338)
<u>34,594</u>	<u>372,684</u>	<u>1,507,441</u>	<u>465,984</u>	<u>229,180</u>			<u>2,548,545</u>
<u>\$ 37,076</u>	<u>\$ 652,611</u>	<u>\$ 1,507,441</u>	<u>\$ 736,009</u>	<u>\$ 451,289</u>			<u>\$ 3,687,542</u>

**CITY OF ONTARIO, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR FUNDS**

June 30, 2013

	<b>Special Revenue Funds</b>	
	<b>Grants Fund</b>	<b>Library Fund</b>
<b>Revenues</b>		
Other taxes	\$ -	\$ -
Special assessments	- -	- -
Intergovernmental revenues	643,529	- -
Charges for services	- -	- -
Miscellaneous	- -	- -
Interest on investments	- -	- -
Loan repayments	- -	- -
<b>Total revenues</b>	<b>643,529</b>	<b>- -</b>
<b>Expenditures</b>		
Personal services	- -	- -
Materials and services	- -	- -
Capital outlay	549,376	- -
Debt service		
Principal	- -	- -
Interest	- -	- -
<b>Total expenditures</b>	<b>549,376</b>	<b>- -</b>
Excess of revenues over (under) expenditures	94,153	- -
Other financing sources (uses)		
Operating transfers in	17,000	- -
Operating transfers out	- -	- -
<b>Total other financing sources (uses)</b>	<b>17,000</b>	<b>- -</b>
Net change in fund balances	111,153	- -
Fund balances, July 1	(172,491)	- -
<b>Fund balances, June 30</b>	<b>\$ (61,338)</b>	<b>\$ - -</b>

See accompanying independent auditor's report.

**Special Revenue Funds**

<b>911 Fund</b>	<b>Trust Fund</b>	<b>Reserve Fund</b>	<b>Revolving Loan Fund</b>	<b>Debt Service Fund</b>	<b>Total June 30, 2013</b>
\$ -	\$ 287,842	\$ -	\$ -	\$ -	\$ 287,842
-	-	-	-	75,654	75,654
76,788	-	6,235	-	-	726,552
3,445	9,800	-	-	-	13,245
6,968	1,260	-	-	-	8,228
-	2,605	-	14,537	14,937	32,079
-	-	-	57,583	-	57,583
<b>87,201</b>	<b>301,507</b>	<b>6,235</b>	<b>72,120</b>	<b>90,591</b>	<b>1,201,183</b>
 <b>462,301</b>	 -	 -	 -	 -	 <b>462,301</b>
<b>24,560</b>	<b>286,024</b>	<b>8,689</b>	<b>25,014</b>	<b>-</b>	<b>344,287</b>
<b>8,223</b>	<b>-</b>	<b>23,135</b>	<b>-</b>	<b>-</b>	<b>580,734</b>
 -	 -	 26,558	 -	 55,377	 81,935
 -	 -	 2,717	 -	 19,201	 21,918
<b>495,084</b>	<b>286,024</b>	<b>61,099</b>	<b>25,014</b>	<b>74,578</b>	<b>1,491,175</b>
 <b>(407,883)</b>	 <b>15,483</b>	 <b>(54,864)</b>	 <b>47,106</b>	 <b>16,013</b>	 <b>(289,992)</b>
 <b>461,124</b>	 -	 46,980	 -	 -	 525,104
 -	 (7,500)	 (21,963)	 -	 -	 (29,463)
<b>461,124</b>	<b>(7,500)</b>	<b>25,017</b>	<b>-</b>	<b>-</b>	<b>495,641</b>
 53,241	 7,983	 (29,847)	 47,106	 16,013	 205,649
 <b>(18,647)</b>	 <b>364,701</b>	 <b>1,537,288</b>	 <b>418,878</b>	 <b>213,167</b>	 <b>2,342,896</b>
<b>\$ 34,594</b>	<b>\$ 372,684</b>	<b>\$ 1,507,441</b>	<b>\$ 465,984</b>	<b>\$ 229,180</b>	<b>\$ 2,548,545</b>

CITY OF ONTARIO, OREGON  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GRANTS FUND**  
**(BUDGET BASIS)**  
For the Year Ended  
June 30, 2013

	Original Budget	Final Budget	1st Year Actual	Current Year Actual	Total Combined Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues						
Intergovernmental	\$ 7,918,765	\$ 8,284,354	\$ 3,497,164	\$ 643,529	\$ 4,140,693	\$ (7,640,825)
Total revenues	<u>7,918,765</u>	<u>8,284,354</u>	<u>3,497,164</u>	<u>643,529</u>	<u>4,140,693</u>	<u>(7,640,825)</u>
Expenditures						
Capital outlay	<u>7,918,765</u>	<u>8,301,354</u>	<u>3,657,325</u>	<u>549,376</u>	<u>4,206,701</u>	<u>7,751,978</u>
Total expenditures	<u>7,918,765</u>	<u>8,301,354</u>	<u>3,657,325</u>	<u>549,376</u>	<u>4,206,701</u>	<u>7,751,978</u>
Excess of revenues over (under) expenditures	-	(17,000)	(160,161)	94,153	(66,008)	111,153
Other financing sources (uses)						
Transfers in	-	17,000	-	17,000	17,000	-
Total other financing sources (uses)	<u>-</u>	<u>17,000</u>	<u>-</u>	<u>17,000</u>	<u>17,000</u>	<u>-</u>
Net change in fund balance	-	-	(160,161)	111,153	(49,008)	111,153
Fund balance, July 1	-	-	(12,330)	(172,491)	(12,330)	(172,491)
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (172,491)</u>	<u>\$ (61,338)</u>	<u>\$ (61,338)</u>	<u>\$ (61,338)</u>

CITY OF ONTARIO, OREGON  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - LIBRARY FUND**  
**(BUDGET BASIS)**  
For the Year Ended  
June 30, 2013

	Original Budget	Final Budget	1st Year Actual	Current Year Actual	Total Combined Actual	Favorable (Unfavorable) Variance with Final Budget
<b>Revenues</b>						
Interest on investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-	-	-
<b>Expenditures</b>						
Materials and services	-	-	1,162	-	1,162	(1,162)
Total expenditures	-	-	1,162	-	1,162	(1,162)
Net change in fund balance	-	-	(1,162)	-	(1,162)	(1,162)
Fund balance, July 1	-	-	1,162	-	1,162	1,162
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF ONTARIO, OREGON  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - 911 FUND**  
**(BUDGET BASIS)**  
For the Year Ended  
June 30, 2013

	Original Budget	Final Budget	1st Year Actual	Current Year Actual	Total Combined Actual	Favorable (Unfavorable) Variance with Final Budget
<b>Revenues</b>						
Intergovernmental	\$ 157,094	\$ 157,094	\$ 78,265	\$ 76,788	\$ 155,053	\$ (2,041)
Miscellaneous	-	17,228	-	6,968	6,968	(10,260)
Charges for services	6,000	6,000	3,080	3,445	6,525	525
<b>Total revenues</b>	<b>163,094</b>	<b>180,322</b>	<b>81,345</b>	<b>87,201</b>	<b>168,546</b>	<b>(11,776)</b>
<b>Expenditures</b>						
Personal services	1,021,942	1,004,714	480,145	462,301	942,446	62,268
Materials and services	63,401	63,401	33,315	24,560	57,875	5,526
Capital outlay	-	34,456	17,228	8,223	25,451	9,005
<b>Total expenditures</b>	<b>1,085,343</b>	<b>1,102,571</b>	<b>530,688</b>	<b>495,084</b>	<b>1,025,772</b>	<b>76,799</b>
Excess of revenues over (under) expenditures	(922,249)	(922,249)	(449,343)	(407,883)	(857,226)	65,023
<b>Other financing sources (uses)</b>						
Transfers in	922,249	922,249	461,125	461,124	922,249	-
Total other sources (uses)	<u>922,249</u>	<u>922,249</u>	<u>461,125</u>	<u>461,124</u>	<u>922,249</u>	<u>-</u>
Net change in fund balance	-	-	11,782	53,241	65,023	65,023
Fund balance, July 1	-	-	(30,429)	(18,647)	(30,429)	(30,429)
<b>Fund balance, June 30</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (18,647)</b>	<b>\$ 34,594</b>	<b>\$ 34,594</b>	<b>\$ 34,594</b>

CITY OF ONTARIO, OREGON  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - TRUST FUND**  
**(BUDGET BASIS)**  
For the Year Ended  
June 30, 2013

	Original Budget	Final Budget	1st Year Actual	Current Year Actual	Total Combined Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues						
Other taxes	\$ 529,996	\$ 529,996	\$ 310,769	\$ 287,842	\$ 598,611	\$ 68,615
Charges for services	10,000	10,000	800	9,800	10,600	600
Miscellaneous	-	-	1,600	1,260	2,860	2,860
Interest on investments	5,000	5,000	445	2,605	3,050	(1,950)
Total revenues	<u>544,996</u>	<u>544,996</u>	<u>313,614</u>	<u>301,507</u>	<u>615,121</u>	<u>70,125</u>
Expenditures						
Materials and services	804,140	804,140	271,374	286,024	557,398	246,742
Total expenditures	<u>804,140</u>	<u>804,140</u>	<u>271,374</u>	<u>286,024</u>	<u>557,398</u>	<u>246,742</u>
Excess of revenues over (under) expenditures	(259,144)	(259,144)	42,240	15,483	57,723	316,867
Other financing sources (uses)						
Transfers out	(15,000)	(15,000)	(7,500)	(7,500)	(15,000)	-
Total other sources (uses)	<u>(15,000)</u>	<u>(15,000)</u>	<u>(7,500)</u>	<u>(7,500)</u>	<u>(15,000)</u>	<u>-</u>
Net change in fund balance	(274,144)	(274,144)	34,740	7,983	42,723	316,867
Fund balance, July 1	578,241	578,241	329,961	364,701	329,961	(248,280)
Fund balance, June 30	<u>\$ 304,097</u>	<u>\$ 304,097</u>	<u>\$ 364,701</u>	<u>\$ 372,684</u>	<u>\$ 372,684</u>	<u>\$ 68,587</u>

**CITY OF ONTARIO, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - RESERVE FUND**  
**(BUDGET BASIS)**  
For the Year Ended  
June 30, 2013

	Original Budget	Final Budget	1st Year Actual	Current Year Actual	Total Combined Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues						
Intergovernmental	\$ 13,114	\$ 13,114	\$ 6,202	\$ 6,235	\$ 12,437	\$ (677)
Donations	5,000	5,000	-	-	-	(5,000)
Interest on investments	200	200	-	-	-	(200)
Total revenues	<u>18,314</u>	<u>18,314</u>	<u>6,202</u>	<u>6,235</u>	<u>12,437</u>	<u>(5,877)</u>
Expenditures						
Materials and services	47,228	47,228	1,285	8,689	9,974	37,254
Capital outlay	310,595	310,595	127,184	52,410	179,594	131,001
Contingency	165,453	165,453	-	-	-	165,453
Total expenditures	<u>523,276</u>	<u>523,276</u>	<u>128,469</u>	<u>61,099</u>	<u>189,568</u>	<u>333,708</u>
Excess of revenues over (under) expenditures	(504,962)	(504,962)	(122,267)	(54,864)	(177,131)	327,831
Other financing sources (uses)						
Transfers in	93,560	93,560	46,980	46,980	93,960	400
Transfers out	(47,919)	(47,919)	(23,960)	(21,963)	(45,923)	1,996
Total other sources (uses)	<u>45,641</u>	<u>45,641</u>	<u>23,020</u>	<u>25,017</u>	<u>48,037</u>	<u>2,396</u>
Net change in fund balance	(459,321)	(459,321)	(99,247)	(29,847)	(129,094)	330,227
Fund balance, July 1	<u>1,526,085</u>	<u>1,526,085</u>	<u>1,636,535</u>	<u>1,537,288</u>	<u>1,636,535</u>	<u>110,450</u>
Fund balance, June 30	<u>\$ 1,066,764</u>	<u>\$ 1,066,764</u>	<u>\$ 1,537,288</u>	<u>\$ 1,507,441</u>	<u>\$ 1,507,441</u>	<u>\$ 440,677</u>

CITY OF ONTARIO, OREGON  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - REVOLVING LOAN FUND**  
**(BUDGET BASIS)**  
For the Year Ended  
June 30, 2013

	Original Budget	Final Budget	1st Year Actual	Current Year Actual	Total Combined Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues						
Interest on investments	\$ 48,397	\$ 48,397	\$ 17,671	\$ 14,537	\$ 32,208	\$ (16,189)
Loan repayments	119,848	119,848	55,037	57,583	112,620	(7,228)
Total revenues	<u>168,245</u>	<u>168,245</u>	<u>72,708</u>	<u>72,120</u>	<u>144,828</u>	<u>(23,417)</u>
Expenditures						
Materials and services	513,711	513,711	-	25,014	25,014	488,697
Total expenditures	<u>513,711</u>	<u>513,711</u>	<u>-</u>	<u>25,014</u>	<u>25,014</u>	<u>488,697</u>
Net change in fund balance	(345,466)	(345,466)	72,708	47,106	119,814	465,280
Fund balance, July 1	<u>345,466</u>	<u>345,466</u>	<u>346,170</u>	<u>418,878</u>	<u>346,170</u>	<u>704</u>
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 418,878</u>	<u>\$ 465,984</u>	<u>\$ 465,984</u>	<u>\$ 465,984</u>

CITY OF ONTARIO, OREGON  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - DEBT SERVICE**  
**(BUDGET BASIS)**  
For the Year Ended  
June 30, 2013

	Original Budget	Final Budget	1st Year Actual	Current Year Actual	Total Combined Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues						
Special assessments	\$ 68,205	\$ 68,205	\$ 33,502	\$ 75,654	\$ 109,156	\$ 40,951
Interest on investments	36,000	36,000	12,680	14,937	27,617	(8,383)
Miscellaneous revenues	-	-	131	-	131	131
Total revenues	<u>104,205</u>	<u>104,205</u>	<u>46,313</u>	<u>90,591</u>	<u>136,904</u>	<u>32,699</u>
Expenditures						
Debt service	151,525	151,525	77,077	74,578	151,655	(130)
Contingency	144,866	144,866	-	-	-	144,866
Total expenditures	<u>296,391</u>	<u>296,391</u>	<u>77,077</u>	<u>74,578</u>	<u>151,655</u>	<u>144,736</u>
Net change in fund balance	(192,186)	(192,186)	(30,764)	16,013	(14,751)	177,435
Fund balance, July 1	<u>192,186</u>	<u>192,186</u>	<u>243,931</u>	<u>213,167</u>	<u>243,931</u>	<u>51,745</u>
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 213,167</u>	<u>\$ 229,180</u>	<u>\$ 229,180</u>	<u>\$ 229,180</u>

MAJOR CAPITAL PROJECTS FUND

CITY OF ONTARIO, OREGON  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - CAPITAL PROJECTS FUND**  
**(BUDGET BASIS)**  
For the Year Ended  
June 30, 2013

	Original Budget	Final Budget	1st Year Actual	Current Year Actual	Total Combined Actual	Favorable (Unfavorable) Variance with Final Budget
<b>Revenues</b>						
Intergovernmental	\$ -	\$ -	\$ 13,068	\$ -	\$ 13,068	\$ 13,068
Charges for services	2,500	2,500	4,297	2,665	6,962	4,462
Miscellaneous	-	350,000	258,471	4,705	263,176	(86,824)
Interest on investments	-	-	2,161	22,043	24,204	24,204
System development charges	11,000	11,000	84,436	69,018	153,454	142,454
Utilities capitalization charges	1,918,858	1,918,858	452,644	470,992	923,636	(995,222)
<b>Total revenues</b>	<b>1,932,358</b>	<b>2,282,358</b>	<b>815,077</b>	<b>569,423</b>	<b>1,384,500</b>	<b>(897,858)</b>
<b>Expenditures</b>						
Materials and services	-	100,000	-	73,789	73,789	26,211
Capital outlay	2,567,900	2,824,144	832,110	591,477	1,423,587	1,400,557
Contingency	2,929,458	2,929,458	-	-	-	2,929,458
<b>Total expenditures</b>	<b>5,497,358</b>	<b>5,853,602</b>	<b>832,110</b>	<b>665,266</b>	<b>1,497,376</b>	<b>4,356,226</b>
<b>Net change in fund balance</b>	<b>(3,565,000)</b>	<b>(3,571,244)</b>	<b>(17,033)</b>	<b>(95,843)</b>	<b>(112,876)</b>	<b>3,458,368</b>
<b>Fund balance, July 1, before restatement</b>	<b>3,565,000</b>	<b>3,571,244</b>	<b>3,206,377</b>	<b>3,189,344</b>	<b>3,206,377</b>	<b>(364,867)</b>
Restatement, see note 11	-	-	-	347,381	347,381	347,381
<b>Fund balance, July 1, after restatement</b>	<b>3,565,000</b>	<b>3,571,244</b>	<b>3,206,377</b>	<b>3,536,725</b>	<b>3,553,758</b>	<b>(17,486)</b>
<b>Fund balance, June 30</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,189,344</b>	<b>\$ 3,440,882</b>	<b>\$ 3,440,882</b>	<b>\$ 3,440,882</b>

MAJOR PROPRIETARY FUNDS

CITY OF ONTARIO, OREGON  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**BUDGET AND ACTUAL - WATER FUND**  
**(BUDGET BASIS)**  
For the Year Ended  
June 30, 2013

	Original Budget	Final Budget	1st Year Actual	Current Year Actual	Total Combined Actual	Favorable (Unfavorable) Variance with Final Budget
<b>Revenues</b>						
Charges for services	\$ 5,673,701	\$ 5,673,701	\$ 2,764,097	\$ 2,889,984	\$ 5,654,081	\$ (19,620)
Miscellaneous	12,000	12,000	14,360	24,566	38,926	26,926
<b>Total revenues</b>	<b>5,685,701</b>	<b>5,685,701</b>	<b>2,778,457</b>	<b>2,914,550</b>	<b>5,693,007</b>	<b>7,306</b>
<b>Expenses</b>						
Personal services	693,832	693,832	305,792	318,775	624,567	69,265
Materials and services	3,477,798	3,634,865	1,754,630	1,830,046	3,584,676	50,189
Capital outlay	318,754	333,824	55,311	100,803	156,114	177,710
Debt service	779,403	779,403	390,550	387,474	778,024	1,379
Contingency	1,032,204	875,137	-	-	-	875,137
<b>Total expenses</b>	<b>6,301,991</b>	<b>6,317,061</b>	<b>2,506,283</b>	<b>2,637,098</b>	<b>5,143,381</b>	<b>1,173,680</b>
Excess of revenues over (under) expenses	(616,290)	(631,360)	272,174	277,452	549,626	1,180,986
<b>Other financing sources (uses)</b>						
Transfers out	(395,060)	(395,060)	(199,848)	(199,848)	(399,696)	(4,636)
<b>Total other financing sources (uses)</b>	<b>(395,060)</b>	<b>(395,060)</b>	<b>(199,848)</b>	<b>(199,848)</b>	<b>(399,696)</b>	<b>(4,636)</b>
Net change in fund net position	(1,011,350)	(1,026,420)	72,326	77,604	149,930	1,176,350
Net position, July 1	1,011,350	1,026,420	1,067,158	1,139,484	1,067,158	40,738
Net position, June 30	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,139,484</b>	<b>\$ 1,217,088</b>	<b>\$ 1,217,088</b>	<b>\$ 1,217,088</b>

**Reconciliation to Generally Accepted Accounting Principles**

Capital assets, net of accumulated depreciation	\$ 11,901,397	\$ 11,668,328
Inventory	121,198	131,039
Accrued interest	(97,219)	(94,135)
Compensated absences	(13,530)	(16,531)
Long-term obligations	(4,015,186)	(3,796,319)
Net Position, Ending	<b>\$ 9,036,144</b>	<b>\$ 9,109,470</b>

CITY OF ONTARIO, OREGON  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**BUDGET AND ACTUAL - SEWER FUND**  
**(BUDGET BASIS)**  
For the Year Ended  
June 30, 2013

	Original Budget	Final Budget	1st Year Actual	Current Year Actual	Total Combined Actual	Favorable (Unfavorable) Variance with Final Budget
<b>Revenues</b>						
Charges for services	\$ 5,701,078	\$ 5,701,078	\$ 2,942,391	\$ 2,954,003	\$ 5,896,394	\$ 195,316
Miscellaneous	1,600	1,600	13,086	6,995	20,081	18,481
<b>Total revenues</b>	<b>5,702,678</b>	<b>5,702,678</b>	<b>2,955,477</b>	<b>2,960,998</b>	<b>5,916,475</b>	<b>213,797</b>
<b>Expenses</b>						
Personal services	532,627	576,627	282,364	280,642	563,006	13,621
Materials and services	2,869,272	2,990,472	1,520,948	1,478,896	2,999,844	(9,372)
Capital outlay	1,105,452	1,105,452	496,058	301,701	797,759	307,693
Debt service	2,305,359	2,305,359	1,262,875	1,038,404	2,301,279	4,080
Contingency	855,635	680,435	-	-	-	680,435
<b>Total expenses</b>	<b>7,668,345</b>	<b>7,658,345</b>	<b>3,562,245</b>	<b>3,099,643</b>	<b>6,661,888</b>	<b>996,457</b>
Excess of revenues over (under) expenses	(1,965,667)	(1,955,667)	(606,768)	(138,645)	(745,413)	1,210,254
<b>Other financing sources (uses)</b>						
Transfers out	(393,308)	(403,308)	(201,240)	(211,240)	(412,480)	(9,172)
<b>Total other financing sources (uses)</b>	<b>(393,308)</b>	<b>(403,308)</b>	<b>(201,240)</b>	<b>(211,240)</b>	<b>(412,480)</b>	<b>(9,172)</b>
<b>Net change in fund net position</b>	<b>(2,358,975)</b>	<b>(2,358,975)</b>	<b>(808,008)</b>	<b>(349,885)</b>	<b>(1,157,893)</b>	<b>1,201,082</b>
Net position, July 1, before restatement	2,358,975	2,358,975	2,467,688	1,659,680	2,467,688	(1,088,101)
Restatement, see note 11	-	-	-	(598,407)	(598,407)	598,407
Net position, July 1, after restatement	2,358,975	2,358,975	2,467,688	1,061,273	1,869,281	(489,694)
Net position, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,659,680</u>	<u>\$ 711,388</u>	<u>\$ 711,388</u>	<u>\$ 711,388</u>

**Reconciliation to Generally Accepted  
Accounting Principles**

Capital assets, net of accumulated depreciation	\$ 18,623,955	\$ 18,392,445
Inventory	121,198	131,039
Accrued interest	(115,437)	(109,165)
Compensated absences	(20,887)	(7,544)
Debt premium	(74,511)	-
Long-term obligations	<u>(6,829,243)</u>	<u>(6,045,741)</u>
Net Position, Ending	<u><u>\$ 13,364,755</u></u>	<u><u>\$ 13,072,422</u></u>

CITY OF ONTARIO, OREGON  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**BUDGET AND ACTUAL - STORM SEWER FUND**  
**(BUDGET BASIS)**  
For the Year Ended  
June 30, 2013

	Original Budget	Final Budget	1st Year Actual	Current Year Actual	Total Combined Actual	Favorable (Unfavorable) Variance with Final Budget
<b>Revenues</b>						
Charges for services	\$ 246,987	\$ 246,987	\$ 105,681	\$ 105,731	\$ 211,412	\$ (35,575)
Total revenues	<u>246,987</u>	<u>246,987</u>	<u>105,681</u>	<u>105,731</u>	<u>211,412</u>	<u>(35,575)</u>
<b>Expenses</b>						
Personal services	46,198	46,198	19,145	16,292	35,437	10,761
Materials and services	186,437	186,437	81,272	90,707	171,979	14,458
Total expenses	<u>232,635</u>	<u>232,635</u>	<u>100,417</u>	<u>106,999</u>	<u>207,416</u>	<u>25,219</u>
Excess of revenues over (under) expenses	14,352	14,352	5,264	(1,268)	3,996	(10,356)
Other financing sources (uses)						
Transfers out	(14,352)	(14,352)	(7,344)	(7,344)	(14,688)	(336)
Total other financing sources (uses)	<u>(14,352)</u>	<u>(14,352)</u>	<u>(7,344)</u>	<u>(7,344)</u>	<u>(14,688)</u>	<u>(336)</u>
Change in fund net position	-	-	(2,080)	(8,612)	(10,692)	(10,692)
Net position, July 1, before restatement	-	-	(225,365)	(227,445)	(225,365)	(225,365)
Restatement, see note 11	-	-	-	598,407	598,407	598,407
Net position, July 1, after restatement	-	-	(225,365)	370,962	373,042	373,042
Net position, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (227,445)</u>	<u>\$ 362,350</u>	<u>\$ 362,350</u>	<u>\$ 362,350</u>

**Reconciliation to Generally Accepted Accounting Principles**

Capital assets, net of accumulated depreciation	\$ 3,716,764	\$ 2,695,890
Inventory	10,017	10,920
Compensated absences	<u>(2,744)</u>	<u>-</u>
Net Position, Ending	<u><u>\$ 3,496,592</u></u>	<u><u>\$ 3,069,160</u></u>

CITY OF ONTARIO, OREGON  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**BUDGET AND ACTUAL - GOLF COURSE FUND**  
**(BUDGET BASIS)**  
For the Year Ended  
June 30, 2013

	Original Budget	Final Budget	1st Year Actual	Current Year Actual	Total Combined Actual	Favorable (Unfavorable) Variance with Final Budget
<b>Revenues</b>						
Charges for services	\$ 341,750	\$ 353,725	\$ 191,675	\$ 28,628	\$ 220,303	\$ (133,422)
Total revenues	<u>341,750</u>	<u>353,725</u>	<u>191,675</u>	<u>28,628</u>	<u>220,303</u>	<u>(133,422)</u>
<b>Expenses</b>						
Personal services	150,839	153,289	86,379	56,225	142,604	10,685
Materials and services	419,696	560,168	292,128	262,445	554,573	5,595
Capital outlay	<u>35,000</u>	<u>563,845</u>	<u>13,200</u>	<u>7,665</u>	<u>20,865</u>	<u>542,980</u>
Total expenses	<u>605,535</u>	<u>1,277,302</u>	<u>391,707</u>	<u>326,335</u>	<u>718,042</u>	<u>559,260</u>
Excess of revenues over (under) expenses	(263,785)	(923,577)	(200,032)	(297,707)	(497,739)	425,838
Other financing sources (uses)						
Transfers in	<u>263,785</u>	<u>923,577</u>	<u>124,393</u>	<u>799,185</u>	<u>923,578</u>	<u>1</u>
Total other financing sources (uses)	<u>263,785</u>	<u>923,577</u>	<u>124,393</u>	<u>799,185</u>	<u>923,578</u>	<u>1</u>
Net change in fund net position	-	-	(75,639)	501,478	425,839	425,839
Net position, July 1	-	-	(537,580)	(613,219)	(537,580)	(537,580)
Net position, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (613,219)</u>	<u>\$ (111,741)</u>	<u>\$ (111,741)</u>	<u>\$ (111,741)</u>

**Reconciliation to Generally Accepted Accounting Principles**

Capital assets, net of accumulated depreciation	\$ 883,383	\$ 859,647
Net Position, Ending	<u>\$ 270,164</u>	<u>\$ 747,906</u>

CITY OF ONTARIO, OREGON  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**BUDGET AND ACTUAL -PUBLIC WORKS INTERNAL SERVICE FUND**  
**(BUDGET BASIS)**  
For the Year Ended  
June 30, 2013

	Original Budget	Final Budget	1st Year Actual	Current Year Actual	Total Combined Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues						
Charges for services	\$ 4,417,282	\$ 4,417,282	\$ 2,362,304	\$ 2,312,621	\$ 4,674,925	\$ 257,643
Interest on investments	150,000	150,000	34,585	46,793	81,378	(68,622)
Total revenues	<u>4,567,282</u>	<u>4,567,282</u>	<u>2,396,889</u>	<u>2,359,414</u>	<u>4,756,303</u>	<u>189,021</u>
Expenses						
Personal services	2,490,804	2,490,804	1,195,331	1,121,426	2,316,757	174,047
Materials and services	825,017	835,017	436,389	363,478	799,867	35,150
Total expenses	<u>3,315,821</u>	<u>3,325,821</u>	<u>1,631,720</u>	<u>1,484,904</u>	<u>3,116,624</u>	<u>209,197</u>
Excess of revenues over (under) expenses	1,251,461	1,241,461	765,169	874,510	1,639,679	398,218
Other financing sources (uses)						
Transfers in	-	10,000	-	-	-	(10,000)
Transfers out	(1,251,461)	(1,251,461)	(625,728)	(625,728)	(1,251,456)	5
Total other financing sources (uses)	<u>(1,251,461)</u>	<u>(1,241,461)</u>	<u>(625,728)</u>	<u>(625,728)</u>	<u>(1,251,456)</u>	<u>(9,995)</u>
Net change in fund net position	-	-	139,441	248,782	388,223	388,223
Net position, July 1	-	-	87,902	227,343	87,902	87,902
Net position, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 227,343</u>	<u>\$ 476,125</u>	<u>\$ 476,125</u>	<u>\$ 476,125</u>

**Reconciliation to Generally Accepted Accounting Principles**

Capital assets, net of accumulated depreciation	\$ 1,831,965	\$ 1,795,856
Compensated absences	(87,397)	(76,411)
Net Position, Ending	<u>\$ 1,971,911</u>	<u>\$ 2,195,570</u>

OTHER FINANCIAL SCHEDULES

**CITY OF ONTARIO, OREGON**  
**SUMMARY SCHEDULE OF CASH, CASH ITEMS AND INVESTMENTS**  
June 30, 2013

Wells Fargo Bank		
Demand accounts		\$ 944,392
Intermountain Community Bank		
Demand accounts		861,348
Certificates of Deposit		579,553
Oregon State Treasury Local Government Investment Pool **		9,631,539
Cash on hand		1,155
Total cash and investments on books		<u>\$ 12,017,987</u>

**SCHEDULE OF COLLATERAL SECURITY**

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

\*Qualified depository for public funds per ORS 295.

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

**CITY OF ONTARIO, OREGON**  
**SCHEDULE OF PROPERTY TAX TRANSACTIONS**

For the Year Ended

June 30, 2013

Tax Year Special Levy	Uncollected Taxes June 30, 2012		(Abatement)			Interest Collected	Taxes Collected	Total Amount Collected	Uncollected Taxes June 30, 2013
	2012-13	2012-13 Assessment	and Adjustments	Rebates Allowed	Interest Collected				
2012-13		\$ 3,235,798	\$ -	\$ (78,859)	\$ 3,378	\$ 3,042,396	\$ 3,045,774	\$ 114,543	
2011-12	\$ 172,733	-	(122)	-	5,386	100,816	106,202	71,795	
2010-11	83,203	-	(948)	-	4,807	36,586	41,393	45,669	
2009-10	46,095	-	(1,306)	-	5,573	27,000	32,573	17,789	
2008-09	17,775	-	(468)	-	3,743	15,180	18,923	2,127	
2007-08	1,115	-	(37)	-	67	200	267	878	
2006-07	559	-	(37)	-	62	158	220	364	
2005-06	208	-	-	-	-	-	-	208	
2004-05	134	-	-	-	-	-	-	134	
2003-04	80	-	-	-	-	-	-	80	
2002-03	80	-	-	-	31	66	97	14	
Total	<u>\$ 321,982</u>	<u>\$ 3,235,798</u>	<u>\$ (2,918)</u>	<u>\$ (78,859)</u>	<u>\$ 23,047</u>	<u>\$ 3,222,402</u>	<u>\$ 3,245,449</u>	<u>\$ 253,601</u>	

REPORTS REQUIRED BY OREGON STATE REGULATIONS



Certified Public Accountants, LLP

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Robert M. Armstrong, CPA  
Jessica A. Knowles, CPA  
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Cara R. Wilber, CPA  
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Arlie W. Oster, CPA (1931-1998)

Offices in:  
Burns, Oregon  
John Day, Oregon

**INDEPENDENT AUDITOR'S REPORT  
REQUIRED BY OREGON STATE REGULATIONS**

City Council  
City of Ontario  
Ontario, Malheur County, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ontario as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Ontario's basic financial statements and have issued our report thereon dated January 13, 2014. Our report shows a qualified opinion for the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information since subsidiary records for cash, accounts receivable, capital assets and payroll were not reconciled to the general ledger.

***Compliance***

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

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

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

In connection with our testing we noted items that caused us to believe the City of Ontario was not in substantial compliance with certain provisions of laws, regulations, contracts and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations. We noted that the city was not in substantial compliance

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with Oregon Local Budget Law for the execution of the 2011-2013 fiscal years' biennial budget.

#### ***OAR 162-10-230 Internal Control***

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the city's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weaknesses; 2013-1.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies; 2013-2.

#### ***City of Ontario's Response to Findings***

The City of Ontario's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City of Ontario's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### ***Purpose of this Report***

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

***Oster Professional Group, CPA's, LLP***

By 

Burns, Oregon  
January 13, 2014

**CITY OF ONTARIO, OREGON**  
**COMMENTS AND DISCLOSURES REQUIRED BY THE STATE OF OREGON**  
June 30, 2013

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

**Accounting Systems and Control Structure**

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

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

As we have stated in the following report on compliance and on internal control over financial reporting in accordance with *Government Auditing Standards*, we do not express an opinion on the city's effectiveness in those areas. However, there were deficiencies reported in accordance with *Government Auditing Standards*. See findings 2013-1, 2013-2 in the schedule of findings and responses.

**Indebtedness**

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

**Budgets**

Our review of the 2011-2013 biennial budget indicates the city has in most respects complied with the local budget law in the preparation, adoption of the 2011-2013 biennial budget and the preparation and adoption of the 2013-2014 annual budget. However, the city did not substantially comply with the execution of the 2011-2013 biennial budget. We noted several procedural violations and the following over expenditures of budget appropriations:

General Fund		
Materials and services		\$151,147
Transfers		400
Library Fund		
Materials and services		\$1,162
Debt Service Fund		
Debt service		\$130
Water Fund		
Transfers		\$4,636
Sewer Fund		
Materials and services		\$9,372
Transfers		9,172
Storm Sewer Fund		
Transfers		\$336

CITY OF ONTARIO, OREGON  
**COMMENTS AND DISCLOSURES REQUIRED BY THE STATE OF OREGON**  
June 30, 2013

Insurance and Fidelity Bond Coverage

We examined policies relating to insurance and fidelity bond coverage and ascertained that such policies appeared to be in force and that they appeared to satisfy bond ordinances and other provisions. The City of Ontario has complied with the provisions of the statutes with respect to bonding of council members and employees. We are not competent by training to state whether the insurance policies in force at June 30, 2013, provide adequate coverage. We understand coverage is reviewed periodically with the city's agent of record and such reviews have been made recently.

Programs Funded From Outside Sources

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

Public Contracts and Purchasing

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

Investments

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

Collateral

The city's bank balances of deposit at June 30, 2013, were either entirely insured or collateralized with the Federal Deposit Insurance Corporation, or the city deposit accounts were only maintained at financial institutions on the list of qualified depositors compiled by the Oregon State Treasurer.

Highway Funds

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

Accountability for Independently Elected Officials

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

REPORTS REQUIRED BY GOVERNMENTAL AUDITING STANDARDS



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John Day, Oregon

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS***

City Council  
City of Ontario  
Ontario, Malheur County, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ontario as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Ontario basic financial statements and have issued our report thereon dated January 13, 2014. Our report shows a qualified opinion for the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information since subsidiary records for cash, accounts receivable, capital assets and payroll were not reconciled to the general ledger.

***Internal Control over Financial Reporting***

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the city's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weaknesses; 2013-1.

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A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses to be significant deficiencies; 2013-2.

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

As part of obtaining reasonable assurance about whether the City of Ontario's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and is described in the accompanying schedule of findings and responses as item 2013-1.

#### ***City of Ontario's Response to Findings***

The City of Ontario's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City of Ontario's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### ***Purpose of this Report***

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

***Oster Professional Group, CPA's, LLP***

By 

Burns, Oregon  
January 13, 2014

CITY OF ONTARIO, OREGON  
**SCHEDULE OF FINDINGS AND RESPONSES**  
June 30, 2013

### **Finding 2013-1**

#### **Material Weakness in Internal Control over Financial Reporting—Balance Sheet Reconciliations**

*Criteria.* Internal controls should be in place that provides reasonable assurance that all balance sheet accounts are reconciled from the subsidiary ledgers to the general ledger as a matter of regular routine.

*Condition.* Timely reconciliations were not performed on the city's balance sheet accounts.

*Cause.* A thorough reconciliation process was not put into place to reconcile asset and liability account subsidiary ledgers to the general ledger.

*Effect or Potential Effect.* Material audit adjustments were required to adjust the cash, accounts receivables, payroll liabilities and fixed assets. Without sufficient reconciliations of all balance sheet accounts, the risk significantly increases that errors or fraud, including misappropriation of assets, could occur and not be detected.

*Recommendation.* The city must ensure that all balance sheet accounts are reconciled to the general ledger monthly.

*Management response.* Seeing there was a long-standing problem, the city hired the current auditors to reconcile the city cash accounts through June 30, 2013, which they accomplished. With this complex task accomplished, the city has a known starting point. The accounts from July 1, 2013 to present have been or are being reconciled monthly and the Finance Department has been instructed to reconcile accounts monthly.

### **Finding 2013-2**

#### **Significant Deficiency in Internal Control over Financial Reporting—Timely Deposits**

*Criteria.* Internal controls should be in place that provides reasonable assurance that cash is being deposited timely into the bank accounts.

*Condition.* There was a significant delay with cash collected by the city being deposited into the bank accounts.

*Cause.* There was no oversight on the cash account (such as bank reconciliations) throughout the year to ensure that deposits were made timely.

*Effect or Potential Effect.* Without timely deposits of cash collected, the risk significantly increases that fraud, including misappropriation of assets, could occur.

*Recommendation.* The city needs to ensure that all cash collected is deposited in a timely manner.

*Management response.* In May of 2013, a substantial deposit was delayed by two weeks. Beginning May 25, 2013, bank deposits have been done each business day and the Finance Department has been instructed to continue doing so.