

CITY OF ONTARIO, OREGON

ANNUAL FINANCIAL REPORT

**For the Fiscal Year Ended
June 30, 2007**





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ANNUAL FINANCIAL REPORT
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**CITY OF ONTARIO, OREGON
OFFICIALS OF THE CITY
As of June 30, 2007**

MAYOR AND CITY COUNCIL

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Joe Dominick 1064 West Idaho Avenue Ontario, Oregon 97914	Mayor	December 31, 2010
Dan Cummings 1065 SW 11 th Avenue Ontario, Oregon 97914	Council President	December 31, 2008
Lewie Allen 1285 SW 11 th Street Ontario, Oregon 97914	Council Member	December 31, 2008
John Gaskill 1006 SW 6 th Avenue Ontario, Oregon 97914	Council Member	December 31, 2008
Susann Mills 1141 SW 3 rd Avenue Ontario, Oregon 97914	Council Member	December 31, 2010
Jim Mosier 1237 SW 12 th Street Ontario, Oregon 97914	Council Member	December 31, 2010
Bruce Tuttle 237 NW 20 th Street Ontario, Oregon 97914	Council Member	December 31, 2010

CITY ADMINISTRATION

Scott Trainor (Resigned 11/07)	City Manager
Rachel Hopper	Finance Director
Mike Kee	Chief of Police
Terry Mairs	Fire Chief
Steve Gaschler (Resigned 9/07)	Director of Public Works
Kathy Daly	Director of Aquatics, Recreation and Parks
Darlyne Johnson	Director of Library
Tori Barnett, CMC	City Recorder

CITY ADDRESS

City Hall
444 SW 4th Street
Ontario, Oregon 97914



FINANCIAL SECTION



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Certified Public Accountants and Business Advisors

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Ontario, Oregon

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ontario, Oregon, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Ontario, Oregon's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine sufficiently detailed evidence regarding the cost of capital assets, the related accumulated depreciation, and depreciation expense for the governmental activities, business-type activities and the Public Works major fund, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the Public Works major fund of the City of Ontario, Oregon, as of June 30, 2007, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A

Members of: American Institute of Certified Public Accountants
National Association of Certified Valuation Analysts
Oregon Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT (Continued)

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General fund, Capital Projects fund, and the aggregate remaining fund information of the City of Ontario, Oregon, as of June 30, 2007, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2010, on our consideration of the City of Ontario, Oregon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ontario, Oregon's basic financial statements. The accompanying financial and supplemental information as listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements. The financial information listed as supplemental information in the table contents have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

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

June 1, 2010





City of Ontario Oregon
Management's Discussion & Analysis
June 30, 2007

www.ontariooregon.org

As management of the City of Ontario, Oregon, (City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2007. This Management's Discussion and Analysis (MD&A) is based upon currently known facts, decisions, and conditions that existed as of the date of the independent auditor's report.

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

FINANCIAL HIGHLIGHTS

- ❖ The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$59,277,957 (net assets). Of this amount, \$12,505,767 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- ❖ At the end of the current fiscal year, unreserved and undesignated fund balance for the General Fund was \$2,177,264, or 37.6% of total General Fund expenditures.

USING THIS ANNUAL REPORT

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

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

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

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

These two statements report the City's *net assets* and changes in them. You can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net assets are one indicator of whether its *financial*

health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the *overall health* of the City.

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

- ❖ **Governmental activities** – All of the City's basic services are considered to be governmental activities, including general government, community development, public safety, culture and recreation, and highways and streets. Property taxes, intergovernmental revenues, transient occupancy taxes, user fees, and franchise fees finance most of these activities.
- ❖ **Business-Type activities** – Operation of the City's utility system and the golf course are considered to be business-type activities, whereby all or a significant portion of the cost of operation is intended to be recovered through user fees and charges. The City's business-type activities are water, sewer, storm, and golf.
- ❖ **Component units** – The City's governmental activities do not include any separate legal entities for which the City is financially accountable, therefore, the City is considered a single entity without any component units.

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

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

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

THE CITY AS A WHOLE

Our analysis focuses on the net assets and changes in net assets (Tables 1a and 2a) and the City's governmental and business-type activities (Tables 1b and 2b).

Table 1a
STATEMENT OF NET ASSETS
June 30, 2007

	Governmental Activities	
	FY 2007	FY 2006
Current and other assets	\$ 12,622,213	\$ 10,228,566
Capital assets (net of accumulated depreciation)	<u>11,810,472</u>	<u>12,913,783</u>
Total Assets	<u>\$ 24,432,685</u>	<u>\$ 23,142,349</u>
Current Liabilities	\$ 2,017,867	\$ 826,995
Noncurrent liabilities:		
Due within one year	65,122	55,377
Due in more than one year	<u>3,084,401</u>	<u>692,208</u>
Total Liabilities	<u>5,167,390</u>	<u>1,574,580</u>
NET ASSETS		
Invested in capital assets, net of related debt	8,660,949	12,166,198
Restricted for:		
Debt service	261,227	249,335
Streets	658,944	1,238,828
Other	327,477	284,458
Unrestricted (deficit)	<u>9,356,698</u>	<u>7,628,950</u>
Total Net Assets	<u>\$ 19,265,295</u>	<u>\$ 21,567,769</u>
Total Liab & Net Assets	<u>\$ 24,432,685</u>	<u>\$ 23,142,349</u>

The City's net assets from governmental activities decreased 10.7% from \$21,567,769 to \$19,265,295. This decrease of \$2,302,474 comes from the change in net assets as recorded in the Statement of Activities and flows through the Statement of Net Assets. The following is an explanation of the changes between fiscal years as shown in Table 1a:

- ❖ Current and other assets increased by \$2,393,647 which is made up of slightly increased revenues in the General Fund, reduced revenues in the Grant Fund thru a lesser amount of airport and Homeland Security grant funds, and in the Capital Projects Fund through increased loan proceeds and increased capital expenditures on the regional lift station and other smaller projects.
- ❖ Capital assets experienced a net decrease (net of depreciation and disposition) of \$1,103,311 principally due to depreciation exceeding capital additions and completed work in progress from the prior fiscal year being transferred to the business type activities.

- ❖ Long-term debt increased by \$2,401,938 due to the receipt of loan proceeds for the regional sewer lift station project, offset slightly by principal payments on existing debt. This debt will remain in the Governmental Funds until the construction project is completed. Once the total project is completed, the debt, along with the value of the assets acquired by that debt will be moved to the Business Type Funds (Public Works).
- ❖ Invested in capital assets net of debt decreased by \$3.51 million due to depreciation exceeding capital additions and increased debt.
- ❖ Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements, changed from \$7.6 million at June 30, 2006 to \$9.4 million at the end of this year. The net increase of \$1.8 million is due principally to an increase in cash for capital work in progress as project reimbursements were received. The larger depreciation expenses to the General and Street fund are related to the GASB 34 reporting requirements.

Table 2a
STATEMENT OF NET ASSETS
June 30, 2007

	Business-Type Activities	
	FY 2007	FY 2006
Current and other assets	\$ 4,729,566	\$ 3,898,639
Capital assets (net of accumulated depreciation)	48,033,706	49,774,811
Total Assets	\$ 52,763,272	\$ 53,673,450
Long-term debt outstanding (less current portion)	\$ 11,364,043	\$ 11,985,785
Other liabilities	1,386,567	1,235,170
Total Liabilities	12,750,610	13,220,955
Net Assets:		
Invested in capital assets, net of related debt	35,707,867	36,919,774
Restricted for debt service	1,155,726	1,098,219
Unrestricted (Deficit)	3,149,069	2,434,502
Total Net Assets	\$ 40,012,662	\$ 40,452,495
Total Liab & Net Assets	\$ 52,763,272	\$ 53,673,450

The City's net assets from business-type activities decreased by 1.09% from \$40,452,495 to \$40,012,662. This decrease of \$439,833 comes from the change in net assets as recorded in the Statement of Activities and flows through the Statement of Net Assets. The following is an explanation of the changes between fiscal years as shown in Table 2a:

- ❖ Current and other assets increased by \$830,927 principally due to an increased beginning cash position in the Public Works Fund and an increase in inventory value within the Public Works Fund.
- ❖ Capital assets decreased (net of depreciation and disposition) by \$1,741,105 principally due to capital items being classified as work in progress status (not yet capitalized) from the current year that remain in the Capital Projects Fund (Governmental Funds) until the projects are completed. Additionally, this is a result of the depreciation of existing capital assets within the Public Works Fund.

- ❖ Long-term debt decreased by \$621,742 due to principal payments over the course of the year..
- ❖ Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements, changed from \$2.4 million at June 30, 2006 to \$3.1 million at the end of this year. The net increase of \$.7 million is due principally to an increase in beginning current assets for the year and a decrease of liabilities as compared to the prior year.

[This area intentionally left blank.]

Fiscal Year 2007 Governmental Activities
(See Table 1b)

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

Table 1b
STATEMENT OF ACTIVITIES
June 30, 2007

	Governmental Activities	
	<u>FY 2007</u>	<u>FY 2006</u>
Revenues		
Program Revenues		
Charges for Services	\$ 592,267	\$ 968,215
Operating Grants & Contributions	1,680,526	1,490,243
Capital Grants & Contributions	1,492,813	928,310
General Revenues:		
Taxes		
Property Taxes	2,777,176	2,753,664
Franchise Taxes	1,534,538	1,446,679
Interest and Investment Earnings	187,705	157,943
Miscellaneous	135,907	390,110
Gain (loss) on disposition of capital assets	-	65,315
Transfers	868,479	161,307
Total Revenues and Transfers	<u>9,269,411</u>	<u>8,361,786</u>
Expenses		
General Government	1,557,216	1,404,762
Public Safety	3,686,874	3,558,817
Highways and Streets	5,070,439	5,025,504
Culture and Recreation	1,220,513	1,341,796
Interest on Long-Term Debt	36,843	50,655
Total Expenses	<u>11,571,885</u>	<u>11,381,534</u>
Increase (decrease) in Net Assets	<u><u>\$ (2,302,474)</u></u>	<u><u>\$ (3,019,748)</u></u>

The City's total revenues from Governmental Activities increased from a year ago by \$907,625 (10.9%) while the total cost of all programs and services increased by \$218,673 (1.92%). The major increases in revenues came from operating grants and contributions, receipt of loan proceeds in the Capital Projects Fund, and increased transfers into the Capital Projects fund from the Public Works Fund to complete various capital projects.

Governmental Activities

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

Table 1c
NET COST OF GOVERNMENTAL ACTIVITIES
June 30, 2007

	TOTAL COST OF SERVICES			NET COST OF SERVICES	
	FY 2007	FY 2006	FY 2005	FY 2007	FY 2006
General Government	1,557,216	1,404,762	1,440,806	114,723	105,081
Public Safety	3,686,874	3,558,817	3,371,225	(3,059,903)	(2,670,259)
Highways and Streets	5,070,439	5,025,504	4,932,524	(3,957,552)	(4,480,717)
Culture and Recreation	1,220,513	1,341,796	1,382,953	(866,704)	(898,216)
Interest on Long-Term Debt	36,843	50,655	34,515	(36,843)	(50,655)
Totals	\$ 11,571,885	\$ 11,381,534	\$ 11,162,023	\$ (7,806,279)	\$ (7,994,766)

- ❖ The decrease in the net cost of services for general government is again a reflection of the increased funding for the airport improvement project and homeland security (public safety) grants.
- ❖ Continued and increased costs in highways and streets reflect the continued improvement projects completed reimbursement districts and other projects within the Capital Projects Fund.
- ❖ The net cost of services indicates that the overall cost of government is greater than the revenues generated to support it from fees and user charges. This is an indication that the taxes and general revenues charged by the City are necessary to support operations. The largest areas of tax support come from property taxes of \$2,777,170, franchise taxes of \$1,534,538, and street (gas) taxes of \$518,838. The largest areas of operations that require tax support are highways and streets and public safety. The large capital projects are completed with loan funding to be repaid through future user fees for the water system. See the statement of Activities for further detail on program revenues and general revenues.

Fiscal Year 2007 Business-Type Activities
(See Table 2b)

Sources of Revenue
User Fees

Functional Expenses
Golf Course Operations

General Fund Transfer

Golf Debt Service

Utility Fees/Rates

Public Works

Table 2b
STATEMENT OF ACTIVITIES
June 30, 2007

	Business-Type Activities	
	FY 2007	FY 2006
	<u> </u>	<u> </u>
Revenues		
Program Revenues		
Charges for Services - Golf	\$ 76,950	\$ 79,727
Charges for Services - Public Works	5,689,231	6,181,425
General Revenues:		
Interest and Investment Earnings	470,208	264,258
Miscellaneous	-	66,888
Transfers	<u>(868,479)</u>	<u>(161,307)</u>
Total Revenues and Transfers	<u>\$ 5,367,910</u>	<u>\$ 6,430,991</u>
Expenses		
Golf	\$ 200,432	\$ 237,678
Public Works	<u>5,607,311</u>	<u>5,445,424</u>
Total Expenses	<u>\$ 5,807,743</u>	<u>\$ 5,683,102</u>
Increase (decrease) in Net Assets	<u><u>\$ (439,833)</u></u>	<u><u>\$ 747,889</u></u>

The City's total revenues from Business-Type Activities decreased from a year ago by \$1,063,081 (16.53%) while the total cost of all programs and services increased by \$124,641 (2.19%). The major decreases in revenues came from changes in the billing method for both water and sewer and a series of adjustments to customer accounts to credit any amount over-billed to them under the average water and sewer billing method established in July 2004. Meters began to be read on a monthly basis in January 2007 and customer accounts were audited. Additional charges for under-billed customers during the same period were waived by the Council in order not to penalize customers for a billing method undertaken by the City. Residential customers are now charged a sewer rate based on winter average water consumption, not on a flat rate as previously billed. It was unclear at the time of implementation of the rate change what effect the change would have on overall sewer service revenues.

Business-Type Activities

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

Table 2c
NET COST OF BUSINESS-TYPE ACTIVITIES
June 30, 2007

	TOTAL COST OF SERVICES		NET COST OF SERVICES	
	FY 2007	FY 2006	FY 2007	FY 2006
Golf	\$ 200,432	\$ 237,678	\$ (123,482)	\$ (157,951)
Public Works	5,607,311	5,445,424	81,920	736,001
Totals	<u>\$ 5,807,743</u>	<u>\$ 5,683,102</u>	<u>\$ (41,562)</u>	<u>\$ 578,050</u>

- ❖ The decrease in the net cost of services for golf is a reflection of decreased spending within the Golf Fund in an effort to help offset the decrease in program revenues.
- ❖ The increase in the net cost of services for public works is a reflection of the decreased revenues within the fund due to water average versus actual adjustments and residential sewer rate structure changes.
- ❖ The net cost of services indicates that the overall cost of golf and public works operations is greater than the revenues generated to support if from fees and user charges. This is due to the golf operations alone and reflects the Budget Committee's position that the General Fund pay outstanding debt service obligations for the existing golf course. This is an indication that the golf fees and general revenues charged by the City are necessary to support operations, or this net cost would equal that of the golf expenses. See the statement of Activities for further detail on program revenues and general revenues.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

At year-end the City's governmental funds reported combined fund balances of \$9,583,615, which is an increase of \$1,153,926 or 13.7% from last year. This change is due primarily to an increase in the Capital Projects Fund fund balance of \$1,774,170, and slight increases in the General and Grant Fund balance as compared to 2005-2006.

- ❖ The General Fund closed the year with a fund balance of \$307,356 higher than 2005-2006.

At year-end the City's business-type-activity funds reported combined fund balances of \$4,049,491, which represents an increase of \$368,718 or 10.01% from last year. This change is due primarily to an increase in interest earnings within the Public Works Fund, despite a negative fund balance in the Golf Fund.

General Fund Budgetary Highlights

Expenditures

The final appropriations for personal services for the General Fund at year-end were \$4,177,908, (when using 50% of the 2005-2007 Biennial Budget) and actual expenditures were \$4,159,970, for a savings of \$17,938.

The total 2005-2007 adjusted Biennial Expense Budget total for personal services for the General Fund was \$8,355,816 and actual biennial expenditures for personal services was \$8,187,982, for a savings of \$167,834.

The total 2005-2007 adjusted Biennial Expense Budget total for all categories less contingency was \$11,681,416 and actual biennial expenditures for all categories was \$11,571,982, for a savings of \$109,434 for the biennium.

The budget to actual variance in appropriations was due in part to continued savings through the change to contract services within the Building Department, the change to contract services within the Technology Department, and spending cutbacks throughout the fund. Actual expenditures for the General Fund were \$16,164 (.28%) higher than 2005-2006.

Revenues

Actual revenues exceeded budgeted (when using 50% of 2005-2007 Biennial Budget) revenues by \$353,779 in 2006-2007, due to a traffic safety labor grant, a slight increase in property tax receipts, a slight increase in franchise fees and the reporting of telephone franchise fees within the General Fund rather than the Reserve Fund, and increases in aquatic and recreation fees that exceeded projections according to the 'half-way' mark of the 2005-2007 Biennial Budget.

The General Fund revenues were \$181,477 higher than the 2005-2006 actual revenues.

The total 2005-2007 adjusted Biennial Revenue Budget total was \$11,495,300 and actual biennial revenues were \$12,021,381, for an overage of \$526,081 in revenues excess of the budget.

Public Works Fund Budgetary Highlights

Expenditures

The final appropriations for personal services and material and services for the Public Works Fund at year-end were \$3,256,925 (when using 50% of the 2005-2007 Biennial Budget) and actual expenditures were \$2,997,441, for a savings of \$259,484. The budget to actual variance in appropriations was principally due to continued savings in Water and Sewer Department personal services as a result of the elimination of the Sewer Treatment Plant Supervisor position following retirement and combining duties with the existing Water Treatment Plant Supervisor. Additional savings within the Sewer and Utility Maintenance Department materials and services contributed to the savings. Actual Expenditures for the Public Works Fund were \$691,356 (13.56%) higher than 2005-2006.

The total 2005-2007 adjusted Biennial Expense Budget total for personal services and material and services for the Public Works Fund was \$6,513,850 and actual biennial expenditures for personal services and materials and services was \$5,858,013, for a savings of \$655,837.

The total 2005-2007 adjusted Biennial Expense Budget total for all categories less contingency was \$12,394,842 and actual biennial expenditures for all categories was \$10,885,178, for a savings of \$1,509,664 for the biennium.

The budget to actual variance in appropriations was due in part to continued savings in Water and Sewer Department personal services as a result of the elimination of the Sewer Treatment Plant Supervisor position following retirement and combining duties with the existing Water Treatment Plant Supervisor, a continued decrease in expenditures within the Utility Maintenance Department (City shop) materials and supplies, and spending cutbacks throughout the fund.

Revenues

Actual revenues (when using 50% of 2005-2007 Biennial Budget) were below budgeted revenues by \$425,916 in 2006-2007, due principally to decreased sewer service revenues as a result of a change in residential billing methods, this despite an increase in interest revenues and inspection fees.

The Public Works Fund revenues were \$352,671 (5.42%) less than the 2005-2006 actual revenues.

The total 2005-2007 adjusted Biennial Revenue Budget total was \$13,170,711 and actual biennial revenues were \$12,671,549, for a shortfall compared to the budget of \$499,162.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2007, the City had \$59,844,178 invested in a broad range of capital assets, including police and fire equipment, buildings, land, park facilities, roads, water and sewer treatment facilities and transmission and collection lines, and public works equipment. (See Tables 3a and 3b below.) This amount represents a net decrease (including additions, surplus and depreciation) of \$2,844,416 (-4.75%) compared to fiscal year end 2006.

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

	Governmental Activities	
	FY 2007	FY 2006
Land & Const in Progress	\$ 3,969,050	\$ 1,100,324
Buildings and Improvements	112,521	170,498
Equipment	1,440,314	1,597,652
Infrastructure	6,288,587	10,045,309
Totals	\$ 11,810,472	\$ 12,913,783

Decrease of \$1,103,311 (-8.54%) is due to accumulated depreciation totals exceeding new capital additions for the fiscal year.

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

	Business-Type Activities	
	FY 2007	FY 2006
Land & Const in Progress	\$ 2,451,801	\$ 2,451,801
Buildings and Improvements	15,173,416	15,644,783
Equipment	3,065,519	4,186,139
Infrastructure	27,342,970	27,492,088
Totals	\$ 48,033,706	\$ 49,774,811

Decrease of \$1,741,105 (-3.50%) is due to accumulated depreciation totals exceeding new capital additions for the fiscal year.

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

Debt

At year-end, the City had \$15,917,546 in long term liabilities (see Table 4). This represents a net increase of \$1,875,644 due to a new interim financing agreement for the wastewater improvement project within the Capital Projects Fund, and the reduction in principal balances from current year principal payments.

Table 4
DEBT AT YEAR-END

	<u>2007</u>	<u>2006</u>
Governmental activities:		
Special Assessment Debt with Governmental Commitment	\$ 692,208	\$ 747,585
Contracts, Loans and Notes	2,457,315	-
Compensated Absences	<u>332,333</u>	<u>332,226</u>
Governmental activity Long-term liabilities	<u>\$ 3,481,856</u>	<u>\$ 1,079,811</u>
Business - Type activities:		
Certificates of Participation (COP's)	\$ 440,957	\$ 515,973
Golf Course Econ Dev Note	7,040	9,018
Water Revenue Bonds	520,092	606,768
Contracts, Loans and Notes	11,357,751	11,723,278
Compensated Absences	<u>109,850</u>	<u>107,054</u>
Business-type activity Long-term liabilities	<u>\$ 12,435,690</u>	<u>\$ 12,962,091</u>
	<u>\$15,917,546</u>	<u>\$14,041,902</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

The City adopted its first Biennial Budget for 2005-2007. This budget takes into account the projected property tax rates and valuations, historical trends in transient occupancy taxes, rate increases as allowed by ordinance for water services, and the balance of the water treatment upgrade project expenditures.

The overall 2005-2007 Biennial Budget reflects a decrease in expenditures of \$10,175,367 or 18.13%, when compared to the prior two budget years for fiscal years 2003-2004 and 2004-2005. With the completion of the biennium, management staff has the opportunity to prepare for a new biennial budget process which will take into consideration the changes in fuel and utility prices while attempting to balance current revenues with current expenses.

Request for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF ONTARIO, OREGON
STATEMENT OF NET ASSETS
June 30, 2007

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 6,626,966	\$ 2,655,633	\$ 9,282,599
Receivables:			
Property taxes	174,297	-	174,297
Accounts	83,993	496,823	580,816
Intergovernmental	3,206,211	-	3,206,211
Assessments	654,858	-	654,858
Notes	571,333	-	571,333
Internal balances	52,583	(52,583)	-
Inventories	4,324	473,967	478,291
Restricted assets (temporary):			
Cash and cash equivalents	761,637	1,155,726	1,917,363
Investments	486,011	-	486,011
Capital assets:			
Land	948,024	2,451,801	3,399,825
Construction in progress	3,021,026	-	3,021,026
Depreciable assets, net of depreciation	7,841,422	45,581,905	53,423,327
Total assets	<u>24,432,685</u>	<u>52,763,272</u>	<u>77,195,957</u>
LIABILITIES			
Accounts payable and accrued expenses	1,419,622	145,492	1,565,114
Deposits	-	60,616	60,616
Unearned revenue	249,788	-	249,788
Accrued interest payable	16,124	108,812	124,936
Compensated absences payable	332,333	109,850	442,183
Long-term obligations			
Due within one year	65,122	961,797	1,026,919
Due in more than one year	3,084,401	11,364,043	14,448,444
Total liabilities	<u>5,167,390</u>	<u>12,750,610</u>	<u>17,918,000</u>
NET ASSETS			
Invested in capital assets, net of related debt	8,660,949	35,707,866	44,368,815
Restricted for:			
Highways and streets	658,944	-	658,944
Debt service	261,227	1,155,726	1,416,953
Other	327,477	-	327,477
Unrestricted	9,356,698	3,149,070	12,505,768
Total net assets	<u>\$ 19,265,295</u>	<u>\$ 40,012,662</u>	<u>\$ 59,277,957</u>

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

CITY OF ONTARIO, OREGON
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 1,557,216	\$ 287,957	\$ 592,810	\$ 791,172	\$ 114,723	\$ -	\$ 114,723
Public safety	3,686,874	43,642	466,269	117,060	(3,059,903)	-	(3,059,903)
Highways and streets	5,070,439	-	528,306	584,581	(3,957,552)	-	(3,957,552)
Culture and recreation	1,220,513	260,668	93,141	-	(866,704)	-	(866,704)
Interest on long-term obligations	36,843	-	-	-	(36,843)	-	(36,843)
Total governmental activities	11,571,885	592,267	1,680,526	1,492,813	(7,806,279)	-	(7,806,279)
Business-type activities:							
Golf	200,432	76,950	-	-	-	(123,482)	(123,482)
Public Works	5,607,311	5,689,231	-	-	-	81,920	81,920
Total business-type activities	5,807,743	5,766,181	-	-	-	(41,562)	(41,562)
Total primary government	\$17,379,628	\$6,358,448	\$1,680,526	\$1,492,813	(7,806,279)	(41,562)	(7,847,841)
General revenues:							
Property taxes levied for:							
General purposes					2,777,176	-	2,777,176
Franchise and public services taxes					1,534,538	-	1,534,538
Interest and investment earnings					187,705	470,208	657,913
Miscellaneous					135,907	-	135,907
Transfers					868,479	(868,479)	-
Total general revenues, special items, and transfers					5,503,805	(398,271)	5,105,534
Change in net assets					(2,302,474)	(439,833)	(2,742,307)
Net assets, beginning					21,567,769	40,452,495	62,020,264
Net assets, ending					\$19,265,295	\$ 40,012,662	\$ 59,277,957

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



FUND FINANCIAL STATEMENTS

Major Governmental Funds

General Fund

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

Capital Project Fund

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

**CITY OF ONTARIO, OREGON
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007**

	General Fund	Capital Projects Fund	Other Governmental Funds	Totals
ASSETS				
Cash and cash equivalents	\$ 1,975,997	\$ 2,023,371	\$ 3,389,235	\$ 7,388,603
Investments	-	-	486,011	486,011
Receivables:				
Property taxes	174,297	-	-	174,297
Interfund	264,567	-	-	264,567
Accounts	15,290	55,349	13,354	83,993
Intergovernmental	31,466	2,599,941	574,804	3,206,211
Assessments	-	-	654,858	654,858
Notes	-	-	571,333	571,333
Inventory	-	-	4,324	4,324
 Total assets	 <u>\$ 2,461,617</u>	 <u>\$ 4,678,661</u>	 <u>\$ 5,693,919</u>	 <u>\$ 12,834,197</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 144,458	\$ 801,875	\$ 473,289	\$ 1,419,622
Matured interest outstanding	-	-	3,102	3,102
Interfund payable	-	17,813	194,171	211,984
Deferred revenue	139,895	-	1,475,979	1,615,874
 Total liabilities	 <u>284,353</u>	 <u>819,688</u>	 <u>2,146,541</u>	 <u>3,250,582</u>
FUND BALANCES				
Reserved for:				
Debt service	-	-	261,227	261,227
Unreserved, reported in:				
Major funds	2,177,264	3,858,973	-	6,036,237
Special revenue funds	-	-	3,286,151	3,286,151
 Total fund balances	 <u>2,177,264</u>	 <u>3,858,973</u>	 <u>3,547,378</u>	 <u>9,583,615</u>
 Total liabilities and fund balances	 <u>\$ 2,461,617</u>	 <u>\$ 4,678,661</u>	 <u>\$ 5,693,919</u>	 <u>\$ 12,834,197</u>

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

CITY OF ONTARIO, OREGON
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2007

Fund balances - total governmental funds	\$ 9,583,615
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds	11,810,472
Other long-term assets are not available to pay for current period expenditures, and, therefore, are deferred in the fund statements.	1,366,086
Accrued compensated absences are not due and payable in the current period, and, therefore, are not reported in the fund statements.	(332,333)
Accrued interest payable is not due and payable in the current period, and, therefore, is not reported in the fund statements.	(13,022)
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period, and, therefore, are not reported in the fund statements.	<u>(3,149,523)</u>
Net assets of governmental activities	<u>\$ 19,265,295</u>

CITY OF ONTARIO, OREGON
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2007

	General Fund	Capital Projects Fund	Other Governmental Funds	Totals
REVENUES				
Property taxes	\$ 2,783,842	\$ -	\$ -	\$ 2,783,842
Other taxes	348,480	-	253,799	602,279
Franchise fees	879,820	-	52,439	932,259
Licenses and fees	178,692	-	-	178,692
Intergovernmental	636,717	186,106	1,315,382	2,138,205
Charges for services	297,031	68,949	21,137	387,117
Fines and forfeitures	18,740	-	7,720	26,460
Special assessments	-	-	64,691	64,691
System development charges	-	1,035,132	-	1,035,132
Interest on investments	98,926	-	88,779	187,705
Loan repayments	-	-	51,052	51,052
Miscellaneous	115,904	-	17,303	133,207
TOTAL REVENUES	<u>5,358,152</u>	<u>1,290,187</u>	<u>1,872,302</u>	<u>8,520,641</u>
EXPENDITURES				
Current:				
General government	1,292,805	-	228,936	1,521,741
Public safety	3,066,072	-	421,106	3,487,178
Highways and streets	-	-	780,377	780,377
Culture and recreation	748,120	-	387,428	1,135,548
Capital outlay	30,989	3,161,113	1,352,655	4,544,757
Debt service	-	-	90,248	90,248
TOTAL EXPENDITURES	<u>5,137,986</u>	<u>3,161,113</u>	<u>3,260,750</u>	<u>11,559,849</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>220,166</u>	<u>(1,870,926)</u>	<u>(1,388,448)</u>	<u>(3,039,208)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	2,698,049	-	2,698,049
Transfers in	743,277	1,167,500	1,031,100	2,941,877
Transfers out	(656,087)	(220,453)	(570,252)	(1,446,792)
TOTAL OTHER FINANCING SOURCES (USES)	<u>87,190</u>	<u>3,645,096</u>	<u>460,848</u>	<u>4,193,134</u>
NET CHANGE IN FUND BALANCE	307,356	1,774,170	(927,600)	1,153,926
FUND BALANCE, Beginning	<u>1,869,908</u>	<u>2,084,803</u>	<u>4,474,978</u>	<u>8,429,689</u>
FUND BALANCE, Ending	<u>\$ 2,177,264</u>	<u>\$ 3,858,973</u>	<u>\$ 3,547,378</u>	<u>\$ 9,583,615</u>

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

CITY OF ONTARIO, OREGON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2007

Net change in fund balance - governmental funds \$ 1,153,926

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

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

Deferred revenues 50,141

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

66,897

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

(2,753,049)

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

Change in compensated absences (107)

Change in accrued interest payable (1,185)

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

Capital asset additions 3,561,581

Depreciation expense (4,664,892)

(1,103,311)

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

Debt assumed by Business-Type Activities 284,214

Capital assets provided to Business-Type Activities (644,030)

Inventory provided to Business-Type Activities (266,790)

Current year capital outlay expenditures 910,820

284,214

Change in net assets - governmental activities **\$ (2,302,474)**

CITY OF ONTARIO, OREGON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2007

	2005-2007 Budgeted Amounts		1st Year Actual Amounts	2nd Year Actual Amounts	Combined Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final				
REVENUES						
Property taxes	\$ 5,332,432	\$ 5,332,432	\$ 2,782,213	\$ 2,783,842	\$ 5,566,055	\$ 233,623
Other taxes	252,720	727,700	334,004	348,480	682,484	(45,216)
Franchise fees	1,536,000	1,536,000	839,355	879,820	1,719,175	183,175
Licenses and fees	201,800	303,301	202,255	178,692	380,947	77,646
Intergovernmental	1,025,251	1,080,251	589,577	636,717	1,226,294	146,043
Charges for services	710,475	768,675	269,050	297,031	566,081	(202,594)
Fines and forfeitures	28,000	28,000	15,255	18,740	33,995	5,995
Interest on investments	156,000	156,000	78,920	98,926	177,846	21,846
Miscellaneous	61,326	76,388	66,043	115,904	181,947	105,559
TOTAL REVENUES	<u>9,304,004</u>	<u>10,008,747</u>	<u>5,176,672</u>	<u>5,358,152</u>	<u>10,534,824</u>	<u>526,077</u>
EXPENDITURES						
Current:						
General government	2,624,779	2,687,130	1,210,415	1,292,805	2,503,220	183,910
Public safety	6,121,502	6,093,554	2,930,520	3,066,072	5,996,592	96,962
Culture and recreation	1,445,311	1,479,811	707,974	748,120	1,456,094	23,717
Capital outlay	106,600	111,700	76,793	30,989	107,782	3,918
Contingency	495,222	818,556	-	-	-	818,556
TOTAL EXPENDITURES	<u>10,793,414</u>	<u>11,190,751</u>	<u>4,925,702</u>	<u>5,137,986</u>	<u>10,063,688</u>	<u>1,127,063</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,489,410)</u>	<u>(1,182,004)</u>	<u>250,970</u>	<u>220,166</u>	<u>471,136</u>	<u>1,653,140</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	1,486,553	1,486,553	743,280	743,277	1,486,557	4
Transfers out	(1,001,815)	(1,309,221)	(852,207)	(656,087)	(1,508,294)	(199,073)
TOTAL OTHER FINANCING SOURCES (USES)	<u>484,738</u>	<u>177,332</u>	<u>(108,927)</u>	<u>87,190</u>	<u>(21,737)</u>	<u>(199,069)</u>
NET CHANGE IN FUND BALANCE	<u>(1,004,672)</u>	<u>(1,004,672)</u>	<u>142,043</u>	<u>307,356</u>	<u>449,399</u>	<u>1,454,071</u>
FUND BALANCE, Beginning	<u>1,004,672</u>	<u>1,004,672</u>	<u>1,727,865</u>	<u>1,869,908</u>	<u>1,727,865</u>	<u>723,193</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,869,908</u>	<u>\$ 2,177,264</u>	<u>\$ 2,177,264</u>	<u>\$ 2,177,264</u>

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

FUND FINANCIAL STATEMENTS

Proprietary Funds

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

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

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

**CITY OF ONTARIO, OREGON
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2007**

	<u>Business - type Activities - Enterprise Funds</u>		
	<u>Non-Major</u>		
ASSETS	Golf Course Fund	Public Works Fund	Total
Current assets:			
Cash and cash equivalents	\$ -	\$ 2,655,633	\$ 2,655,633
Restricted cash and cash equivalents	-	1,155,726	1,155,726
Accounts receivable, net	1,265	495,558	496,823
Inventories	-	473,967	473,967
Total current assets	<u>1,265</u>	<u>4,780,884</u>	<u>4,782,149</u>
Noncurrent assets:			
Capital assets:			
Land	84,628	2,367,173	2,451,801
Depreciable assets, net of depreciation	<u>1,000,838</u>	<u>44,581,067</u>	<u>45,581,905</u>
Total noncurrent assets	<u>1,085,466</u>	<u>46,948,240</u>	<u>48,033,706</u>
Total assets	<u>\$ 1,086,731</u>	<u>\$ 51,729,124</u>	<u>\$ 52,815,855</u>
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable	\$ 8,256	\$ 137,236	\$ 145,492
Deposits	-	60,616	60,616
Accrued interest payable	7,561	101,251	108,812
Interfund payable	52,583	-	52,583
Compensated absences payable	-	109,850	109,850
Current portion of long-term debt	<u>83,235</u>	<u>878,562</u>	<u>961,797</u>
Total current liabilities	<u>151,635</u>	<u>1,287,515</u>	<u>1,439,150</u>
Long-term debt, net of current portion:			
Water revenue bonds payable	-	433,412	433,412
Certificates of participation	359,951	-	359,951
Contracts, loans and notes payable	<u>4,811</u>	<u>10,565,869</u>	<u>10,570,680</u>
Total long-term liabilities	<u>364,762</u>	<u>10,999,281</u>	<u>11,364,043</u>
Total liabilities	<u>516,397</u>	<u>12,286,796</u>	<u>12,803,193</u>
Net assets:			
Invested in capital assets, net of related debt	637,469	35,070,397	35,707,866
Restricted for debt service	-	1,155,726	1,155,726
Unrestricted (Deficit)	<u>(67,135)</u>	<u>3,216,205</u>	<u>3,149,070</u>
Total net assets	<u>570,334</u>	<u>39,442,328</u>	<u>40,012,662</u>
Total liabilities and net assets	<u>\$ 1,086,731</u>	<u>\$ 51,729,124</u>	<u>\$ 52,815,855</u>

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

CITY OF ONTARIO, OREGON
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2007

	Business - type Activities - Enterprise Funds		
	Non-Major Golf Course Fund	Public Works Fund	Total
OPERATING REVENUES			
Charges for services	\$ 76,950	\$ 5,624,092	\$ 5,701,042
Miscellaneous	-	65,139	65,139
TOTAL OPERATING REVENUES	<u>76,950</u>	<u>5,689,231</u>	<u>5,766,181</u>
OPERATING EXPENSES			
Personal services	-	1,619,122	1,619,122
Materials and services	84,001	1,313,116	1,397,117
Depreciation	90,527	2,328,225	2,418,752
TOTAL OPERATING EXPENSES	<u>174,528</u>	<u>5,260,463</u>	<u>5,434,991</u>
OPERATING INCOME (LOSS)	<u>(97,578)</u>	<u>428,768</u>	<u>331,190</u>
NON-OPERATING INCOME (EXPENSES)			
Interest on investments	-	470,208	470,208
Interest expense	(25,904)	(346,848)	(372,752)
TOTAL NON-OPERATING INCOME (EXPENSES)	<u>(25,904)</u>	<u>123,360</u>	<u>97,456</u>
NET INCOME (LOSS) BEFORE TRANSFERS	<u>(123,482)</u>	<u>552,128</u>	<u>428,646</u>
TRANSFERS			
Transfers in	108,722	626,606	735,328
Transfers out	-	(1,603,807)	(1,603,807)
TOTAL TRANSFERS	<u>108,722</u>	<u>(977,201)</u>	<u>(868,479)</u>
CHANGE IN NET ASSETS	<u>(14,760)</u>	<u>(425,073)</u>	<u>(439,833)</u>
NET ASSETS, Beginning	<u>585,094</u>	<u>39,867,401</u>	<u>40,452,495</u>
NET ASSETS, Ending	<u>\$ 570,334</u>	<u>\$ 39,442,328</u>	<u>\$ 40,012,662</u>

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

CITY OF ONTARIO, OREGON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2007

	Business-type Activities - Enterprise Funds		
	Non-Major		Totals
	Golf Course Fund	Public Works Fund	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 81,493	\$ 5,815,394	\$ 5,896,887
Payments to suppliers	(80,310)	(1,392,579)	(1,472,889)
Payments to employees	-	(1,616,325)	(1,616,325)
Net cash provided from (used by) operating activities	<u>1,183</u>	<u>2,806,490</u>	<u>2,807,673</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers in	108,722	-	108,722
Transfers out	-	(1,603,807)	(1,603,807)
Net cash provided from (used by) non-capital financing activities	<u>108,722</u>	<u>(1,603,807)</u>	<u>(1,495,085)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interfund loan payments	(5,780)	-	(5,780)
Acquisition of capital assets	-	(33,617)	(33,617)
Principal paid on long-term obligations	(76,994)	(792,125)	(869,119)
Interest paid on long-term obligations	(27,131)	(289,415)	(316,546)
Net cash provided from (used by) capital and related financing activities	<u>(109,905)</u>	<u>(1,115,157)</u>	<u>(1,225,062)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	-	470,208	470,208
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	557,734	557,734
CASH AND CASH EQUIVALENTS, Beginning	-	3,253,625	3,253,625
CASH AND CASH EQUIVALENTS, Ending	<u>\$ -</u>	<u>\$ 3,811,359</u>	<u>\$ 3,811,359</u>
COMPRISED AS FOLLOWS:			
Cash and cash equivalents	\$ -	\$ 2,655,633	\$ 2,655,633
Restricted cash and cash equivalents	-	1,155,726	1,155,726
	<u>\$ -</u>	<u>\$ 3,811,359</u>	<u>\$ 3,811,359</u>

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

CITY OF ONTARIO, OREGON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2007

	Business-type Activities - Enterprise Funds		
	Non-Major Golf Course Fund	Public Works Fund	Totals
Reconciliation of operating income (loss) to net cash provided from (used by) operating activities			
Operating income (loss)	\$ (97,578)	\$ 428,768	\$ 331,190
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	90,527	2,328,225	2,418,752
(Increase) decrease in assets:			
Receivables	4,543	134,696	139,239
Inventories	-	(139,862)	(139,862)
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	3,691	60,399	64,090
Deposits	-	(8,533)	(8,533)
Compensated absences payable	-	2,797	2,797
Net cash provided from (used by) operating activities	<u>\$ 1,183</u>	<u>\$ 2,806,490</u>	<u>\$ 2,807,673</u>
NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Transfer of capital assets, inventory, and debt between funds	<u>\$ -</u>	<u>\$ 626,606</u>	<u>\$ 626,606</u>



NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

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

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

B. Government-Wide and Fund Financial Statements

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary funds:

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

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

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

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

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

D. Assets, Liabilities and Equity

1. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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

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

2. Receivables and Payables

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

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

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

3. Inventories and Prepaid Items

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

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

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial individual cost of

\$5,000 or more and an estimated useful life in excess of one year. The City received an appraisal of its fixed assets, using estimated historical costs, as of June 30, 1999. Assets acquired since that time have been recorded at cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

5. Long-Term Obligations

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

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

6. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for non-vested unpaid accumulated sick pay benefits. All vacation pay and vested sick pay benefits is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7. Fund Equity

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

8. Restricted Net Assets

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

The net amount restricted for governmental activities at June 30, 2007 was \$261,227 for debt service, \$658,944 for highways and streets, and \$327,477 for other restriction. There is also \$1,155,726 for debt service in the business-type activities.

9. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, expenditures, expenses and other disclosures. Accordingly, actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

During the fiscal year ended June 30, 2007, appropriation increases and transfers were approved. Appropriations are limited to a biennium; therefore, all spending authority of the City lapses as of the end of the biennium.

B. Excess of Expenditures over Appropriations

Expenditures exceed appropriations in the following funds and amounts:

Governmental Activities:

General Fund:

Transfers out \$ (199,073)

Special Revenue Funds

Trust Fund:

Transfers out \$ (4)

Grants Fund:

Capital outlay \$ (82,180)

C. Deficit Fund Balances

Funds having a deficit fund balance at June 30, 2007 are as follows:

Business Type Activities

Enterprise Funds

Golf Course Fund \$ (59,574)

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

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits. The Governmental Accounting Standards Board has adopted accounting principles generally accepted in the United States of America (GAAP), which include standards to categorize deposits to give an indication of the level of custodial credit risk assumed by the City at June 30, 2007. If bank deposits at year end are not entirely insured or collateralized with securities held by the City or by its agent in the City's name, the City must disclose the custodial credit risk that exists. The City's deposits with financial institutions are comprised of bank demand deposits and certificates of deposit. For deposits in excess of federal depository insurance, Oregon Revised Statutes require the depository institution to maintain on deposit with a collateral pool manager, securities having a value not less than 25% of the outstanding certificates of participation issued by the pool manager. For the fiscal year ended June 30, 2007, the carrying amount of the City's deposits, including certificates of deposit classified as investments, was \$987,127 and the bank balance was \$1,387,565. All deposits are held in the name of the City of Ontario. Of the bank balance, \$967,340 was covered by federal depository insurance and collateral certificates in the City's name. The remaining \$420,225 was uninsured and uncollateralized in accordance with GAAP. The entire balance was collateralized in accordance with Oregon Revised Statutes.

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

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

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

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

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

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

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

Investments held by the City at June 30, 2007 are as follows:

	<u>Maturity</u>	<u>Percentage of Portfolio</u>	<u>Carrying Amount/ Fair Value</u>
U.S. Government Obligations	On demand	Less than 1%	\$ 8,500
Local Government Investment Pool	1 day	96%	10,689,576
Time Certificate of Deposits	Less than one year	<u>4%</u>	<u>477,511</u>
		100%	11,175,587
Less amounts classified as cash equivalents			<u>(10,689,576)</u>
Total Investments			<u>\$ 486,011</u>

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

Cash on hand	\$ 770
Deposits with financial institutions	509,616
Local Government Investment Pool	<u>10,689,576</u>
Total	<u>\$ 11,199,962</u>

Cash and cash equivalents, by fund type:

Governmental activities	
General fund	\$ 1,975,997
Capital projects fund	2,023,371
Other funds (includes restricted cash of \$1,065,290)	<u>3,389,235</u>
	7,388,603
Business-type activities	
Public works fund (includes restricted cash of \$1,155,726)	<u>3,811,359</u>
Total	<u>\$ 11,199,962</u>

B. Receivables

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

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Activities
Property taxes	\$ 174,297	\$ -	\$ -	\$ 174,297
Accounts	15,290	55,349	13,354	83,993
Intergovernmental	31,466	2,599,941	574,804	3,206,211
Assessments	-	-	654,858	654,858
Notes	-	-	571,333	571,333
Total receivables	<u>\$ 221,053</u>	<u>\$ 2,655,290</u>	<u>\$ 1,814,349</u>	<u>\$ 4,690,692</u>

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

	Golf Course Fund	Public Works Fund	Total Business-type Activities
Accounts	<u>\$ 1,265</u>	<u>\$ 495,558</u>	<u>\$ 496,823</u>

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

They may be paid in installments due November 15, February 15, and May 15. Taxes unpaid as of May 16 are considered delinquent. Taxes are billed and collected by Malheur County, and remittance to the City is made at periodic intervals. For the fiscal year 2006-2007, the City levied property taxes for a general levy in the amount of \$2,825,195. After reductions for offsets and increases for additional taxes and penalties this resulted in a net levy of \$2,824,096. The tax rate for the fiscal year was \$4.8347, per \$1,000 of assessed value. The assessed valuation for the City was \$584,357,795.

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

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

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

C. Deferred Revenue

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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Property taxes receivable			
General fund	\$ 139,895	\$ -	\$ 139,895
Assessments receivable			
Non-major funds	654,858	-	654,858
Notes and assessments			
Non-major funds	571,333	-	571,333
Other			
Non-major funds	-	249,788	249,788
Total deferred revenue	<u>\$ 1,366,086</u>	<u>\$ 249,788</u>	<u>\$ 1,615,874</u>

D. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2007 was as follows:

Description	Beginning Balance	Increases	Decreases	Ending Balance
Land	\$ 864,587	\$ 83,437	\$ -	\$ 948,024
Construction in progress	235,737	2,838,199	(52,910)	3,021,026
Total non-depreciable	<u>1,100,324</u>	<u>2,921,636</u>	<u>(52,910)</u>	<u>3,969,050</u>
Equipment and vehicles	5,981,143	307,605	-	6,288,748
Buildings and improvements	2,319,088	-	-	2,319,088
Infrastructure	124,400,352	385,250	-	124,785,602
Total depreciable	<u>132,700,583</u>	<u>692,855</u>	<u>-</u>	<u>133,393,438</u>
Accumulated depreciation				
Equipment and vehicles	(4,848,760)	(464,943)	-	(5,313,703)
Buildings and improvements	(1,683,321)	(57,977)	-	(1,741,298)
Infrastructure	(114,355,043)	(4,141,972)	-	(118,497,015)
Total accumulated depreciation	<u>(120,887,124)</u>	<u>(4,664,892)</u>	<u>-</u>	<u>(125,552,016)</u>
Total depreciable assets	<u>11,813,459</u>	<u>(3,972,037)</u>	<u>-</u>	<u>7,841,422</u>
Governmental activities capital assets, net	<u>\$ 12,913,783</u>	<u>\$ (1,050,401)</u>	<u>\$ (52,910)</u>	<u>\$ 11,810,472</u>

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

General government	\$ 81,352
Public safety	209,137
Highways and streets	4,289,946
Culture and recreation	84,457
Total depreciation for governmental activities	<u>\$ 4,664,892</u>

Capital asset activity for business-type activities for the year ended June 30, 2007 was as follows:

Description	Beginning Balance	Increases	Decreases	Ending Balance
Land	\$ 2,451,801	\$ -	\$ -	\$ 2,451,801
Construction in progress	-	-	-	-
Total non-depreciable	<u>2,451,801</u>	<u>-</u>	<u>-</u>	<u>2,451,801</u>
Equipment and vehicles	11,408,251	21,268	-	11,429,519
Buildings and improvements	18,854,658	-	-	18,854,658
Infrastructure	31,891,689	656,379	-	32,548,068
Total depreciable	<u>62,154,598</u>	<u>677,647</u>	<u>-</u>	<u>62,832,245</u>
Accumulated depreciation				
Equipment and vehicles	(7,222,112)	(1,141,888)	-	(8,364,000)
Buildings and improvements	(3,209,875)	(471,367)	-	(3,681,242)
Infrastructure	(4,399,601)	(805,497)	-	(5,205,098)
Total accumulated depreciation	<u>(14,831,588)</u>	<u>(2,418,752)</u>	<u>-</u>	<u>(17,250,340)</u>
Total depreciable assets	<u>47,323,010</u>	<u>(1,741,105)</u>	<u>-</u>	<u>45,581,905</u>
Business-type activities capital assets, net	<u>\$ 49,774,811</u>	<u>\$ (1,741,105)</u>	<u>\$ -</u>	<u>\$ 48,033,706</u>

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

Golf Course	\$ 90,527
Public Works	<u>2,328,225</u>
Total depreciation for business-type activities	<u>\$ 2,418,752</u>

E. Interfund Receivable/Payable

In the government-wide financial statements, the business-type activities had internal loans payable to the governmental activities in the amount of \$52,583. In the fund financial statements, the General Fund had \$17,813 receivable from the Capital Projects Fund, \$194,171 receivable from the Grant Fund and \$52,583 receivable from the Golf Course Fund at June 30, 2007. The interfund loans are for temporary cash management requirements.

F. Transfers

Net transfers between governmental activities and business-type activities in the government-wide financial statements consist of transfers out of the business-type activities and transfers into the governmental activities in the amount of \$868,479.

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

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 743,277	\$ 656,087
Capital Projects Fund	1,167,500	220,453
Non-major governmental funds	1,031,100	570,252
Enterprise Funds		
Golf Course Fund	108,722	-
Public Works Fund	626,606	1,603,807
Non-current resources	-	626,606
	<u> </u>	<u> </u>
Total all funds	<u>\$ 3,677,205</u>	<u>\$ 3,677,205</u>

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

G. Long-Term Debt

1. Special Assessment Debt with Governmental Commitment – Governmental Activities

The City issued \$830,650 of special assessment debt to provide funding for local improvement districts previously funded by the City. These bonds bear interest rates of 4.75%, payable first from collections of assessment liens receivable and second, if necessary, from general property taxes. Payments are made from the Debt Service Fund. Final payment is due September 20, 2019.

	<u>Outstanding July 1, 2006</u>	<u>Matured, Called, or Defeased During Year</u>	<u>Outstanding June 30, 2007</u>	<u>Interest</u>
Fiscal year:				
2007	\$ 55,377	\$ 55,377	\$ -	\$ -
2008	55,377	-	55,377	32,222
2009	55,377	-	55,377	29,592
2010	55,377	-	55,377	26,962
2011	55,376	-	55,376	24,331
2012	55,376	-	55,376	21,701
2013-2017	276,883	-	276,883	69,048
2018-2020	138,442	-	138,442	9,864
	<u>\$ 747,585</u>	<u>\$ 55,377</u>	<u>\$ 692,208</u>	<u>\$ 213,720</u>

2. Contracts and Notes Payable – Governmental Activities

The City received approval of an interim-financing note payable to the Oregon Economic and Community Development Department for improvements to the wastewater treatment facilities, in the total amount of \$4,061,600, of which \$2,413,835 has been requested as of June 30, 2007. All outstanding principal and accrued unpaid interest, at 3.52% per annum, is due and payable August 28, 2009, at which time the City will convert the note payable to permanent financing.

	Outstanding July 1, 2006	Issued During Year	Matured, Called, or Defeased During Year	Outstanding June 30, 2007	Interest
Fiscal year:					
2007	\$ -	\$ 2,413,835	\$ -	\$ -	\$ -
2008	-	-	-	-	86,351
2009	-	-	-	-	89,440
2010	-	-	-	2,413,835	15,215
	<u>\$ -</u>	<u>\$ 2,413,835</u>	<u>\$ -</u>	<u>\$ 2,413,835</u>	<u>\$ 191,006</u>

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

	Outstanding July 1, 2006	Issued During Year	Matured, Called, or Defeased During Year	Outstanding June 30, 2007	Interest
Fiscal year:					
2007	\$ -	\$ 55,000	\$ 11,520	\$ -	\$ -
2008	-	-	-	9,745	2,562
2009	-	-	-	10,330	1,977
2010	-	-	-	10,950	1,357
2011	-	-	-	12,455	704
	<u>\$ -</u>	<u>\$ 55,000</u>	<u>\$ 11,520</u>	<u>\$ 43,480</u>	<u>\$ 6,600</u>

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

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

	Principal			Interest
	Outstanding July 1, 2006	Matured, Called, or Defeased During Year	Outstanding June 30, 2007	
Fiscal year:				
2007	\$ 75,016	\$ 75,016	\$ -	\$ -
2008	81,006	-	81,006	22,078
2009	82,046	-	82,046	18,127
2010	88,137	-	88,137	14,067
2011	94,283	-	94,283	9,638
2012	95,485	-	95,485	4,866
	<u>\$ 515,973</u>	<u>\$ 75,016</u>	<u>\$ 440,957</u>	<u>\$ 68,776</u>

4. Contracts, Loans and Notes Payable – Business-Type Activities – Golf Course Fund

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

	Principal			Interest
	Outstanding July 1, 2006	Matured, Called, or Defeased During Year	Outstanding June 30, 2007	
Fiscal year:				
2007	\$ 1,978	\$ 1,978	\$ -	\$ -
2008	2,229	-	2,229	286
2009	2,327	-	2,327	188
2010	2,484	-	2,484	69
	<u>\$ 9,018</u>	<u>\$ 1,978</u>	<u>\$ 7,040</u>	<u>\$ 543</u>

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

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

Fiscal year:	Loan 70610 - 3%		Loan 70611 - 3.98%	
	Principal	Interest	Principal	Interest
2008	\$ 502,942	\$ 109,390	\$ 81,853	\$ 43,173
2009	502,942	94,302	85,143	39,883
2010	502,942	79,213	88,565	36,461
2011	502,942	64,125	92,125	32,901
2012	502,942	49,037	95,829	29,198
2013-2017	1,257,353	56,581	540,114	85,018
2018-2020	-	-	121,390	3,635
	<u>\$ 3,772,063</u>	<u>\$ 452,648</u>	<u>\$ 1,105,019</u>	<u>\$ 270,269</u>
	Loan 70612 - 3.69%		Total	
	Principal	Interest	Principal	Interest
2008	\$ 128,426	\$ 72,556	\$ 713,221	\$ 225,119
2009	133,209	67,773	721,294	201,958
2010	138,169	62,813	729,676	178,487
2011	143,316	57,666	738,383	154,692
2012	148,653	52,329	747,424	130,564
2013-2017	830,539	174,371	2,628,006	315,970
2018-2020	475,777	26,655	597,167	30,290
	<u>\$ 1,998,089</u>	<u>\$ 514,163</u>	<u>\$ 6,875,171</u>	<u>\$ 1,237,080</u>

The City received an additional \$339,922, including accrued interest of \$55,708, in funds from their approved interim-financing note payable to the Oregon Economic and Community Development Department for improvements to the water treatment facilities. The note accrued interest at 1.04% per annum. All outstanding principal and accrued unpaid interest on the interim financing agreement was converted to permanent financing on May 1, 2007.

Fiscal year:	Outstanding July 1, 2006	Issued During Year	Matured, Called, or Defeased During Year	Outstanding June 30, 2007	Interest
2007	<u>\$ 4,142,658</u>	<u>\$ 339,922</u>	<u>\$ 4,482,580</u>	<u>\$ -</u>	<u>\$ -</u>

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

Fiscal year:	Outstanding July 1, 2006	Issued During Year	Matured, Called, or Defeased During Year	Outstanding June 30, 2007	Interest
2007	\$ -	\$ 4,482,580	\$ -	\$ -	\$ -
2008	-	-	-	78,661	125,883
2009	-	-	-	113,943	185,678
2010	-	-	-	114,700	181,121
2011	-	-	-	120,489	176,533
2012	-	-	-	126,308	171,713
2013-2017	-	-	-	705,027	778,678
2018-2022	-	-	-	856,167	626,089
2023-2027	-	-	-	1,059,741	428,515
2028-2032	-	-	-	1,307,544	176,167
	<u>\$ -</u>	<u>\$ 4,482,580</u>	<u>\$ -</u>	<u>\$ 4,482,580</u>	<u>\$ 2,850,377</u>

6. Water Revenue Bonds – Business–Type Activities – Public Works Fund

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

Fiscal year:	Outstanding July 1, 2006	Matured, Called, or Defeased During Year	Outstanding June 30, 2007	Interest
2007	\$ 86,677	\$ 86,677	\$ -	\$ -
2008	86,680	-	86,680	21,453
2009	86,680	-	86,680	17,553
2010	86,680	-	86,680	13,652
2011	86,680	-	86,680	9,752
2012	86,680	-	86,680	5,851
2013	86,692	-	86,692	1,950
	<u>\$ 606,769</u>	<u>\$ 86,677</u>	<u>\$ 520,092</u>	<u>\$ 70,211</u>

7. Changes in Long-Term Liabilities

Changes for the year ended June 30, 2007 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Governmental Activities:					
Note payable	\$ -	\$ 55,000	\$ 11,520	\$ 43,480	\$ 9,745
Special assessments	747,585	-	55,377	692,208	55,377
OECCD interim financing	-	2,413,835	-	2,413,835	-
Compensated absences	332,226	107	-	332,333	332,333
Total governmental activities	1,079,811	2,468,942	66,897	3,481,856	397,455
Business-type Activities:					
Certificates of participation	515,973	-	75,016	440,957	81,006
Compensated absences	107,054	2,796	-	109,850	109,850
Contracts and notes payable:					
Oregon DEQ contracts	7,580,620	-	705,449	6,875,171	713,221
OECCD interim financing	4,142,658	339,922	4,482,580	-	-
OECCD permanent financing	-	4,482,580	-	4,482,580	78,661
Golf Course Economic Development note	9,018	-	1,978	7,040	2,229
Water Revenue Bonds	606,768	-	86,676	520,092	86,680
Total business-type activities	12,962,091	4,825,298	5,351,699	12,435,690	1,071,647
	<u>\$ 14,041,902</u>	<u>\$ 7,294,240</u>	<u>\$ 5,418,596</u>	<u>\$ 15,917,546</u>	<u>\$ 1,469,102</u>

IV. Other Information

A. Risk Management

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

B. Defined Benefit Pension Plan

Public Employees Retirement System

1. Plan Description

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

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

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

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

2. Funding Policy

Plan members are required to contribute 6% of their annual covered salary. The City is required by ORS 238.225 to contribute at an actuarially determined rate; the current rate is 16.16% of annual covered payroll for Tier I and Tier II employees. Public employees hired after August 29, 2003, after a six month waiting period, become members of the Oregon Public Service Retirement Plan (OPSRP). The rate for OPSRP is set at 8.04% of covered payroll for general services employees and 11.31% for police and fire employees. The contribution requirement of plan members and their employers are established under ORS Chapter 238, and may be amended by the PERS Board of Trustees. The City's contributions to PERS for the years ending June 30, 2007, 2006 and 2005 were \$834,445, \$812,113, and \$621,911, respectively, equal to the required contributions each year.

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

C. Commitments and Contingencies

1. Construction in Progress

The City is committed under various construction and engineering contracts at June 30, 2007 to complete the Airport Improvement Project. The total budget for this project is \$318,817, of which \$201,825 has previously been paid. Approximately 63% of the project was complete at June 30, 2007. Final bids were awarded and additional expenditures made of \$1,078,206 during the 2007-08 fiscal year to complete this project at June 30, 2008.

The City is committed under various construction and engineering contracts at June 30, 2007 to complete the design and construction of various lift stations within the City. The total budget for the design and construction of this project is \$3,764,404 of which \$2,651,743 has previously been paid. Approximately 70% of the project was complete at June 30, 2007. Final bids were awarded and additional expenditures made of \$1,565,709 during the 2007-08 fiscal year to complete this project at June 30, 2008.

The City is committed under engineering contracts at June 30, 2007 to complete the design of Reimbursement District #3. The total budget for this project is \$167,500, of which \$107,612 has previously been paid. Approximately 64% of the project was complete at June 30, 2007. Additional expenditures of \$5,726 and \$34,337 were made during the 2007-08 and 2008-09 fiscal years, respectively, making the project approximately 88.2% complete at June 30, 2009.

The City is under engineering contracts at June 30, 2007 to complete the design of a sewer rehabilitation project. The total budget for this project is \$27,000, of which \$16,729 has previously been paid. Approximately 62% of the project was complete at June 30, 2007. Additional expenditures of \$1,911 were made during the 2007-08 fiscal year to complete this project at June 30, 2008.

The City is under various construction and engineering contracts at June 30, 2007 to complete the replacement of 12,000 lineal feet of deteriorated sanitary sewer pipe. The total budget for this project is \$1,327,618, of which \$28,470 has previously been paid. Approximately 2% of the project was complete at June 30, 2007. Additional expenditures of \$1,267,545 and \$234,398 were made during the 2007-08 and 2008-09 fiscal years, respectively, to complete this project at June 30, 2009.

The City is under engineering contracts at June 30, 2007 to complete the design of the Washington Avenue/North Oregon realignment project. The total budget for this project is \$548,500, of which \$14,647 has previously been spent. Approximately 4% of the project was complete at June 30, 2007. Additional expenditures of \$238,853 and 182,477 were made during the 2007-08 and 2008-09 fiscal years, respectively, making the project approximately 79.5% complete at June 30, 2009.

2. Intergovernmental

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

3. Subsequent Events

In August 2007, the City awarded a bid to Mid Valley Construction in the amount of \$960,277, including change orders, for the ConnectOregon Airport Runway Extension Project. The City funded the project through the Grants Fund and General Fund contingency. Final bids were awarded and expenditures made during the 2007-08 fiscal year. This project was complete at June 30, 2008, as noted in Note IV C. 1. above.

Also in August 2007, the City accepted a grant offer from the Federal Aviation Administration for a maximum of \$200,000 to install perimeter fencing at the Airport.

In June 2008, the City authorized change order #1 in the amount of \$241,639 for the 2007 Sewer replacement project with Titan Technologies, Inc. to replace an additional nine lines of failing sewer line.

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

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

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

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

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

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

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

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

D. Post Retirement Benefits

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

For the year ended June 30, 2007, there were 17 active participants. The total cost of \$5,100 in retiree benefits are current year expenditures and were charged to the fund for which the participant was employed; \$2,820 for the General Fund, \$780 for the 911 Fund, and \$1,500 for the Public Works Fund.

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



SUPPLEMENTAL INFORMATION



COMBINING STATEMENTS

Non-Major Governmental Funds

Special Revenue Funds

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

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

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

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

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

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

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

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

Debt Service Fund

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



**CITY OF ONTARIO, OREGON
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2007**

	Special Revenue	Debt Service	Totals
ASSETS			
Cash and cash equivalents	\$ 3,124,906	\$ 264,329	\$ 3,389,235
Investments	486,011	-	486,011
Receivables:			
Accounts	13,354	-	13,354
Intergovernmental	574,804	-	574,804
Assessments	-	654,858	654,858
Notes	571,333	-	571,333
Inventory	4,324	-	4,324
	<u>\$ 4,774,732</u>	<u>\$ 919,187</u>	<u>\$ 5,693,919</u>
Total assets			
LIABILITIES			
Accounts payable and accrued liabilities	\$ 473,289	\$ -	\$ 473,289
Matured interest outstanding	-	3,102	3,102
Interfund payable	194,171	-	194,171
Deferred revenue	821,121	654,858	1,475,979
	<u>1,488,581</u>	<u>657,960</u>	<u>2,146,541</u>
Total liabilities			
FUND BALANCES			
Reserved for:			
Debt service	-	261,227	261,227
Unreserved, reported in:			
Special revenue funds	3,286,151	-	3,286,151
	<u>3,286,151</u>	<u>261,227</u>	<u>3,547,378</u>
Total fund balances			
	<u>\$ 4,774,732</u>	<u>\$ 919,187</u>	<u>\$ 5,693,919</u>
Total liabilities and fund balances			

CITY OF ONTARIO, OREGON
SUB-COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
June 30, 2007

	Library Fund	911 Fund	Street Fund	Trust Fund
ASSETS				
Cash and cash equivalents	\$ 82,139	\$ 3,938	\$ 720,446	\$ 80,515
Investments	-	-	-	486,011
Receivables:				
Accounts	6,656	-	3,340	2,109
Intergovernmental	3,500	15,434	1,224	-
Notes	-	-	-	-
Inventory	-	-	-	4,324
Total assets	<u>\$ 92,295</u>	<u>\$ 19,372</u>	<u>\$ 725,010</u>	<u>\$ 572,959</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 840	\$ 3,847	\$ 66,066	\$ 17,138
Interfund payable	-	-	-	-
Deferred revenue	-	-	-	228,344
Total liabilities	<u>840</u>	<u>3,847</u>	<u>66,066</u>	<u>245,482</u>
FUND BALANCES				
Unreserved, reported in: Special revenue funds	<u>91,455</u>	<u>15,525</u>	<u>658,944</u>	<u>327,477</u>
Total liabilities and fund balances	<u>\$ 92,295</u>	<u>\$ 19,372</u>	<u>\$ 725,010</u>	<u>\$ 572,959</u>

Revolving Loan Fund	Reserve Fund	Grants Fund	Totals
\$ 255,404	\$ 1,982,464	\$ -	\$ 3,124,906
-	-	-	486,011
1,249	-	-	13,354
-	-	554,646	574,804
571,333	-	-	571,333
-	-	-	4,324
<u>\$ 827,986</u>	<u>\$ 1,982,464</u>	<u>\$ 554,646</u>	<u>\$ 4,774,732</u>
\$ 10	\$ 49,223	\$ 336,165	\$ 473,289
-	-	194,171	194,171
<u>571,333</u>	<u>-</u>	<u>21,444</u>	<u>821,121</u>
<u>571,343</u>	<u>49,223</u>	<u>551,780</u>	<u>1,488,581</u>
<u>256,643</u>	<u>1,933,241</u>	<u>2,866</u>	<u>3,286,151</u>
<u>\$ 827,986</u>	<u>\$ 1,982,464</u>	<u>\$ 554,646</u>	<u>\$ 4,774,732</u>



CITY OF ONTARIO, OREGON
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2007

	Special Revenue	Debt Service	Totals
REVENUES			
Other taxes	\$ 253,799	\$ -	\$ 253,799
Franchise fees	52,439	-	52,439
Intergovernmental	1,315,382	-	1,315,382
Charges for services	21,137	-	21,137
Fines and forfeitures	7,720	-	7,720
Special assessments	-	64,691	64,691
Interest on investments	51,330	37,449	88,779
Loan repayments	51,052	-	51,052
Miscellaneous	17,303	-	17,303
TOTAL REVENUES	<u>1,770,162</u>	<u>102,140</u>	<u>1,872,302</u>
EXPENDITURES			
Current:			
General government	228,936	-	228,936
Public safety	421,106	-	421,106
Highways and streets	780,377	-	780,377
Culture and recreation	387,428	-	387,428
Capital outlay	1,352,655	-	1,352,655
Debt service	-	90,248	90,248
TOTAL EXPENDITURES	<u>3,170,502</u>	<u>90,248</u>	<u>3,260,750</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,400,340)</u>	<u>11,892</u>	<u>(1,388,448)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,031,100	-	1,031,100
Transfers out	(570,252)	-	(570,252)
TOTAL OTHER FINANCING SOURCES (USES)	<u>460,848</u>	<u>-</u>	<u>460,848</u>
NET CHANGE IN FUND BALANCE	(939,492)	11,892	(927,600)
FUND BALANCE, Beginning	<u>4,225,643</u>	<u>249,335</u>	<u>4,474,978</u>
FUND BALANCE, Ending	<u>\$ 3,286,151</u>	<u>\$ 261,227</u>	<u>\$ 3,547,378</u>

CITY OF ONTARIO, OREGON
SUB-COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NON-MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2007

	Library Fund	911 Fund	Street Fund	Trust Fund
REVENUES				
Other taxes	\$ -	\$ -	\$ -	\$ 253,799
Franchise fees	-	-	-	-
Intergovernmental	62,500	81,066	518,838	-
Charges for services	-	3,463	-	17,674
Fines and forfeitures	7,720	-	-	-
Interest on investments	-	-	-	21,397
Loan repayments	-	-	-	-
Miscellaneous	4,898	-	1,713	-
TOTAL REVENUES	<u>75,118</u>	<u>84,529</u>	<u>520,551</u>	<u>292,870</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	421,106	-	-
Highways and streets	-	-	780,377	-
Culture and recreation	142,577	-	-	244,851
Capital outlay	-	-	238,541	-
TOTAL EXPENDITURES	<u>142,577</u>	<u>421,106</u>	<u>1,018,918</u>	<u>244,851</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(67,459)</u>	<u>(336,577)</u>	<u>(498,367)</u>	<u>48,019</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	62,500	355,070	483,735	-
Transfers out	-	-	(565,252)	(5,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>62,500</u>	<u>355,070</u>	<u>(81,517)</u>	<u>(5,000)</u>
NET CHANGE IN FUND BALANCE	(4,959)	18,493	(579,884)	43,019
FUND BALANCE (DEFICIT), Beginning	<u>96,414</u>	<u>(2,968)</u>	<u>1,238,828</u>	<u>284,458</u>
FUND BALANCE, Ending	<u>\$ 91,455</u>	<u>\$ 15,525</u>	<u>\$ 658,944</u>	<u>\$ 327,477</u>

Revolving Loan Fund	Reserve Fund	Grants Fund	Totals
\$ -	\$ -	\$ -	\$ 253,799
-	52,439	-	52,439
-	18,664	634,314	1,315,382
-	-	-	21,137
-	-	-	7,720
27,533	2,400	-	51,330
51,052	-	-	51,052
-	10,692	-	17,303
<u>78,585</u>	<u>84,195</u>	<u>634,314</u>	<u>1,770,162</u>
182,023	-	46,913	228,936
-	-	-	421,106
-	-	-	780,377
-	-	-	387,428
-	480,545	633,569	1,352,655
<u>182,023</u>	<u>480,545</u>	<u>680,482</u>	<u>3,170,502</u>
<u>(103,438)</u>	<u>(396,350)</u>	<u>(46,168)</u>	<u>(1,400,340)</u>
-	129,795	-	1,031,100
-	-	-	(570,252)
-	129,795	-	460,848
(103,438)	(266,555)	(46,168)	(939,492)
<u>360,081</u>	<u>2,199,796</u>	<u>49,034</u>	<u>4,225,643</u>
<u>\$ 256,643</u>	<u>\$ 1,933,241</u>	<u>\$ 2,866</u>	<u>\$ 3,286,151</u>



BUDGETARY COMPARISON SCHEDULES

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

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



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

Governmental Funds

Special Revenue Funds

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

Debt Service Fund

- Debt Service Fund

Capital Projects Fund

- Capital Projects Fund

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
LIBRARY FUND
For the Fiscal Year Ended June 30, 2007

	2005-2007 Budgeted Amounts		1st Year Actual Amounts	2nd Year Actual Amounts	Combined Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final				
REVENUES						
Intergovernmental	\$ 406,000	\$ 265,493	\$ 202,971	\$ 62,500	\$ 265,471	\$ (22)
Fines and forfeitures	18,000	18,000	10,640	7,720	18,360	360
Miscellaneous	2,000	2,000	9,978	4,898	14,876	12,876
TOTAL REVENUES	<u>426,000</u>	<u>285,493</u>	<u>223,589</u>	<u>75,118</u>	<u>298,707</u>	<u>13,214</u>
EXPENDITURES						
Current:						
Culture and recreation:						
Personal services	215,528	210,828	111,994	96,485	208,479	2,349
Materials and services	222,472	149,165	85,766	46,092	131,858	17,307
TOTAL EXPENDITURES	<u>438,000</u>	<u>359,993</u>	<u>197,760</u>	<u>142,577</u>	<u>340,337</u>	<u>19,656</u>
REVENUES OVER (UNDER)						
EXPENDITURES	<u>(12,000)</u>	<u>(74,500)</u>	<u>25,829</u>	<u>(67,459)</u>	<u>(41,630)</u>	<u>32,870</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	<u>12,000</u>	<u>74,500</u>	<u>12,000</u>	<u>62,500</u>	<u>74,500</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>12,000</u>	<u>74,500</u>	<u>12,000</u>	<u>62,500</u>	<u>74,500</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	-	37,829	(4,959)	32,870	32,870
FUND BALANCE, Beginning	-	-	58,585	96,414	58,585	58,585
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,414</u>	<u>\$ 91,455</u>	<u>\$ 91,455</u>	<u>\$ 91,455</u>

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
9-1-1 FUND
For the Fiscal Year Ended June 30, 2007

	2005-2007 Budgeted Amounts		1st Year Actual Amounts	2nd Year Actual Amounts	Combined Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final				
REVENUES						
Intergovernmental	\$ 151,104	\$ 151,104	\$ 72,999	\$ 81,066	\$ 154,065	\$ 2,961
Charges for services	5,400	5,400	3,254	3,463	6,717	1,317
Miscellaneous	-	-	156	-	156	156
TOTAL REVENUES	<u>156,504</u>	<u>156,504</u>	<u>76,409</u>	<u>84,529</u>	<u>160,938</u>	<u>4,434</u>
EXPENDITURES						
Current:						
Public safety:						
Personal services	800,756	800,756	412,716	385,332	798,048	2,708
Materials and services	81,012	81,012	29,320	35,774	65,094	15,918
TOTAL EXPENDITURES	<u>881,768</u>	<u>881,768</u>	<u>442,036</u>	<u>421,106</u>	<u>863,142</u>	<u>18,626</u>
REVENUES OVER (UNDER)						
EXPENDITURES	<u>(725,264)</u>	<u>(725,264)</u>	<u>(365,627)</u>	<u>(336,577)</u>	<u>(702,204)</u>	<u>23,060</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	<u>725,264</u>	<u>725,264</u>	<u>362,640</u>	<u>355,070</u>	<u>717,710</u>	<u>(7,554)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>725,264</u>	<u>725,264</u>	<u>362,640</u>	<u>355,070</u>	<u>717,710</u>	<u>(7,554)</u>
NET CHANGE IN FUND BALANCE	-	-	(2,987)	18,493	15,506	15,506
FUND BALANCE (DEFICIT), Beginning	-	-	19	(2,968)	19	19
FUND BALANCE (DEFICIT), Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,968)</u>	<u>\$ 15,525</u>	<u>\$ 15,525</u>	<u>\$ 15,525</u>

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
STREET FUND
For the Fiscal Year Ended June 30, 2007

	2005-2007 Budgeted Amounts		1st Year Actual Amounts	2nd Year Actual Amounts	Combined Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final				
REVENUES						
Intergovernmental	\$ 1,077,532	\$ 1,077,532	\$ 539,339	\$ 518,838	\$ 1,058,177	\$ (19,355)
Miscellaneous	-	-	17,915	1,713	19,628	19,628
TOTAL REVENUES	<u>1,077,532</u>	<u>1,077,532</u>	<u>557,254</u>	<u>520,551</u>	<u>1,077,805</u>	<u>273</u>
EXPENDITURES						
Current:						
Highways and streets:						
Personal services	887,391	887,391	399,882	400,752	800,634	86,757
Materials and services	751,507	751,507	344,149	379,625	723,774	27,733
Capital outlay	1,301,405	811,405	284,945	238,541	523,486	287,919
Contingency	251,691	251,691	-	-	-	251,691
TOTAL EXPENDITURES	<u>3,191,994</u>	<u>2,701,994</u>	<u>1,028,976</u>	<u>1,018,918</u>	<u>2,047,894</u>	<u>654,100</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(2,114,462)</u>	<u>(1,624,462)</u>	<u>(471,722)</u>	<u>(498,367)</u>	<u>(970,089)</u>	<u>654,373</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	1,073,939	1,073,939	536,970	483,735	1,020,705	(53,234)
Transfers out	(150,504)	(640,504)	(75,252)	(565,252)	(640,504)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>923,435</u>	<u>433,435</u>	<u>461,718</u>	<u>(81,517)</u>	<u>380,201</u>	<u>(53,234)</u>
NET CHANGE IN FUND BALANCE	<u>(1,191,027)</u>	<u>(1,191,027)</u>	<u>(10,004)</u>	<u>(579,884)</u>	<u>(589,888)</u>	<u>601,139</u>
FUND BALANCE, Beginning	<u>1,191,027</u>	<u>1,191,027</u>	<u>1,248,832</u>	<u>1,238,828</u>	<u>1,248,832</u>	<u>57,805</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,238,828</u>	<u>\$ 658,944</u>	<u>\$ 658,944</u>	<u>\$ 658,944</u>

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
TRUST FUND
For the Fiscal Year Ended June 30, 2007

	2005-2007 Budgeted Amounts		1st Year Actual Amounts	2nd Year Actual Amounts	Combined Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final				
REVENUES						
Other taxes	437,000	467,000	225,490	253,799	479,289	12,289
Charges for services	24,000	24,000	13,200	17,674	30,874	6,874
Interest on investments	25,000	25,000	9,715	21,397	31,112	6,112
TOTAL REVENUES	<u>486,000</u>	<u>516,000</u>	<u>248,405</u>	<u>292,870</u>	<u>541,275</u>	<u>25,275</u>
EXPENDITURES						
Current:						
Culture and recreation:						
Materials and services	<u>701,604</u>	<u>731,604</u>	<u>213,825</u>	<u>244,851</u>	<u>458,676</u>	<u>272,928</u>
TOTAL EXPENDITURES	<u>701,604</u>	<u>731,604</u>	<u>213,825</u>	<u>244,851</u>	<u>458,676</u>	<u>272,928</u>
REVENUES OVER (UNDER)						
EXPENDITURES	<u>(215,604)</u>	<u>(215,604)</u>	<u>34,580</u>	<u>48,019</u>	<u>82,599</u>	<u>298,203</u>
OTHER FINANCING SOURCES (USES)						
Transfers out	<u>(10,000)</u>	<u>(10,000)</u>	<u>(5,004)</u>	<u>(5,000)</u>	<u>(10,004)</u>	<u>(4)</u>
TOTAL OTHER FINANCING						
SOURCES (USES)	<u>(10,000)</u>	<u>(10,000)</u>	<u>(5,004)</u>	<u>(5,000)</u>	<u>(10,004)</u>	<u>(4)</u>
NET CHANGE IN FUND BALANCE	<u>(225,604)</u>	<u>(225,604)</u>	<u>29,576</u>	<u>43,019</u>	<u>72,595</u>	<u>298,199</u>
FUND BALANCE, Beginning	<u>488,822</u>	<u>488,822</u>	<u>254,882</u>	<u>284,458</u>	<u>254,882</u>	<u>(233,940)</u>
FUND BALANCE, Ending	<u>\$ 263,218</u>	<u>\$ 263,218</u>	<u>\$ 284,458</u>	<u>\$ 327,477</u>	<u>\$ 327,477</u>	<u>\$ 64,259</u>

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
REVOLVING LOAN FUND
For the Fiscal Year Ended June 30, 2007

	2005-2007 Budgeted Amounts		1st Year Actual Amounts	2nd Year Actual Amounts	Combined Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final				
REVENUES						
Interest on investments	\$ 30,167	\$ 30,167	\$ 28,752	\$ 27,533	\$ 56,285	\$ 26,118
Loan repayments	251,563	251,563	258,677	51,052	309,729	58,166
TOTAL REVENUES	<u>281,730</u>	<u>281,730</u>	<u>287,429</u>	<u>78,585</u>	<u>366,014</u>	<u>84,284</u>
EXPENDITURES						
Current:						
General government:						
Materials and services	<u>541,692</u>	<u>541,692</u>	<u>278,170</u>	<u>182,023</u>	<u>460,193</u>	<u>81,499</u>
TOTAL EXPENDITURES	<u>541,692</u>	<u>541,692</u>	<u>278,170</u>	<u>182,023</u>	<u>460,193</u>	<u>81,499</u>
NET CHANGE IN FUND BALANCE	(259,962)	(259,962)	9,259	(103,438)	(94,179)	165,783
FUND BALANCE, Beginning	<u>259,962</u>	<u>259,962</u>	<u>350,822</u>	<u>360,081</u>	<u>350,822</u>	<u>90,860</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 360,081</u>	<u>\$ 256,643</u>	<u>\$ 256,643</u>	<u>\$ 256,643</u>

See auditor's report.

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
RESERVE FUND
For the Fiscal Year Ended June 30, 2007

	2005-2007 Budgeted Amounts		1st Year Actual Amounts	2nd Year Actual Amounts	Combined Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final				
REVENUES						
Franchise fees	\$ 136,000	\$ 136,000	\$ 70,128	\$ 52,439	\$ 122,567	\$ (13,433)
Intergovernmental	44,351	44,351	29,718	18,664	48,382	4,031
Interest on investments	4,800	4,800	-	2,400	2,400	(2,400)
Miscellaneous	15,000	15,000	33,575	10,692	44,267	29,267
TOTAL REVENUES	<u>200,151</u>	<u>200,151</u>	<u>133,421</u>	<u>84,195</u>	<u>217,616</u>	<u>17,465</u>
EXPENDITURES						
Current:						
General government:						
Materials and services	2,967	-	-	-	-	-
Capital outlay	1,707,293	1,950,426	993,940	480,545	1,474,485	475,941
Contingency	1,141,594	1,131,594	-	-	-	1,131,594
TOTAL EXPENDITURES	<u>2,851,854</u>	<u>3,082,020</u>	<u>993,940</u>	<u>480,545</u>	<u>1,474,485</u>	<u>1,607,535</u>
REVENUES OVER (UNDER)						
EXPENDITURES	<u>(2,651,703)</u>	<u>(2,881,869)</u>	<u>(860,519)</u>	<u>(396,350)</u>	<u>(1,256,869)</u>	<u>1,625,000</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	1,456,822	1,791,783	859,012	129,795	988,807	(802,976)
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,456,822</u>	<u>1,791,783</u>	<u>859,012</u>	<u>129,795</u>	<u>988,807</u>	<u>(802,976)</u>
NET CHANGE IN FUND BALANCE	<u>(1,194,881)</u>	<u>(1,090,086)</u>	<u>(1,507)</u>	<u>(266,555)</u>	<u>(268,062)</u>	<u>822,024</u>
FUND BALANCE, Beginning	<u>2,573,752</u>	<u>2,598,752</u>	<u>2,201,303</u>	<u>2,199,796</u>	<u>2,201,303</u>	<u>(397,449)</u>
FUND BALANCE, Ending	<u>\$ 1,378,871</u>	<u>\$ 1,508,666</u>	<u>\$ 2,199,796</u>	<u>\$ 1,933,241</u>	<u>\$ 1,933,241</u>	<u>\$ 424,575</u>

See auditor's report.

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GRANTS FUND
For the Fiscal Year Ended June 30, 2007

	2005-2007 Budgeted Amounts		1st Year Actual Amounts	2nd Year Actual Amounts	Combined Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final				
REVENUES						
Intergovernmental	\$ 856,857	\$ 1,489,174	\$ 983,948	\$ 634,314	\$ 1,618,262	\$ 129,088
TOTAL REVENUES	<u>856,857</u>	<u>1,489,174</u>	<u>983,948</u>	<u>634,314</u>	<u>1,618,262</u>	<u>129,088</u>
EXPENDITURES						
Current:						
General government:						
Materials and services	65,964	110,161	33,061	46,913	79,974	30,187
Capital outlay	<u>823,160</u>	<u>1,421,225</u>	<u>869,836</u>	<u>633,569</u>	<u>1,503,405</u>	<u>(82,180)</u>
TOTAL EXPENDITURES	<u>889,124</u>	<u>1,531,386</u>	<u>902,897</u>	<u>680,482</u>	<u>1,583,379</u>	<u>(51,993)</u>
REVENUES OVER (UNDER)						
EXPENDITURES	<u>(32,267)</u>	<u>(42,212)</u>	<u>81,051</u>	<u>(46,168)</u>	<u>34,883</u>	<u>77,095</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	<u>-</u>	<u>9,945</u>	<u>9,945</u>	<u>-</u>	<u>9,945</u>	<u>-</u>
TOTAL OTHER FINANCING						
SOURCES (USES)	<u>-</u>	<u>9,945</u>	<u>9,945</u>	<u>-</u>	<u>9,945</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(32,267)</u>	<u>(32,267)</u>	<u>90,996</u>	<u>(46,168)</u>	<u>44,828</u>	<u>77,095</u>
FUND BALANCE (DEFICIT), Beginning	<u>32,267</u>	<u>32,267</u>	<u>(41,962)</u>	<u>49,034</u>	<u>(41,962)</u>	<u>(74,229)</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,034</u>	<u>\$ 2,866</u>	<u>\$ 2,866</u>	<u>\$ 2,866</u>

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Fiscal Year Ended June 30, 2007

	2005-2007 Budgeted Amounts		1st Year Actual Amounts	2nd Year Actual Amounts	Combined Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final				
REVENUES						
Special assessments	\$ 111,280	\$ 111,280	\$ 62,088	\$ 64,691	\$ 126,779	\$ 15,499
Interest on investments	84,410	84,410	40,556	37,449	78,005	(6,405)
Loan repayments	306,768	127,820	115,038	-	115,038	(12,782)
TOTAL REVENUES	<u>502,458</u>	<u>323,510</u>	<u>217,682</u>	<u>102,140</u>	<u>319,822</u>	<u>(3,688)</u>
EXPENDITURES						
Debt service	833,194	654,246	231,947	90,248	322,195	332,051
TOTAL EXPENDITURES	<u>833,194</u>	<u>654,246</u>	<u>231,947</u>	<u>90,248</u>	<u>322,195</u>	<u>332,051</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(330,736)</u>	<u>(330,736)</u>	<u>(14,265)</u>	<u>11,892</u>	<u>(2,373)</u>	<u>328,363</u>
OTHER FINANCING SOURCES (USES)						
Sale of property	-	-	65,315	-	65,315	65,315
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>65,315</u>	<u>-</u>	<u>65,315</u>	<u>65,315</u>
NET CHANGE IN FUND BALANCE	<u>(330,736)</u>	<u>(330,736)</u>	<u>51,050</u>	<u>11,892</u>	<u>62,942</u>	<u>393,678</u>
FUND BALANCE, Beginning	<u>330,736</u>	<u>330,736</u>	<u>198,285</u>	<u>249,335</u>	<u>198,285</u>	<u>(132,451)</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 249,335</u>	<u>\$ 261,227</u>	<u>\$ 261,227</u>	<u>\$ 261,227</u>

See auditor's report.

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2007

	2005-2007 Budgeted Amounts		1st Year Actual Amounts	2nd Year Actual Amounts	Combined Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final				
REVENUES						
Charges for services	\$ 7,000	\$ 57,000	\$ 330	\$ 68,949	\$ 69,279	\$ 12,279
Intergovernmental	-	300,000	-	186,106	186,106	(113,894)
System development charges	1,092,002	1,092,002	716,631	1,035,132	1,751,763	659,761
TOTAL REVENUES	<u>1,099,002</u>	<u>1,449,002</u>	<u>716,961</u>	<u>1,290,187</u>	<u>2,007,148</u>	<u>558,146</u>
EXPENDITURES						
Capital outlay	6,049,820	7,517,320	2,969,621	3,161,113	6,130,734	1,386,586
Contingency	-	50,000	-	-	-	50,000
TOTAL EXPENDITURES	<u>6,049,820</u>	<u>7,567,320</u>	<u>2,969,621</u>	<u>3,161,113</u>	<u>6,130,734</u>	<u>1,436,586</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(4,950,818)</u>	<u>(6,118,318)</u>	<u>(2,252,660)</u>	<u>(1,870,926)</u>	<u>(4,123,586)</u>	<u>1,994,732</u>
OTHER FINANCING SOURCES (USES)						
Issuance of debt	4,857,820	4,857,820	4,142,658	2,698,049	6,840,707	1,982,887
Transfers in	-	1,167,500	-	1,167,500	1,167,500	-
Transfers out	(1,447,905)	(1,447,905)	(723,948)	(220,453)	(944,401)	503,504
TOTAL OTHER FINANCING SOURCES (USES)	<u>3,409,915</u>	<u>4,577,415</u>	<u>3,418,710</u>	<u>3,645,096</u>	<u>7,063,806</u>	<u>2,486,391</u>
NET CHANGE IN FUND BALANCE	<u>(1,540,903)</u>	<u>(1,540,903)</u>	<u>1,166,050</u>	<u>1,774,170</u>	<u>2,940,220</u>	<u>4,481,123</u>
FUND BALANCE, Beginning	<u>1,540,903</u>	<u>1,540,903</u>	<u>918,753</u>	<u>2,084,803</u>	<u>918,753</u>	<u>(622,150)</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,084,803</u>	<u>\$ 3,858,973</u>	<u>\$ 3,858,973</u>	<u>\$ 3,858,973</u>

See auditor's report.

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

Proprietary Funds

Enterprise Funds

- Golf Course Fund
- Public Works Fund

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GOLF COURSE FUND
For the Fiscal Year Ended June 30, 2007

	2005-2007 Budgeted Amounts		1st Year Actual Amounts	2nd Year Actual Amounts	Combined Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final				
REVENUES						
Charges for services	\$ 223,525	\$ 223,525	\$ 79,727	\$ 76,950	\$ 156,677	\$ (66,848)
Interest on investments	-	-	461	-	461	461
TOTAL REVENUES	<u>223,525</u>	<u>223,525</u>	<u>80,188</u>	<u>76,950</u>	<u>157,138</u>	<u>(66,387)</u>
EXPENDITURES						
Cost of services:						
Materials and services	215,402	215,402	116,508	84,001	200,509	14,893
Capital outlay	24,177	24,177	-	-	-	24,177
Debt service	211,305	211,305	106,682	104,125	210,807	498
TOTAL EXPENDITURES	<u>450,884</u>	<u>450,884</u>	<u>223,190</u>	<u>188,126</u>	<u>411,316</u>	<u>39,568</u>
REVENUES OVER (UNDER)						
EXPENDITURES	<u>(227,359)</u>	<u>(227,359)</u>	<u>(143,002)</u>	<u>(111,176)</u>	<u>(254,178)</u>	<u>(26,819)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	227,359	227,359	112,107	108,722	220,829	(6,530)
TOTAL OTHER FINANCING SOURCES (USES)	<u>227,359</u>	<u>227,359</u>	<u>112,107</u>	<u>108,722</u>	<u>220,829</u>	<u>(6,530)</u>
NET CHANGE IN FUND BALANCE	-	-	(30,895)	(2,454)	(33,349)	(33,349)
FUND BALANCE (DEFICIT), Beginning	-	-	(26,225)	(57,120)	(26,225)	(26,225)
FUND BALANCE (DEFICIT), Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (57,120)</u>	<u>\$ (59,574)</u>	<u>(59,574)</u>	<u>\$ (59,574)</u>
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES						
Capital assets, net of depreciation					1,085,466	
Accrued expenses					(7,561)	
Long-term obligations					<u>(447,997)</u>	
NET ASSETS, Ending					<u>\$ 570,334</u>	

See auditor's report.

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
PUBLIC WORKS FUND
For the Fiscal Year Ended June 30, 2007

	2005-2007 Budgeted Amounts		1st Year Actual Amounts	2nd Year Actual Amounts	Combined Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final				
REVENUES						
Charges for services	\$12,826,496	\$12,852,496	\$ 6,181,425	\$ 5,624,092	\$ 11,805,517	\$ (1,046,979)
Interest on investments	200,000	200,000	263,797	470,208	734,005	534,005
Miscellaneous	116,400	118,215	66,888	65,139	132,027	13,812
TOTAL REVENUES	<u>13,142,896</u>	<u>13,170,711</u>	<u>6,512,110</u>	<u>6,159,439</u>	<u>12,671,549</u>	<u>(499,162)</u>
EXPENDITURES						
Cost of services:						
Personal services	3,451,109	3,451,109	1,590,698	1,616,325	3,207,023	244,086
Materials and services	3,012,206	3,062,741	1,269,874	1,381,116	2,650,990	411,751
Capital outlay	240,600	449,624	155,122	105,479	260,601	189,023
Debt service	2,282,155	2,282,155	1,101,675	1,081,540	2,183,215	98,940
Contingency	2,625,162	1,702,853	-	-	-	1,702,853
TOTAL EXPENDITURES	<u>11,611,232</u>	<u>10,948,482</u>	<u>4,117,369</u>	<u>4,184,460</u>	<u>8,301,829</u>	<u>2,646,653</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>1,531,664</u>	<u>2,222,229</u>	<u>2,394,741</u>	<u>1,974,979</u>	<u>4,369,720</u>	<u>2,147,491</u>
OTHER FINANCING SOURCES (USES)						
Transfers out	(2,458,648)	(3,149,213)	(979,542)	(1,603,807)	(2,583,349)	565,864
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,458,648)</u>	<u>(3,149,213)</u>	<u>(979,542)</u>	<u>(1,603,807)</u>	<u>(2,583,349)</u>	<u>565,864</u>
NET CHANGE IN FUND BALANCE	<u>(926,984)</u>	<u>(926,984)</u>	<u>1,415,199</u>	<u>371,172</u>	<u>1,786,371</u>	<u>2,713,355</u>
FUND BALANCE, Beginning	<u>926,984</u>	<u>926,984</u>	<u>2,322,694</u>	<u>3,737,893</u>	<u>2,322,694</u>	<u>1,395,710</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,737,893</u>	<u>\$ 4,109,065</u>	<u>4,109,065</u>	<u>\$ 4,109,065</u>
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES						
Capital assets, net of depreciation					46,948,240	
Inventory					473,967	
Accrued expenses					(211,101)	
Long-term obligations					<u>(11,877,843)</u>	
NET ASSETS, Ending					<u>\$ 39,442,328</u>	

See auditor's report.



OTHER FINANCIAL SCHEDULES

CITY OF ONTARIO, OREGON
PUBLIC WORKS FUND
SCHEDULE OF EXPENDITURES - COST OF SERVICES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the fiscal year ended June 30, 2007

	Personal Services					Material and Services		
	2005-2007 Budgeted Amounts		1st Year Actual Amounts	2nd Year Actual Amounts	Combined Actual Amounts	Variance with Final Budget- Positive (Negative)	2005-2007 Budgeted Amounts	
	Original	Final					Original	Final
EXPENDITURES								
Public Works:								
Administrative	\$ 888,797	\$ 888,797	\$ 438,144	\$ 463,266	\$ 901,410	\$ (12,613)	\$ 243,120	\$ 270,935
Water	697,166	697,166	319,011	308,405	627,416	69,750	1,080,254	1,080,254
Sewer	682,570	682,570	281,438	242,780	524,218	158,352	774,443	777,163
Storm drain	56,650	56,650	5,753	12,202	17,955	38,695	44,626	44,626
Facility maintenance	135,451	135,451	65,602	66,183	131,785	3,666	54,502	54,502
Utility maintenance	990,475	990,475	480,750	523,489	1,004,239	(13,764)	815,261	835,261
Total Public Works	\$ 3,451,109	\$ 3,451,109	\$ 1,590,698	\$ 1,616,325	\$ 3,207,023	\$ 244,086	\$ 3,012,206	\$ 3,062,741

Material and Services				Total Cost of Services					
1st Year Actual Amounts	2nd Year Actual Amounts	Combined Actual Amounts	Variance with Final Budget- Positive (Negative)	2005-2007 Budgeted Amounts		1st Year Actual Amounts	2nd Year Actual Amounts	Combined Actual Amounts	Variance with Final Budget- Positive (Negative)
				Original	Final				
\$ 139,432	\$ 130,308	\$ 269,740	\$ 1,195	\$ 1,131,917	\$ 1,159,732	\$ 577,576	\$ 593,574	\$ 1,171,150	\$ (11,418)
497,488	570,551	1,068,039	12,215	1,777,420	1,777,420	816,499	878,956	1,695,455	81,965
300,104	277,925	578,029	199,134	1,457,013	1,459,733	581,542	520,705	1,102,247	357,486
10,384	16,266	26,650	17,976	101,276	101,276	16,137	28,468	44,605	56,671
29,176	20,898	50,074	4,428	189,953	189,953	94,778	87,081	181,859	8,094
293,290	365,168	658,458	176,803	1,805,736	1,825,736	774,040	888,657	1,662,697	163,039
<u>\$ 1,269,874</u>	<u>\$ 1,381,116</u>	<u>\$ 2,650,990</u>	<u>\$ 411,751</u>	<u>\$ 6,463,315</u>	<u>\$ 6,513,850</u>	<u>\$ 2,860,572</u>	<u>\$ 2,997,441</u>	<u>\$ 5,858,013</u>	<u>\$ 655,837</u>

CITY OF ONTARIO, OREGON
GENERAL FUND
SCHEDULE OF EXPENDITURES OF PERSONAL SERVICES AND MATERIALS AND SERVICES
BUDGET AND ACTUAL, BY DEPARTMENT
For the fiscal year ended June 30, 2007

	Personal Services					Material and Services		
	2005-2007 Budgeted Amounts		1st Year Actual Amounts	2nd Year Actual Amounts	Combined Actual Amounts	Variance with Final Budget- Positive (Negative)	2005-2007 Budgeted Amounts	
	Original	Final					Original	Final
EXPENDITURES								
General government:								
Administration	\$ 592,828	\$ 624,552	\$ 300,063	\$ 317,772	\$ 617,835	\$ 6,717	\$ 64,598	\$ 85,874
Administrative overhead	-	-	-	-	-	-	661,232	708,482
Airport	37,667	37,667	18,023	17,632	35,655	2,012	35,044	35,044
Building department	218,771	85,000	62,021	18,312	80,333	4,667	32,028	137,650
Community development	172,184	172,184	86,857	92,678	179,535	(7,351)	22,318	19,218
Finance	565,715	561,565	250,813	270,714	521,527	40,038	27,414	26,414
Technology	170,775	157,775	82,822	48,802	131,624	26,151	24,205	35,705
Total general government	1,757,940	1,638,743	800,599	765,910	1,566,509	72,234	866,839	1,048,387
Public safety:								
Fire	1,772,557	1,772,557	828,251	905,546	1,733,797	38,760	227,176	127,056
Police	3,886,799	3,899,716	1,893,614	1,961,412	3,855,026	44,690	234,970	294,225
Total public safety	5,659,356	5,672,273	2,721,865	2,866,958	5,588,823	83,450	462,146	421,281
Culture and recreation:								
Aquatic and recreation	533,262	533,262	262,331	272,835	535,166	(1,904)	238,247	273,747
Parks and cemetery	511,538	511,538	243,217	254,267	497,484	14,054	162,264	161,264
Total culture and recreation	1,044,800	1,044,800	505,548	527,102	1,032,650	12,150	400,511	435,011
TOTAL EXPENDITURES	\$ 8,462,096	\$ 8,355,816	\$ 4,028,012	\$ 4,159,970	\$ 8,187,982	\$ 167,834	\$ 1,729,496	\$ 1,904,679

Material and Services				Total Current					
1st Year Actual Amounts	2nd Year Actual Amounts	Combined Actual Amounts	Variance with Final Budget- Positive (Negative)	2005-2007 Budgeted Amounts		1st Year Actual Amounts	2nd Year Actual Amounts	Combined Actual Amounts	Variance with Final Budget- Positive (Negative)
				Original	Final				
\$ 37,095	\$ 41,181	\$ 78,276	\$ 7,598	\$ 657,426	\$ 710,426	\$ 337,158	\$ 358,953	\$ 696,111	\$ 14,315
291,441	339,427	630,868	77,614	661,232	708,482	291,441	339,427	630,868	77,614
16,804	14,550	31,354	3,690	72,711	72,711	34,827	32,182	67,009	5,702
40,053	93,209	133,262	4,388	250,799	222,650	102,074	111,521	213,595	9,055
5,138	13,782	18,920	298	194,502	191,402	91,995	106,460	198,455	(7,053)
9,547	6,589	16,136	10,278	593,129	587,979	260,360	277,303	537,663	50,316
9,738	18,157	27,895	7,810	194,980	193,480	92,560	66,959	159,519	33,961
<u>409,816</u>	<u>526,895</u>	<u>936,711</u>	<u>111,676</u>	<u>2,624,779</u>	<u>2,687,130</u>	<u>1,210,415</u>	<u>1,292,805</u>	<u>2,503,220</u>	<u>183,910</u>
45,547	65,957	111,504	15,552	1,999,733	1,899,613	873,798	971,503	1,845,301	54,312
163,108	133,157	296,265	(2,040)	4,121,769	4,193,941	2,056,722	2,094,569	4,151,291	42,650
<u>208,655</u>	<u>199,114</u>	<u>407,769</u>	<u>13,512</u>	<u>6,121,502</u>	<u>6,093,554</u>	<u>2,930,520</u>	<u>3,066,072</u>	<u>5,996,592</u>	<u>96,962</u>
129,547	137,766	267,313	6,434	771,509	807,009	391,878	410,601	802,479	4,530
72,879	83,252	156,131	5,133	673,802	672,802	316,096	337,519	653,615	19,187
<u>202,426</u>	<u>221,018</u>	<u>423,444</u>	<u>11,567</u>	<u>1,445,311</u>	<u>1,479,811</u>	<u>707,974</u>	<u>748,120</u>	<u>1,456,094</u>	<u>23,717</u>
<u>\$ 820,897</u>	<u>\$ 947,027</u>	<u>\$ 1,767,924</u>	<u>\$ 136,755</u>	<u>\$10,191,592</u>	<u>\$10,260,495</u>	<u>\$4,848,909</u>	<u>\$5,106,997</u>	<u>\$9,955,906</u>	<u>\$ 304,589</u>

CITY OF ONTARIO
SCHEDULE OF PROPERTY TAX TRANSACTIONS
AND OUTSTANDING BALANCES
For the fiscal year ended June 30, 2007

	Taxes Uncollected July 1, 2006	Add Levy Extended by Assessor	Add (Deduct) Discounts Interest Cancellations Adjustments	Deduct Interest and Tax Collections	Taxes Uncollected June 30, 2007
2006-07	\$ -	\$ 2,824,096	\$ (70,161)	\$ (2,663,999)	\$ 89,936
2005-06	90,444	-	2,311	(46,416)	46,339
2004-05	46,419	-	2,441	(23,427)	25,433
2003-04	28,819	-	3,214	(20,813)	11,220
2002-03	11,208	-	2,274	(12,700)	782
2001-02	1,155	-	181	(1,023)	313
2000-01	819	-	212	(875)	156
Prior years	118	-	-	-	118
	<u>\$ 178,982</u>	<u>\$ 2,824,096</u>	<u>\$ (59,528)</u>	<u>\$ (2,769,253)</u>	<u>\$ 174,297</u>

See auditor's report.

**REPORTS OF INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS**

INDEPENDENT AUDITOR'S COMMENTS

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

1. ACCOUNTING SYSTEMS AND INTERNAL CONTROLS

We found the accounting system of the City of Ontario, Oregon to be generally well maintained and adequate for audit purposes. The internal controls for the City are generally operating as designed; however, there were material weaknesses and significant deficiencies reported in accordance with SAS 112 and *Government Auditing Standards*. We noted other matters involving internal control, which we have reported to management of the City of Ontario in a separate letter dated June 1, 2010.

2. INVESTMENTS

Our review of deposit and investment balances during the year ended June 30, 2007, indicated that the City was in compliance with ORS 294 as it pertains to investment of public funds.

3. COLLATERAL

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

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

4. INDEBTEDNESS

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

5. BUDGET

We reviewed the supplemental budgets and resolutions for appropriation changes for the second year of the biennial budget period. We also reviewed the preparation and adoption of the budget for the 2007-09 biennial budget. The City has complied with statutory requirements in all material respects for the current and ensuing year's budgets except for the following:

Expenditures exceeded appropriations for the 2005-07 budget in the following amounts:

General Fund:	
Transfers out	(\$199,073)

Trust Fund:	
Transfers out	(\$ 4)
Grants Fund:	
Capital outlay	(\$ 82,180)

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

6. INSURANCE AND FIDELITY BONDS

We reviewed the City's insurance and fidelity bond coverage at June 30, 2007, and ascertained that such policies appeared to be in force. We are not competent by training to comment whether the insurance policies of the City in force at June 30, 2007, are adequate. The City has complied with provisions of ORS 221.903 regarding bonding of City personnel.

7. PROGRAMS FUNDED FROM OUTSIDE SOURCES

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

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

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

8. PUBLIC CONTRACTS AND PURCHASING

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

9. HIGHWAY FUNDS

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

10. STATEMENT OF ACCOUNTABILITY FOR INDEPENDENTLY ELECTED OFFICIALS

This statement is not applicable to the City of Ontario.



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Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

June 1, 2010

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ontario, Oregon, as of and for the year ended June 30, 2007, which collectively comprise the City of Ontario, Oregon's basic financial statements and have issued our report thereon, dated June 1, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

is more than inconsequential will not be prevented or detected by the City of Ontario, Oregon's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

The City's controls over the fiscal year end financial reporting process does not allow for payables to be properly recorded on the modified accrual basis of accounting. There were significant adjustments required in the areas of payroll, retainage and accounts payable, which could be reduced in the future through secondary reviews of accrued expenses, detailed review of subsequent cash disbursements for unrecorded items, and comparison of the June 30 year-end balance sheet to the prior year amounts, while giving consideration to current expectations.

The City has used an estimate to value its Public Works materials and supplies inventory for a number of years, due to the lack of an accurate physical inventory taken at or near fiscal year end. The City performed a physical inventory in 2007, however, it was not performed until October 1 and therefore could be significantly different than inventory on hand at June 30. The City also did not keep detailed records of subsequent transactions to enable us to calculate inventory on hand at June 30, 2007. Per discussion with the Finance Director, it appears the physical count performed on October 1 provided a reasonable estimate of inventory values at June 30, 2007. However, the lack of a physical count at or around June 30 or detailed records to determine activity from fiscal year end through the date of the inventory increases the risk of misstatement of inventory values and the risk of misappropriation of assets.

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

Compliance and Other Matters

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

audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

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