

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

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





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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 <sup>th</sup> Avenue Ontario, Oregon 97914	Council President	December 31, 2008
Lewie Allen 1285 SW 11 <sup>th</sup> Street Ontario, Oregon 97914	Council Member	December 31, 2008
John Gaskill 1006 SW 6 <sup>th</sup> Avenue Ontario, Oregon 97914	Council Member	December 31, 2008
Susann Mills 1141 SW 3 <sup>rd</sup> Avenue Ontario, Oregon 97914	Council Member	December 31, 2010
Jim Mosier 1237 SW 12 <sup>th</sup> Street Ontario, Oregon 97914	Council Member	December 31, 2010
Bruce Tuttle 237 NW 20 <sup>th</sup> 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 4<sup>th</sup> Street  
Ontario, Oregon 97914



## **FINANCIAL SECTION**



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

110 SE First Street  
P.O. Box 1533  
Pendleton, OR 97801  
Phone: (541) 276-6862  
Toll Free: 1-800-332-6862  
Fax: (541) 276-9040  
Web: [www.dickeyandtremper.com](http://www.dickeyandtremper.com)

## **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.

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



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

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General fund, 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](http://www.ontariooregon.org)

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As management of the City of Ontario, Oregon, (City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 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**

	<b>Governmental Activities</b>	
	<b>FY 2007</b>	<b>FY 2006</b>
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>
<b>Total Assets</b>	<b><u>\$ 24,432,685</u></b>	<b><u>\$ 23,142,349</u></b>
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>
<b>Total Liabilities</b>	<b><u>5,167,390</u></b>	<b><u>1,574,580</u></b>
<b>NET ASSETS</b>		
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>
<b>Total Net Assets</b>	<b><u>\$ 19,265,295</u></b>	<b><u>\$ 21,567,769</u></b>
<b>Total Liab &amp; Net Assets</b>	<b><u>\$ 24,432,685</u></b>	<b><u>\$ 23,142,349</u></b>

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**

	<b>Business-Type Activities</b>	
	<b>FY 2007</b>	<b>FY 2006</b>
Current and other assets	\$ 4,729,566	\$ 3,898,639
Capital assets (net of accumulated depreciation)	48,033,706	49,774,811
<b>Total Assets</b>	<b>\$ 52,763,272</b>	<b>\$ 53,673,450</b>
Long-term debt outstanding (less current portion)	\$ 11,364,043	\$ 11,985,785
Other liabilities	1,386,567	1,235,170
<b>Total Liabilities</b>	<b>12,750,610</b>	<b>13,220,955</b>
<b>Net Assets:</b>		
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
<b>Total Net Assets</b>	<b>\$ 40,012,662</b>	<b>\$ 40,452,495</b>
<b>Total Liab &amp; Net Assets</b>	<b>\$ 52,763,272</b>	<b>\$ 53,673,450</b>

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.

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**Fiscal Year 2007 Governmental Activities**  
(See Table 1b)

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

**Table 1b**  
**STATEMENT OF ACTIVITIES**  
**June 30, 2007**

	<b>Governmental Activities</b>	
	<u>FY 2007</u>	<u>FY 2006</u>
<b>Revenues</b>		
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>
<b>Expenses</b>		
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>
<b>Increase (decrease) in Net Assets</b>	<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)
<b>Totals</b>	<b>\$ 11,571,885</b>	<b>\$ 11,381,534</b>	<b>\$ 11,162,023</b>	<b>\$ (7,806,279)</b>	<b>\$ (7,994,766)</b>

- ❖ The decrease in the net cost of services for general government is again a reflection of the increased funding for the airport improvement project and homeland security (public safety) grants.
- ❖ 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**

	<b>Business-Type Activities</b>	
	<u><b>FY 2007</b></u>	<u><b>FY 2006</b></u>
<b>Revenues</b>		
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>
<b>Expenses</b>		
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>
<b>Increase (decrease) in Net Assets</b>	<u><b>\$ (439,833)</b></u>	<u><b>\$ 747,889</b></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)**

	<b>Governmental Activities</b>	
	<b>FY 2007</b>	<b>FY 2006</b>
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
<b>Totals</b>	<b>\$ 11,810,472</b>	<b>\$ 12,913,783</b>

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)**

	<b>Business-Type Activities</b>	
	<b>FY 2007</b>	<b>FY 2006</b>
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
<b>Totals</b>	<b>\$ 48,033,706</b>	<b>\$ 49,774,811</b>

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>
<b>Governmental activities:</b>		
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>
<b>Business - Type activities:</b>		
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 4<sup>th</sup> 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
<b>ASSETS</b>			
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>
<b>LIABILITIES</b>			
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>
<b>NET ASSETS</b>			
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
<b>Governmental activities:</b>							
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)
<b>Total governmental activities</b>	<b>11,571,885</b>	<b>592,267</b>	<b>1,680,526</b>	<b>1,492,813</b>	<b>(7,806,279)</b>	<b>-</b>	<b>(7,806,279)</b>
<b>Business-type activities:</b>							
Golf	200,432	76,950	-	-	-	(123,482)	(123,482)
Public Works	5,607,311	5,689,231	-	-	-	81,920	81,920
<b>Total business-type activities</b>	<b>5,807,743</b>	<b>5,766,181</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(41,562)</b>	<b>(41,562)</b>
<b>Total primary government</b>	<b>\$17,379,628</b>	<b>\$6,358,448</b>	<b>\$1,680,526</b>	<b>\$1,492,813</b>	<b>(7,806,279)</b>	<b>(41,562)</b>	<b>(7,847,841)</b>
<b>General revenues:</b>							
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)	-
<b>Total general revenues, special items, and transfers</b>					<b>5,503,805</b>	<b>(398,271)</b>	<b>5,105,534</b>
<b>Change in net assets</b>					<b>(2,302,474)</b>	<b>(439,833)</b>	<b>(2,742,307)</b>
<b>Net assets, beginning</b>					<b>21,567,769</b>	<b>40,452,495</b>	<b>62,020,264</b>
<b>Net assets, ending</b>					<b>\$19,265,295</b>	<b>\$ 40,012,662</b>	<b>\$ 59,277,957</b>

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



## **FUND FINANCIAL STATEMENTS**

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### **Major Governmental Funds**

#### **General Fund**

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

#### **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
<b>ASSETS</b>				
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>
<b>LIABILITIES</b>				
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>
<b>FUND BALANCES</b>				
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**

<b>Fund balances - total governmental funds</b>	\$	9,583,615
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
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>
<b>Net assets of governmental activities</b>	<b>\$</b>	<b><u>19,265,295</u></b>

**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
<b>REVENUES</b>				
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
<b>TOTAL REVENUES</b>	<u>5,358,152</u>	<u>1,290,187</u>	<u>1,872,302</u>	<u>8,520,641</u>
<b>EXPENDITURES</b>				
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
<b>TOTAL EXPENDITURES</b>	<u>5,137,986</u>	<u>3,161,113</u>	<u>3,260,750</u>	<u>11,559,849</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>220,166</u>	<u>(1,870,926)</u>	<u>(1,388,448)</u>	<u>(3,039,208)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
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)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>87,190</u>	<u>3,645,096</u>	<u>460,848</u>	<u>4,193,134</u>
<b>NET CHANGE IN FUND BALANCE</b>	307,356	1,774,170	(927,600)	1,153,926
<b>FUND BALANCE, Beginning</b>	<u>1,869,908</u>	<u>2,084,803</u>	<u>4,474,978</u>	<u>8,429,689</u>
<b>FUND BALANCE, Ending</b>	<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				
<b>REVENUES</b>						
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
<b>TOTAL REVENUES</b>	<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>
<b>EXPENDITURES</b>						
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
<b>TOTAL EXPENDITURES</b>	<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>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<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>
<b>OTHER FINANCING SOURCES (USES)</b>						
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)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>484,738</u>	<u>177,332</u>	<u>(108,927)</u>	<u>87,190</u>	<u>(21,737)</u>	<u>(199,069)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<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>
<b>FUND BALANCE, Beginning</b>	<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>
<b>FUND BALANCE, Ending</b>	<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**

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### **Proprietary Funds**

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

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

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

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

	<u>Business - type Activities - Enterprise Funds</u>		
	<u>Non-Major</u>		
<b>ASSETS</b>	Golf Course Fund	Public Works Fund	Total
<b>Current assets:</b>			
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
<b>Total current assets</b>	<u>1,265</u>	<u>4,780,884</u>	<u>4,782,149</u>
<b>Noncurrent assets:</b>			
<b>Capital assets:</b>			
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>
<b>Total noncurrent assets</b>	<u>1,085,466</u>	<u>46,948,240</u>	<u>48,033,706</u>
<b>Total assets</b>	<u>\$ 1,086,731</u>	<u>\$ 51,729,124</u>	<u>\$ 52,815,855</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities:</b>			
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>
<b>Total current liabilities</b>	<u>151,635</u>	<u>1,287,515</u>	<u>1,439,150</u>
<b>Long-term debt, net of current portion:</b>			
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>
<b>Total long-term liabilities</b>	<u>364,762</u>	<u>10,999,281</u>	<u>11,364,043</u>
<b>Total liabilities</b>	<u>516,397</u>	<u>12,286,796</u>	<u>12,803,193</u>
<b>Net assets:</b>			
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>
<b>Total net assets</b>	<u>570,334</u>	<u>39,442,328</u>	<u>40,012,662</u>
<b>Total liabilities and net assets</b>	<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**

	<b>Business - type Activities - Enterprise Funds</b>		
	Non-Major Golf Course Fund	Public Works Fund	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ 76,950	\$ 5,624,092	\$ 5,701,042
Miscellaneous	-	65,139	65,139
<b>TOTAL OPERATING REVENUES</b>	<u>76,950</u>	<u>5,689,231</u>	<u>5,766,181</u>
<b>OPERATING EXPENSES</b>			
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
<b>TOTAL OPERATING EXPENSES</b>	<u>174,528</u>	<u>5,260,463</u>	<u>5,434,991</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(97,578)</u>	<u>428,768</u>	<u>331,190</u>
<b>NON-OPERATING INCOME (EXPENSES)</b>			
Interest on investments	-	470,208	470,208
Interest expense	(25,904)	(346,848)	(372,752)
<b>TOTAL NON-OPERATING INCOME (EXPENSES)</b>	<u>(25,904)</u>	<u>123,360</u>	<u>97,456</u>
<b>NET INCOME (LOSS) BEFORE TRANSFERS</b>	<u>(123,482)</u>	<u>552,128</u>	<u>428,646</u>
<b>TRANSFERS</b>			
Transfers in	108,722	626,606	735,328
Transfers out	-	(1,603,807)	(1,603,807)
<b>TOTAL TRANSFERS</b>	<u>108,722</u>	<u>(977,201)</u>	<u>(868,479)</u>
<b>CHANGE IN NET ASSETS</b>	<u>(14,760)</u>	<u>(425,073)</u>	<u>(439,833)</u>
<b>NET ASSETS, Beginning</b>	<u>585,094</u>	<u>39,867,401</u>	<u>40,452,495</u>
<b>NET ASSETS, Ending</b>	<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		
	Golf Course Fund	Public Works Fund	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
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>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
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>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
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>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on investments	-	470,208	470,208
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
	-	557,734	557,734
<b>CASH AND CASH EQUIVALENTS, Beginning</b>	-	3,253,625	3,253,625
<b>CASH AND CASH EQUIVALENTS, Ending</b>	<u>\$ -</u>	<u>\$ 3,811,359</u>	<u>\$ 3,811,359</u>
<b>COMPRISED AS FOLLOWS:</b>			
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
<b>Reconciliation of operating income (loss) to net cash provided from (used by) operating activities</b>			
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>
<b>NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>			
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**

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**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.

