

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

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





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# **FINANCIAL SECTION**



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## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Ontario, Oregon

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ontario, Oregon, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Ontario, Oregon's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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

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Oregon Society of Certified Public Accountants

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

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General fund, Capital Projects fund, Grants fund and the aggregate remaining fund information of the City of Ontario, Oregon, as of June 30, 2008, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparisons for the General fund and Grants fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

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

  
Dickey and Tremper, LLP  
Certified Public Accountants

June 1, 2010







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

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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, 2008. This Management's Discussion and Analysis (MD&A) is based upon currently known facts, decisions, and conditions that existed as of the date of the independent auditor's report.

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

### FINANCIAL HIGHLIGHTS

- ❖ The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$55,909,042 (net assets). Of this amount, \$11,034,691 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- ❖ At the end of the current fiscal year, unreserved and undesignated fund balance for the General Fund was \$2,775,866.

### USING THIS ANNUAL REPORT

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

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

### Reporting the City as a Whole

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

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

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

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

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

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

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

### *Fund Financial Statements*

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

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

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

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

## THE CITY AS A WHOLE

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

**Table 1a**  
**STATEMENT OF NET ASSETS**  
**June 30, 2008**

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

The City's net assets from governmental activities decreased 17.1% from \$19,265,295 to \$15,974,245. This decrease of \$3,291,050 comes from the change in net assets as recorded in the Statement of Activities and flows through the Statement of Net Assets. The following is an explanation of the changes between fiscal years as shown in Table 1a:

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

- ❖ Invested in capital assets net of debt decreased by \$1.71 million due to depreciation exceeding capital additions.
- ❖ Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements, changed from \$9.4 million at June 30, 2007 to \$7.9 million at the end of this year. The net decrease of \$1.4 million is due principally to a decrease in cash for capital projects. The larger depreciation expenses to the General and Street fund are related to the GASB 34 reporting requirements.

**Table 2a**  
**STATEMENT OF NET ASSETS**  
**June 30, 2008**

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

The City's net assets from business-type activities decreased by 0.19% from \$40,012,662 to \$39,934,797. This decrease of \$77,865 comes from the change in net assets as recorded in the Statement of Activities and flows through the Statement of Net Assets. The following is an explanation of the changes between fiscal years as shown in Table 2a:

- ❖ Current and other assets increased by \$152,554 principally due to an increased beginning cash position in the Public Works Fund and an increase in inventory value within the Public Works Fund.
- ❖ Capital assets increased (net of depreciation and disposition) by \$2,169,567 principally due to capital items previously classified as work in progress status (not yet capitalized) from the prior year that are now completed. This is net of the depreciation of existing capital assets within the Public Works Fund.
- ❖ Long-term debt increased by \$2,198,831 due to completed capital assets and debt being placed in the business-type funds that were in work in progress from the prior year, net of principal payments over the course of the year.
- ❖ Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements, changed from \$3.15 million at June 30, 2007 to \$3.09 million at the end of this year. The net decrease of \$56,755 is due principally to a decrease in capital asset values.

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**Fiscal Year 2008 Governmental Activities**  
(See Table 1b)

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

**Table 1b**  
**STATEMENT OF ACTIVITIES**  
**June 30, 2008**

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

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

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

### Governmental Activities

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

**Table 1c**  
**NET COST OF GOVERNMENTAL ACTIVITIES**  
**June 30, 2008**

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

- ❖ The decrease in the net cost of services for general government is again a reflection of the increased funding for the airport improvement project grant.
- ❖ Continued and increased costs in highways and streets reflect the continued improvement projects completed reimbursement districts and other projects within the Capital Projects and Street Funds.
- ❖ The net cost of services indicates that the overall cost of government is greater than the revenues generated to support it from fees and user charges. This is an indication that the taxes and general revenues charged by the City are necessary to support operations. The largest areas of tax support come from property taxes of \$2,836,851, franchise taxes of \$1,604,226, and street (gas) taxes of \$490,453. The largest areas of operations that require tax support are highways and streets and public safety. The large capital projects are completed with loan funding to be repaid through future user fees for the water system. See the statement of Activities for further detail on program revenues and general revenues.

**Fiscal Year 2008 Business-Type Activities**  
(See Table 2b)

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

**Table 2b**  
**STATEMENT OF ACTIVITIES**  
**June 30, 2008**

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

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



## Business-Type Activities

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

**Table 2c**  
**NET COST OF BUSINESS-TYPE ACTIVITIES**  
**June 30, 2008**

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

- ❖ The increase in the net cost of services for golf is a reflection of various emergency repairs and projected revenues not being met.
- ❖ The increase in the net cost of services for public works is a reflection of the increased expenses within the fund due to operations and project costs.
- ❖ The net cost of services indicates that the overall cost of golf and public works operations is greater than the revenues generated to support if from fees and user charges. This is due primarily to golf operations and reflects the Budget Committee's position that the General Fund pay outstanding debt service obligations for the existing golf course. This is an indication that the golf fees and general revenues charged by the City are necessary to support operations, or this net cost would equal that of the golf expenses. This year the public works operations also spent slightly more than revenues collected. See the statement of Activities for further detail on program revenues and general revenues.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

At year-end the City's governmental funds reported combined fund balances of \$7,963,588, which is a decrease of \$1,620,027 or -16.9% from last year. This change is due primarily to a decrease in the Capital Projects Fund fund balance of \$1,811,843, and slight increases in the General and Grant Fund balance as compared to 2006-2007.

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

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

## General Fund Budgetary Highlights

### Expenditures

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

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

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

Revenues

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

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

**Public Works Fund Budgetary Highlights**

Expenditures

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

Revenues

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

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

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2008, the City had \$57,862,339 invested in a broad range of capital assets, including police and fire equipment, buildings, land, park facilities, roads, water and sewer treatment facilities and transmission and collection lines, and public works equipment. (See Tables 3a and 3b below.) This amount represents a net decrease (including additions, surplus and depreciation) of \$1,981,839 (-3.31%) compared to fiscal year end 2007.

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

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

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

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

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

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

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

## Debt

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

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

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

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

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

The City adopted its second Biennial Budget for 2007-2009. This budget takes into account the projected property tax rates and valuations, historical trends in transient occupancy taxes, rate increases as allowed by ordinance for water services, and the balance of the sewer treatment upgrade project expenditures.

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

## Request for Information

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

# **BASIC FINANCIAL STATEMENTS**

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

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

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

**CITY OF ONTARIO, OREGON**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2008**

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

#### **Grants Fund**

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

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

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

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

**CITY OF ONTARIO, OREGON**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**June 30, 2008**

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

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

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

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

**CITY OF ONTARIO, OREGON**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2008**

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

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

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

Deferred revenues 63,057

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

92,367

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

(864,743)

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

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

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

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

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

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

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

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

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

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

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

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

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





## **FUND FINANCIAL STATEMENTS**

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

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

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

**CITY OF ONTARIO, OREGON**  
**STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2008**

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

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

**CITY OF ONTARIO, OREGON**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2008**

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

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

**CITY OF ONTARIO, OREGON**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2008**

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



## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

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

The accompanying financial statements present all activities, funds and component units for which the City is considered to be financially accountable. The criteria used in making this determination includes appointment of a voting majority, imposition of will, financial benefit or burden on the primary government, and fiscal dependency on the primary government. Based upon the evaluation of this criteria, there are no component units of the City.

**B. Government–Wide and Fund Financial Statements**

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

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

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

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

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



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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

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

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

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

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

## **D. Assets, Liabilities and Equity**

### **1. Cash and Cash Equivalents**

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

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

The City's investment policies are governed by state statute. The state statutes authorize the City to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, high-grade commercial paper and the State Treasurer's Investment Pool.

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

### **2. Receivables and Payables**

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

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

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

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

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

Other receivables including accounts, entitlements, and shared revenues are reported in accordance with the policies enumerated in Paragraph C above. The City uses the direct write off method of accounting for uncollectibles and an allowance for uncollectible accounts has not been established.

### **3. Inventories and Prepaid Items**

Inventory in the Trust Fund is determined by estimated costs, while the Public Works inventory is determined by physical count at year end. Expenses are recognized when inventories are consumed. Other inventories are taken for control purposes only with no dollar value assigned.

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

### **4. Capital Assets**

Capital Assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, pathways, etc.) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In the governmental fund statements, capital assets are charged to expenditures as purchased, and capitalized in the proprietary fund statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value as of the date of donation.

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

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

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

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

## **5. Long-Term Obligations**

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

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

## **6. Compensated Absences**

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

## **7. Fund Equity**

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

## **8. Restricted Net Assets**

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

