

CITY OF ONTARIO, OREGON
ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2010





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ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION



**CITY OF ONTARIO, OREGON
OFFICIALS OF THE CITY
As of June 30, 2010**

MAYOR AND CITY COUNCIL

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

CITY ADMINISTRATION

Henry Lawrence	City Manager
Rachel Hopper	Finance Director
Mike Kee	Chief of Police (6/09-8/09)
Mark Alexander	Interim Chief of Police (9/09-6/10)
Al Higinbotham	Fire Chief
Charles R. Mickelson	Public Works Director
Kathy Daly	Director of Aquatics, Recreation and Parks
Darlyne Johnson	Director of Library
Tori Barnett	City Recorder

CITY ADDRESS

City Hall
444 SW 4th Street
Ontario, Oregon 97914



FINANCIAL SECTION



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

Dickey and Tremper, LLP
Certified Public Accountants and Business Advisors

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, 2010, 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. 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, the Water and Sewer Major Funds, and the Non-Major Storm Fund included with the aggregate remaining fund information. 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, the Water Fund, Sewer Fund, and aggregate remaining fund information, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the Water Fund, Sewer Fund, and aggregate remaining fund information of the City of Ontario, Oregon, as of June 30, 2010, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A

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National Association of Certified Valuation Analysts
Oregon Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT (Continued)

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General fund, Street fund, and Capital Projects fund of the City of Ontario, Oregon, as of June 30, 2010, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparisons for the General fund and Street fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2011, 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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ontario, Oregon's financial statements as a whole. The combining and individual fund financial statements, budgetary comparison schedules, and other financial schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements, budgetary comparison schedules, and other financial schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing

standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Dickey and Trempier, LLP
Dickey and Trempier, LLP
Certified Public Accountants

November 30, 2011



City of Ontario Oregon
Management's Discussion & Analysis
June 30, 2010

www.ontariooregon.org

As management of the City of Ontario, Oregon, (City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2010. This Management's Discussion and Analysis (MD&A) is based upon currently known facts, decisions, and conditions that existed as of the date of the independent auditor's report.

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

FINANCIAL HIGHLIGHTS

- ❖ The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$53,221,544 (net assets). Of this amount, \$8,398,699 (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 \$2,796,900.

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, 2010

	Governmental Activities	
	FY 2010	FY 2009
Current and other assets	\$ 10,195,846	\$ 10,453,526
Capital assets (net of accumulated depreciation)	5,663,956	5,298,350
Total Assets	15,859,802	15,751,876
Current Liabilities	1,071,794	1,024,488
Noncurrent liabilities:		
Due within one year	91,342	113,691
Due in more than one year	550,440	641,745
Total Liabilities	1,713,576	1,779,924
NET ASSETS		
Invested in capital assets, net of related debt	5,022,174	4,542,914
Restricted for:		
Debt service	236,237	328,274
Streets	9,118	196,156
System Development	2,650,764	2,108,303
Other	357,834	364,618
Unrestricted (deficit)	5,870,099	6,431,687
Total Net Assets	\$ 14,146,226	\$ 13,971,952
Total Liab & Net Assets	\$ 15,859,802	\$ 15,751,876

The City's net assets from governmental activities increased 1.25% from \$13,971,952 to \$14,146,226. This increase of \$174,274 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 \$257,680 which is made up of decreased interest revenues in the General Fund, decreased cash balances in the Street Fund, decreased revenues in the Grant Fund due to fewer grants, and an increase in the Capital Projects Fund revenue.
- ❖ Capital assets experienced a net increase (net of depreciation and disposition) of \$365,606 principally due to new capital investment additions exceeding depreciation and pending work in progress not yet transferred to the business type activities.
- ❖ Long-term debt decreased by \$113,654 due to the reduction in principal balances on the existing debt over the course of the year.

- ❖ Invested in capital assets net of debt increased by \$479,260 due to capital additions exceeding depreciation.
- ❖ 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 \$6.43 million at June 30, 2009 to \$5.87 million at the end of this year. The net decrease of \$561,888 is due principally to a decrease in cash in Streets, and a decrease in grant revenues for the year. 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, 2010

	Business-type Activities	
	FY 2010	FY 2009
Current and other assets	\$ 4,094,131	\$ 5,363,552
Capital assets (net of accumulated depreciation)	48,877,410	49,585,686
Total Assets	52,971,541	54,949,238
Long-term debt outstanding (less current portion)	12,160,573	13,300,846
Other liabilities	1,735,650	1,721,320
Total Liabilities	13,896,223	15,022,166
Net Assets:		
Invested in capital assets, net of related debt	35,579,959	35,251,319
Restricted for debt service	966,759	966,759
Unrestricted (Deficit)	2,528,600	3,708,964
Total Net Assets	\$ 39,075,318	\$ 39,927,042
Total Liab & Net Assets	\$ 52,971,541	\$ 54,949,208

The City's net assets from business-type activities decreased by 1.55% from \$39,927,042 to \$39,075,318. This decrease of \$851,724 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 decreased by \$1,269,421 principally due to a decreased beginning cash position in the Water, Sewer and Storm Funds, previously reported as the Public Works Fund.
- ❖ Capital assets decreased (net of depreciation and disposition) by \$708,276 principally due to depreciation exceeding new year additions.
- ❖ Long-term debt decreased by \$1,125,943 due to principal payments over the course of the year exceeding any new obligations.
- ❖ Invested in capital assets net of debt increased by \$328,640 due to capital additions exceeding depreciation.
- ❖ 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 \$3.71 million at June 30, 2009 to \$2.53 million at the end of this year. The net decrease of \$1,180,364 is due principally to a decrease in available cash, and an increase in the amount invested in capital assets during the year.

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Fiscal Year 2010 Governmental Activities
(See Table 1b)

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

Table 1b
STATEMENT OF ACTIVITIES
June 30, 2010

	Governmental Activities	
	FY 2010	FY 2009
Revenues		
Program Revenues		
Charges for Services	\$ 428,820	\$ 590,414
Operating Grants & Contributions	1,299,954	1,099,552
Capital Grants & Contributions	1,140,062	629,352
General Revenues:		
Taxes		
Property Taxes	3,076,322	2,964,291
Franchise Taxes	1,922,900	1,850,502
Interest and Investment Earnings	95,892	176,722
Miscellaneous	27,778	32,979
Gain (loss) on disposition of capital assets	(171,145)	8,750
Transfers	(227,000)	(80,416)
Total Revenues and Transfers	<u>\$ 7,593,583</u>	<u>\$ 7,272,146</u>
Expenses		
General Government	1,235,990	2,011,594
Public Safety	4,175,806	4,031,035
Highways and Streets	950,189	1,929,606
Culture and Recreation	1,028,766	1,260,191
Interest on Long-Term Debt	28,558	42,013
Total Expenses	<u>\$ 7,419,309</u>	<u>\$ 9,274,439</u>
Increase (decrease) in Net Assets	<u><u>\$ 174,274</u></u>	<u><u>\$ (2,002,293)</u></u>

The City's total revenues from Governmental Activities increased from a year ago by \$321,437 (4.42%) while the total cost of all programs and services decreased by \$1,855,130 (-20%). The major increases in revenues came from both capital and operating grants and contributions, net of the decrease in revenues generated from charges for services. The decreased in expenditures were primarily from general government type expenses as a result of decreased Street and Capital Project Fund projects and a decrease in General Fund spending.

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, 2010

	TOTAL COST OF SERVICES			NET COST OF SERVICES		
	FY 2010	FY 2009	FY 2008	FY 2010	FY 2009	FY 2008
General Government	1,235,990	2,011,594	1,532,888	(275,395)	(1,190,300)	578,773
Public Safety	4,175,806	4,031,035	3,854,965	(3,584,962)	(3,417,075)	(3,258,427)
Highways and Streets	950,189	1,929,606	5,148,773	111,932	(1,301,078)	(4,546,205)
Culture and Recreation	1,028,766	1,260,191	1,255,415	(773,490)	(1,004,655)	(1,022,590)
Interest on Long-Term Debt	28,558	42,013	31,856	(28,558)	(42,013)	(31,856)
Totals	\$ 7,419,309	\$ 9,274,439	\$ 11,823,897	\$ (4,550,473)	\$ (6,955,121)	\$ (8,280,305)

- ❖ The decrease in the net cost of services for general government is a reflection of the increased grant project revenues.
- ❖ Decreased costs in highways and streets reflect the reduction in projects completed 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 \$3,076,322, franchise taxes of \$1,922,900, and street (gas) taxes of \$467,601. 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 2010 Business-Type Activities
(See Table 2b)

Sources of Revenue
User Fees

General Fund Transfer

Utility Fees/Rates

Functional Expenses
Golf Course Operations

Golf Debt Service

Public Works

Table 2b
STATEMENT OF ACTIVITIES
June 30, 2010

	Business-type Activities	
	<u>FY 2010</u>	<u>FY 2009</u>
Revenues		
Program Revenues		
Charges for Services - Golf	\$ 158,866	\$ 168,914
Charges for Services - Public Works	-	5,852,292
Charges for Services - Water	2,698,697	-
Charges for Services - Sewer	2,879,224	-
Charges for Services - Storm	101,977	-
Operating Grants & Contributions (Golf)	-	-
General Revenues:		
Interest and Investment Earnings	83,172	175,829
Miscellaneous	66,655	-
Transfers	227,000	80,416
	<u>\$ 6,215,591</u>	<u>\$ 6,277,451</u>
Expenses		
Golf	455,328	307,211
Public Works	-	5,977,994
Water	3,201,679	-
Sewer	3,072,979	-
Storm	337,330	-
	<u>\$ 7,067,316</u>	<u>\$ 6,285,205</u>
Increase (decrease) in Net Assets	<u>\$ (851,725)</u>	<u>\$ (7,754)</u>

The City's total revenues from Business-Type Activities decreased from a year ago by \$61,860 (-.99%) while the total cost of all programs and services increased by \$782,111 (12.44%). The major decreases in revenues came from a combination of decreased revenues for charges for service at the Golf Course, decreased general and interest revenue in the Public Works Fund, and increased transfer revenues. The increase in expenditures was primarily from golf course improvements and increased projects within the Water, Sewer and Storm Funds.

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, 2010

	TOTAL COST OF SERVICES			NET COST OF SERVICES		
	FY 2010	FY 2009	FY 2008	FY 2010	FY 2009	FY 2008
Golf	455,328	307,211	223,657	(296,462)	(138,297)	(139,642)
Public Works	-	5,977,994	5,883,156	-	(125,702)	(71,916)
Water	3,201,679			(502,982)		
Sewer	3,072,979			(193,755)		
Storm	337,330			(235,353)		
Totals	<u>\$ 7,067,316</u>	<u>\$ 6,285,205</u>	<u>\$ 6,106,813</u>	<u>\$ (1,228,552)</u>	<u>\$ (263,999)</u>	<u>\$ 211,558)</u>

- ❖ The increase in the net cost of services for golf is a reflection of the course improvement expenditures and the slight reduction in program revenues as the course continued with various improvements projects.
- ❖ The increase in the net cost of services for public works is a reflection of the increased expenses within the expanded funds due to operations and project costs that were larger than the prior year and a decrease in service revenues during the year.
- ❖ The net cost of services indicates that the overall cost of golf and public works operations is greater than the revenues generated to support it from fees and user charges. This is due primarily to one-time improvements to the City's golf course and to public works related operations. This is an indication that the golf fees and general revenues charged by the City are necessary to support operations, or this net cost would equal that of the golf expenses. This year the golf operations also spent more than revenues collected in an effort to continue improving the course after the City took over operations mid-way through the prior year. See the statement of Activities for further detail on program revenues and general revenues.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

At year-end the City's governmental funds reported combined fund balances of \$8,390,790, which is a decrease of \$198,472 or -2.31% from last year. This change is due to a combination of decreases in the Street, and Grant fund balances and a slight increase in the Capital Projects Fund fund balance as compared to 2008-2009.

- ❖ The General Fund closed the year with a fund balance of \$2,796,900, a decrease of \$74,190 from 2008-2009.

At year-end the City's business-type funds reported combined net assets of \$39,066,481 for enterprise funds and \$8,837 for internal service, which represents a decrease of \$860,561 or -2.15% from last year. This change is due primarily to a decrease in beginning cash balances, decreased revenues from services, and an interfund payable in the Golf Fund to the General Fund. The City separated the Public Works Fund into three enterprise funds and the fund structure revision listed on page 11 represents the transfer of beginning net assets for combined enterprise and internal service funds.

General Fund Budgetary Highlights

Expenditures

The final appropriations for personal services for the General Fund at mid-point were \$4,535,215, (when using 50% of the 2009-2011 Biennial Budget) and actual expenditures were \$4,512,635, for a savings of \$22,850.

The final appropriations for materials and services for the General Fund at mid-point were \$1,120,229, (when using 50% of the 2009-2011 Biennial Budget) and actual expenditures were \$1,081,562, for a savings of \$38,667.

The budget to actual variance in appropriations was due to the normal differences between anticipated budgets and actual expenditures over the course of the year. Actual expenditures for the General Fund for 2009-10 were \$165,146 (3%) higher than 2008-2009.

Revenues

Actual revenues exceeded budgeted (when using 50% of 2009-2011 Biennial Budget) revenues by \$53,435 in 2009-2010, due to increases in power franchise fees that exceeded projections according to the 'half-way' mark of the 2009-2011 Biennial Budget.

The General Fund revenues were \$67,306 lower than the 2008-2009 actual revenues, due in part to decreased interest revenues.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2010, the City had \$54,541,367 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 \$342,638 (-0.62%) compared to fiscal year end 2009.

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

	Governmental Activities	
	FY 2010	FY 2009
Land & Const in Progress	\$ 2,181,962	\$ 1,565,245
Buildings and Improvements	320,766	475,561
Equipment	397,446	636,978
Infrastructure	2,763,782	2,620,566
Totals	\$ 5,663,956	\$ 5,298,350

An increase of \$365,606 (6.9%) is due to an increase in construction in progress of business-type activities for the fiscal year.

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

	Business-type Activities	
	FY 2010	FY 2009
Land & Const in Progress	\$ 2,664,267	\$ 2,442,147
Buildings and Improvements	14,409,182	14,230,684
Equipment	521,740	912,291
Infrastructure	31,282,222	32,000,534
Totals	\$ 48,877,411	\$ 49,585,656

Decrease of \$708,245 (-1.42%) is due to new capital additions for assets previously classified as work in progress being less than the total accumulated depreciation for the fiscal year.

An individual listing of assets, cost, and date acquired has not been maintained for the City's capital assets due to difficulties with the present asset software system. Depreciation has been calculated on a component basis, which takes the entire balance of the cost basis of the assets and dividing by the estimated useful life for the category of assets. Once some of the older assets are fully depreciated, this method can over depreciate the remaining assets, which should have a remaining life. It appears that accumulated depreciation and depreciation expense is overstated for some equipment and infrastructure categories, and the auditor's have issued a qualified opinion on this segment of the audit. The City is currently working on a detailed capital asset listing thru the services of a third party on infrastructure due to the level of detail in pipe size, type, year of installation, etc. Work continues to this end during Fiscal Year 2010 and it is anticipated that this detail will be in place by FY 2011.

Debt

At year-end, the City had \$14,434,085 in long term liabilities (see Table 4). This represents a net decrease of \$1,218,969 due payment of principal amounts during the current year.

Table 4
DEBT AT YEAR-END

	<u>2010</u>	<u>2009</u>
Governmental activities:		
Special Assessment Debt with Governmental Commitment	\$ 526,078	\$ 581,455
Contracts, Loans and Notes	115,704	173,981
Compensated Absences	<u>351,888</u>	<u>351,422</u>
 Governmental activity Long-term liabilities	 <u>\$ 993,670</u>	 <u>\$ 1,106,858</u>
Business - type activities:		
Certificates of Participation (COP's)	\$ 189,768	\$ 277,905
Golf Course Econ Dev Note	\$ -	\$ 2,462
Water Revenue Bonds	260,061	346,738
Contracts, Loans and Notes	12,847,623	13,791,943
Compensated Absences	<u>142,963</u>	<u>127,148</u>
 Business-type activity Long-term liabilities	 <u>\$ 13,440,415</u>	 <u>\$ 14,546,196</u>
	<u>\$ 14,434,085</u>	<u>\$ 15,653,054</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 third Biennial Budget for 2009-2011. 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 2009-2011 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 the Finance Director at 444 SW 4th Street, Ontario, Oregon 97914.

BASIC FINANCIAL STATEMENTS

CITY OF ONTARIO, OREGON
STATEMENT OF NET ASSETS
June 30, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,356,617	\$ 2,296,127	\$ 5,652,744
Investments	1,700,113	-	1,700,113
Receivables:			
Property taxes	285,506	-	285,506
Accounts	71,511	495,165	566,676
Intergovernmental	440,253	-	440,253
Assessments	397,018	-	397,018
Notes	444,955	-	444,955
Inventories	-	254,682	254,682
Restricted assets (temporary):			
Cash and cash equivalents	2,958,194	1,048,157	4,006,351
Investments	541,679	-	541,679
Capital assets:			
Land	903,837	2,599,039	3,502,876
Construction in progress	1,278,125	65,227	1,343,352
Depreciable assets, net of depreciation	3,481,994	46,213,144	49,695,138
	<u>15,859,802</u>	<u>52,971,541</u>	<u>68,831,343</u>
Total assets			
LIABILITIES			
Accounts payable and accrued expenses	452,104	112,631	564,735
Retainage	8,800	5,950	14,750
Unearned revenue	1,078	-	1,078
Accrued interest payable	12,004	255,830	267,834
Compensated absences payable	351,888	142,963	494,851
Liabilities payable from restricted assets:			
Deposits	245,920	81,398	327,318
Long-term obligations			
Due within one year	91,342	1,136,878	1,228,220
Due in more than one year	550,440	12,160,573	12,711,013
	<u>1,713,576</u>	<u>13,896,223</u>	<u>15,609,799</u>
Total liabilities			
NET ASSETS			
Invested in capital assets, net of related debt	5,022,174	35,579,959	40,602,133
Restricted for:			
Highways and streets	9,118	-	9,118
System development	2,650,764	-	2,650,764
Debt service	236,237	966,759	1,202,996
Other	357,834	-	357,834
Unrestricted	5,870,099	2,528,600	8,398,699
	<u>\$ 14,146,226</u>	<u>\$ 39,075,318</u>	<u>\$ 53,221,544</u>
Total net assets			

CITY OF ONTARIO, OREGON
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 1,235,990	\$ 132,193	\$ 248,555	\$ 579,847	\$ (275,395)	\$ -	\$ (275,395)
Public safety	4,175,806	59,647	531,197	-	(3,584,962)	-	(3,584,962)
Highways and streets	950,189	29,582	472,324	560,215	111,932	-	111,932
Culture and recreation	1,028,766	207,398	47,878	-	(773,490)	-	(773,490)
Interest on long-term obligations	28,558	-	-	-	(28,558)	-	(28,558)
Total governmental activities	7,419,309	428,820	1,299,954	1,140,062	(4,550,473)	-	(4,550,473)
Business-type activities:							
Golf	455,328	158,866	-	-	-	(296,462)	(296,462)
Water	3,201,679	2,698,697	-	-	-	(502,982)	(502,982)
Sewer	3,072,979	2,879,224	-	-	-	(193,755)	(193,755)
Storm	337,330	101,977	-	-	-	(235,353)	(235,353)
Total business-type activities	7,067,316	5,838,764	-	-	-	(1,228,552)	(1,228,552)
Total primary government	\$ 14,486,625	\$ 6,267,584	\$ 1,299,954	\$ 1,140,062	(4,550,473)	(1,228,552)	(5,779,025)
General revenues:							
Property taxes levied for:							
General purposes					3,076,322	-	3,076,322
Franchise and public services taxes					1,922,900	-	1,922,900
Interest and investment earnings					95,892	83,172	179,064
Miscellaneous					27,778	66,655	94,433
Gain (loss) on sale of property					(171,145)	-	(171,145)
Transfers					(227,000)	227,000	-
Total general revenues, special items, and transfers					4,724,747	376,827	5,101,574
Change in net assets					174,274	(851,725)	(677,451)
Net assets, beginning					13,971,952	39,927,043	53,898,995
Net assets, ending					<u>\$ 14,146,226</u>	<u>\$ 39,075,318</u>	<u>\$ 53,221,544</u>



FUND FINANCIAL STATEMENTS

Major Governmental Funds

General Fund

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

Street Fund

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

Capital Project Fund

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

CITY OF ONTARIO, OREGON
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	General Fund	Street Fund	Capital Projects Fund	Other Governmental Funds	Totals
ASSETS					
Cash and cash equivalents	\$ 900,251	\$ 3,437	\$ 3,203,287	\$ 2,207,836	\$ 6,314,811
Investments	1,700,113	-	-	541,679	2,241,792
Receivables:					
Property taxes	285,506	-	-	-	285,506
Interfund	203,442	-	-	-	203,442
Accounts	26,412	847	44,252	-	71,511
Intergovernmental	104,137	2,247	-	333,869	440,253
Assessments	-	-	-	397,018	397,018
Notes	-	-	-	444,955	444,955
 Total assets	<u>\$ 3,219,861</u>	<u>\$ 6,531</u>	<u>\$ 3,247,539</u>	<u>\$ 3,925,357</u>	<u>\$ 10,399,288</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 170,852	\$ 59,506	\$ 15,583	\$ 206,163	\$ 452,104
Retainage payable	-	5,000	-	3,800	8,800
Matured interest outstanding	-	-	-	3,102	3,102
Interfund payable	-	-	-	203,442	203,442
Deposits	-	-	-	245,920	245,920
Deferred revenue	252,109	-	-	843,051	1,095,160
 Total liabilities	<u>422,961</u>	<u>64,506</u>	<u>15,583</u>	<u>1,505,478</u>	<u>2,008,528</u>
FUND BALANCES (DEFICIT)					
Reserved for:					
Debt service	-	-	-	236,237	236,237
System development	-	-	2,650,764	-	2,650,764
Unreserved, reported in:					
Major funds	2,796,900	(57,975)	581,192	-	3,320,117
Special revenue funds	-	-	-	2,183,642	2,183,642
 Total fund balances	<u>2,796,900</u>	<u>(57,975)</u>	<u>3,231,956</u>	<u>2,419,879</u>	<u>8,390,760</u>
 Total liabilities and fund balances	<u>\$ 3,219,861</u>	<u>\$ 6,531</u>	<u>\$ 3,247,539</u>	<u>\$ 3,925,357</u>	<u>\$ 10,399,288</u>

CITY OF ONTARIO, OREGON
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2010

Fund balances - total governmental funds	\$	8,390,760
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds		5,663,956
Other long-term assets are not available to pay for current period expenditures, and, therefore, are deferred in the fund statements.		1,094,082
Accrued compensated absences are not due and payable in the current period, and, therefore, are not reported in the fund statements.		(351,888)
Accrued interest payable is not due and payable in the current period, and, therefore, is not reported in the fund statements.		(8,902)
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>(641,782)</u>
Net assets of governmental activities	\$	<u>14,146,226</u>

CITY OF ONTARIO, OREGON
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2010

	General Fund	Street Fund	Capital Projects Fund	Other Governmental Funds	Totals
REVENUES					
Property taxes	\$ 3,028,030	\$ -	\$ -	\$ -	\$ 3,028,030
Other taxes	337,496	-	-	245,788	583,284
Franchise fees	1,100,459	-	-	-	1,100,459
Licenses and fees	75,365	-	-	-	75,365
Intergovernmental	650,006	652,616	375,200	537,661	2,215,483
Charges for services	273,882	-	668	6,657	281,207
Fines and forfeitures	4,395	-	-	-	4,395
Special assessments	-	-	-	75,249	75,249
System development charges	-	-	455,717	-	455,717
Interest on investments	13,830	102	27,206	54,754	95,892
Loan repayments	-	-	-	87,456	87,456
Miscellaneous	72,561	29,582	-	1,500	103,643
TOTAL REVENUES	<u>5,556,024</u>	<u>682,300</u>	<u>858,791</u>	<u>1,009,065</u>	<u>8,106,180</u>
EXPENDITURES					
Current:					
General government	798,732	-	-	32,420	831,152
Public safety	3,429,473	-	-	512,428	3,941,901
Highways and streets	-	928,753	-	-	928,753
Culture and recreation	653,204	-	-	268,395	921,599
Capital outlay	119,639	398,046	461,062	765,645	1,744,392
Debt service	-	-	-	187,927	187,927
TOTAL EXPENDITURES	<u>5,001,048</u>	<u>1,326,799</u>	<u>461,062</u>	<u>1,766,815</u>	<u>8,555,724</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>554,976</u>	<u>(644,499)</u>	<u>397,729</u>	<u>(757,750)</u>	<u>(449,544)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	7,500	394,762	-	492,974	895,236
Transfers out	(636,666)	-	-	(7,500)	(644,166)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(629,166)</u>	<u>394,762</u>	<u>-</u>	<u>485,474</u>	<u>251,070</u>
NET CHANGE IN FUND BALANCE	<u>(74,190)</u>	<u>(249,737)</u>	<u>397,729</u>	<u>(272,276)</u>	<u>(198,474)</u>
FUND BALANCE, Beginning	<u>2,871,090</u>	<u>191,762</u>	<u>2,834,227</u>	<u>2,692,155</u>	<u>8,589,234</u>
FUND BALANCE (DEFICIT), Ending	<u>\$ 2,796,900</u>	<u>\$ (57,975)</u>	<u>\$ 3,231,956</u>	<u>\$ 2,419,879</u>	<u>\$ 8,390,760</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, 2010

Net change in fund balance - governmental funds	\$	(198,474)
<p>Amounts reported for governmental activities in the Statement of Activities are different because of the following:</p>		
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Deferred revenues		(114,449)
<p>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.</p>		
		113,654
<p>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.</p>		
Change in compensated absences		(466)
Change in accrued interest payable		8,403
<p>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.</p>		
Capital asset additions	\$ 1,364,565	
Loss on disposal	(171,145)	
Capital asset transfer	(372,496)	
Depreciation expense	<u>(455,318)</u>	
		<u>365,606</u>
Change in net assets - governmental activities	\$	<u>174,274</u>

CITY OF ONTARIO, OREGON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
For the Fiscal Year Ended June 30, 2010

	2009-2011 Budgeted Amounts		1st Year Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 6,010,306	\$ 6,010,306	\$ 3,028,030	\$ (2,982,276)
Other taxes	664,000	664,000	337,496	(326,504)
Franchise fees	1,991,680	1,991,680	1,100,459	(891,221)
Licenses and fees	321,100	321,100	75,365	(245,735)
Intergovernmental	1,263,865	1,263,865	650,006	(613,859)
Charges for services	571,408	571,408	273,882	(297,526)
Fines and forfeitures	33,000	33,000	4,395	(28,605)
Interest on investments	45,000	45,000	13,830	(31,170)
Miscellaneous	104,819	104,819	72,561	(32,258)
TOTAL REVENUES	<u>11,005,178</u>	<u>11,005,178</u>	<u>5,556,024</u>	<u>(5,449,154)</u>
EXPENDITURES				
Current:				
General government	3,083,240	3,083,240	1,511,520	1,571,720
Public safety	6,903,216	6,910,556	3,429,473	3,481,083
Culture and recreation	1,317,092	1,317,092	653,204	663,888
Capital outlay	284,934	284,934	119,639	165,295
Debt service	138,256	138,256	-	138,256
Contingency	2,103,284	2,089,394	-	2,089,394
TOTAL EXPENDITURES	<u>13,830,022</u>	<u>13,823,472</u>	<u>5,713,836</u>	<u>8,109,636</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(2,824,844)</u>	<u>(2,818,294)</u>	<u>(157,812)</u>	<u>2,660,482</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,440,591	1,440,591	720,288	(720,303)
Transfers out	(1,187,987)	(1,194,537)	(636,666)	557,871
TOTAL OTHER FINANCING SOURCES (USES)	<u>252,604</u>	<u>246,054</u>	<u>83,622</u>	<u>(162,432)</u>
NET CHANGE IN FUND BALANCE	(2,572,240)	(2,572,240)	(74,190)	2,498,050
FUND BALANCE, Beginning	<u>2,572,240</u>	<u>2,572,240</u>	<u>2,871,090</u>	<u>298,850</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,796,900</u>	<u>\$ 2,796,900</u>

CITY OF ONTARIO, OREGON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
STREET FUND
For the Fiscal Year Ended June 30, 2010

	2009-2011 Budgeted Amounts		1st Year Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,944,436	\$ 1,944,436	\$ 652,616	\$ (1,291,820)
Interest on investments	-	-	102	102
Miscellaneous	-	-	29,582	29,582
TOTAL REVENUES	<u>1,944,436</u>	<u>1,944,436</u>	<u>682,300</u>	<u>(1,262,136)</u>
EXPENDITURES				
Current:				
Highways and streets:				
Personal services	944,234	944,234	449,342	494,892
Materials and services	721,103	721,103	392,351	328,752
Capital outlay	941,000	981,000	398,046	582,954
Contingency	96,299	56,299	-	56,299
TOTAL EXPENDITURES	<u>2,702,636</u>	<u>2,702,636</u>	<u>1,239,739</u>	<u>1,462,897</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>(758,200)</u>	<u>(758,200)</u>	<u>(557,439)</u>	<u>200,761</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	816,900	816,900	394,762	(422,138)
Transfers out	<u>(174,130)</u>	<u>(174,130)</u>	<u>(87,060)</u>	<u>87,070</u>
TOTAL OTHER FINANCING				
SOURCES (USES)	<u>642,770</u>	<u>642,770</u>	<u>307,702</u>	<u>(335,068)</u>
NET CHANGE IN FUND BALANCE	(115,430)	(115,430)	(249,737)	(134,307)
FUND BALANCE, Beginning	<u>115,430</u>	<u>115,430</u>	<u>191,762</u>	<u>76,332</u>
FUND BALANCE (DEFICIT), Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (57,975)</u>	<u>\$ (57,975)</u>

ONTARIO
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FUND FINANCIAL STATEMENTS

Proprietary Funds

The City of Ontario utilizes five Proprietary Funds comprised of four Enterprise Funds and one Internal Service Fund.

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:

- **Water Fund (Major)**
- **Sewer Fund (Major)**
- **Golf Course Fund (Non-Major)**
- **Storm Sewer Fund (Non-Major)**

Internal Service Funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the City and to other government units on a cost reimbursement basis. The Internal Service Funds are eliminated for the Government-Wide Financial Statements and any residual assets and income and expenses from outside sources are combined with Business – Type Activities. Internal Service Funds of the City are:

- **Public Works Fund**

CITY OF ONTARIO, OREGON
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2010

	<u>Business - type Activities - Enterprise Funds</u>				Business- Type Internal Service Funds
	Water Fund	Sewer Fund	Non-Major Other Enterprise Fund	Total	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 908,791	\$ 1,287,919	\$ -	\$ 2,196,710	\$ 99,417
Restricted cash and cash equivalents	81,398	966,759	-	1,048,157	-
Interfund receivable	-	431,061	-	431,061	-
Accounts receivable	264,094	212,296	10,628	487,018	8,147
Inventories	120,209	120,209	14,264	254,682	-
Total current assets	<u>1,374,492</u>	<u>3,018,244</u>	<u>24,892</u>	<u>4,417,628</u>	<u>107,564</u>
Noncurrent assets:					
Capital assets:					
Land	1,210,055	1,210,055	178,929	2,599,039	-
Construction in progress	44,057	21,170	-	65,227	-
Depreciable assets, net of depreciation	20,756,142	20,947,790	4,509,212	46,213,144	-
Total noncurrent assets	<u>22,010,254</u>	<u>22,179,015</u>	<u>4,688,141</u>	<u>48,877,410</u>	<u>-</u>
Total assets	<u>\$23,384,746</u>	<u>\$25,197,259</u>	<u>\$ 4,713,033</u>	<u>\$53,295,038</u>	<u>\$ 107,564</u>
LIABILITIES AND NET ASSETS					
Current liabilities:					
Accounts payable	\$ 38,833	\$ 29,611	\$ 27,814	\$ 96,258	\$ 16,373
Retainage payable	5,950	-	-	5,950	-
Accrued interest payable	103,221	149,302	3,307	255,830	-
Interfund payable	-	-	431,061	431,061	-
Compensated absences payable	30,956	26,909	2,744	60,609	82,354
Current portion of long-term debt	207,169	835,426	94,283	1,136,878	-
Total current liabilities (unrestricted)	386,129	1,041,248	559,209	1,986,586	98,727
Current liabilities (payable from restricted assets):					
Deposits	81,398	-	-	81,398	-
Total current liabilities	<u>467,527</u>	<u>1,041,248</u>	<u>559,209</u>	<u>2,067,984</u>	<u>98,727</u>
Long-term debt, net of current portion:					
Debt premium	-	81,311	-	81,311	-
Water revenue bonds payable	173,381	-	-	173,381	-
Certificates of participation	-	-	95,484	95,484	-
Contracts, loans and notes payable	4,054,787	7,755,610	-	11,810,397	-
Total long-term liabilities	<u>4,228,168</u>	<u>7,836,921</u>	<u>95,484</u>	<u>12,160,573</u>	<u>-</u>
Total liabilities	<u>4,695,695</u>	<u>8,878,169</u>	<u>654,693</u>	<u>14,228,557</u>	<u>98,727</u>
Net assets:					
Invested in capital assets, net of related debt	17,574,917	13,506,668	4,498,374	35,579,959	-
Restricted for debt service	-	966,759	-	966,759	-
Unrestricted (Deficit)	1,114,134	1,845,663	(440,034)	2,519,763	8,837
Total net assets	<u>18,689,051</u>	<u>16,319,090</u>	<u>4,058,340</u>	<u>39,066,481</u>	<u>8,837</u>
Total liabilities and net assets	<u>\$23,384,746</u>	<u>\$25,197,259</u>	<u>\$ 4,713,033</u>	<u>\$53,295,038</u>	<u>\$ 107,564</u>

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

CITY OF ONTARIO, OREGON
RECONCILIATION OF THE PROPRIETARY FUNDS STATEMENT OF NET ASSETS
TO THE STATEMENT OF NET ASSETS
June 30, 2010

Net assets - total enterprise funds \$ 39,066,481

Amounts reported for business-type activities in the Statement of Net Assets are different because:

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

Cash and cash equivalents	\$	99,417	
Accounts receivable		8,147	
Accounts payable and accrued expenses		(16,373)	
Compensated absences payable		<u>(82,354)</u>	
			<u>8,837</u>

Net assets of business - type activities \$ 39,075,318

CITY OF ONTARIO, OREGON
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2010

	<u>Business - type Activities - Enterprise Funds</u>			Business- Type Internal Service Fund	
	Water Fund	Sewer Fund	Non-Major Other Enterprise Funds		Total
OPERATING REVENUES					
Charges for services	\$ 2,695,561	\$ 2,841,393	\$ 260,843	\$ 5,797,797	\$2,106,157
Miscellaneous	3,136	37,831	-	40,967	-
TOTAL OPERATING REVENUES	<u>2,698,697</u>	<u>2,879,224</u>	<u>260,843</u>	<u>5,838,764</u>	<u>2,106,157</u>
OPERATING EXPENSES					
Personal services	332,269	247,874	179,757	759,900	1,159,249
Materials and services	1,620,889	1,393,206	301,425	3,315,520	944,628
Depreciation	1,025,930	1,038,722	295,442	2,360,094	-
TOTAL OPERATING EXPENSES	<u>2,979,088</u>	<u>2,679,802</u>	<u>776,624</u>	<u>6,435,514</u>	<u>2,103,877</u>
OPERATING INCOME (LOSS)	<u>(280,391)</u>	<u>199,422</u>	<u>(515,781)</u>	<u>(596,750)</u>	<u>2,280</u>
NON-OPERATING INCOME (EXPENSES)					
Interest on investments	-	-	36	36	83,136
Interest expense	(191,691)	(362,277)	(13,459)	(567,427)	-
TOTAL NON-OPERATING INCOME (EXPENSES)	<u>(191,691)</u>	<u>(362,277)</u>	<u>(13,423)</u>	<u>(567,391)</u>	<u>83,136</u>
NET INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	<u>(472,082)</u>	<u>(162,855)</u>	<u>(529,204)</u>	<u>(1,164,141)</u>	<u>85,416</u>
CAPITAL CONTRIBUTIONS					
Fund structure revision	19,179,887	16,507,741	3,728,856	39,416,484	(39,416,484)
TRANSFERS					
Transfers in	186,671	185,825	278,766	651,262	-
Transfers out	(205,425)	(211,621)	(7,216)	(424,262)	-
CHANGE IN NET ASSETS	<u>18,689,051</u>	<u>16,319,090</u>	<u>3,471,202</u>	<u>38,479,343</u>	<u>(39,331,068)</u>
NET ASSETS, Beginning	<u>-</u>	<u>-</u>	<u>587,138</u>	<u>587,138</u>	<u>39,339,905</u>
NET ASSETS, Ending	<u>\$18,689,051</u>	<u>\$16,319,090</u>	<u>\$4,058,340</u>	<u>\$39,066,481</u>	<u>\$ 8,837</u>

CITY OF ONTARIO, OREGON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS OF ENTERPRISE FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2010

Change in net assets - total enterprise funds \$ 38,479,343

Amounts reported for business-type activities in the Statement of Activities are different because:

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

(39,331,068)

Change in net assets of business - type activities \$ (851,725)

CITY OF ONTARIO, OREGON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2010

	Business-type Activities - Enterprise Funds				Business- Type Internal Service Fund
	Water Fund	Sewer Fund	Non-Major Other Enterprise Funds	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 2,719,271	\$ 2,908,202	\$ 272,998	\$ 5,900,471	\$ 58,070
Receipts from interfund services provided	-	-	-	-	2,039,940
Payments to suppliers	(710,648)	(459,854)	(241,964)	(1,412,466)	(1,309,949)
Payments to employees	(206,285)	(153,303)	(150,877)	(510,465)	(771,780)
Payments for interfund services used	(980,820)	(980,820)	(78,300)	(2,039,940)	-
Net cash provided from (used by) operating activities	<u>821,518</u>	<u>1,314,225</u>	<u>(198,143)</u>	<u>1,937,600</u>	<u>16,281</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers in	1,266,856	3,195,254	278,766	4,740,876	-
Transfers out	(205,425)	(211,621)	(7,216)	(424,262)	(4,462,110)
Net cash provided from (used by) non-capital financing activities	<u>1,061,431</u>	<u>2,983,633</u>	<u>271,550</u>	<u>4,316,614</u>	<u>(4,462,110)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Interfund loan proceeds	-	-	123,963	123,963	-
Interfund loan payments	-	(236,899)	-	(236,899)	-
Acquisition of capital assets	(496,609)	(684,960)	(91,833)	(1,273,402)	-
Principal paid on long-term obligations	(201,377)	(826,224)	(90,597)	(1,118,198)	-
Interest paid on long-term obligations	(194,774)	(295,097)	(14,976)	(504,847)	-
Net cash provided from (used by) capital and related financing activities	<u>(892,760)</u>	<u>(2,043,180)</u>	<u>(73,443)</u>	<u>(3,009,383)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments	-	-	36	36	83,136
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	990,189	2,254,678	-	3,244,867	(4,362,693)
CASH AND CASH EQUIVALENTS, Beginning	-	-	-	-	4,462,110
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 990,189</u>	<u>\$ 2,254,678</u>	<u>\$ -</u>	<u>\$ 3,244,867</u>	<u>\$ 99,417</u>
COMPRISED AS FOLLOWS:					
Cash and cash equivalents	\$ 908,791	\$ 1,287,919	\$ -	\$ 2,196,710	\$ 99,417
Restricted cash and cash equivalents	81,398	966,759	-	1,048,157	-
	<u>\$ 990,189</u>	<u>\$ 2,254,678</u>	<u>\$ -</u>	<u>\$ 3,244,867</u>	<u>\$ 99,417</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, 2010

	<u>Business-type Activities - Enterprise Funds</u>				Business- Type Internal Service Fund
	Water Fund	Sewer Fund	Non-Major Other Enterprise Funds	Totals	
Reconciliation of operating income (loss) to net cash provided from (used by) operating activities					
Operating income (loss)	\$ (280,391)	\$ 199,422	\$ (515,781)	\$ (596,750)	\$ 2,280
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation	1,025,930	1,038,722	295,442	2,360,094	-
(Increase) decrease in assets:					
Receivables	5,016	28,978	12,155	46,149	(8,146)
Inventories	56,562	56,562	467	113,591	-
Increase (decrease) in liabilities:					
Accounts payable and accrued expenses	(5,845)	(15,067)	9,829	(11,083)	16,373
Deposits	15,558	-	-	15,558	-
Compensated absences payable	4,688	5,608	(255)	10,041	5,774
Net cash provided from (used by) operating activities	<u>\$ 821,518</u>	<u>\$ 1,314,225</u>	<u>\$ (198,143)</u>	<u>\$ 1,937,600</u>	<u>\$ 16,281</u>
NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES					
Transfer of capital assets between funds	<u>\$ 186,671</u>	<u>\$ 185,825</u>	<u>\$ -</u>	<u>\$ 372,496</u>	<u>\$ -</u>
Fund structure revision	\$19,179,887	\$16,507,741	\$ 3,728,856	\$ 39,416,484	\$ (39,416,484)
Less cash portion included in transfers above	<u>(1,266,856)</u>	<u>(3,195,254)</u>	<u>-</u>	<u>(4,462,110)</u>	<u>4,462,110</u>
Non-cash portion of fund structure revision	<u>\$17,913,031</u>	<u>\$13,312,487</u>	<u>\$ 3,728,856</u>	<u>\$ 34,954,374</u>	<u>\$ (34,954,374)</u>

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



NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ONTARIO, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

Water fund accounts for costs of services related to maintenance and service of the water system.

Sewer fund accounts for costs of services related to maintenance and service of the sewer system.

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

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

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

D. Assets, Liabilities and Equity

1. Cash and Cash Equivalents

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

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

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

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

2. Receivables and Payables

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

Property taxes receivable which have been collected within 60 days after year-end are considered measurable and available and, therefore, are recognized as revenue. The remaining balance is recorded as deferred revenue because it is not deemed available to finance operations of the current period. An allowance for doubtful accounts is not deemed necessary, as uncollectible taxes become a lien on the

property. Property taxes are levied and become a lien on July 1. Collection dates are November 15, February 15, and May 15 following the lien date. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

The State of Oregon has a constitutional limit on property taxes for schools and non-school general governments. The maximum allowable combined tax rate for all non-school general governments is \$10 per \$1,000, compression occurs, resulting in proportionately reduced tax collection by each taxing district. The City of Ontario was unable to levy \$1,251 for 2009-2010 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. The assessment principal collection, transient room taxes, and franchise fees are recorded as revenues as they are collected. 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 Water, Sewer, Storm Sewer, and Golf Funds are determined by physical count and are stated at the lower of cost (first in, first out) or market. Expenses are recognized when inventories are consumed. 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 as 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. Benefits are normally paid from the General, 911, Street, Water, Sewer, Storm Sewer, and Public Works Funds.

7. Fund Equity

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

8. Restricted Net Assets, Cash, and Investments

The City receives funds from the State of Oregon, which are legally restricted to street maintenance, repairs, and improvements, and the City has additional funds restricted for debt service, as required by debt covenants. In addition, the City has

net assets restricted for other items related to trust type activities, to include: motel taxes restricted by enabling legislation, cemetery perpetual care, Turnbull Library, and a deposit received from Ontario Sanitary Services for site clean up costs.

The net amount restricted for governmental activities at June 30, 2010 was \$236,237 for debt service, \$9,118 for highways and streets, \$2,650,764 for system development, and \$357,834 for other trust deposits. There is also \$966,759 for debt service in the business-type activities.

Cash and investments are restricted for the amounts above. In addition, cash and investments are restricted for deposits held for others of \$245,920 in governmental activities and \$81,398 in the business-type activities.

9. Estimates

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

E. GASB 45

For the fiscal year ended June 30, 2009, the City implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement addresses how state and local governments should account for and report their costs and obligations related to Other Postemployment Benefits (OPEB). The Statement generally requires that state and local governmental employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. For the fiscal year ended June 30, 2010, the City's participation in the City County Insurance Services (CCIS) health plans have been determined to constitute a community-rated situation, as allowed by GASB 45, and therefore there is no implicit subsidy to value and no liability accrued in the financial statements.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Biennial budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for the General fund, Special revenue funds, Debt service fund, and Capital projects fund, except there are amounts budgeted and paid as transfers in the General and Street funds, which were reclassified to reimbursed expenditures in the GAAP statements. The biennial budget for proprietary funds is adopted on a basis not consistent with GAAP in order to comply with Oregon Local Budget Law.

Oregon Local Budget Law establishes standard procedures relating to the preparation, adoption, and execution of the biennial budget. The process under which the budget is adopted is described in the following paragraphs.

Prior to the beginning of each budget period, the budget prepared by City staff is submitted to the Budget Committee (consisting of the City Council and citizens of the City). The City's budget is prepared for each fund on the modified accrual basis of accounting. Interfund loans are budgeted as sources and uses in accordance with state

budget laws. Estimated receipts and expenditures are budgeted by fund, program and object. Information on the past years' actual receipts and expenditures, current-year estimates are included in the budget document.

The Budget Committee conducts public hearings for the purpose of obtaining citizens' comments, and then approves a budget. The budget is submitted to the City Council for final adoption. The approved expenditures for each fund may not be increased by more than 10% by the Council without returning to the Budget Committee for a second approval. After the City Council adopts the budget and certifies the total of ad valorem taxes to be levied, no additional tax levy may be made for that fiscal year.

The City Council legally adopts the budget by resolution before July 1. The resolution establishes appropriations for each fund and expenditures cannot legally exceed these appropriations. The level of control established by the resolution for each fund is at the object group level (i.e. personal services, materials and services, capital outlay, debt service, interfund transfers, and contingency). All biennial appropriations lapse at the end of the biennium.

The City Council may change the budget throughout the budget period by transferring appropriations between levels of control and by adopting supplemental budgets as authorized by Oregon Revised Statutes. Unexpected additional resources may be added to the budget and appropriated for expenditure through the use of a supplemental budget. The supplemental budget process requires a hearing before the public, publication in the newspaper, and approval of City Council. Oregon Local Budget Law also provides certain specific exceptions to the supplemental budget process to increase appropriations. Expenditures may not legally exceed budgeted appropriation as adopted and adjusted. Exceptions to budget law are also available for expenditures associated with debt issued during the budget period. Management may transfer budget amounts between individual line items within the object group, but cannot make changes to the object groups themselves, which is the legal level of control.

During the biennial budget period ended June 30, 2010, appropriation increases and transfers were approved. Appropriations are limited to a biennium; therefore, all spending authority of the City lapses as of the end of the biennium.

B. Excess of Expenditures over Appropriations

Expenditures exceed appropriations in the following funds and amounts:

Business-Type Activities:

Proprietary Funds:

Golf Course Fund:

Personal services \$ (13,843)

C. Deficit Fund Balances

Funds having a deficit fund balance on the budgetary basis at June 30, 2010 are as follows:

Governmental Activities:

Special Revenue Funds:

Grants Fund

\$ (65,985)

Street Fund

\$ (57,975)

Business Type Activities:

Enterprise Funds

Golf Course Fund
Storm Sewer Fund

\$ (225,073)
\$ (223,174)

The City has continued to suffer losses in the Golf Course Fund due to major improvements and upgrades in the past few years. Expenses exceeded estimates during the current biennium due to the City taking over operation of the Course and hiring full time staff. The City continues to consider ways to improve the operations of the Golf Course Fund and other plans to reduce the deficit. Other deficits are expected to be reversed in future years through additional revenue collections.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

Deposits. The Governmental Accounting Standards Board has adopted accounting principles generally accepted in the United States of America (GAAP), which includes standards to categorize deposits to give an indication of the level of custodial credit risk assumed by the City at June 30, 2010. If bank deposits at year-end are not entirely insured or collateralized with securities held by the City or by its agent in the City's name, the City must disclose the custodial credit risk that exists. The City's deposits with financial institutions are comprised of bank demand deposits and certificates of deposit. For deposits in excess of federal depository insurance, Oregon Revised Statutes require that Public officials report to the Office of the State Treasurer (OST) all bank depositories in which they deposit public funds and bank depositories will then report financial information and total public funds deposits quarterly to OST. OST will then calculate the required collateral that must be pledged by the bank based on this information and the depository's FDIC assigned capitalization category. Bank depositories will then have a shared liability in the event of a bank loss. For the fiscal year ended June 30, 2010, the carrying amount of the City's deposits, including certificates of deposit classified as investments, was \$2,155,780 and the bank balance was \$2,615,142. All deposits are held in the name of the City of Ontario. Of the bank balance, \$500,000 was covered by federal depository insurance. The remaining \$2,115,142 was collateralized under ORS 295.

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

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

In addition, The Oregon State Treasury LGIP distributes investment income on an amortized cost basis and the participant's equity in the pool is determined by the amount of participant deposits, adjusted for withdrawals and distributed income. Accordingly,

the adjustment to fair value would not represent an expendable increase in the City's cash position.

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

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

Interest Rate Risk. The City's investment policy limits long-term investments to 25% of the investment portfolio using specific identification. The City defines long-term as having a maturity of greater than 18 months to a maximum of 36 months. As of June 30, 2010 all of the City's investments were classified as short-term.

The City of Ontario also invested funds in U.S. Government Obligations and Time Certificates of Deposit. These investments are carried at fair value.

Investments held by the City at June 30, 2010 are as follows:

	<u>Maturity</u>	<u>Percentage of Portfolio</u>	<u>Carrying Amount/ Fair Value</u>
U.S. Government Obligations	On demand	0.1%	\$ 8,500
	Less than one year	11.7%	1,198,724
	13 to 18 months	4.9%	501,388
Local Government Investment Pool	1 day	78.2%	8,035,335
Time Certificate of Deposits	Less than one year	5.2%	533,180
		<u>100%</u>	<u>10,277,127</u>
Less amounts classified as cash equivalents			<u>(8,035,335)</u>
Total Investments			<u>\$ 2,241,792</u>

A reconciliation of cash and cash equivalents as shown on the Statement of Net Assets is as follows:

Cash on hand	\$ 1,160
Deposits with financial institutions	1,622,600
Local Government Investment Pool	<u>8,035,335</u>
Total	<u>\$ 9,659,095</u>

B. Receivables

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

	General Fund	Street Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Activites
Property taxes	\$ 285,506	\$ -	\$ -	\$ -	\$ 285,506
Accounts	26,412	847	44,252	-	71,511
Intergovernmental	104,137	2,247	-	333,869	440,253
Assessments	-	-	-	397,017	397,017
Notes	-	-	-	444,955	444,955
Allowance for doubtful accounts	-	-	-	-	-
Total receivables	<u>\$ 416,055</u>	<u>\$ 3,094</u>	<u>\$ 44,252</u>	<u>\$ 1,175,841</u>	<u>\$ 1,639,242</u>

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

	Water Fund	Sewer Fund	Other Enterprise Funds	Internal Service Fund	Total Business-type Activites
Accounts	<u>\$ 264,094</u>	<u>\$ 212,296</u>	<u>\$ 10,628</u>	<u>\$ 8,147</u>	<u>\$ 495,165</u>

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

They may be paid in installments due November 15, February 15, and May 15. Taxes unpaid as of May 16 are considered delinquent. Taxes are billed and collected by Malheur County, and remittance to the City is made at periodic intervals.

For the fiscal year 2009-2010, the City levied property taxes for a general levy in the amount of \$3,131,578. After reductions for offsets and increases for additional taxes and penalties this resulted in a net levy of \$3,131,578. The tax rate for the fiscal year was \$4.8347, per \$1,000 of assessed value. The assessed valuation for the City was \$647,988,399.

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

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

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

C. Deferred Revenue

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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Property taxes receivable			
General fund	\$ 252,109	\$ -	\$ 252,109
Program advances			
Non-major funds	-	1,079	1,079
Assessments receivable			
Non-major funds	397,017	-	397,017
Notes and assessments			
Non-major funds	<u>444,955</u>	<u>-</u>	<u>444,955</u>
Total deferred revenue	<u>\$ 1,094,081</u>	<u>\$ 1,079</u>	<u>\$ 1,095,160</u>

D. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2010 was as follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Land	\$ 948,024	\$ 5,813	\$ (50,000)	\$ 903,837
Construction in progress	<u>617,221</u>	<u>772,810</u>	<u>(111,906)</u>	<u>1,278,125</u>
Total non-depreciable	<u>1,565,245</u>	<u>778,623</u>	<u>(161,906)</u>	<u>2,181,962</u>
Equipment and vehicles	6,576,689	87,721	(1,505,013)	5,159,397
Buildings and improvements	2,333,165	30,612	(183,064)	2,180,713
Infrastructure	<u>126,397,874</u>	<u>493,350</u>	<u>(276,330)</u>	<u>126,614,894</u>
Total depreciable	<u>135,307,728</u>	<u>611,683</u>	<u>(1,964,407)</u>	<u>133,955,004</u>
Accumulated depreciation				
Equipment and vehicles	(5,939,713)	(327,251)	1,505,013	(4,761,951)
Buildings and improvements	(1,857,606)	(54,260)	51,919	(1,859,947)
Infrastructure	<u>(123,777,305)</u>	<u>(73,807)</u>	<u>-</u>	<u>(123,851,112)</u>
Total accumulated depreciation	<u>(131,574,624)</u>	<u>(455,318)</u>	<u>1,556,932</u>	<u>(130,473,010)</u>
Total depreciable assets, net	<u>3,733,104</u>	<u>156,365</u>	<u>(407,475)</u>	<u>3,481,994</u>
Governmental activities capital assets, net	<u>\$ 5,298,349</u>	<u>\$ 934,988</u>	<u>\$ (569,381)</u>	<u>\$ 5,663,956</u>

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

General government	\$ 88,308
Public safety	234,575
Highways and streets	16,112
Culture and recreation	<u>116,323</u>
 Total depreciation for governmental activities	 <u><u>\$ 455,318</u></u>

Capital asset activity for business-type activities for the year ended June 30, 2010 was as follows:

Description	Beginning Balance	Increases	Decreases	Ending Balance
Land	\$ 2,442,148	\$ 156,892	\$ -	\$ 2,599,040
Construction in progress	-	65,227	-	65,227
 Total non-depreciable	 2,442,148	 222,119	 -	 2,664,267
Equipment and vehicles	11,568,290	431,121	(127,375)	11,872,036
Buildings and improvements	18,854,658	658,091	-	19,512,749
Infrastructure	39,028,400	260,656	-	39,289,056
 Total depreciable	 69,451,348	 1,349,868	 (127,375)	 70,673,841
Accumulated depreciation				
Equipment and vehicles	(10,656,000)	(901,533)	207,237	(11,350,296)
Buildings and improvements	(4,623,974)	(479,593)	-	(5,103,567)
Infrastructure	(7,027,866)	(978,968)	-	(8,006,834)
 Total accumulated depreciation	 (22,307,840)	 (2,360,094)	 207,237	 (24,460,697)
 Total depreciable assets, net	 47,143,508	 (1,010,226)	 79,862	 46,213,144
 Business-type activities capital assets, net	 <u>\$ 49,585,656</u>	 <u>\$ (788,107)</u>	 <u>\$ 79,862</u>	 <u>\$ 48,877,411</u>

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

Golf Course	\$ 99,717
Water	1,025,930
Sewer	1,038,722
Strom	<u>195,725</u>
 Total depreciation for business-type activities	 <u><u>\$ 2,360,094</u></u>

E. Interfund Receivable/Payable

In the fund financial statements, the General fund had \$203,442 receivable from the Grants fund. The Sewer fund had \$204,700 receivable from the Golf Course fund and \$226,361 receivable from the Storm Sewer fund. The interfund loans are for temporary cash management requirements.

F. Transfers

Net transfers between governmental activities and business-type activities in the government-wide financial statements consist of transfers into the business-type activities and transfers out of the governmental activities in the amount of \$227,000.

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

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 7,500	\$ 636,666
Street Fund	394,762	-
Non-major governmental funds	492,974	7,500
Enterprise Funds		
Golf Course Fund	266,766	-
Water Fund	186,671	205,425
Sewer Fund	185,825	211,621
Strom Fund	12,000	7,216
Non-current resources	-	478,070
Total all funds	<u>\$ 1,546,498</u>	<u>\$ 1,546,498</u>

Transfers out of the General Fund were for the City's contribution towards maintaining the golf course and 911 operations. Additional transfers were made from the General Fund to the Reserve Fund to fund future facility improvements and emergency equipment purchases. Capital additions were constructed in the Reserve Fund and the Capital Projects Fund and contributed to the Water and Sewer Funds, net of debt issued during the year. In addition the Public Works fund became an internal service fund and operations were split into three utility funds. Beginning net assets were contributed to the new utility funds under the fund structure revision, which included \$19,179,887 to the Water fund, \$16,507,741 to the Sewer fund, and \$3,728,856 to the Storm Sewer fund.

G. Long-Term Debt

1. Special Assessment Debt with Governmental Commitment – Governmental Activities

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

<u>Fiscal year:</u>	<u>Outstanding July 1, 2009</u>	<u>Matured, Called, or Defeased During Year</u>	<u>Outstanding June 30, 2010</u>	<u>Interest</u>
2010	\$ 55,377	\$ 55,377	\$ -	\$ 26,976
2011	55,377	-	55,377	24,331
2012	55,376	-	55,376	21,701
2013	55,376	-	55,376	19,070
2014	55,377	-	55,377	16,440
2015	55,377	-	55,377	13,810
2016-2020	<u>249,195</u>	<u>-</u>	<u>249,195</u>	<u>29,577</u>
	<u>\$ 581,455</u>	<u>\$ 55,377</u>	<u>\$ 526,078</u>	<u>\$ 151,905</u>

2. Contracts and Notes Payable – Governmental Activities

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

<u>Fiscal year</u>	<u>Outstanding July 1, 2009</u>	<u>Matured, Called, or Defeased During Year</u>	<u>Outstanding June 30, 2010</u>	<u>Interest</u>
2010	\$ 10,913	\$ 10,913	\$ -	\$ 1,405
2011	<u>11,871</u>	<u>-</u>	<u>11,871</u>	<u>703</u>
	<u>\$ 22,784</u>	<u>\$ 10,913</u>	<u>\$ 11,871</u>	<u>\$ 2,108</u>

3. Capital Leases – Governmental Activities

The City has entered into various capital lease agreements as lessee for financing of a pumper truck and police vehicles. The leases qualify as capital leases and therefore the vehicles have been recorded at the present value of the minimum lease payments as of the date of inception.

Assets leased under capital leases at June 30, 2010 are as follows:

	<u>Balance of Lease</u>	<u>Interest Rate</u>
Pierce KW Pumper	<u>\$ 103,833</u>	4.99%

A schedule of future minimum lease payments is as follows:

<u>Year Ending June 30</u>	<u>Total</u>
2011	\$ 29,275
2012	29,275
2013	29,275
2014	<u>29,275</u>
Total minimum lease payments	117,100
Less: interest included in payments	<u>(13,267)</u>
Present value of minimum lease payment	<u>\$ 103,833</u>

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

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

<u>Fiscal year:</u>	<u>Principal</u>			<u>Interest</u>
	<u>Outstanding July 1, 2009</u>	<u>Matured, Called, or Defeased During Year</u>	<u>Outstanding June 30, 2010</u>	
2010	\$ 88,137	\$ 88,137	\$ -	\$ 14,067
2011	94,283	-	94,283	9,638
2012	<u>95,485</u>	<u>-</u>	<u>95,485</u>	<u>4,866</u>
	<u>\$ 277,905</u>	<u>\$ 88,137</u>	<u>\$ 189,768</u>	<u>\$ 28,571</u>

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

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

<u>Fiscal year:</u>	<u>Matured, Called, or Defeased</u>			<u>Interest</u>
	<u>Outstanding July 1, 2009</u>	<u>During Year</u>	<u>Outstanding June 30, 2010</u>	
2010	<u>\$ 2,462</u>	<u>\$ 2,462</u>	<u>\$ -</u>	<u>\$ 121</u>

6. Contracts and Notes Payable – Business-Type Activities – Sewer Fund

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

Fiscal year	Loan 70610 - 3%		Loan 70611 - 3.98%	
	Principal	Interest	Principal	Interest
2011	\$ 502,942	\$ 64,125	\$ 92,125	\$ 32,901
2012	502,942	49,037	95,829	29,198
2013	502,942	33,949	99,680	25,346
2014	502,942	18,860	103,687	21,339
2015	251,470	3,772	107,855	17,171
2016-2020	-	-	350,282	24,799
	<u>\$ 2,263,238</u>	<u>\$ 169,743</u>	<u>\$ 849,458</u>	<u>\$ 150,754</u>

Fiscal year	Loan 70612 - 3.69%		Total	
	Principal	Interest	Principal	Interest
2011	\$ 143,316	\$ 57,666	\$ 738,383	\$ 154,692
2012	148,653	52,329	747,424	130,564
2013	154,188	46,794	756,810	106,089
2014	159,930	41,052	766,559	81,251
2015	165,886	35,096	525,211	56,039
2016-2020	826,313	78,084	1,176,595	102,883
	<u>\$ 1,598,286</u>	<u>\$ 311,021</u>	<u>\$ 4,710,982</u>	<u>\$ 631,518</u>

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

Fiscal year:	Outstanding July 1, 2009	Matured, Called, or Defeased During Year	Outstanding June 30, 2010	Interest
2010	\$ 96,546	\$ 96,546	\$ -	\$ 103,802
2011	97,043	-	97,043	174,298
2012	102,554	-	102,554	171,386
2013	103,081	-	103,081	168,310
2014	108,714	-	108,714	164,702
2015	109,368	-	109,368	160,897
2016-2020	629,158	-	629,158	733,893
2021-2025	780,049	-	780,049	584,552
2026-2030	981,108	-	981,108	377,443
2031-2034	968,979	-	968,979	117,906
	<u>\$ 3,976,600</u>	<u>\$ 96,546</u>	<u>\$ 3,880,054</u>	<u>\$ 2,757,189</u>

7. Contracts and Notes Payable – Business-Type Activities – Water Fund

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

<u>Fiscal year</u>	<u>Outstanding July 1, 2009</u>	<u>Matured, Called, or Defeased During Year</u>	<u>Outstanding June 30, 2010</u>	<u>Interest</u>
2010	\$ 114,700	\$ 114,700	\$ -	\$ 181,121
2011	120,489	-	120,489	176,533
2012	126,308	-	126,308	171,713
2013	132,160	-	132,160	166,661
2014	138,047	-	138,047	161,374
2015	138,969	-	138,969	155,852
2016-2020	785,014	-	785,014	691,091
2021-2025	975,239	-	975,239	514,118
2026-2030	1,204,279	-	1,204,279	283,682
2031-2032	554,771	-	554,771	36,671
	<u>\$ 4,289,976</u>	<u>\$ 114,700</u>	<u>\$ 4,175,276</u>	<u>\$ 2,538,816</u>

8. Water Revenue Bonds – Business-Type Activities – Water Fund

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

<u>Fiscal year:</u>	<u>Outstanding July 1, 2009</u>	<u>Matured, Called, or Defeased During Year</u>	<u>Outstanding June 30, 2010</u>	<u>Interest</u>
2010	\$ 86,677	\$ 86,677	\$ -	\$ 13,653
2011	86,680	-	86,680	9,752
2012	86,682	-	86,682	5,851
2013	86,699	-	86,699	1,950
	<u>\$ 346,738</u>	<u>\$ 86,677</u>	<u>\$ 260,061</u>	<u>\$ 31,206</u>

9. Changes in Long-Term Liabilities

Changes for the year ended June 30, 2010 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Governmental Activities:					
Note payable	\$ 22,784	\$ -	\$ 10,913	\$ 11,871	\$ 11,871
Special assessments	581,455	-	55,377	526,078	55,377
Capital leases	151,197	-	47,364	103,833	24,094
Compensated absences	351,422	351,888	351,422	351,888	351,888
Total governmental activities	1,106,858	351,888	465,076	993,670	443,230
Business-type Activities:					
Certificates of participation	277,905	-	88,137	189,768	94,283
Compensated absences	127,148	142,963	127,148	142,963	142,963
Contracts and notes payable:					
Oregon DEQ contracts	5,440,658	-	729,676	4,710,982	738,383
OECDD Water Treatment	4,289,976	-	114,700	4,175,276	120,489
OECDD Wastewater Treatment	3,976,600	-	96,546	3,880,054	97,043
Premium on OECDD WWTP	84,711	-	3,400	81,311	-
Golf Course Economic Development note	2,462	-	2,462	-	-
Water Revenue Bonds	346,738	-	86,677	260,061	86,680
Total business-type activities	14,546,198	142,963	1,248,746	13,440,415	1,279,841
	<u>\$ 15,653,056</u>	<u>\$ 494,851</u>	<u>\$ 1,713,822</u>	<u>\$ 14,434,085</u>	<u>\$ 1,723,071</u>

IV. Other Information

A. Risk Management

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

B. Defined Benefit Pension Plan

Public Employees Retirement System

1. Plan Description

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

In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for PERS. The Oregon Public Service Retirement Plan ("OPSRP") is effective for all new employees hired on or after August 29, 2003, and applies to any inactive PERS members who return to employment following a six-month or greater

break in service. The new plan consists of a defined benefit program (the "Pension Program") and a defined contribution portion (the Individual Account Program or "IAP"). The Pension Program portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service and a factor that varies based on the type of service (general versus police or fire).

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

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

2. Funding Policy

Plan members are required to contribute 6% of their annual covered salary. The City is required by ORS 238.225 to contribute at an actuarially determined rate; the current rate is 13.81% of annual covered payroll for Tier I and Tier II employees. Public employees hired after August 29, 2003, after a six month waiting period, become members of the Oregon Public Service Retirement Plan (OPSRP). The rate for OPSRP is set at 12.14% of covered payroll for general services employees and 14.87% for police and fire employees. The contribution requirement of plan members and their employers are established under ORS Chapter 238, and may be amended by the PERS Board of Trustees. The City's contributions to PERS for the years ending June 30, 2010, 2009, and 2008 were \$809,724, \$873,221, and \$847,075, respectively, equal to the required contributions each year.

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

C. Commitments and Contingencies

1. Construction in Progress

The City is committed under various construction contracts at June 30, 2010. Major projects in progress at June 30, 2010 are as follows:

The City received a Department of Energy Grant directed at improving its HVAC system and lighting at City Hall. Total costs paid at year end are \$51,867 and the total cost of renovation is expected to be \$728,000. The project is considered 7% completed.

The City is contracted to redesign the Fire Station storage building. The project design has been completed, and construction is scheduled to begin shortly after year end. The total estimated costs are expected to be approximately \$535,300, with the project just beginning.

The City is under contract for work done on the North Oregon Street for a water pipe upgrade. The project is 93% complete with the final costs contingent on changes and charges that will be billed to the city. It is expected to be completed shortly after year end. The total billed costs are \$205,400, with a projected cost to be \$220,000.

The City has contracted with a design group to design self cleaning screens for the river intake. The design is completed with progress on the project not yet begun. Total estimated cost of the project is expected to be \$80,000, including the design costs the project is 1% completed.

The City has a project begun for a Water Mainline Replacement the project has incurred costs of \$2,000 of the expected \$100,000. The project is 2% completed, this completion rate is primarily the design of the project, with construction not beginning until next year.

The City is in process of installing new fire hydrants in the city. The city is estimated to replace all old and malfunctioning hydrants with an estimated cost of \$150,000. The city has paid for \$25,000 of the project cost, the project is estimated to be about 17% completed.

The City has worked to design a new sewer line replacement. The estimated cost of the replacement is expected to be \$200,000. The design work cost \$2,000, and the project is expected to be 1% completed, with the construction not yet begun.

The City has contracted with several companies to provide bank stabilization on the Malheur River. Total costs incurred have reached \$228,400 with a project cost of \$320,626. The project is 71% completed.

The City has progressed on the designing of the Septage Receiving project. The total costs incurred for the project are nearly \$7,000 with a projected cost of \$240,000. The project is about 3% complete.

The City is in process of preparing to work on rehabilitating a sewer Force Main which is a 18inch pipe that is currently inoperable and transfers sewage from the 8th avenue lift station to the Wastewater Treatment Plant. The design is underway with work bids scheduled to arrive after year end. The costs incurred amount to \$1,000 with a total cost estimated at \$120,000, the project is 1% complete.

The City is working with contractors to design a parallel 24 inch sewer mainline. The estimated costs is expected to be \$260,000 with a total incurred of \$5,000, this is estimated at being 2% complete.

The City is working with contractors to upgrade the Tapadera Lift Station. The design costs incurred amount to \$3,000 with a total cost expected to be \$103,000. This project is approximately 3% completed at year end.

The City is under contract for work being done on the North Oregon Street reconstruction. The project is 84% completed with costs incurred of \$185,000 and total costs expected to be \$220,000.

The City has been progressively contracting with providers for chip sealing on the streets. Each section is placed into service after the completion of work. The total amount paid equals \$136,400, with budgeted costs at \$328,000. It is estimated that the project is 42% completed.

The City is under engineering contracts complete the work of the Washington Avenue/North Oregon corner realignment project. The total budget for this project is \$328,500, of which \$315,400 has been spent. Approximately 96% of the project is complete at June 30, 2010.

The City is under contract for the second phase of the North Oregon street reconstruction. With nearing the end of the first phase the city and its contractors is designing the second phase of the project. Very small amounts of work have begun, with the total project estimated to cost \$150,000, and the project is estimated to begin work in the next fiscal year.

The City had construction in progress for the Airport Improvement Project. The project is for rehabilitation of the runway, taxiway, and expansion of the existing apron. The city estimated the cost of the project to be \$4,457,970, with funds coming from ODOT and three FAA Grants, and a \$45,000 city match. The project has commenced for the portion of the FAA Grant#008 and #009. The total costs incurred are \$268,800. This estimates the project at 6% completion as of June 30, 2010.

2. Intergovernmental

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

3. Subsequent Events

In December 2009, and later amended September 2010 and January 2011, the City approved selling approximately 75 acres of City owned real property for an estimated selling price of \$1,494,000. Closing of the transaction has been extended to November 2011.

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

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

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

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

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

In December 2010, the City awarded rehabilitating a sewer Force Main which is an 18 inch pipe that is currently inoperable that transfers sewage from the 8th avenue lift station to the Wastewater Treatment Plant for \$29,550. This is only a portion of the total expected costs.

In February 2011, the City approved Resolution 2011-102 to proceed with construction improvements in connection with Local Improvement District #47, estimated at \$250,000.

In April 2011 and later amended, the City awarded for runway and apron rehabilitation for the Ontario Municipal Airport for \$3,832,375. This is a portion of the FAA Airport Improvement Project funding made available through grants from the FAA, and Connect Oregon funding.

In April 2011 and August 2011, the City accepted change requests for engineering services for the Airport Improvement Project. Additional funding of \$308,290 requested and approved.

D. Post Retirement Benefits

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

For the year ended June 30, 2010, there were 16 active participants. The total cost of \$4,800 in retiree benefits are current year expenditures and were charged to the fund for which the participant was employed; \$2,820 for the General Fund, \$480 for the 911 Fund, \$900 to the Public Works Fund, \$300 to the Water Fund, and \$300 to the Sewer Fund.

E. Fund Structure Revision

The City split the Public Works Fund as of July 1, 2009 into the Water Fund, the Sewer Fund, and the Storm Fund. Capital Assets, inventory, and accounts payable were split according to Management's estimate for each fund, 48% to Water and Sewer, and 4% to Storm. Long Term debt and accrued interest were allocated to the corresponding project identified in each fund and allocated to the proper fund. Other assets and liabilities were divided similarly according to what fund they belong. The beginning fund balance was broken into its components and transferred to the respective fund to which the item belonged based on the prior year financials. As of July 1, 2009 the Public Works fund had no beginning fund balance and only a liability for compensated absences for employees continuing to be paid through that fund. In the Statement of Revenues, Expenses, and Changes in Fund Net Assets, the fund structure revision was reported as a special capital contribution between the funds. Current year transactions for the Public Works Fund are as an internal service fund providing services to the new utility funds.



SUPPLEMENTAL INFORMATION



COMBINING STATEMENTS

Non-Major Governmental Funds

Special Revenue Funds

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

Library Fund - This fund was closed during 2009-10 and all remaining balances and assets were transferred to the Ontario Library District, an independent taxing district created by the local voters that became effective July 1, 2009.

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

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

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

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

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

Debt Service Fund

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



**CITY OF ONTARIO, OREGON
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2010**

	Special Revenue	Debt Service	Totals
ASSETS			
Cash and cash equivalents	\$ 1,968,498	\$ 239,338	\$ 2,207,836
Investments	541,679	-	541,679
Receivables:			
Intergovernmental	333,869	-	333,869
Assessments	-	397,018	397,018
Notes	444,955	-	444,955
	<u>\$ 3,289,001</u>	<u>\$ 636,356</u>	<u>\$ 3,925,357</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 206,163	\$ -	\$ 206,163
Retainage payable	3,800	-	3,800
Matured interest outstanding	-	3,102	3,102
Interfund payable	203,442	-	203,442
Deposits	245,920	-	245,920
Deferred revenue	446,034	397,017	843,051
	<u>1,105,359</u>	<u>400,119</u>	<u>1,505,478</u>
FUND BALANCES			
Reserved for:			
Debt service	-	236,237	236,237
Unreserved, reported in:			
Special revenue funds	2,183,642	-	2,183,642
	<u>2,183,642</u>	<u>236,237</u>	<u>2,419,879</u>
Total fund balances	<u>2,183,642</u>	<u>236,237</u>	<u>2,419,879</u>
Total liabilities and fund balances	<u>\$ 3,289,001</u>	<u>\$ 636,356</u>	<u>\$ 3,925,357</u>

CITY OF ONTARIO, OREGON
SUB-COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
June 30, 2010

	Library Fund	911 Fund	Trust Fund	Revolving Loan Fund
ASSETS				
Cash and cash equivalents	\$ -	\$ 2,405	\$ 62,180	\$ 256,314
Investments	-	-	541,679	-
Receivables:				
Intergovernmental	1,162	774	-	-
Notes	-	-	-	444,955
	<u>1,162</u>	<u>3,179</u>	<u>603,859</u>	<u>701,269</u>
Total assets	<u>\$ 1,162</u>	<u>\$ 3,179</u>	<u>\$ 603,859</u>	<u>\$ 701,269</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ -	\$ 1,753	\$ 105	\$ -
Retainage payable	-	-	-	-
Interfund payable	-	-	-	-
Deposits	-	-	245,920	-
Deferred revenue	-	-	-	444,955
	<u>-</u>	<u>1,753</u>	<u>246,025</u>	<u>444,955</u>
Total liabilities	<u>-</u>	<u>1,753</u>	<u>246,025</u>	<u>444,955</u>
FUND BALANCES (DEFICIT)				
Unreserved, reported in:				
Special revenue funds	<u>1,162</u>	<u>1,426</u>	<u>357,834</u>	<u>256,314</u>
	<u>1,162</u>	<u>1,426</u>	<u>357,834</u>	<u>256,314</u>
Total liabilities and fund balances	<u>\$ 1,162</u>	<u>\$ 3,179</u>	<u>\$ 603,859</u>	<u>\$ 701,269</u>

Reserve Fund	Grants Fund	Totals
\$ 1,647,599	\$ -	\$ 1,968,498
-	-	541,679
-	331,933	333,869
-	-	444,955
<u>\$ 1,647,599</u>	<u>\$ 331,933</u>	<u>\$ 3,289,001</u>

\$ 10,908	\$ 193,397	\$ 206,163
3,800	-	3,800
-	203,442	203,442
-	-	245,920
-	1,079	446,034
<u>14,708</u>	<u>397,918</u>	<u>1,105,359</u>

<u>1,632,891</u>	<u>(65,985)</u>	<u>2,183,642</u>
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<u>\$ 1,647,599</u>	<u>\$ 331,933</u>	<u>\$ 3,289,001</u>
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CITY OF ONTARIO, OREGON
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2010

	Special Revenue	Debt Service	Totals
REVENUES			
Other taxes	\$ 245,788	\$ -	\$ 245,788
Intergovernmental	537,661	-	537,661
Charges for services	6,657	-	6,657
Special assessments	-	75,249	75,249
Interest on investments	34,114	20,640	54,754
Loan repayments	87,456	-	87,456
Miscellaneous	1,500	-	1,500
TOTAL REVENUES	<u>913,176</u>	<u>95,889</u>	<u>1,009,065</u>
EXPENDITURES			
Current:			
General government	32,420	-	32,420
Public safety	512,428	-	512,428
Culture and recreation	268,395	-	268,395
Capital outlay	765,645	-	765,645
Debt service	-	187,927	187,927
TOTAL EXPENDITURES	<u>1,578,888</u>	<u>187,927</u>	<u>1,766,815</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(665,712)</u>	<u>(92,038)</u>	<u>(757,750)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	492,974	-	492,974
Transfers out	(7,500)	-	(7,500)
TOTAL OTHER FINANCING SOURCES (USES)	<u>485,474</u>	<u>-</u>	<u>485,474</u>
NET CHANGE IN FUND BALANCE	(180,238)	(92,038)	(272,276)
FUND BALANCE, Beginning	<u>2,363,880</u>	<u>328,275</u>	<u>2,692,155</u>
FUND BALANCE, Ending	<u>\$ 2,183,642</u>	<u>\$ 236,237</u>	<u>\$ 2,419,879</u>

CITY OF ONTARIO, OREGON
SUB-COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NON-MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2010

	Library Fund	911 Fund	Trust Fund	Revolving Loan Fund
REVENUES				
Other taxes	\$ -	\$ -	\$ 245,788	\$ -
Intergovernmental	-	80,027	-	-
Charges for services	-	3,007	3,650	-
Interest on investments	-	-	9,272	24,462
Loan repayments	-	-	-	87,456
Miscellaneous	-	-	1,500	-
TOTAL REVENUES	<u>-</u>	<u>83,034</u>	<u>260,210</u>	<u>111,918</u>
EXPENDITURES				
Current:				
General government	-	-	-	18,317
Public safety	-	512,428	-	-
Culture and recreation	-	-	259,494	-
Capital outlay	-	3,400	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>515,828</u>	<u>259,494</u>	<u>18,317</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(432,794)</u>	<u>716</u>	<u>93,601</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	536	382,092	-	-
Transfers out	-	-	(7,500)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>536</u>	<u>382,092</u>	<u>(7,500)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	536	(50,702)	(6,784)	93,601
FUND BALANCE, Beginning	<u>626</u>	<u>52,128</u>	<u>364,618</u>	<u>162,713</u>
FUND BALANCE (DEFICIT), Ending	<u>\$ 1,162</u>	<u>\$ 1,426</u>	<u>\$ 357,834</u>	<u>\$ 256,314</u>

Reserve Fund	Grants Fund	Totals
\$ -	\$ -	\$ 245,788
4,723	452,911	537,661
-	-	6,657
380	-	34,114
-	-	87,456
-	-	1,500
<u>5,103</u>	<u>452,911</u>	<u>913,176</u>
14,103	-	32,420
-	-	512,428
-	8,901	268,395
<u>209,188</u>	<u>553,057</u>	<u>765,645</u>
<u>223,291</u>	<u>561,958</u>	<u>1,578,888</u>
<u>(218,188)</u>	<u>(109,047)</u>	<u>(665,712)</u>
86,296	24,050	492,974
-	-	(7,500)
<u>86,296</u>	<u>24,050</u>	<u>485,474</u>
(131,892)	(84,997)	(180,238)
<u>1,764,783</u>	<u>19,012</u>	<u>2,363,880</u>
<u>\$ 1,632,891</u>	<u>\$ (65,985)</u>	<u>\$ 2,183,642</u>



COMBINING STATEMENTS

Non-Major Enterprise Funds

Enterprise Funds

Enterprise funds are used to report activities for which a fee is charged to external users for goods and services and to account for the acquisition, operation, and maintenance of facilities. These funds are entirely or predominately self-supported through user charges to the customer. Funds included in this category are:

Golf Course Fund – This fund accounts for the user fees associated with the City's golf course as well as maintenance of the golf course facilities.

Storm Sewer Fund – This fund accounts for revenues collected for storm water fees and expenditures associated with the maintenance and repair of the City's storm drain system.

**CITY OF ONTARIO, OREGON
 COMBINING STATEMENT OF NET ASSETS
 NON-MAJOR ENTERPRISE FUNDS
 June 30, 2010**

	Golf Course Fund	Storm Sewer Fund	Total
ASSETS			
Current assets:			
Accounts receivable, net	\$ 1,904	\$ 8,724	\$ 10,628
Inventories	<u>4,247</u>	<u>10,017</u>	<u>14,264</u>
Total current assets	<u>6,151</u>	<u>18,741</u>	<u>24,892</u>
Noncurrent assets:			
Capital assets:			
Land	84,628	94,301	178,929
Depreciable assets, net of depreciation	<u>886,749</u>	<u>3,622,463</u>	<u>4,509,212</u>
Total noncurrent assets	<u>971,377</u>	<u>3,716,764</u>	<u>4,688,141</u>
Total assets	<u><u>\$ 977,528</u></u>	<u><u>\$ 3,735,505</u></u>	<u><u>\$ 4,713,033</u></u>
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable	\$ 22,277	\$ 5,537	\$ 27,814
Accrued interest payable	3,307	-	3,307
Interfund payable	204,700	226,361	431,061
Compensated absences payable	-	2,744	2,744
Current portion of long-term debt	<u>94,283</u>	<u>-</u>	<u>94,283</u>
Total current liabilities	<u>324,567</u>	<u>234,642</u>	<u>559,209</u>
Long-term debt, net of current portion:			
Certificates of participation	<u>95,484</u>	<u>-</u>	<u>95,484</u>
Total long-term liabilities	<u>95,484</u>	<u>-</u>	<u>95,484</u>
Total liabilities	<u>420,051</u>	<u>234,642</u>	<u>654,693</u>
Net assets:			
Invested in capital assets, net of related debt	781,610	3,716,764	4,498,374
Unrestricted (Deficit)	<u>(224,133)</u>	<u>(215,901)</u>	<u>(440,034)</u>
Total net assets	<u>557,477</u>	<u>3,500,863</u>	<u>4,058,340</u>
Total liabilities and net assets	<u><u>\$ 977,528</u></u>	<u><u>\$ 3,735,505</u></u>	<u><u>\$ 4,713,033</u></u>

CITY OF ONTARIO, OREGON
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2010

	Golf Course Fund	Storm Sewer Fund	Total
OPERATING REVENUES			
Charges for services	\$ 158,866	\$ 101,977	\$ 260,843
TOTAL OPERATING REVENUES	<u>158,866</u>	<u>101,977</u>	<u>260,843</u>
OPERATING EXPENSES			
Personal services	150,993	28,764	179,757
Materials and services	191,160	110,265	301,425
Depreciation	99,717	195,725	295,442
TOTAL OPERATING EXPENSES	<u>441,870</u>	<u>334,754</u>	<u>776,624</u>
OPERATING INCOME (LOSS)	<u>(283,004)</u>	<u>(232,777)</u>	<u>(515,781)</u>
NON-OPERATING INCOME (EXPENSES)			
Interest on investments	36	-	36
Interest expense	(13,459)	-	(13,459)
TOTAL NON-OPERATING INCOME (EXPENSES)	<u>(13,423)</u>	<u>-</u>	<u>(13,423)</u>
NET INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	(296,427)	(232,777)	(529,204)
CAPITAL CONTRIBUTIONS			
Fund structure revision	-	3,728,856	3,728,856
TRANSFERS			
Transfers in	266,766	12,000	278,766
Transfers out	-	(7,216)	(7,216)
CHANGE IN NET ASSETS	(29,661)	3,500,863	3,471,202
NET ASSETS, Beginning	<u>587,138</u>	<u>-</u>	<u>587,138</u>
NET ASSETS, Ending	<u>\$ 557,477</u>	<u>\$ 3,500,863</u>	<u>\$ 4,058,340</u>

CITY OF ONTARIO, OREGON
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2010

	Golf Course Fund	Storm Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 171,019	\$ 101,979	\$ 272,998
Payments to suppliers	(199,506)	(42,458)	(241,964)
Payments to employees	(132,673)	(18,204)	(150,877)
Payments for interfund services used	-	(78,300)	(78,300)
Net cash provided from (used by) operating activities	<u>(161,160)</u>	<u>(36,983)</u>	<u>(198,143)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers in	266,766	12,000	278,766
Transfers out	-	(7,216)	(7,216)
Net cash provided from (used by) non-capital financing activities	<u>266,766</u>	<u>4,784</u>	<u>271,550</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interfund loan proceeds	91,764	32,199	123,963
Acquisition of capital assets	(91,833)	-	(91,833)
Principal paid on long-term obligations	(90,597)	-	(90,597)
Interest paid on long-term obligations	(14,976)	-	(14,976)
Net cash provided from (used by) capital and related financing activities	<u>(105,642)</u>	<u>32,199</u>	<u>(73,443)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	<u>36</u>	<u>-</u>	<u>36</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>-</u>	<u>-</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, Beginning	<u>-</u>	<u>-</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF ONTARIO, OREGON
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2010

	Golf Course Fund	Storm Sewer Fund	Totals
Reconciliation of operating income (loss) to net cash provided from (used by) operating activities			
Operating income (loss)	\$ (283,004)	\$ (232,777)	\$ (515,781)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	99,717	195,725	295,442
(Increase) decrease in assets:			
Receivables	12,153	2	12,155
Inventories	(4,247)	4,714	467
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	14,221	(4,392)	9,829
Compensated absences payable	<u> -</u>	<u> (255)</u>	<u> (255)</u>
Net cash provided from (used by) operating activities	<u>\$ (161,160)</u>	<u>\$ (36,983)</u>	<u>\$ (198,143)</u>
NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Fund structure revision	<u>\$ -</u>	<u>\$ 3,728,856</u>	<u>\$ 3,728,856</u>



BUDGETARY COMPARISON SCHEDULES

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

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



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

Governmental Funds

Special Revenue Funds

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

Debt Service Fund

- Debt Service Fund

Capital Projects Fund

- Capital Projects Fund

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
LIBRARY FUND
For the Fiscal Year Ended June 30, 2010

	2009-2011 Budgeted Amounts		1st Year Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 536	\$ 536
TOTAL OTHER FINANCING SOURCES (USES)	-	-	536	536
NET CHANGE IN FUND BALANCE	-	-	536	536
FUND BALANCE, Beginning	-	-	626	626
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,162</u>	<u>\$ 1,162</u>

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
9-1-1 FUND
For the Fiscal Year Ended June 30, 2010

	2009-2011 Budgeted Amounts		1st Year Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 158,990	\$ 158,990	\$ 80,027	\$ (78,963)
Charges for services	6,500	6,500	3,007	(3,493)
TOTAL REVENUES	<u>165,490</u>	<u>165,490</u>	<u>83,034</u>	<u>(82,456)</u>
EXPENDITURES				
Current:				
Public safety:				
Personal services	863,282	863,282	479,421	383,861
Materials and services	52,906	62,906	33,007	29,899
Capital outlay	3,500	3,500	3,400	100
TOTAL EXPENDITURES	<u>929,688</u>	<u>929,688</u>	<u>515,828</u>	<u>413,860</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(764,198)</u>	<u>(764,198)</u>	<u>(432,794)</u>	<u>331,404</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	764,198	764,198	382,092	(382,106)
TOTAL OTHER FINANCING SOURCES (USES)	<u>764,198</u>	<u>764,198</u>	<u>382,092</u>	<u>(382,106)</u>
NET CHANGE IN FUND BALANCE	-	-	(50,702)	(50,702)
FUND BALANCE (DEFICIT), Beginning	-	-	52,128	52,128
FUND BALANCE (DEFICIT), Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,426</u>	<u>\$ 1,426</u>

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
TRUST FUND
For the Fiscal Year Ended June 30, 2010

	2009-2011 Budgeted Amounts		1st Year Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Other taxes	\$ 483,036	\$ 483,036	\$ 245,788	\$ (237,248)
Charges for services	18,000	18,000	3,650	(14,350)
Interest on investments	13,400	13,400	9,272	(4,128)
Miscellaneous	-	-	1,500	1,500
TOTAL REVENUES	<u>514,436</u>	<u>514,436</u>	<u>260,210</u>	<u>(254,226)</u>
EXPENDITURES				
Current:				
Culture and recreation:				
Materials and services	<u>773,400</u>	<u>773,400</u>	<u>259,494</u>	<u>513,906</u>
TOTAL EXPENDITURES	<u>773,400</u>	<u>773,400</u>	<u>259,494</u>	<u>513,906</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>(258,964)</u>	<u>(258,964)</u>	<u>716</u>	<u>259,680</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(15,000)</u>	<u>(15,000)</u>	<u>(7,500)</u>	<u>7,500</u>
TOTAL OTHER FINANCING				
SOURCES (USES)	<u>(15,000)</u>	<u>(15,000)</u>	<u>(7,500)</u>	<u>7,500</u>
NET CHANGE IN FUND BALANCE	(273,964)	(273,964)	(6,784)	267,180
FUND BALANCE, Beginning	<u>550,758</u>	<u>550,758</u>	<u>364,618</u>	<u>(186,140)</u>
FUND BALANCE, Ending	<u>\$ 276,794</u>	<u>\$ 276,794</u>	<u>\$ 357,834</u>	<u>\$ 81,040</u>

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
REVOLVING LOAN FUND
For the Fiscal Year Ended June 30, 2010

	2009-2011 Budgeted Amounts		1st Year Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Interest on investments	\$ 42,110	\$ 42,110	\$ 24,462	\$ (17,648)
Loan repayments	<u>71,307</u>	<u>71,307</u>	<u>87,456</u>	<u>16,149</u>
TOTAL REVENUES	<u>113,417</u>	<u>113,417</u>	<u>111,918</u>	<u>(1,499)</u>
EXPENDITURES				
Current:				
General government:				
Materials and services	<u>419,208</u>	<u>419,208</u>	<u>18,317</u>	<u>400,891</u>
TOTAL EXPENDITURES	<u>419,208</u>	<u>419,208</u>	<u>18,317</u>	<u>400,891</u>
NET CHANGE IN FUND BALANCE	(305,791)	(305,791)	93,601	399,392
FUND BALANCE, Beginning	<u>305,791</u>	<u>305,791</u>	<u>162,713</u>	<u>(143,078)</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 256,314</u>	<u>\$ 256,314</u>

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
RESERVE FUND
For the Fiscal Year Ended June 30, 2010

	2009-2011 Budgeted Amounts		1st Year Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 9,523	\$ 9,523	\$ 4,723	\$ (4,800)
Interest on investments	200	200	380	180
Miscellaneous	20,000	20,000	-	(20,000)
TOTAL REVENUES	<u>29,723</u>	<u>29,723</u>	<u>5,103</u>	<u>(24,620)</u>
EXPENDITURES				
Current:				
General government:				
Materials and services	35,400	35,400	14,103	21,297
Capital outlay	692,648	774,928	209,188	565,740
Contingency	814,487	814,487	-	814,487
TOTAL EXPENDITURES	<u>1,542,535</u>	<u>1,624,815</u>	<u>223,291</u>	<u>1,401,524</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,512,812)</u>	<u>(1,595,092)</u>	<u>(218,188)</u>	<u>1,376,904</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	133,281	133,281	86,296	(46,985)
TOTAL OTHER FINANCING SOURCES (USES)	<u>133,281</u>	<u>133,281</u>	<u>86,296</u>	<u>(46,985)</u>
NET CHANGE IN FUND BALANCE	(1,379,531)	(1,461,811)	(131,892)	1,329,919
FUND BALANCE, Beginning	<u>2,446,295</u>	<u>2,528,575</u>	<u>1,764,783</u>	<u>(763,792)</u>
FUND BALANCE, Ending	<u>\$ 1,066,764</u>	<u>\$ 1,066,764</u>	<u>\$ 1,632,891</u>	<u>\$ 566,127</u>

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GRANTS FUND
For the Fiscal Year Ended June 30, 2010

	2009-2011 Budgeted Amounts		1st Year Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 252,843	\$ 1,275,357	\$ 452,911	\$ (822,446)
TOTAL REVENUES	<u>252,843</u>	<u>1,275,357</u>	<u>452,911</u>	<u>(822,446)</u>
EXPENDITURES				
Current:				
Culture and recreation:				
Materials and services	-	19,960	8,901	11,059
Capital outlay	<u>303,392</u>	<u>1,329,996</u>	<u>553,057</u>	<u>776,939</u>
TOTAL EXPENDITURES	<u>303,392</u>	<u>1,349,956</u>	<u>561,958</u>	<u>787,998</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(50,549)</u>	<u>(74,599)</u>	<u>(109,047)</u>	<u>(34,448)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	24,050	24,050	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>24,050</u>	<u>24,050</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(50,549)	(50,549)	(84,997)	(34,448)
FUND BALANCE, Beginning	<u>50,549</u>	<u>50,549</u>	<u>19,012</u>	<u>(31,537)</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (65,985)</u>	<u>\$ (65,985)</u>

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Fiscal Year Ended June 30, 2010

	2009-2011 Budgeted Amounts		1st Year Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Special assessments	\$ 93,490	\$ 93,490	\$ 75,249	\$ (18,241)
Interest on investments	54,500	54,500	20,640	(33,860)
TOTAL REVENUES	<u>147,990</u>	<u>147,990</u>	<u>95,889</u>	<u>(52,101)</u>
EXPENDITURES				
Debt service	<u>522,990</u>	<u>522,990</u>	<u>187,927</u>	<u>335,063</u>
TOTAL EXPENDITURES	<u>522,990</u>	<u>522,990</u>	<u>187,927</u>	<u>335,063</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(375,000)</u>	<u>(375,000)</u>	<u>(92,038)</u>	<u>282,962</u>
NET CHANGE IN FUND BALANCE	(375,000)	(375,000)	(92,038)	282,962
FUND BALANCE, Beginning	<u>375,000</u>	<u>375,000</u>	<u>328,275</u>	<u>(46,725)</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 236,237</u>	<u>\$ 236,237</u>

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2010

	2009-2011 Budgeted Amounts		1st Year Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 14,000	\$ 14,000	\$ 668	\$ (13,332)
Intergovernmental	-	-	375,200	375,200
System development charges	1,035,700	1,035,700	455,717	(579,983)
Interest on investments	-	-	27,206	27,206
TOTAL REVENUES	<u>1,049,700</u>	<u>1,049,700</u>	<u>858,791</u>	<u>(190,909)</u>
EXPENDITURES				
Capital outlay	<u>4,106,258</u>	<u>4,106,258</u>	<u>461,062</u>	<u>3,645,196</u>
TOTAL EXPENDITURES	<u>4,106,258</u>	<u>4,106,258</u>	<u>461,062</u>	<u>3,645,196</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>(3,056,558)</u>	<u>(3,056,558)</u>	<u>397,729</u>	<u>3,454,287</u>
NET CHANGE IN FUND BALANCE	(3,056,558)	(3,056,558)	397,729	3,454,287
FUND BALANCE, Beginning	<u>3,056,558</u>	<u>3,056,558</u>	<u>2,834,227</u>	<u>(222,331)</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,231,956</u>	<u>\$ 3,231,956</u>

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

Proprietary Funds

Enterprise Funds

- Golf Course Fund
- Water Fund
- Sewer Fund
- Storm Sewer Fund

Internal Service Funds

- Public Works Fund

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GOLF COURSE FUND
For the Fiscal Year Ended June 30, 2010

	2009-2011 Budgeted Amounts		1st Year Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 326,893	\$ 326,893	\$ 158,866	\$ (168,027)
Interest on investments	-	-	36	36
TOTAL REVENUES	<u>326,893</u>	<u>326,893</u>	<u>158,902</u>	<u>(167,991)</u>
EXPENDITURES				
Cost of services:				
Personal services	137,150	137,150	150,993	(13,843)
Materials and services	202,514	202,514	195,407	7,107
Capital outlay	50,000	125,000	91,833	33,167
Contingency	<u>227,737</u>	<u>152,737</u>	-	<u>152,737</u>
TOTAL EXPENDITURES	<u>617,401</u>	<u>617,401</u>	<u>438,233</u>	<u>179,168</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>(290,508)</u>	<u>(290,508)</u>	<u>(279,331)</u>	<u>11,177</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>290,508</u>	<u>290,508</u>	<u>161,192</u>	<u>(129,316)</u>
TOTAL OTHER FINANCING				
SOURCES (USES)	<u>290,508</u>	<u>290,508</u>	<u>161,192</u>	<u>(129,316)</u>
NET CHANGE IN FUND BALANCE	-	-	(118,139)	(118,139)
FUND BALANCE (DEFICIT), Beginning	-	-	(106,934)	(106,934)
FUND BALANCE (DEFICIT), Ending	<u>\$ -</u>	<u>\$ -</u>	(225,073)	<u>\$ (225,073)</u>
RECONCILIATION TO GENERALLY				
ACCEPTED ACCOUNTING PRINCIPLES				
Capital assets, net of depreciation			971,377	
Inventory			4,247	
Accrued expenses			(3,307)	
Long-term obligations			<u>(189,767)</u>	
NET ASSETS, Ending			<u>\$ 557,477</u>	

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
WATER FUND
For the Fiscal Year Ended June 30, 2010

	2009-2011 Budgeted Amounts		1st Year Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 5,790,000	\$ 5,790,000	\$ 2,695,561	\$ (3,094,439)
Miscellaneous	-	-	3,136	3,136
TOTAL REVENUES	<u>5,790,000</u>	<u>5,790,000</u>	<u>2,698,697</u>	<u>(3,091,303)</u>
EXPENDITURES				
Cost of services:				
Personal services	667,470	667,470	327,581	339,889
Materials and services	1,238,680	1,238,680	583,506	655,174
Capital outlay	914,100	1,052,175	502,560	549,615
Debt service	789,634	789,634	396,151	393,483
Contingency	<u>1,190,475</u>	<u>1,034,900</u>	-	<u>1,034,900</u>
TOTAL EXPENDITURES	<u>4,800,359</u>	<u>4,782,859</u>	<u>1,809,798</u>	<u>2,973,061</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>989,641</u>	<u>1,007,141</u>	<u>888,899</u>	<u>(118,242)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(2,361,358)</u>	<u>(2,378,858)</u>	<u>(1,186,245)</u>	<u>1,192,613</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,361,358)</u>	<u>(2,378,858)</u>	<u>(1,186,245)</u>	<u>1,192,613</u>
NET CHANGE IN FUND BALANCE	(1,371,717)	(1,371,717)	(297,346)	1,074,371
FUND BALANCE, Beginning	<u>1,371,717</u>	<u>1,371,717</u>	<u>1,425,448</u>	<u>53,731</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,128,102</u>	<u>\$ 1,128,102</u>
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Capital assets, net of depreciation			22,010,254	
Inventory			120,209	
Accrued expenses			(134,177)	
Long-term obligations			<u>(4,435,337)</u>	
NET ASSETS, Ending			<u>\$ 18,689,051</u>	

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SEWER FUND
For the Fiscal Year Ended June 30, 2010

	<u>2009-2011</u> <u>Budgeted Amounts</u>		<u>1st Year</u> <u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive /</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 5,753,000	\$ 5,753,000	\$ 2,841,393	\$ (2,911,607)
Miscellaneous	82,200	82,200	37,831	(44,369)
TOTAL REVENUES	<u>5,835,200</u>	<u>5,835,200</u>	<u>2,879,224</u>	<u>(2,955,976)</u>
EXPENDITURES				
Cost of services:				
Personal services	559,317	559,317	242,266	317,051
Materials and services	646,135	646,135	300,447	345,688
Capital outlay	1,478,700	1,646,775	740,339	906,436
Debt service	2,345,655	2,345,655	1,121,322	1,224,333
Contingency	<u>1,498,617</u>	<u>1,318,542</u>	-	<u>1,318,542</u>
TOTAL EXPENDITURES	<u>6,528,424</u>	<u>6,516,424</u>	<u>2,404,374</u>	<u>4,112,050</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>(693,224)</u>	<u>(681,224)</u>	<u>474,850</u>	<u>1,156,074</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(2,364,158)</u>	<u>(2,376,158)</u>	<u>(1,192,441)</u>	<u>1,183,717</u>
TOTAL OTHER FINANCING				
SOURCES (USES)	<u>(2,364,158)</u>	<u>(2,376,158)</u>	<u>(1,192,441)</u>	<u>1,183,717</u>
NET CHANGE IN FUND BALANCE	(3,057,382)	(3,057,382)	(717,591)	2,339,791
FUND BALANCE, Beginning	<u>3,057,382</u>	<u>3,057,382</u>	<u>3,586,015</u>	<u>528,633</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,868,424</u>	<u>\$ 2,868,424</u>
RECONCILIATION TO GENERALLY				
ACCEPTED ACCOUNTING PRINCIPLES				
Capital assets, net of depreciation			22,179,015	
Inventory			120,209	
Accrued expenses			(176,211)	
Debt premium			(81,311)	
Long-term obligations			<u>(8,591,036)</u>	
NET ASSETS, Ending			<u>\$ 16,319,090</u>	

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
STORM SEWER FUND
For the Fiscal Year Ended June 30, 2010

	2009-2011 Budgeted Amounts		1st Year Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 210,000	\$ 210,000	\$ 101,977	\$ (108,023)
TOTAL REVENUES	<u>210,000</u>	<u>210,000</u>	<u>101,977</u>	<u>(108,023)</u>
EXPENDITURES				
Cost of services:				
Personal services	56,650	56,650	29,019	27,631
Materials and services	40,018	40,018	15,730	24,288
Capital outlay	-	<u>12,000</u>	<u>11,521</u>	<u>479</u>
TOTAL EXPENDITURES	<u>96,668</u>	<u>108,668</u>	<u>56,270</u>	<u>52,398</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>113,332</u>	<u>101,332</u>	<u>45,707</u>	<u>(55,625)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	12,000	12,000	-
Transfers out	<u>(171,332)</u>	<u>(171,332)</u>	<u>(85,516)</u>	<u>85,816</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(171,332)</u>	<u>(159,332)</u>	<u>(73,516)</u>	<u>85,816</u>
NET CHANGE IN FUND BALANCE	(58,000)	(58,000)	(27,809)	30,191
FUND BALANCE (DEFICIT), Beginning	<u>58,000</u>	<u>58,000</u>	<u>(195,365)</u>	<u>(253,365)</u>
FUND BALANCE (DEFICIT), Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (223,174)</u>	<u>\$ (223,174)</u>
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Capital assets, net of depreciation			3,716,764	
Inventory			10,017	
Accrued expenses			<u>(2,744)</u>	
NET ASSETS, Ending			<u>\$ 3,500,863</u>	

CITY OF ONTARIO, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
PUBLIC WORKS FUND
For the Fiscal Year Ended June 30, 2010

	2009-2011 Budgeted Amounts		1st Year Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 120,401	\$ 120,401	\$ 66,217	\$ (54,184)
Interest on investments	350,000	350,000	83,136	(266,864)
TOTAL REVENUES	<u>470,401</u>	<u>470,401</u>	<u>149,353</u>	<u>(321,048)</u>
EXPENDITURES				
Cost of services:				
Personal services	2,430,915	2,430,915	1,153,474	1,277,441
Materials and services	812,661	812,661	318,900	493,761
Contingency	55,312	55,312	-	55,312
TOTAL EXPENDITURES	<u>3,298,888</u>	<u>3,298,888</u>	<u>1,472,374</u>	<u>1,826,514</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>(2,828,487)</u>	<u>(2,828,487)</u>	<u>(1,323,021)</u>	<u>1,505,466</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	4,079,948	4,079,948	2,039,940	(2,040,008)
Transfers out	(1,251,461)	(1,251,461)	(625,728)	625,733
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,828,487</u>	<u>2,828,487</u>	<u>1,414,212</u>	<u>(1,414,275)</u>
NET CHANGE IN FUND BALANCE	-	-	91,191	91,191
FUND BALANCE, Beginning	-	-	-	-
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,191</u>	<u>\$ 91,191</u>
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Accrued expenses			(82,354)	
NET ASSETS, Ending			<u>\$ 8,837</u>	

OTHER FINANCIAL SCHEDULES

CITY OF ONTARIO, OREGON
SCHEDULE OF EXPENDITURES OF PERSONAL SERVICES AND MATERIALS AND SERVICES
BUDGET AND ACTUAL, BY DEPARTMENT
GENERAL FUND
For the fiscal year ended June 30, 2010

	Personal Services				Material and Services		Material and Services	
	2009-2011 Budgeted Amounts		1st Year Actual Amounts	Variance with Final Budget-Positive (Negative)	2009-2011 Budgeted Amounts		1st Year Actual Amounts	Variance with Final Budget-Positive (Negative)
	Original	Final			Original	Final		
EXPENDITURES								
General government:								
Administration	\$ 542,734	\$ 542,734	\$ 282,008	\$ 260,726	\$ 75,000	\$ 75,000	\$ 29,630	\$ 45,370
Administrative overhead	-	-	-	-	733,581	733,581	429,649	303,932
Airport	75,738	75,738	35,862	39,876	34,691	34,691	19,816	14,875
Building department	58,020	58,020	29,155	28,865	204,359	204,359	36,982	167,377
Cemetery	194,587	194,587	96,664	97,923	58,625	58,625	21,190	37,435
Community development	97,930	97,930	46,824	51,106	30,340	30,340	4,278	26,062
Finance	771,820	771,820	387,090	384,730	27,925	27,925	10,984	16,941
Technology	-	-	-	-	177,890	177,890	81,388	96,502
Total general government	1,740,829	1,740,829	877,603	863,226	1,342,411	1,342,411	633,917	708,494
Public safety:								
Fire	2,055,817	2,055,817	981,127	1,074,690	167,389	167,389	78,911	88,478
Police	4,368,190	4,368,190	2,210,343	2,157,847	311,820	319,160	159,092	160,068
Total public safety	6,424,007	6,424,007	3,191,470	3,232,537	479,209	486,549	238,003	248,546
Culture and recreation:								
Aquatic	341,036	341,036	176,974	164,062	248,478	248,478	94,501	153,977
Recreation	195,668	195,668	88,019	107,649	65,338	65,338	34,549	30,789
Parks and cemetery	368,890	368,890	178,569	190,321	97,682	97,682	80,592	17,090
Total culture and recreation	905,594	905,594	443,562	462,032	411,498	411,498	209,642	201,856
TOTAL EXPENDITURES	\$ 9,070,430	\$ 9,070,430	\$ 4,512,635	\$ 4,557,795	\$ 2,233,118	\$ 2,240,458	\$ 1,081,562	\$ 1,158,896

Total Current			
2009-2011 Budgeted Amounts		1st Year Actual Amounts	Variance with Final Budget- Positive (Negative)
Original	Final		
\$ 617,734	\$ 617,734	\$ 311,638	\$ 306,096
733,581	733,581	429,649	303,932
110,429	110,429	55,678	54,751
262,379	262,379	66,137	196,242
253,212	253,212	117,854	135,358
128,270	128,270	51,102	77,168
799,745	799,745	398,074	401,671
177,890	177,890	81,388	96,502
<u>3,083,240</u>	<u>3,083,240</u>	<u>1,511,520</u>	<u>1,571,720</u>
2,223,206	2,223,206	1,060,038	1,163,168
4,680,010	4,687,350	2,369,435	2,317,915
<u>6,903,216</u>	<u>6,910,556</u>	<u>3,429,473</u>	<u>3,481,083</u>
589,514	589,514	271,475	318,039
261,006	261,006	122,568	138,438
466,572	466,572	259,161	207,411
<u>1,317,092</u>	<u>1,317,092</u>	<u>653,204</u>	<u>663,888</u>
<u>\$ 11,303,548</u>	<u>\$ 11,310,888</u>	<u>\$ 5,594,197</u>	<u>\$ 5,716,691</u>

CITY OF ONTARIO
SCHEDULE OF PROPERTY TAX TRANSACTIONS
AND OUTSTANDING BALANCES
For the fiscal year ended June 30, 2010

	Taxes Uncollected July 1, 2009	Add Levy Extended by Assessor	Add (Deduct) Discounts Interest Cancellations Adjustments	Deduct Interest and Tax Collections	Taxes Uncollected June 30, 2010
2009-10	\$ -	\$ 3,131,578	\$ (77,252)	\$ (2,905,681)	\$ 148,645
2008-09	128,851	-	2,523	(50,922)	80,452
2007-08	31,208	-	32,607	(23,668)	40,147
2006-07	31,237	-	3,198	(19,775)	14,660
2005-06	12,446	-	2,666	(14,198)	914
2004-05	640	-	62	(310)	392
2003-04	292	-	61	(258)	95
2002-03	145	-	40	(128)	57
Prior years	195	-	29	(80)	144
	<u>\$ 205,014</u>	<u>\$ 3,131,578</u>	<u>\$ (36,066)</u>	<u>\$ (3,015,020)</u>	<u>\$ 285,506</u>

**REPORTS OF INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS**

INDEPENDENT AUDITOR'S COMMENTS

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

1. **ACCOUNTING SYSTEMS AND INTERNAL CONTROLS**

We found the accounting system of the City of Ontario, Oregon to be generally well maintained and adequate for audit purposes. The internal controls for the City are generally operating as designed; however, there were deficiencies reported in accordance with SAS 115 and *Governmental Auditing Standards*.

2. **INVESTMENTS**

Our review of deposit and investment balances during the year ended June 30, 2010, indicated that the City was in compliance with ORS 294 as it pertains to investment of public funds.

3. **COLLATERAL**

Oregon Revised Statutes (ORS) Chapter 295 provides that public officials must ensure the banks they are doing business with are on the Office of the State Treasurer's (OST) list of qualified depositories. Public officials are also required to report to OST all bank depositories in which they deposit public funds.

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

4. **INDEBTEDNESS**

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

5. **BUDGET**

We reviewed the supplemental budgets and resolutions for appropriation changes for the first year of the biennial budget period. We also reviewed the preparation and adoption of the budget for the 2009-11 biennial budget. The City has complied with statutory requirements in all material respects for the current and ensuing year's budgets. Expenditures for the 2009-11 biennium exceeded appropriations in the following amounts:

Business Type Activities:

 Enterprise Funds

 Golf Course Fund

 Personal Services

\$ (13,843)

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

6. INSURANCE AND FIDELITY BONDS

We reviewed the City's insurance and fidelity bond coverage at June 30, 2010, and ascertained that such policies appeared to be in force. We are not competent by training to comment whether the insurance policies of the City in force at June 30, 2010, are adequate. The City has complied with provisions of ORS 221.903 regarding bonding of City personnel.

7. PROGRAMS FUNDED FROM OUTSIDE SOURCES

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

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

8. PUBLIC CONTRACTS AND PURCHASING

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

9. HIGHWAY FUNDS

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

10. STATEMENT OF ACCOUNTABILITY FOR INDEPENDENTLY ELECTED OFFICIALS

This statement is not applicable to the City of Ontario.



Dickey and Tremper, LLP
Certified Public Accountants and Business Advisors

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

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

November 30, 2011

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ontario, Oregon, as of and for the year ended June 30, 2010, which collectively comprise the City of Ontario, Oregon's basic financial statements and have issued our report thereon, dated November 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the significant deficiencies described in the accompanying schedule of findings and responses as 2010-01 through 2010-03 to also be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the schedule of findings and responses as 2010-04 through 2010-06 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Ontario, Oregon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City of Ontario's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City of Ontario's response and, accordingly, we express no opinion on it.

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

Dickey and Tremper, LLP

Dickey and Tremper, LLP
Certified Public Accountants

CITY OF ONTARIO, OREGON
SCHEDULE OF FINDINGS AND RESPONSES
For The Fiscal Year Ended June 30, 2010

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

1. The auditor's report expresses a qualified opinion on the basic financial statements of the City of Ontario.
2. Significant deficiencies in internal control were discovered by the audit of the basic financial statements of the City of Ontario. The deficiencies described below as 2010-01 through 2010-03 are reported as material weaknesses.
3. No instances of noncompliance material to the financial statements of the City of Ontario, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

SECTION II - FINDINGS – FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESS

2010-01

Condition and criteria: The City's controls over depreciation rely largely on estimates based on the component unit basis rather than individual items. Depreciation is computed for each component unit rather than tracking the depreciation for each individual item that is capitalized. Also, capital assets have not been revalued despite auditor's suggestion.

Effect: This potentially significantly overstates depreciation expense and accumulated depreciation. This also could be understating net capital assets.

Cause: The cause is due to tracking assets based on component unit rather than by individual items.

Auditor's recommendation: Our recommendation would be to hire an appraiser and revalue each individual capital asset at estimated historical cost. This should be tracked for each individual asset, not combined as component units as it is now. In addition, there should be a review of estimated useful lives and the consistency of the application of the City's policy. The City had this analysis performed several years ago. As an alternative to obtaining a new inventory, the City may wish to update the old historical cost inventory for activity for the last several years.

Management's response: The City hired Asset Works in January of 2011 for the primary purpose of appraising and developing a capital asset system to comply with the requirements of GASB Statement 34. This project was completed as of 6/30/11 and delivered to the city 7/27/11.

2010-02

Condition and criteria: The City divided the Public Works fund into the Water, Sewer, and Storm Sewer funds. The division was based on estimates of the percentage of the amount of assets, liabilities, revenues, and expenses that were attributable to each fund. Management's initial allocation did not account for the allocation of most of the beginning assets and liabilities, which left the new utility funds in large deficit positions. Material adjustments were required to accurately report the fund division.

Effect: This potentially overstates or understates assets, liabilities, revenues, and expenses for each of the funds being divided. These estimates were material to the financial statements.

Cause: Management desired to divide the work associated with the Water, Sewer, and Storm Sewer to their own fund away from the grouping previously done in the Public Works fund. The cause of the problem associated with the division was the division was for the beginning of the year, even though the split actually occurred at the end of the year. The split should have occurred at the beginning, this would have reduced the work required to ascertain values from the beginning as well as reduced the differences associated with the estimated percentage split of assets, liabilities, revenues, and expenses.

Auditor's recommendation: Estimates need to be reevaluated throughout the year to determine the validity of the values assigned. Future events will be tracked accurately.

Management's response: Since Asset Works completed the appraisal and development of the City's capital asset system 6/30/11, the valuations required for the Public Works division will be more accurate. Furthermore, the Public Works staff is currently completing a detailed list of assets identifying retired assets and assigning a life to each asset. This will also assist in evaluating future rates.

2010-03

Condition and criteria: The City's controls over the fiscal year-end financial reporting process rely largely on manual adjustments to record activity on the modified accrual basis of accounting. The City received invoices during the 2009-10 fiscal year relating to engineering services for the Airport Improvement Program. These invoices remained unpaid until the FAA Grant Project #9 was awarded and accepted by the City Council on September 7, 2010. The invoices were noted with a September 7, 2010 date and processed for payment.

Effect: An adjustment was required to properly report accounts payable and capital outlay related to the project at June 30, 2010. In addition, with the manual process, it is possible that other accrual adjustments could be missed in the future.

Cause: The cause appears to be that the City lacked grant budget authority for the expenditures and chose not to record them until the final agreement was approved.

Auditor's recommendation: To ensure proper reporting, a thorough review of accounts receivable and accounts payable should be performed at year end. All expenditures incurred, regardless of budgetary authority, should be recorded in the proper period.

Management's response: We believe the accounts payable process is accurate in that as bills that are generated prior to month-end and received after month-end are recorded into the correct month that the bills were encumbered. We believe that the invoice mentioned above was a 'one-time' misinterpretation of the accounts payable definition.

SIGNIFICANT DEFICIENCIES

2010-04

Condition and criteria: There were difficulties in identifying the accurate amount of inventory on hand and at what valuation method is used. The Public Works fund is tracking the inventory and the costs are being entered at the same value as prior years. The City is using a Last in-First out valuation method, and the costs are not changing despite the fluctuation in the value of items that have been purchased in the prior year.

Effect: This potential overstates or understates the inventory value on the financial statements.

Cause: The cause for the misstatement is due to lack of training by the person entering inventory in the Public Works fund. The person is not entering the costs accurately.

Auditor's recommendation: The City has inventory software that will allow the inventory to be entered at purchase price, and based on the method selected it will output the proper value for items on the selected basis. Management needs to properly train the employees working on the system in order to accurately record the inventory.

Management's response: The City first started the process of physically counting the inventory June of 2009. At that time the only prices known were the current prices, so some of our inventory might be overstated based on actual cost, but is accurate for replacement value. We believe our inventory will become more accurate over time as the older inventory is used up and replaced.

2010-05

Condition and criteria: The City Council authorized an agreement for engineering services not to exceed \$130,668 for the Airport Improvement Project based on FAA grants that the City had accepted prior to June 30, 2010. However, the actual contract attached to the resolution and executed with the contractor was for \$316,782, which exceeded the amount authorized by Council and the grant funding accepted at the time. By June 30, 2010, the City incurred expenditures of \$70,243 in excess of the \$130,668 authorized amount. Additional FAA funding was received and the remaining expenditures were approved retroactively in September of 2010, which should have occurred prior to incurring costs above the authorized amount.

Effect: This left the City potentially exposed for the excess costs, contingent upon acceptance of additional grant funding.

Cause: The cause of the oversight was due to management not accurately tracking the authorized grant approval and expenditures. Management should be aware of the funding available for all projects, and exceeding the budget should only be allowed if proper approval is given.

Auditor's recommendation: Management should be more accurately tracking and reporting the work done on projects, specifically those associated with grants. The Finance Manager should be in charge of checking all grant approvals prior to approval from City Council. This ensures that approval is not given for further spending without the required budget and funding available.

Management's response: *The concern is duly noted and steps have already been made to remedy the situation in the future. Just a note, the additional funding was received and expenditures were reimbursed.*

2010-06

Condition and criteria: Cash requires consistent adjustment from the books to adjust to the actual amount that the city is reporting. Adjustments are tracked off balance sheet.

Effect: At the end of each year management has had to adjust cash for unknown changes associated with the accounting system.

Cause: The cause is suspected to be that the accounting system has limitations and that the system was improperly recording cash transactions for certain over applied credit transactions. Management expects that the problem has been corrected with the most recent update of the accounting software.

Auditor's recommendation: Management should accurately track cash transactions. This includes monthly bank reconciliations, and monthly reconciling to the cash account.

Management's response: We believe the difficulty in tracking cash has been due to all of the City's bank accounts tracking through one cash account in the City's accounting software. This has made it difficult to know the balance each account needs to reconcile. As of 9/1/11 the City has started the process of separating some of the bank accounts into their own 'cash account' for easier reconciling and reporting.

