

**CITY OF ONTARIO, OHIO**



**MARY ANN HELLINGER, CITY AUDITOR**

**Basic Financial Statements**

**December 31, 2013**

**PLATTENBURG**  
Certified Public Accountants





# Dave Yost • Auditor of State

City Council  
City of Ontario  
555 Stumbo Road  
Ontario, Ohio 44906

We have reviewed the *Independent Auditor's Report* of the City of Ontario, Richland County, prepared by Plattenburg & Associates, Inc., for the audit period January 1, 2013 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Ontario is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

August 12, 2014

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**CITY OF ONTARIO, OHIO**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of Ontario, Ohio

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ontario (the City) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and 20% Street Construction Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3–16 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2014, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Plattenburg & Associates, Inc.*

Columbus, Ohio

June 27, 2014



## CITY OF ONTARIO, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013

The management's discussion and analysis of the City of Ontario's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2013. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

#### **Financial Highlights**

Key financial highlights for 2013 are as follows:

- The total net position of the City decreased \$34,086. Net position of governmental activities decreased \$1,661,485 or 6.40% from 2012 and net position of business-type activities increased \$1,627,399 or 10.63% from 2012. These changes were primarily the result of \$1,746,701 in capital contributions from governmental activities to business-type activities.
- General revenues accounted for \$5,381,844 or 83.05% of total governmental activities revenue. Program specific revenues accounted for \$1,098,129 or 16.95% of total governmental activities revenue.
- The City had \$6,394,757 in expenses related to governmental activities; \$1,098,129 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$5,296,628 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$5,381,844.
- The general fund had revenues and other financing sources of \$4,292,175 in 2013. This represents an increase of \$32,448 from 2012 revenues. The expenditures and other financing uses of the general fund, which totaled \$3,717,616 in 2013, decreased \$227,546 from 2012. The net increase in fund balance for the general fund was \$574,559 or 14.21%.
- The 20% street construction fund had revenues and other financing sources of \$911,717 in 2013. The expenditures of the 20% street construction fund totaled \$1,125,829 in 2013. The net decrease in fund balance for the 20% street construction fund was \$214,112 or 80.56%.
- The capital improvement fund had revenues of \$354,687 in 2013. The expenditures of the capital improvement fund totaled \$1,611,729 in 2013. The net decrease in fund balance for the capital improvement fund was \$1,257,042 or 76.65%.
- Net position for the business-type activities, which are made up of the water and sewer enterprise funds, increased in 2013 by \$1,627,399. This increase in net position was due primarily to capital contributions during 2013.

#### **Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand the City as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of activities provide information about the activities of the City as a whole, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

## CITY OF ONTARIO, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013

Unaudited

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

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

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2013?" The statement of net position and the statement of activities answer this question. These statements include all *assets, deferred outflows, liabilities, deferred inflows, revenues and expenses (excluding fiduciary funds)* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's net position and changes in that position. This change in net position is important because it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required community programs and other factors.

In the statement of net position and the statement of activities, the City is divided into two distinct kinds of activities:

**Governmental activities** - Most of the City's programs and services are reported here including police, street maintenance, capital improvements and general administration. These services are funded primarily by property and income taxes and intergovernmental revenues including federal and state grants and other shared revenues.

**Business-type activities** - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The City's water and sewer operations are reported here.

The City's statement of net position and statement of activities can be found on pages 17 – 19 of this report.

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

##### *Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The analysis of the City's major governmental and proprietary funds begins on page 10.

##### *Governmental Funds*

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

## CITY OF ONTARIO, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013 Unaudited

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and non-major funds. The City's major governmental funds are the general fund, 20% street construction fund and capital improvements fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 20 - 25 of this report.

#### ***Proprietary Funds***

The City maintains proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations. Both of the City's enterprise funds are considered major funds. The basic proprietary fund financial statements can be found on pages 26 - 28 of this report.

#### ***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds are the City's only fiduciary fund type. The basic fiduciary fund financial statement can be found on page 29 of this report.

#### ***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 30 - 59 of this report.

**CITY OF ONTARIO, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

Unaudited

**Government-Wide Financial Analysis**

The statement of net position provides the perspective of the City as a whole. The table below provides a summary of the City's net position at December 31, 2013 and December 31, 2012.

	Governmental Activities		Business - type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b><u>Assets</u></b>						
Current and other assets	\$ 8,824,042	\$ 10,134,638	\$ 4,286,072	\$ 3,919,693	\$ 13,110,114	\$ 14,054,331
Capital assets, net	<u>18,584,799</u>	<u>18,946,512</u>	<u>13,851,930</u>	<u>12,493,100</u>	<u>32,436,729</u>	<u>31,439,612</u>
Total assets	<u>27,408,841</u>	<u>29,081,150</u>	<u>18,138,002</u>	<u>16,412,793</u>	<u>45,546,843</u>	<u>45,493,943</u>
<b><u>Liabilities</u></b>						
Long-term liabilities						
outstanding	1,986,605	2,044,773	847,618	883,298	2,834,223	2,928,071
Other liabilities	<u>572,921</u>	<u>497,389</u>	<u>355,247</u>	<u>221,757</u>	<u>928,168</u>	<u>719,146</u>
Total liabilities	<u>2,559,526</u>	<u>2,542,162</u>	<u>1,202,865</u>	<u>1,105,055</u>	<u>3,762,391</u>	<u>3,647,217</u>
Deferred inflows	<u>558,694</u>	<u>586,882</u>	-	-	<u>558,694</u>	<u>586,882</u>
<b><u>Net position</u></b>						
Net investment in capital assets	16,757,518	17,213,425	13,068,938	11,678,231	29,826,456	28,891,656
Restricted	1,316,678	1,660,612	-	-	1,316,678	1,660,612
Unrestricted	<u>6,216,425</u>	<u>7,078,069</u>	<u>3,866,199</u>	<u>3,629,507</u>	<u>10,082,624</u>	<u>10,707,576</u>
Total net position	<u>\$ 24,290,621</u>	<u>\$ 25,952,106</u>	<u>\$ 16,935,137</u>	<u>\$ 15,307,738</u>	<u>\$ 41,225,758</u>	<u>\$ 41,259,844</u>

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2013, the City's total assets and deferred outflows exceeded liabilities and deferred inflows by \$41,225,758. At year-end, net positions were \$24,290,621 and \$16,935,137 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's net position. At year-end, capital assets represented 71.22% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. Net investment in capital assets to acquire the assets at December 31, 2013, were \$16,757,518 and \$13,068,938 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of December 31, 2013, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the City's net position, \$1,316,678, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net position of \$6,216,425 may be used to meet the City's ongoing obligations to citizens and creditors.

**CITY OF ONTARIO, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
Unaudited**

The table below shows the changes in net position for 2013 and 2012.

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
Program revenues:						
Charges for services and sales	\$ 651,492	\$ 714,059	\$ 1,990,142	\$ 1,955,434	\$ 2,641,634	\$ 2,669,493
Operating grants and contributions	446,637	588,309	-	-	446,637	588,309
Total program revenues	<u>1,098,129</u>	<u>1,302,368</u>	<u>1,990,142</u>	<u>1,955,434</u>	<u>3,088,271</u>	<u>3,257,802</u>
General revenues:						
Property taxes	350,427	347,505	-	-	350,427	347,505
Income taxes	4,424,890	4,557,114	-	-	4,424,890	4,557,114
Unrestricted grants	270,277	270,689	-	-	270,277	270,689
Payments in lieu of taxes	193,396	196,995	-	-	193,396	196,995
Interest	74,434	66,714	-	-	74,434	66,714
Increase (decrease) in fair market value of investments	(5,713)	7,280	-	-	(5,713)	7,280
Miscellaneous	74,133	57,805	2,848	4,369	76,981	62,174
Total general revenues	<u>5,381,844</u>	<u>5,504,102</u>	<u>2,848</u>	<u>4,369</u>	<u>5,384,692</u>	<u>5,508,471</u>
Total revenues	<u>6,479,973</u>	<u>6,806,470</u>	<u>1,992,990</u>	<u>1,959,803</u>	<u>8,472,963</u>	<u>8,766,273</u>
Expenses:						
General government	1,866,335	1,796,559	-	-	1,866,335	1,796,559
Security of persons and property	2,170,669	2,382,213	-	-	2,170,669	2,382,213
Public health and welfare	1,088	79	-	-	1,088	79
Transportation	2,059,849	2,023,077	-	-	2,059,849	2,023,077
Community environment	29,334	25,833	-	-	29,334	25,833
Leisure time activity	199,572	186,460	-	-	199,572	186,460
Interest and fiscal charges	67,910	71,025	-	-	67,910	71,025
Water	-	-	1,004,424	866,848	1,004,424	866,848
Sewer	-	-	1,107,868	1,453,068	1,107,868	1,453,068
Total expenses	<u>6,394,757</u>	<u>6,485,246</u>	<u>2,112,292</u>	<u>2,319,916</u>	<u>8,507,049</u>	<u>8,805,162</u>
Transfers	<u>(1,746,701)</u>	<u>-</u>	<u>1,746,701</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	(1,661,485)	321,224	1,627,399	(360,113)	(34,086)	(38,889)
Net position at beginning of year	<u>25,952,106</u>	<u>25,630,882</u>	<u>15,307,738</u>	<u>15,667,851</u>	<u>41,259,844</u>	<u>41,298,733</u>
Net position at end of year	<u>\$ 24,290,621</u>	<u>\$ 25,952,106</u>	<u>\$ 16,935,137</u>	<u>\$ 15,307,738</u>	<u>\$ 41,225,758</u>	<u>\$ 41,259,844</u>

**CITY OF ONTARIO, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

Unaudited

**Governmental Activities**

Governmental activities net position decreased \$1,661,485 in 2013.

Total governmental expenses decreased \$90,489 from 2012. The primary decrease occurred in security of persons and property.

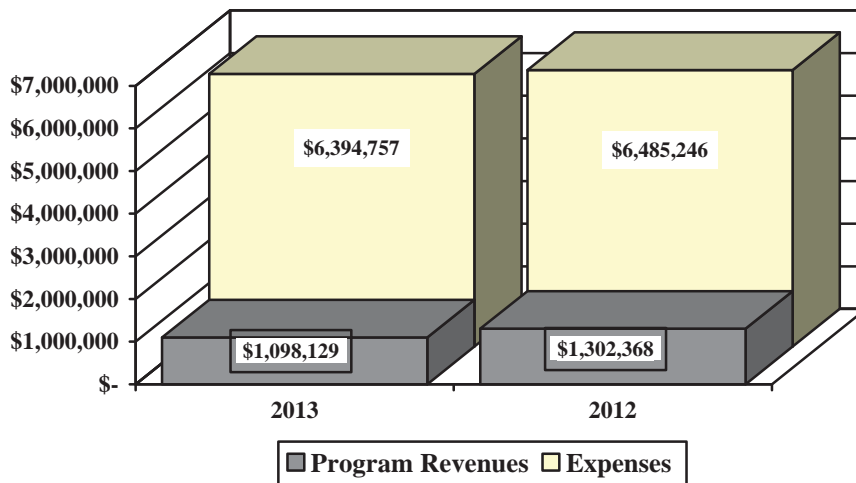
Security of persons and property, which primarily supports the operations of the police department accounted for \$2,170,669 of the total expenses of the City. These expenses were partially funded by \$244,880 in direct charges to users of the services and \$1,043 in operating grants and contributions. Transportation expenses totaled \$2,059,849. Transportation expenses were partially funded by \$445,594 in operating grants and contributions.

The state and federal government contributed to the City \$446,637 in operating grants and contributions. These revenues are restricted to a particular program or purpose. \$445,594 of the operating grants and contributions subsidized transportation programs.

General revenues totaled \$5,381,844, and amounted to 83.05% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$4,775,317. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government revenue, making up \$270,277.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. As can be seen in the following graph, the City is highly dependent upon property and income taxes as well as unrestricted grants and entitlements to support its governmental activities.

**Governmental Activities - Program Revenues vs. Total Expenses**



**CITY OF ONTARIO, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

Unaudited

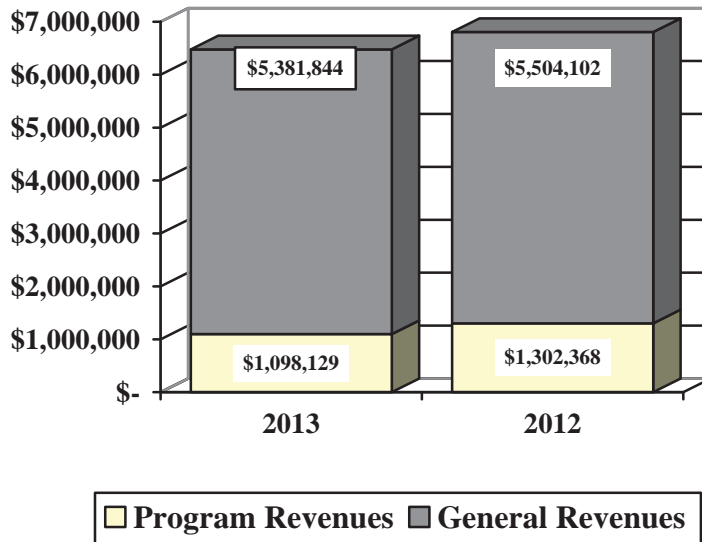
**Governmental Activities**

	Total Cost of Services 2013	Net Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2012
Program Expenses:				
General government	\$ 1,866,335	\$ 1,485,695	\$ 1,796,559	\$ 1,378,103
Security of persons and property	2,170,669	1,924,746	2,382,213	2,111,839
Public health and welfare	1,088	(7,687)	79	79
Transportation	2,059,849	1,614,255	2,023,077	1,427,429
Community environment	29,334	29,334	25,833	25,833
Leisure time activity	199,572	182,375	186,460	168,570
Interest and fiscal charges	67,910	67,910	71,025	71,025
<b>Total Expenses</b>	<b>\$ 6,394,757</b>	<b>\$ 5,296,628</b>	<b>\$ 6,485,246</b>	<b>\$ 5,182,878</b>

The dependence upon general revenues for governmental activities is apparent, with 82.83% of expenses supported through taxes and other general revenues.

The chart below illustrates the City's general revenues and program revenues for 2013 and 2012.

**Governmental Activities - General and Program Revenues**



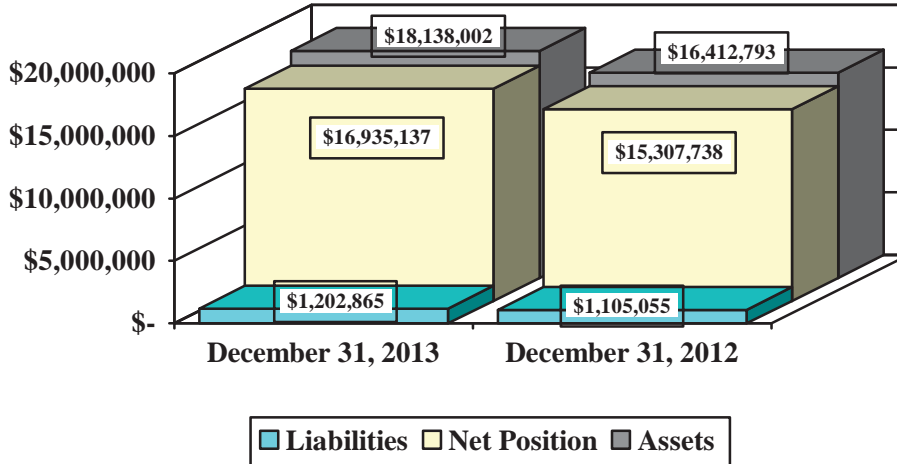
**Business-type Activities**

Business-type activities include the water and sewer enterprise funds. These programs had program revenues of \$1,990,142, general revenues of \$2,848, transfers in of \$1,746,701 and expenses of \$2,112,292 for 2013. The graph below shows the business-type activities assets, liabilities, and net position at year-end.

**CITY OF ONTARIO, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
Unaudited

**Net Position in Business - type Activities**



**Financial Analysis of the City's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of the City's net resources available for spending at year-end.

The City's governmental funds (as presented on the balance sheet on page 19) reported a combined fund balance of \$6,434,336 which is \$1,231,538 less than last year's total of \$7,665,874.

The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2013 for all major and nonmajor governmental funds.

	Fund Balances 12/31/13	Fund Balances 12/31/12	Increase/ (Decrease)
Major funds:			
General	\$ 4,616,601	\$ 4,042,042	\$ 574,559
20% Street Construction	51,671	265,783	(214,112)
Capital Improvement	382,980	1,640,022	(1,257,042)
Other nonmajor governmental funds	<u>1,383,084</u>	<u>1,718,027</u>	<u>(334,943)</u>
Total	<u>\$ 6,434,336</u>	<u>\$ 7,665,874</u>	<u>\$ (1,231,538)</u>



**CITY OF ONTARIO, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
Unaudited**

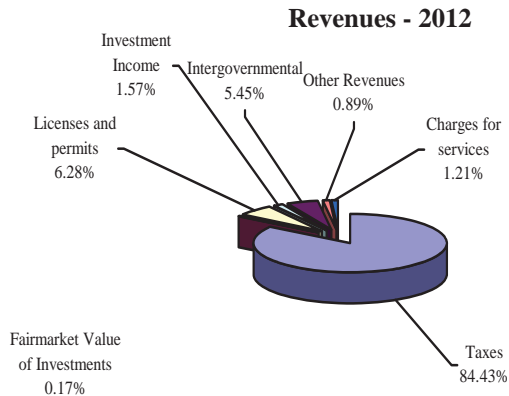
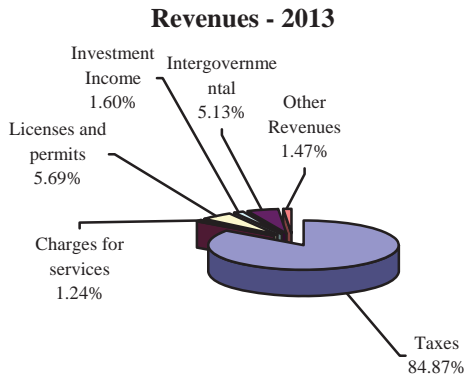
**General Fund**

The City's general fund balance increased \$574,559. The table that follows assists in illustrating the revenues of the general fund.

	<u>2013</u> <u>Amount</u>	<u>2012</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 3,635,354	\$ 3,596,497	1.08 %
Charges for services	52,745	51,469	2.48 %
Licenses, permits and fees	243,575	267,397	(8.91) %
Investment income	74,434	66,714	11.57 %
Increase (decrease) in fair market value of investments	(5,713)	7,280	(178.48) %
Intergovernmental	219,859	232,580	(5.47) %
Other	63,148	37,790	67.10 %
<b>Total</b>	<b><u>\$ 4,283,402</u></b>	<b><u>\$ 4,259,727</u></b>	<b>0.56 %</b>

Tax revenue represents 84.87% of all general fund revenue. Licenses, permits and fees decreased due to a decrease in court fines. Investment income increased 11.57% as a result of increasing investment balances. The decrease in the fair market value of investments was a result of decreasing market values of the federal agency securities. The City intends to hold the federal agency securities to maturity.

The following charts illustrate the general fund revenues for 2013 and 2012.



**CITY OF ONTARIO, OHIO**

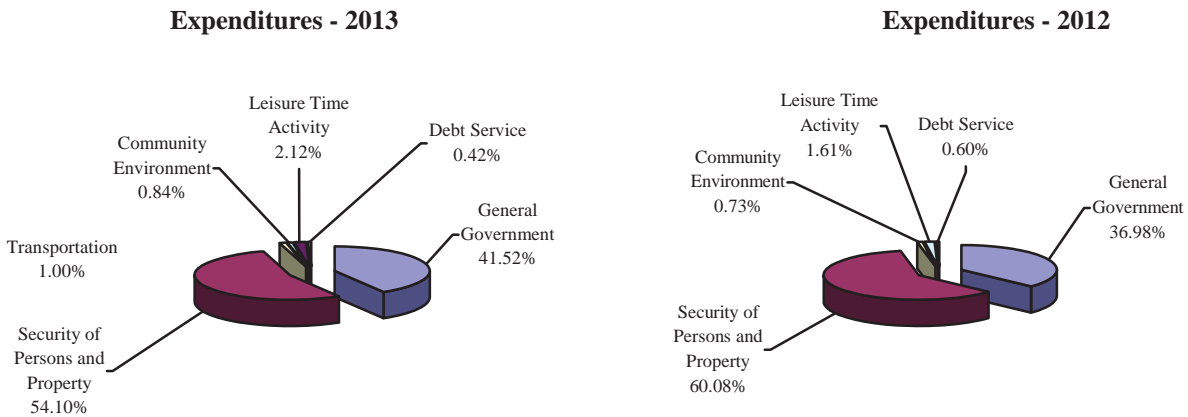
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
Unaudited**

The table that follows assists in illustrating the expenditures of the general fund.

	<u>2013</u> <u>Amount</u>	<u>2012</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Expenditures</u></b>			
General government	\$ 1,455,769	\$ 1,303,610	11.67 %
Security of persons and property	1,897,316	2,118,120	(10.42) %
Transportation	35,075	-	100.00 %
Community environment	29,334	25,833	13.55 %
Leisure time activity	74,388	56,712	31.17 %
Debt service	<u>14,672</u>	<u>21,224</u>	(30.87) %
 Total	 <u>\$ 3,506,554</u>	 <u>\$ 3,525,499</u>	 (0.54) %

The largest expenditure line items are security of persons and property and general government. These two expenditures account for 95.62% of total general fund expenditures. General government increased 11.67% primarily due to an increase in maintenance expenditures. Security of persons and property decreased 10.42% due to a decrease in police insurance expenditures. Transportation expenditures increased due to the addition of transportation services. Leisure time activities increased 31.17% primarily due to an increase in dental and vision insurance expenditures. Debt service expenditures decreased due to the lease purchase obligation being paid in full during 2012.

The following charts illustrate the general fund expenditures for 2013 and 2012.



**20% Street Construction Fund**

The 20% street construction fund had revenues and other financing sources of \$911,717 in 2013. The expenditures of the 20% street construction fund totaled \$1,125,829 in 2013. The net decrease in fund balance for the 20% street construction fund was \$214,112 or 80.56%.

**CITY OF ONTARIO, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
Unaudited

***Capital Improvement Fund***

The capital improvement fund had revenues of \$354,687 in 2013. The expenditures of the capital improvement fund totaled \$1,611,729 in 2013. The net decrease in fund balance for the capital improvement fund was \$1,257,042 or 76.65%.

***Budgeting Highlights - General Fund***

The City's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the City's appropriations which are restricted by the amounts of anticipated resources certified by the Budget Commission in accordance with the ORC. Therefore, the City's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

In the general fund, original budgeted revenues of \$2,000,000 remained the same as the final budgeted revenues. Actual revenues of \$4,396,666 were \$2,396,666 more than final budgeted revenues. Original budgeted expenditures and other financing uses were \$3,996,222 and final budgeted expenditures and other financing uses were \$4,212,823. Actual expenditures and other financing uses of \$3,649,190 were \$563,633 lower than final budgeted expenditures and other financing uses.

***Proprietary Funds***

The City's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of 2013, the City had \$32,436,729 (net of accumulated depreciation) invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. Of this total, \$18,584,799 was reported in governmental activities and \$13,851,930 was reported in business-type activities. The following table shows 2013 balances compared to 2012:

**Capital Assets at December 31  
(Net of Depreciation)**

	Governmental Activities		Business - type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 2,603,619	\$ 2,603,619	\$ 262,626	\$ 262,626	\$ 2,866,245	\$ 2,866,245
Construction in progress	80,975	40,628	1,651,407	-	1,732,382	40,628
Land improvements	859,605	952,236	8,736	12,405	868,341	964,641
Buildings and improvements	1,224,883	1,291,007	891,143	903,273	2,116,026	2,194,280
Furniture and equipment	591,850	670,948	335,098	383,260	926,948	1,054,208
Vehicles	387,949	290,359	-	-	387,949	290,359
Infrastructure	12,835,918	13,097,715	10,702,920	10,931,536	23,538,838	24,029,251
<b>Totals</b>	<b>\$ 18,584,799</b>	<b>\$ 18,946,512</b>	<b>\$ 13,851,930</b>	<b>\$ 12,493,100</b>	<b>\$ 32,436,729</b>	<b>\$ 31,439,612</b>

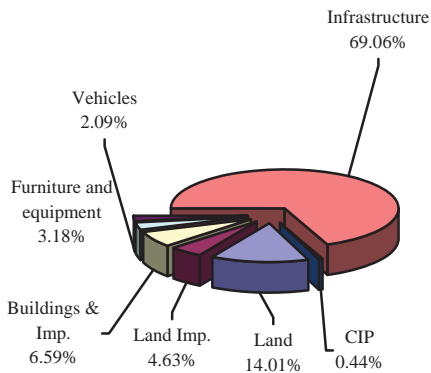
**CITY OF ONTARIO, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
Unaudited**

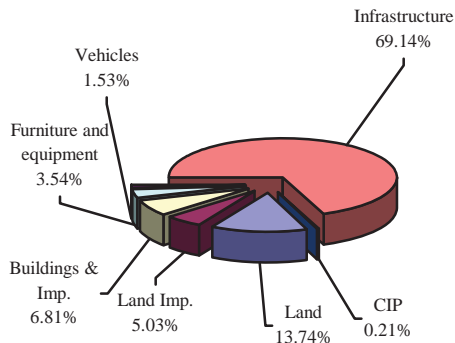
The City's largest governmental activities capital asset category is infrastructure which includes roads and bridges. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 69.06% of the City's total governmental capital assets.

The following graphs show the breakdown of governmental capital assets by category for 2013 and 2012.

**Capital Assets - Governmental Activities 2013**



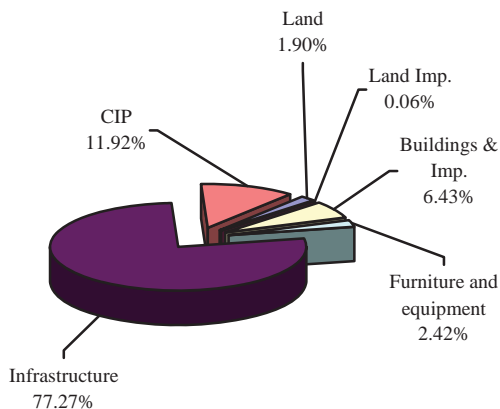
**Capital Assets - Governmental Activities 2012**



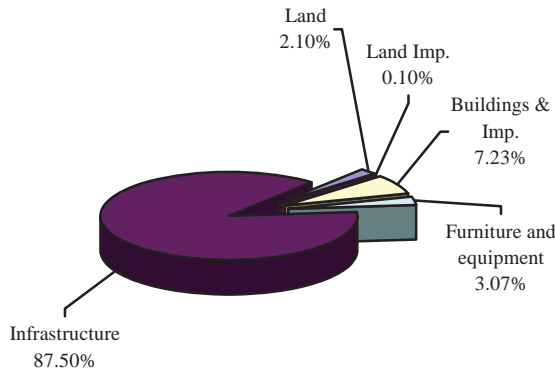
The City's largest business-type capital asset category is infrastructure that primarily includes water and sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 77.27% of the City's total business-type capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2013 and 2012.

**Capital Assets - Business-type Activities 2013**



**Capital Assets - Business-type Activities 2012**



See Note 10 to the basic financial statements for additional information on the City's capital assets.

## CITY OF ONTARIO, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013 Unaudited

#### *Debt Administration*

The City had the following long-term obligations outstanding at December 31, 2013 and 2012:

	Governmental activities	
	<u>2013</u>	<u>2012</u>
General obligation bonds	\$ 1,655,000	\$ 1,730,000
Capital leases payable	<u>2,426</u>	<u>16,442</u>
Total long-term obligations	<u>\$ 1,657,426</u>	<u>\$ 1,746,442</u>

	Business-type activities	
	<u>2013</u>	<u>2012</u>
OPWC loans	\$ <u>782,992</u>	\$ <u>814,869</u>
Total long-term obligations	<u>\$ 782,992</u>	<u>\$ 814,869</u>

See Note 13 to the basic financial statements for additional information on the City's long-term obligations.

#### **Economic Conditions and Outlook**

The City strives to create a business-friendly environment for both existing and new businesses. Regardless if a business is manufacturing, medical, energy, service or retail-oriented, the area offers unique advantages to benefit the business. The City thrives as the retail center of Richland County and draws regionally from a 5 county area. The City is located conveniently between Columbus and Cleveland, offering several main routes in and out of the city to offer easy access regardless of the direction needing to travel. The City also is beneficially located to take advantage of 3 major airports: Cleveland, Columbus, and Akron-Canton.

During 2013, the City of Ontario was able to continue the annual paving project. We also saw a major project come to fruition with the building of the tank that will contain overflows at the Rock Road lift station, along with updates to the lift station. We will continue in the years to come to update and maintain the infrastructure. We saw some major changes in businesses in 2013. The Area Agency on Aging opened in the former Hawkin's Market building, which was donated by the Hawkin's family. The former Lazarus building was purchased by Avita Health Systems and it is being renovated with hopes of opening in late fall 2014. The Spitzer Dodge dealership had their grand opening in 2013 and Spitzer Kia is in the process of building next door and planning to open by spring 2014. The Adler Group is almost complete in demolishing the former General Motors Stamping Plant. They are working on attracting businesses to their complex. The City is working on the Beer Road Industrial Park. We are currently in the process with FedEx to develop over 31 acres, building a packaging and distribution center, bringing approximately 150 jobs. There were a total of 27 of new businesses in 2013.

The Ohio State University, Mansfield branch, is currently building Buckeye Village, on-campus new student housing. The complex is located on Lexington-Springmill Road north of Meijer's. OSU and North Central State College are planning to move the main entrance near Buckeye Village. This demonstrates the dedication both colleges have to our community and we look forward to partnering with them.

**CITY OF ONTARIO, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
Unaudited**

Ontario has a very promising future. Working hand in hand with the Ontario Growth Association and Make it Ontario - Ontario Growth Corporation, we believe that the City will see great progress. With the addition of the new businesses and the development of the Beer Road Industrial Park, it shows that Ontario is a great place to live, work, raise a family and grow a business.

**Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the City'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 Mary Ann Hellinger, City Auditor, City of Ontario, 555 Stumbo Road, Ontario, Ohio 44906.

**CITY OF ONTARIO, OHIO**

STATEMENT OF NET POSITION  
DECEMBER 31, 2013

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Equity in pooled cash and investments . . . . .	\$ 6,354,083	\$ 3,523,073	\$ 9,877,156
Cash in segregated accounts . . . . .	19,849	-	19,849
Receivables (net of allowance for uncollectibles):			
Income taxes . . . . .	1,456,750	-	1,456,750
Real and other taxes . . . . .	399,607	-	399,607
Accounts . . . . .	20,888	634,766	655,654
Special assessments . . . . .	23,039	-	23,039
Accrued interest . . . . .	5,179	-	5,179
Intergovernmental . . . . .	216,455	-	216,455
Payment in lieu of taxes . . . . .	193,396	-	193,396
Prepayments . . . . .	9,377	-	9,377
Materials and supplies inventory . . . . .	125,419	128,233	253,652
Capital assets:			
Land and construction in progress . . . . .	2,684,594	1,914,033	4,598,627
Depreciable capital assets, net . . . . .	15,900,205	11,937,897	27,838,102
Total capital assets, net . . . . .	<u>18,584,799</u>	<u>13,851,930</u>	<u>32,436,729</u>
Total assets . . . . .	<u>27,408,841</u>	<u>18,138,002</u>	<u>45,546,843</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	38,652	320,178	358,830
Contracts payable . . . . .	182,421	-	182,421
Accrued wages and benefits payable . . . . .	141,511	21,549	163,060
Intergovernmental payable . . . . .	203,039	13,520	216,559
Accrued interest payable . . . . .	5,157	-	5,157
Claims payable . . . . .	2,141	-	2,141
Long-term liabilities:			
Due within one year . . . . .	140,332	43,171	183,503
Due in more than one year . . . . .	1,846,273	804,447	2,650,720
Total liabilities . . . . .	<u>2,559,526</u>	<u>1,202,865</u>	<u>3,762,391</u>
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year . . . . .	558,694	-	558,694
Total deferred inflows of resources . . . . .	<u>558,694</u>	<u>-</u>	<u>558,694</u>
<b>Net position:</b>			
Net investment in capital assets . . . . .	16,757,518	13,068,938	29,826,456
Restricted for:			
Debt service . . . . .	261,200	-	261,200
Transportation improvement projects . . . . .	945,812	-	945,812
Court computerization . . . . .	17,700	-	17,700
Cemetery . . . . .	32,568	-	32,568
Other purposes . . . . .	59,398	-	59,398
Unrestricted . . . . .	6,216,425	3,866,199	10,082,624
Total net position . . . . .	<u>\$ 24,290,621</u>	<u>\$ 16,935,137</u>	<u>\$ 41,225,758</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ONTARIO, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>
<b>Governmental activities:</b>			
General government. . . . .	\$ 1,866,335	\$ 380,640	\$ -
Security of persons and property . . . . .	2,170,669	244,880	1,043
Public health and welfare . . . . .	1,088	8,775	-
Transportation. . . . .	2,059,849	-	445,594
Community environment . . . . .	29,334	-	-
Leisure time activity. . . . .	199,572	17,197	-
Interest and fiscal charges. . . . .	67,910	-	-
Total governmental activities . . . . .	<u>6,394,757</u>	<u>651,492</u>	<u>446,637</u>
<b>Business-type activities:</b>			
Water . . . . .	1,004,424	912,320	-
Sewer . . . . .	<u>1,107,868</u>	<u>1,077,822</u>	<u>-</u>
Total business-type activities . . . . .	<u>2,112,292</u>	<u>1,990,142</u>	<u>-</u>
Total primary government . . . . .	<u>\$ 8,507,049</u>	<u>\$ 2,641,634</u>	<u>\$ 446,637</u>

**General revenues:**

Property taxes levied for:

- General purposes . . . . .
- Police pension . . . . .

Income taxes levied for:

- General purposes . . . . .
- Special revenue . . . . .
- Capital projects . . . . .

Grants and entitlements not restricted to specific programs . . . . .

Payments in lieu of taxes . . . . .

Investment earnings . . . . .

Decrease in fair market value of investment . . . . .

Miscellaneous . . . . .

Total general revenues . . . . .

Transfers . . . . .

Change in net position . . . . .

**Net position at beginning of year . . . . .**

**Net position at end of year. . . . .**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**Net (Expense) Revenue  
and Changes in Net Position**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (1,485,695)	\$ -	\$ (1,485,695)
(1,924,746)	-	(1,924,746)
7,687	-	7,687
(1,614,255)	-	(1,614,255)
(29,334)	-	(29,334)
(182,375)	-	(182,375)
(67,910)	-	(67,910)
<u>(5,296,628)</u>	<u>-</u>	<u>(5,296,628)</u>
-	(92,104)	(92,104)
-	(30,046)	(30,046)
-	(122,150)	(122,150)
<u>(5,296,628)</u>	<u>(122,150)</u>	<u>(5,418,778)</u>
302,339	-	302,339
48,088	-	48,088
3,244,920	-	3,244,920
884,977	-	884,977
294,993	-	294,993
270,277	-	270,277
193,396	-	193,396
74,434	-	74,434
(5,713)	-	(5,713)
74,133	2,848	76,981
<u>5,381,844</u>	<u>2,848</u>	<u>5,384,692</u>
<u>(1,746,701)</u>	<u>1,746,701</u>	<u>-</u>
(1,661,485)	1,627,399	(34,086)
<u>25,952,106</u>	<u>15,307,738</u>	<u>41,259,844</u>
<u>\$ 24,290,621</u>	<u>\$ 16,935,137</u>	<u>\$ 41,225,758</u>

CITY OF ONTARIO, OHIO

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2013

	<u>General</u>	<u>20% Street Construction</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and investments . . . . .	\$ 4,518,761	\$ -	\$ 463,661	\$ 1,371,661	\$ 6,354,083
Cash in segregated accounts . . . . .	-	-	-	19,849	19,849
Receivables (net of allowance for uncollectibles):					
Income taxes . . . . .	1,068,284	291,350	97,116	-	1,456,750
Real and other taxes . . . . .	342,018	-	-	57,589	399,607
Accounts . . . . .	19,607	-	-	1,281	20,888
Accrued interest . . . . .	5,147	-	-	32	5,179
Special assessments . . . . .	-	-	-	23,039	23,039
Intergovernmental . . . . .	59,507	-	6,212	150,736	216,455
Payments in lieu of taxes . . . . .	-	-	-	193,396	193,396
Due from other funds . . . . .	16,911	-	20,000	-	36,911
Prepayments . . . . .	9,377	-	-	-	9,377
Materials and supplies inventory . . . . .	4,737	28,141	-	92,541	125,419
Total assets . . . . .	<u>\$ 6,044,349</u>	<u>\$ 319,491</u>	<u>\$ 586,989</u>	<u>\$ 1,910,124</u>	<u>\$ 8,860,953</u>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 25,464	\$ 120	\$ 5,492	\$ 7,576	\$ 38,652
Contracts payable . . . . .	-	-	129,060	53,361	182,421
Accrued wages and benefits payable . . . . .	113,604	26,992	-	915	141,511
Intergovernmental payable . . . . .	122,781	17,192	-	63,066	203,039
Due to other funds . . . . .	20,000	15,144	-	1,767	36,911
Claims payable . . . . .	2,141	-	-	-	2,141
Total liabilities . . . . .	<u>283,990</u>	<u>59,448</u>	<u>134,552</u>	<u>126,685</u>	<u>604,675</u>
<b>Deferred inflows of resources:</b>					
Property taxes levied for the next fiscal year . . . . .	312,653	-	-	246,041	558,694
Delinquent property tax revenue not available . . . . .	21,318	-	-	3,589	24,907
Special assessments revenue not available . . . . .	-	-	-	23,039	23,039
Income tax revenue not available . . . . .	764,031	208,372	69,457	-	1,041,860
Nonexchange transactions . . . . .	45,756	-	-	127,686	173,442
Total deferred inflows of resources . . . . .	<u>1,143,758</u>	<u>208,372</u>	<u>69,457</u>	<u>400,355</u>	<u>1,821,942</u>
<b>Fund balances:</b>					
Nonspendable . . . . .	14,114	28,141	-	92,541	134,796
Restricted . . . . .	-	-	-	1,081,587	1,081,587
Committed . . . . .	-	23,530	382,980	224,239	630,749
Assigned . . . . .	1,683,511	-	-	-	1,683,511
Unassigned (deficit) . . . . .	2,918,976	-	-	(15,283)	2,903,693
Total fund balances . . . . .	<u>4,616,601</u>	<u>51,671</u>	<u>382,980</u>	<u>1,383,084</u>	<u>6,434,336</u>
Total liabilities, deferred inflows of resources and fund balances . . . . .	<u>\$ 6,044,349</u>	<u>\$ 319,491</u>	<u>\$ 586,989</u>	<u>\$ 1,910,124</u>	<u>\$ 8,860,953</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ONTARIO, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2013

<b>Total governmental fund balances</b>		\$	6,434,336
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			18,584,799
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Real and other taxes receivable	\$	24,907	
Income taxes receivable		1,041,860	
Special assessments receivable		23,039	
Intergovernmental receivable		173,442	
Total		173,442	1,263,248
Unamortized bond discounts are not recognized in the governmental funds.			12,566
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Accrued interest payable		(5,157)	
Compensated absences payable		(341,745)	
Capital lease payable		(2,426)	
General obligation bonds payable		(1,655,000)	
Total		(1,655,000)	(2,004,328)
<b>Net position of governmental activities</b>		\$	24,290,621

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ONTARIO, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>General</u>	<u>20% Street Construction</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Income taxes . . . . .	\$ 3,334,889	\$ 909,514	\$ 303,172	\$ -	\$ 4,547,575
Real and other taxes. . . . .	300,465	-	-	47,555	348,020
Charges for services. . . . .	52,745	-	-	25,972	78,717
Licenses, permits and fees . . . . .	243,575	-	-	15,996	259,571
Fines and forfeitures . . . . .	-	-	-	303,528	303,528
Intergovernmental. . . . .	219,859	-	51,444	449,588	720,891
Special assessments . . . . .	-	-	-	5,307	5,307
Payments in lieu of taxes . . . . .	-	-	-	193,396	193,396
Investment income. . . . .	74,434	-	-	30	74,464
Other . . . . .	63,148	2,141	71	1,043	66,403
Decrease in fair market value of investments .	(5,713)	-	-	-	(5,713)
Total revenues . . . . .	<u>4,283,402</u>	<u>911,655</u>	<u>354,687</u>	<u>1,042,415</u>	<u>6,592,159</u>
<b>Expenditures:</b>					
Current:					
General government . . . . .	1,455,769	-	-	382,277	1,838,046
Security of persons and property . . . . .	1,897,316	-	-	230,914	2,128,230
Public health and welfare. . . . .	-	-	-	1,088	1,088
Transportation . . . . .	35,075	1,125,829	-	791,932	1,952,836
Community environment . . . . .	29,334	-	-	-	29,334
Leisure time activity . . . . .	74,388	-	-	40,563	114,951
Capital outlay . . . . .	-	-	1,611,729	-	1,611,729
Debt service:					
Principal retirement. . . . .	14,016	-	-	75,000	89,016
Interest and fiscal charges . . . . .	656	-	-	66,584	67,240
Total expenditures . . . . .	<u>3,506,554</u>	<u>1,125,829</u>	<u>1,611,729</u>	<u>1,588,358</u>	<u>7,832,470</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>776,848</u>	<u>(214,174)</u>	<u>(1,257,042)</u>	<u>(545,943)</u>	<u>(1,240,311)</u>
<b>Other financing sources (uses):</b>					
Sale of assets. . . . .	8,773	-	-	-	8,773
Transfers in . . . . .	-	62	-	211,000	211,062
Transfers (out). . . . .	(211,062)	-	-	-	(211,062)
Total other financing sources (uses) . . . . .	<u>(202,289)</u>	<u>62</u>	<u>-</u>	<u>211,000</u>	<u>8,773</u>
Net change in fund balances . . . . .	574,559	(214,112)	(1,257,042)	(334,943)	(1,231,538)
<b>Fund balances at beginning of year . . . . .</b>	<u>4,042,042</u>	<u>265,783</u>	<u>1,640,022</u>	<u>1,718,027</u>	<u>7,665,874</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 4,616,601</u>	<u>\$ 51,671</u>	<u>\$ 382,980</u>	<u>\$ 1,383,084</u>	<u>\$ 6,434,336</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ONTARIO, OHIO  
ANY COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2013

**Net change in fund balances - total governmental funds** \$ (1,231,538)

*Amounts reported for governmental activities in the statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlay in the current period.

Capital asset additions	\$ 896,361	
Current year depreciation	(1,258,074)	
Total		(361,713)

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

Real and other taxes	2,407	
Income taxes	(122,685)	
Special assessments	4,369	
Intergovernmental revenues	(5,050)	
Total		(120,959)

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.

89,016

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in more interest being reported on the statement of activities:

Decrease in accrued interest	119	
Amortization of discount on bond issuance	(789)	
Total		(670)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

(35,621)

**Change in net position of governmental activities** \$ (1,661,485)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ONTARIO, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Income taxes . . . . .	\$ 1,551,082	\$ 1,551,082	\$ 3,402,991	\$ 1,851,909
Real and other taxes. . . . .	137,819	137,819	302,368	164,549
Charges for services. . . . .	24,041	24,041	52,745	28,704
Licenses, permits and fees. . . . .	112,003	112,003	245,729	133,726
Intergovernmental. . . . .	103,106	103,106	226,210	123,104
Investment income. . . . .	33,207	33,207	72,853	39,646
Other . . . . .	38,742	38,742	84,997	46,255
Total revenues . . . . .	<u>2,000,000</u>	<u>2,000,000</u>	<u>4,387,893</u>	<u>2,387,893</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	1,393,994	1,546,852	1,415,499	131,353
Security of persons and property . . . . .	2,260,458	1,959,931	1,881,143	78,788
Transportation . . . . .	-	36,214	35,075	1,139
Community environment . . . . .	31,375	33,375	28,899	4,476
Leisure time activity . . . . .	99,395	99,395	77,512	21,883
Total expenditures . . . . .	<u>3,785,222</u>	<u>3,675,767</u>	<u>3,438,128</u>	<u>237,639</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>(1,785,222)</u>	<u>(1,675,767)</u>	<u>949,765</u>	<u>2,625,532</u>
<b>Other financing sources and (uses):</b>				
Sale of assets . . . . .	-	-	8,773	8,773
Transfers (out). . . . .	<u>(211,000)</u>	<u>(211,000)</u>	<u>(211,062)</u>	<u>(62)</u>
Total other financing sources and (uses) . . . . .	<u>(211,000)</u>	<u>(211,000)</u>	<u>(202,289)</u>	<u>8,711</u>
Net change in fund balances . . . . .	(1,996,222)	(1,886,767)	747,476	2,634,243
<b>Fund balances at beginning of year . . . . .</b>	3,745,050	3,745,050	3,745,050	-
<b>Prior year encumbrances appropriated . . . . .</b>	22,701	22,701	22,701	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 1,771,529</u>	<u>\$ 1,880,984</u>	<u>\$ 4,515,227</u>	<u>\$ 2,634,243</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ONTARIO, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 20% STREET CONSTRUCTION  
 FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Income taxes . . . . .	\$ 1,082,503	\$ 1,082,503	\$ 928,088	\$ (154,415)
Other . . . . .	2,497	2,497	2,141	(356)
Total revenues . . . . .	<u>1,085,000</u>	<u>1,085,000</u>	<u>930,229</u>	<u>(154,771)</u>
<b>Expenditures:</b>				
Current:				
Transportation . . . . .	1,198,400	1,301,400	1,197,816	103,584
Total expenditures . . . . .	<u>1,198,400</u>	<u>1,301,400</u>	<u>1,197,816</u>	<u>103,584</u>
Excess of expenditures over revenues. . . . .	(113,400)	(216,400)	(267,587)	(51,187)
<b>Other financing sources:</b>				
Transfers in . . . . .	-	-	62	62
Total other financing sources . . . . .	<u>-</u>	<u>-</u>	<u>62</u>	<u>62</u>
Net change in fund balances . . . . .	(113,400)	(216,400)	(267,525)	(51,125)
<b>Fund balances at beginning of year . . . . .</b>	34,639	34,639	34,639	-
<b>Prior year encumbrances appropriated . . . . .</b>	217,742	217,742	217,742	-
<b>Fund balance (deficit) at end of year . . . . .</b>	<u>\$ 138,981</u>	<u>\$ 35,981</u>	<u>\$ (15,144)</u>	<u>\$ (51,125)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ONTARIO, OHIO**

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2013

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Total</b>
<b>Assets:</b>			
Current assets:			
Equity in pooled cash and investments . . . . .	\$ 2,462,674	\$ 1,060,399	\$ 3,523,073
Receivables (net of allowance for uncollectables):			
Accounts . . . . .	281,105	353,661	634,766
Materials and supplies inventory . . . . .	70,299	57,934	128,233
Total current assets . . . . .	<u>2,814,078</u>	<u>1,471,994</u>	<u>4,286,072</u>
Noncurrent assets:			
Capital assets:			
Land and construction in progress . . . . .	298,075	1,615,958	1,914,033
Depreciable capital assets, net . . . . .	4,149,572	7,788,325	11,937,897
Total capital assets, net . . . . .	<u>4,447,647</u>	<u>9,404,283</u>	<u>13,851,930</u>
Total assets . . . . .	<u>7,261,725</u>	<u>10,876,277</u>	<u>18,138,002</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable . . . . .	146,066	174,112	320,178
Accrued wages and benefits payable . . . . .	11,794	9,755	21,549
Intergovernmental . . . . .	8,412	5,108	13,520
Compensated absences payable - current . . . . .	7,900	3,393	11,293
OPWC loans payable - current . . . . .	1,838	30,040	31,878
Total current liabilities . . . . .	<u>176,010</u>	<u>222,408</u>	<u>398,418</u>
Long-term liabilities:			
Compensated absences payable . . . . .	31,968	21,365	53,333
OPWC loans payable . . . . .	10,109	741,005	751,114
Total long-term liabilities . . . . .	<u>42,077</u>	<u>762,370</u>	<u>804,447</u>
Total liabilities . . . . .	<u>218,087</u>	<u>984,778</u>	<u>1,202,865</u>
<b>Net position:</b>			
Net investment in capital assets . . . . .	4,435,700	8,633,238	13,068,938
Unrestricted . . . . .	<u>2,607,938</u>	<u>1,258,261</u>	<u>3,866,199</u>
Total net position . . . . .	<u>\$ 7,043,638</u>	<u>\$ 9,891,499</u>	<u>\$ 16,935,137</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**CITY OF ONTARIO, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Total</b>
<b>Operating revenues:</b>			
Charges for services . . . . .	\$ 912,320	\$ 1,077,822	\$ 1,990,142
Other . . . . .	1,858	990	2,848
Total operating revenues. . . . .	<u>914,178</u>	<u>1,078,812</u>	<u>1,992,990</u>
<b>Operating expenses:</b>			
Personal services . . . . .	301,480	149,867	451,347
Contract services. . . . .	102,254	681,919	784,173
Materials and supplies. . . . .	150,538	7,768	158,306
Reimbursements . . . . .	146,066	-	146,066
Depreciation. . . . .	295,545	268,314	563,859
Other . . . . .	8,541	-	8,541
Total operating expenses. . . . .	<u>1,004,424</u>	<u>1,107,868</u>	<u>2,112,292</u>
Operating loss . . . . .	<u>(90,246)</u>	<u>(29,056)</u>	<u>(119,302)</u>
Transfer in . . . . .	-	30,040	30,040
Transfer out . . . . .	(30,040)	-	(30,040)
Capital contributions. . . . .	35,449	1,711,252	1,746,701
Change in net position . . . . .	(84,837)	1,712,236	1,627,399
<b>Net position at beginning of year . . . . .</b>	<u>7,128,475</u>	<u>8,179,263</u>	<u>15,307,738</u>
<b>Net position at end of year . . . . .</b>	<u>\$ 7,043,638</u>	<u>\$ 9,891,499</u>	<u>\$ 16,935,137</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ONTARIO, OHIO**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>			
Cash received from customers . . . . .	\$ 898,104	\$ 1,058,409	\$ 1,956,513
Cash received from other operations . . . . .	1,858	990	2,848
Cash payments for personal services . . . . .	(307,182)	(147,108)	(454,290)
Cash payments for contract services . . . . .	(105,848)	(691,761)	(797,609)
Cash payments for materials and supplies . . . . .	(161,333)	(9,054)	(170,387)
Cash payments for other expenses . . . . .	(8,541)	-	(8,541)
	<u>317,058</u>	<u>211,476</u>	<u>528,534</u>
Net cash provided by operating activities . . . . .			
<b>Cash flows from capital and related financing activities:</b>			
Acquisition of capital assets . . . . .	(113,356)	(62,632)	(175,988)
Principal retirement on OPWC loans . . . . .	(31,877)	-	(31,877)
	<u>(145,233)</u>	<u>(62,632)</u>	<u>(207,865)</u>
Net cash used in capital and related financing activities . . . . .			
Net increase in cash and cash equivalents . . . . .	171,825	148,844	320,669
<b>Cash and investments at beginning of year . . . . .</b>	<b>2,290,849</b>	<b>911,555</b>	<b>3,202,404</b>
<b>Cash and investments at end of year . . . . .</b>	<b><u>\$ 2,462,674</u></b>	<b><u>\$ 1,060,399</u></b>	<b><u>\$ 3,523,073</u></b>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>			
Operating loss . . . . .	\$ (90,246)	\$ (29,056)	\$ (119,302)
Adjustments:			
Depreciation . . . . .	295,545	268,314	563,859
Changes in assets and liabilities:			
(Increase) in materials and supplies inventory . . . . .	(10,795)	(1,286)	(12,081)
(Increase) in accounts receivable . . . . .	(14,216)	(19,413)	(33,629)
Increase in accounts payable . . . . .	142,472	162,190	304,662
Increase (decrease) in accrued wages and benefits . . . . .	(597)	1,600	1,003
Increase (decrease) in intergovernmental payable . . . . .	399	(172,574)	(172,175)
Increase (decrease) in compensated absences payable . . . . .	(5,504)	1,701	(3,803)
	<u>317,058</u>	<u>211,476</u>	<u>528,534</u>
Net cash provided by operating activities . . . . .			

**Noncash transactions:**

During 2013, the water fund received \$35,449 in capital contributions from governmental funds.  
 During 2013, the sewer fund received \$1,711,252 in capital contributions from governmental funds.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ONTARIO, OHIO**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
DECEMBER 31, 2013**

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and investments . . . . .	\$ 45,795
Total assets . . . . .	<u>\$ 45,795</u>
<b>Liabilities:</b>	
Deposits held and due to others . . . . .	\$ 45,795
Total liabilities . . . . .	<u>\$ 45,795</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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## CITY OF ONTARIO, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

#### **NOTE 1 - DESCRIPTION OF THE CITY**

The City of Ontario (the "City") is a statutory municipal corporation, incorporated under the laws of the State of Ohio. The City operates under a Mayor-Council form of government. Council President is elected to two year terms. The Council, Mayor, Auditor, Treasurer and Law Director are elected to four year terms.

#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The most significant of the City's accounting policies are described below.

##### **A. Reporting Entity**

For financial reporting purposes, the City's financial statements include all funds, agencies, boards, commissions, and departments for which the City is financially accountable. Component units are legally separate organizations for which the City is financially accountable. Financial accountability, as defined by the GASB, exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or impose specific burdens on the City. The City may also be financially accountable for governmental organizations with a separately elected Governing Board, a Governing Board appointed by another government, or a jointly appointed Board that is fiscally dependent on the City. The City also took into consideration other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. Based upon the application of these criteria, the City has no component units.

The primary government provides the following services to its citizens: water and sewer utilities, park operations (leisure time activities), street maintenance and repairs, police protection and a mayor's court. The financial statements of the reporting entity include only those of the City (the primary government).

##### **B. Basis of Presentation - Fund Accounting**

The City's financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

## CITY OF ONTARIO, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

***Government-wide Financial Statements*** - The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental functions is self-financing or draws from the general revenues of the City.

***Fund Financial Statements*** - During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

#### C. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

***Governmental Funds*** - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows and liabilities and deferred inflows is reported as fund balance. The following are the City's major governmental funds:

***General fund*** - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

***20% street construction fund*** - The 20% street construction fund receives income tax revenues for constructing, maintaining and repairing City streets.

***Capital improvement fund*** - The capital improvement fund receives income tax revenues for the construction and maintenance of capital items.

## CITY OF ONTARIO, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Other governmental funds of the City are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

***Proprietary Funds*** - Proprietary fund reporting focuses on changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The City has no internal service funds.

***Enterprise funds*** - The enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

***Water fund*** - This fund accounts for the provision of water treatment and distribution to its residential and commercial users located within the City.

***Sewer fund*** - This fund accounts for the provision of sanitary sewer service to the residents and commercial users located within the City.

***Fiduciary Funds*** - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's only fiduciary funds are agency funds used to account for subdivision inspection deposits.

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

***Government-wide Financial Statements*** - The government-wide financial statements are prepared using the economic resources measurement focus. All assets, all deferred outflows, all liabilities and all deferred inflows associated with the operation of the City are included on the statement of net position.

***Fund Financial Statements*** - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current deferred outflows, current liabilities and current deferred inflows generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the financial statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets, all deferred outflows, all liabilities and all deferred inflows associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**E. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and agency funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows/outflows and in the presentation of expenses versus expenditures.

**Revenues - Exchange and Nonexchange Transactions** - Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within thirty-one days of year end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, payments in lieu of taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (See Note 7). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: income taxes, State-levied locally shared taxes (including gasoline tax, local government funds and permissive tax), fines and forfeitures, fees and special assessments.

**Deferred Inflows of Resources and Deferred Outflows of Resources** - A deferred inflow of resources is an acquisition of net position by the City that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the City that is applicable to a future reporting period.

Property taxes and payments in lieu of taxes for which there is an enforceable legal claim as of December 31, 2013, but which were levied to finance 2014 operations, have been recorded as deferred inflows on both the government-wide and fund financial statements. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2013, are recorded as deferred inflows on the governmental fund financial statements.

On the governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred inflows.

**Expenses/Expenditures** - On the accrual basis of accounting, expenses are recognized at the time they are incurred.



**CITY OF ONTARIO, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**F. Budgetary Process**

All funds (except agency funds) are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and set annual limits on expenditures at the legal level of control selected by Council. The legal level of control has been established by Council at the object level within each department. Any budgetary modifications at this level may only be made by resolution of City Council.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the City Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amount on the final amended certificate of estimated resources in effect at the time the final appropriations were passed by Council.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

**G. Cash and Investments**

Cash balances of the City's funds, except cash in segregated accounts, are pooled and invested to provide improved cash management. Individual fund integrity is maintained through City records. Each fund's interest in the cash management pool is presented as "equity in pooled cash and investments" on the financial statements.

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest bearing depository accounts are presented as "cash in segregated accounts" since they are not required to be deposited in the City treasury.

During 2013, investments were limited to certificates of deposits, federal agency securities and U.S. government money market mutual funds. Except for nonparticipating investment contracts, investments are reported at fair market value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

**CITY OF ONTARIO, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be distributed to specific funds. Interest revenue earned and credited to the general fund during 2013 amounted to \$74,434, which includes \$44,377 assigned from other funds of the City.

For purposes of the statement of cash flows and for presentation on the statement of net position, investments with an original maturity of three months or less and investments of the cash management pool are considered to be cash equivalents.

An analysis of the City's investment accounts at year-end is provided in Note 4.

**H. Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption.

**I. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2013, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

**J. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$500. The City's infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers, streets, and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized for business-type activities.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement.

**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	20 - 40 years
Furniture and equipment	5 - 15 years
Vehicles	8 years
Infrastructure	15 - 50 years

**K. Compensated Absences**

The City reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". Vacation absences are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination method. An accrual for sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is an estimate based on the City's past experience of making termination payments for sick leave.

The total liability for vacation and severance payments has been calculated using pay rates in effect at December 31, 2013 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements. The liability is an estimate based on the City's past experience of making termination payments.

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**L. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

**M. Interfund Activity**

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**N. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

*Restricted* - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of City Council (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of City Council, which includes giving the City Auditor the authority to constrain monies for intended purposes.

*Unassigned* - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**CITY OF ONTARIO, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**O. Debt Issuance Costs and Discounts**

On government-wide financial statements, issuance costs are expensed during the year in which they incurred. Bond discounts are deferred and accreted over the terms of the bonds. Bond discounts are presented as a reduction to the face amount of the bonds.

On the governmental fund financial statements, bond issuance costs and discounts are recognized in the current period.

**P. Estimates**

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Q. Contributions of Capital**

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions are reported as revenue in the proprietary fund financial statements. The water fund received \$35,449 in capital contributions from governmental funds during 2013. The sewer fund received \$1,711,252 in capital contributions from governmental funds during 2013.

**R. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Net investment in capital assets, consists of capital assets net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes consists primarily of monies restricted for police pension and Mayor's court computers.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**S. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water and sewer services. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as nonoperating.

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither of these transactions occurred in 2013.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

A. Change in Accounting Principles

For fiscal year 2013, the City has implemented GASB Statement No. 61, *“The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34”* and GASB Statement No. 66, *“Technical Corrections-2012”*.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the City.

GASB Statement No. 66 improves accounting and financial reporting by resolving conflicting guidance that resulted from the issuance of two pronouncements; GASB Statement No. 54, *“Fund Balance Reporting and Governmental Fund Type Definitions”* and GASB Statement No. 62, *“Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements”*. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the City.

B. Deficit Fund Balances

Fund balance at December 31, 2013 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Recreation	\$ 3,320
Police pension	11,963

These funds complied with Ohio State law, which does not permit a cash basis deficit at year end. The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances in the nonmajor governmental funds are the result of recording adjustments for accrued liabilities. These deficit balances will be eliminated as resources become available to liquidate the accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the City into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

Inactive deposits are public deposits that the City Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and,

**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

3. Obligations of the City.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the City Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the City Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Cash in Segregated Accounts**

The City has depository accounts outside of the City treasury to account for Mayor's Court operations. The carrying amount of these depository accounts at December 31, 2013 was \$19,849. These depository accounts are included in "deposits with financial institutions" below.

**B. Deposits with Financial Institutions**

At December 31, 2013, the carrying amount of all City deposits was \$6,777,174. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2013, \$5,608,292 of the City's bank balance of \$7,042,419 was exposed to custodial risk as discussed below, while \$1,434,127 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the City's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.



**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**C. Investments**

As of December 31, 2013, the City had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>			
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 60 months</u>
FFCB - callable	\$ 474,670	\$ -	\$ -	\$ -	\$ 474,670
FHLMC - callable	499,833	-	-	250,205	249,628
FFCB - noncallable	900,372	400,077	500,295	-	-
FHLMC - noncallable	497,900	-	-	-	497,900
FNMA - noncallable	777,172	-	502,695	-	274,477
Money market funds	15,679	15,679	-	-	-
<b>Total</b>	<b>\$ 3,165,626</b>	<b>\$ 415,756</b>	<b>\$ 1,002,990</b>	<b>\$ 250,205</b>	<b>\$ 1,496,675</b>

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the City's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* The City's investments in federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The City's investments in U.S. government money market mutual funds were rated AAAm by Standard & Poor's. The City's investment policy does not specifically address credit risk beyond requiring the City to only invest in securities authorized by State statute.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the City's name. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the City Treasurer or qualified trustee.

**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Concentration of Credit Risk:* The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2013:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FFCB - callable	\$ 474,670	14.99
FHLMC - callable	499,833	15.79
FFCB - noncallable	900,372	28.44
FLMC - noncallable	497,900	15.73
FNMA - noncallable	777,172	24.55
Money market funds	15,679	0.50
Total	<u>\$ 3,165,626</u>	<u>100.00</u>

**D. Reconciliation of Cash and Investments to Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2013:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 6,777,174
Investments	<u>3,165,626</u>
Total	<u>\$ 9,942,800</u>
<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 6,373,932
Business-type activities	3,523,073
Agency funds	<u>45,795</u>
Total	<u>\$ 9,942,800</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

**A.** Interfund transfers for the year ended December 31, 2013, consisted of the following, as reported on the fund financial statements:

<u>Transfers from the general fund to:</u>	
20% street construction	\$ 62
Nonmajor governmental funds	211,000
<u>Transfers from water fund to:</u>	
Sewer fund	<u>30,040</u>
Total	<u>\$ 241,102</u>

**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

Transfers between governmental funds are eliminated for reporting on the government-wide financial statements. Transfers between enterprise funds are eliminated for reporting on the government-wide financial statements.

- B.** Interfund balances at December 31, 2013 consisted of the following amounts due from and to other funds, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	20% street construction	\$ 15,144
General	Nonmajor governmental funds	1,767
Capital improvement	General	<u>20,000</u>
 Total		 <u><u>\$ 36,911</u></u>

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

**NOTE 6 - PROPERTY TAXES**

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2013 public utility property taxes became a lien December 31, 2012, are levied after October 1, 2013, and are collected in 2014 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013

**NOTE 6 - PROPERTY TAXES - (Continued)**

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Ontario. County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2013 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by a deferred inflow of resources since the current taxes were not levied to finance 2013 operations and the collection of delinquent taxes has been offset by a deferred inflow of resources since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is a deferred inflow of resources.

The full tax rate for all City operations for the year ended December 31, 2013 was \$2.20 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2013 property tax receipts were based are as follows:

<u>Real Property</u>	
Residential/Agricultural	\$ 101,146,780
Commercial/Industrial/Mineral	74,216,870
<u>Public Utility</u>	
Real	115,030
Personal	4,560,860
	<hr/>
Total Assessed Value	<u>\$ 180,039,540</u>

**NOTE 7 - LOCAL INCOME TAX**

The City levies and collects an income tax of 1.5% on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of .5% of the tax paid to another municipality. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. During 2013, by City ordinance, income tax proceeds, after income tax department expenditures, are credited to the following: general fund, capital improvement fund, and the 20% street construction fund. On the modified accrual basis of accounting, total income tax revenue was \$4,547,575 in 2013.

**NOTE 8 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

Vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn ten or more days of vacation per year, depending upon length of service. Vacation accumulation is limited to the amount earned in one year. All accumulated unused vacation time is paid upon termination of employment. Employees earn sick leave at different rates depending upon type of employment. Sick leave accrual is continuous, without limit. Upon retirement or death, an employee may be paid 60% of accumulated, unused sick leave.

**CITY OF ONTARIO, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE 8 - OTHER EMPLOYEE BENEFITS - (Continued)**

**B. Insurance**

The City provides health, prescription, life and accidental death and dismemberment insurance to its employees through Medical Mutual Insurance. The City provides dental and vision benefits to employees through a self-insured plan.

**NOTE 9 - TAX INCREMENT FINANCING DISTRICT (TIF)**

The City, pursuant to the Ohio Revised Code and City ordinances, has established two TIFs. A TIF represents a geographic area wherein property values created after the commencement date of the TIF are exempt, in whole or in part, from property taxes. Owners of such property, however, must pay amounts equal to the property taxes, known as “payments in lieu of taxes (PILOT)”, as though the TIF had not been established. These “PILOTS” are then dedicated to the payments for various public improvements within or adjacent to the TIF area. Property values existing before the commencement date of a TIF continue to be subjected to property taxes.

PILOT revenue was \$193,396 in 2013. The TIFs have a longevity of the shorter period of 30 years or until the public improvements are paid for. The property tax exemption then ceases; PILOT’s cease and property taxes then apply to the increased property values.

**NOTE 10 - RECEIVABLES**

Receivables at December 31, 2013, consisted of taxes, accounts (billings for user charged services), special assessments, accrued interest and intergovernmental receivables arising from grants, entitlements, shared revenue and payments in lieu of taxes. A summary of the principal items of receivables reported on the statement of net position follows:

**Governmental activities:**

Income taxes	\$ 1,456,750
Real and other taxes	399,607
Accounts	20,888
Special assessments	23,039
Accrued interest	5,179
Intergovernmental	216,455
Payments in lieu of taxes	193,396

**Business-type activities:**

Accounts	634,766
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Receivables have been disaggregated on the face of the financial statements. The only receivable not expected to be collected within the subsequent year are the special assessments which are collected over the life of the assessment.

**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013

**NOTE 11 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2013, was as follows:

<b><u>Governmental activities:</u></b>	Balance 1/1/2013	Additions	Disposals	Balance 12/31/2013
<i>Capital assets, not being depreciated:</i>				
Land	\$ 2,603,619	\$ -	\$ -	\$ 2,603,619
Construction in progress	<u>40,628</u>	<u>80,975</u>	<u>(40,628)</u>	<u>80,975</u>
Total capital assets, not being depreciated	<u>2,644,247</u>	<u>80,975</u>	<u>(40,628)</u>	<u>2,684,594</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,631,813	-	-	2,631,813
Buildings and improvements	3,203,022	10,748	-	3,213,770
Furniture and equipment	3,247,544	72,869	(2,464)	3,317,949
Vehicles	1,496,584	189,492	(80,611)	1,605,465
Infrastructure	<u>21,894,666</u>	<u>582,905</u>	<u>-</u>	<u>22,477,571</u>
Total capital assets, being depreciated	<u>32,473,629</u>	<u>856,014</u>	<u>(83,075)</u>	<u>33,246,568</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,679,577)	(92,631)	-	(1,772,208)
Buildings and improvements	(1,912,015)	(76,872)	-	(1,988,887)
Furniture and equipment	(2,576,596)	(151,967)	2,464	(2,726,099)
Vehicles	(1,206,225)	(91,902)	80,611	(1,217,516)
Infrastructure	<u>(8,796,951)</u>	<u>(844,702)</u>	<u>-</u>	<u>(9,641,653)</u>
Total accumulated depreciation	<u>(16,171,364)</u>	<u>(1,258,074)</u>	<u>83,075</u>	<u>(17,346,363)</u>
Total capital assets, being depreciated, net	<u>16,302,265</u>	<u>(402,060)</u>	<u>-</u>	<u>15,900,205</u>
Governmental activities capital assets, net	<u>\$ 18,946,512</u>	<u>\$ (321,085)</u>	<u>\$ (40,628)</u>	<u>\$ 18,584,799</u>

Depreciation expense was charged to functions/programs of the City as follows:

<b><u>Governmental activities:</u></b>	
General government	\$ 63,559
Security of persons and property	983,116
Transportation	95,369
Leisure time activity	<u>116,030</u>
Total depreciation expense - governmental activities	<u>\$ 1,258,074</u>

**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013

**NOTE 11 - CAPITAL ASSETS - (Continued)**

<b><u>Business-type activities:</u></b>	<u>Balance 1/1/2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 12/31/2013</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 262,626	\$ -	\$ -	\$ 262,626
Construction in progress	-	1,651,407	-	1,651,407
Total capital assets, not being depreciated	<u>262,626</u>	<u>1,651,407</u>	<u>-</u>	<u>1,914,033</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	62,292	-	-	62,292
Buildings and improvements	1,987,205	41,800	-	2,029,005
Furniture and equipment	2,684,609	80,480	-	2,765,089
Infrastructure:				
Sewer lines	10,538,090	115,800	-	10,653,890
Water lines	5,643,792	33,202	-	5,676,994
Total capital assets, being depreciated	<u>20,915,988</u>	<u>271,282</u>	<u>-</u>	<u>21,187,270</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(49,887)	(3,669)	-	(53,556)
Buildings and improvements	(1,083,932)	(53,930)	-	(1,137,862)
Furniture and equipment	(2,301,349)	(128,642)	-	(2,429,991)
Infrastructure:				
Sewer lines	(2,909,036)	(229,854)	-	(3,138,890)
Water lines	(2,341,310)	(147,764)	-	(2,489,074)
Total accumulated depreciation	<u>(8,685,514)</u>	<u>(563,859)</u>	<u>-</u>	<u>(9,249,373)</u>
Total capital assets, being depreciated, net	<u>12,230,474</u>	<u>(292,577)</u>	<u>-</u>	<u>11,937,897</u>
Business-type activities capital assets, net	<u>\$ 12,493,100</u>	<u>\$ 1,358,830</u>	<u>\$ -</u>	<u>\$ 13,851,930</u>

Depreciation expense was charged to enterprise funds of the City as follows:

**Business-type activities:**

Water	\$ 295,545
Sewer	<u>268,314</u>
Total depreciation expense - business-type activities	<u>\$ 563,859</u>

**CITY OF ONTARIO, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE 12 - CAPITAL LEASES - LESSEE DISCLOSURE**

In previous years, the City entered into capitalized leases for copiers. These leases meet the criteria of a capital lease as defined by generally accepted accounting principles which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General capital assets consisting of equipment have been capitalized in the amount of \$101,376. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2013 was \$101,376, leaving a current book value of zero. A corresponding liability was recorded in the government-wide financial statements. Principal and interest payments on the leases, totaled \$14,016 and \$656, respectively and were paid out of the general fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of December 31, 2013.

<u>Year Ending</u> <u>December 31.</u>	<u>Total</u>
2014	\$ 2,446
Total future minimum lease payments	2,446
Less: amount representing interest	<u>(20)</u>
Present value of future minimum lease payments	<u>\$ 2,426</u>



**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013

**NOTE 13 - LONG-TERM OBLIGATIONS**

A. During 2013, the following activity occurred in governmental and business-type activities long-term obligations:

	Balance			Balance	Due within
	1/1/2013	Additions	Disposals	12/31/2013	One Year
<b><u>Governmental activities:</u></b>					
General obligation bonds payable	\$ 1,730,000	\$ -	\$ (75,000)	\$ 1,655,000	\$ 80,000
Capital lease payable	16,442	-	(14,016)	2,426	2,426
Compensated absences	<u>311,686</u>	<u>85,423</u>	<u>(55,364)</u>	<u>341,745</u>	<u>57,906</u>
	<u>\$ 2,058,128</u>	<u>\$ 85,423</u>	<u>\$ (144,380)</u>	1,999,171	<u>\$ 140,332</u>
Unamortized discount on bonds				(12,566)	
Total governmental activities				<u>\$ 1,986,605</u>	
<b><u>Business-type activities:</u></b>					
OPWC water treatment loan	\$ 13,784	\$ -	\$ (1,837)	\$ 11,947	\$ 1,838
OPWC sewer improvement loan	433,333	-	(16,667)	416,666	16,667
OPWC I/I reduction phase 2 loan	367,752	-	(13,373)	354,379	13,373
Total OPWC loans	814,869	-	(31,877)	782,992	31,878
Compensated absences	<u>68,429</u>	<u>4,432</u>	<u>(8,235)</u>	<u>64,626</u>	<u>11,293</u>
Total business-type activities	<u>\$ 883,298</u>	<u>\$ 4,432</u>	<u>\$ (40,112)</u>	<u>\$ 847,618</u>	<u>\$ 43,171</u>

The City's capital lease obligations are described in Note 12.

Compensated absences for governmental activities will be paid from the fund from which the employee is paid which, for the City, is the general fund and the street construction and maintenance fund (a nonmajor governmental fund).

On December 22, 2009, the City issued \$1,950,000 in general obligation bonds, series 2009 to fund the Walker Lake Road improvements. The bonds are comprised of serial and term bonds with an annual interest rate ranging from 2.00% - 4.60%. All bonds are secured by the full faith and credit of the City. General obligation bonds will be paid from the debt service fund.

The interest-free OPWC water treatment loan was entered into during July 2000 to finance improvements to the water treatment plant. The OPWC water treatment loan will all be paid from the water fund. The interest-free OPWC sewer improvement loan was entered into during 2008 to finance improvements to the City's sewer system. The OPWC sewer improvement loan will all be paid from the sewer fund.

**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013

**NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)**

During 2009, the City entered into a loan with the OPWC for the I/I reduction phase 2 project. This is an interest-free OPWC loan and has an outstanding balance of \$354,379.

The OPWC loans are to be paid from water and sewer resources, however, the loans are backed by the full faith and credit of the City.

Compensated absences for business-type activities will be paid from the fund from which the employee is paid which, for the City, is the water and sewer enterprise funds.

Principal and interest requirements to retire the City's long-term obligations outstanding at December 31, 2013 are as follows:

Year Ending December 31,	Governmental Activities		
	General Obligation Bonds Payable		
	Principal	Interest	Total
2014	\$ 80,000	\$ 65,084	\$ 145,084
2015	80,000	63,284	143,284
2016	85,000	61,184	146,184
2017	85,000	58,634	143,634
2018	90,000	55,977	145,977
2019 - 2023	495,000	227,890	722,890
2024 - 2028	600,000	115,940	715,940
2029	140,000	6,440	146,440
Total	\$ 1,655,000	\$ 654,433	\$ 2,309,433

**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013

**NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)**

Year Ending <u>December 31,</u>	<u>Business-type Activities</u>				Total OPWC <u>Loans</u>
	OPWC Water Treatment Loan	OPWC Sewer Improvement Loan	OPWC Sewer I/I Reduction Phase 2		
	<u>Principal</u>	<u>Principal</u>	<u>Principal</u>		
2014	\$ 1,838	\$ 16,667	\$ 13,373		\$ 31,878
2015	1,838	16,667	13,372		31,877
2016	1,838	16,667	13,373		31,878
2017	1,838	16,667	13,373		31,878
2018	1,838	16,667	13,373		31,878
2019 - 2023	2,757	83,335	66,864		152,956
2024 - 2028	-	83,335	66,864		150,199
2029 - 2033	-	83,330	66,864		150,194
2034 - 2038	-	83,331	66,864		150,195
2039 - 2040	-	-	20,059		20,059
Total	<u>\$ 11,947</u>	<u>\$ 416,666</u>	<u>\$ 354,379</u>		<u>\$ 782,992</u>

**B. Legal Debt Margin**

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the City's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2013, the City's overall legal debt margin was \$17,492,470 and the unvoted debt margin was \$10,145,493.

**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013

**NOTE 14 - RISK MANAGEMENT**

**A. Comprehensive**

The City is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During 2013, the City contracted with the Ohio Plan for various types of insurance.

The coverage and deductible are as follows:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Coverage</u>
General Liability	\$ 0	\$5,000,000/\$7,000,000
Employers Liability	0	5,000,000
Employee Benefits	0	5,000,000/7,000,000
Law Enforcement Officers Liability	5,000	5,000,000/7,000,000
Public Officials Liability	5,000	5,000,000/7,000,000
Automobile	0	5,000,000
Property	1,000	22,252,778
Special Property Coverage	1,000	1,510,560
Electronic Equipment/Media Coverage	1,000	219,638
Public Employee Dishonesty	0	25,000
Boiler and Machinery	1,000	22,252,778

There has not been a significant reduction in coverage from the prior year. Settled claims have not exceeded this commercial coverage in any of the past three years.

**B. Workers' Compensation**

The City participates in the Ohio Municipal League's Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of GRP is to achieve the benefit of a reduced premium for the City by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating cities is calculated as one experience and a common premium rate is applied to all cities in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost controls, and actuarial services to the GRP.

**C. Dental and Vision Self-Insurance**

The City operates a self-insurance plan for dental and vision benefits. The activity of the plan is recorded in the City's general fund. The claims liability of \$2,141 reported on the financial statements at December 31, 2013 is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims cost, including estimates of costs relating to incurred but not reported claims, be reported.

**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013

**NOTE 14 - RISK MANAGEMENT - (Continued)**

Changes in the claims liability amount for the last two years follows:

<u>Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2013	\$ 3,107	\$ 37,335	\$ (38,301)	\$ 2,141
2012	4,115	42,951	(43,959)	3,107

**NOTE 15 - PENSION PLANS**

**A. Ohio Public Employees Retirement System**

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013, member and contribution rates were consistent across all three plans. The 2013 member contribution rates were 10.00% for members. The City's contribution rate for 2013 was 14.00% of covered payroll.

The City's contribution rate for pension benefits for members in the Traditional Plan for 2013 was 13.00%. The City's contribution rate for pension benefits for members in the Combined Plan for 2013 was 13.00%. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2013, 2012, and 2011 were \$163,222, \$107,308, and \$140,238, respectively; 85.77% has been contributed for 2013 and 100% has been contributed for 2012 and 2011. The remaining 2013 pension liability has been reported as due to other governments on the basic financial statements. Contributions to the member-directed plan for 2013 were \$8,460 made by the City and \$6,043 made by the plan members.

**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013

**NOTE 15 - PENSION PLANS - (Continued)**

**B. Ohio Police and Fire Pension Fund**

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting the website at [www.op-f.org](http://www.op-f.org).

Funding Policy - From January 1, 2013 through July 1, 2013, plan members were required to contribute 10.00% of their annual covered salary. From July 2, 2013 through December 31, 2013, plan members were required to contribute 10.75% of their annual covered salary. Throughout 2013, the City was required to contribute 19.50% and 24.00% for police officers. Contribution rates are established by State statute.

For 2013, the portion of the City's contributions to fund pension obligations was 14.81% for January 1, 2013 through May 31, 2013 and 16.65% for June 1, 2013 through December 31, 2013 for police officers. The City's required contributions for pension obligations to OP&F for police officers was \$184,713 for the year ended December 31, 2013, \$148,315 for the year ended December 31, 2012, and \$140,294, for the year ended December 31, 2011. The full amount has been contributed for 2012 and 2011. 72.39% has been contributed for police for 2013. The remaining 2013 pension liability has been reported as due to other governments on the basic financial statements.

**NOTE 16 - POSTRETIREMENT BENEFIT PLANS**

**A. Ohio Public Employees Retirement System**

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013

**NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

Funding Policy - The post-employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2013, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2013 was 1.00%. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2013 was 1.00%.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012, and 2011 were \$12,556, \$81,648, and \$56,255, respectively;85.77% has been contributed for 2013 and 100% has been contributed for 2012 and 2011. The remaining 2013 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

**B. Ohio Police and Fire Pension Fund**

Plan Description - The City contributes to the OP&F Pension Fund sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

**CITY OF ONTARIO, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting the website at [www.op-f.org](http://www.op-f.org).

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One account is for health care benefits under an Internal Revenue Code Section 115 trust and the other account is for Medicare Part B reimbursements administered as an Internal Revenue Code Section 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was 4.69% of covered payroll from January 1, 2013 through May 31, 2013 and 2.85% of covered payroll from June 1, 2013 through December 31, 2013. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers was \$41,020 for the year ended December 31, 2013, \$78,519 for the year ended December 31, 2012, and \$74,273, for the year ended December 31, 2011. The full amount has been contributed for 2012 and 2011. 72.39% has been contributed for police for 2013. The remaining 2013 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements.



**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013

**NOTE 17 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund and the 20% street construction fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for the general fund and the 20% street construction fund.

**Net Change in Fund Balance**

	<u>General fund</u>	<u>20% Street Construction fund</u>
Budget basis	\$ 747,476	\$ (267,525)
Net adjustment for revenue accruals	(104,491)	(18,574)
Net adjustment for expenditure accruals	(78,426)	71,987
Adjustment for encumbrances	<u>10,000</u>	<u>-</u>
GAAP basis	<u>\$ 574,559</u>	<u>\$ (214,112)</u>

**NOTE 18 - CONTINGENCIES**

**A. Grants**

The City receives significant financial assistance from numerous federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2013.

**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013

**NOTE 19 - CONTINGENCIES - (Continued)**

**B. Litigation**

The City is not party to legal proceedings which will have a material effect, if any, on the financial condition of the City.

**NOTE 20 - FUND BALANCE**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund balance	General	20% Street Construction	Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Materials and supplies inventory	\$ 4,737	\$ 28,141	\$ -	\$ 92,541	\$ 125,419
Prepays	9,377	-	-	-	9,377
Total nonspendable	<u>14,114</u>	<u>28,141</u>	<u>-</u>	<u>92,541</u>	<u>134,796</u>
Restricted:					
Debt service	-	-	-	243,318	243,318
Transportation improvement projects	-	-	-	728,603	728,603
Mayor's court programs	-	-	-	19,849	19,849
Cemetery	-	-	-	32,568	32,568
Police programs	-	-	-	4,235	4,235
Other purposes	-	-	-	53,014	53,014
Total restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,081,587</u>	<u>1,081,587</u>
Committed:					
Capital projects	-	-	382,980	224,239	607,219
Transportation improvement projects	-	23,530	-	-	23,530
Total committed	<u>-</u>	<u>23,530</u>	<u>382,980</u>	<u>224,239</u>	<u>630,749</u>
Assigned:					
General government	10,000	-	-	-	10,000
Subsequent year appropriations	1,673,511	-	-	-	1,673,511
Total assigned	<u>1,683,511</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,683,511</u>
Unassigned (deficit)	<u>2,918,976</u>	<u>-</u>	<u>-</u>	<u>(15,283)</u>	<u>2,903,693</u>
Total fund balances	<u>\$ 4,616,601</u>	<u>\$ 51,671</u>	<u>\$ 382,980</u>	<u>\$ 1,383,084</u>	<u>\$ 6,434,336</u>

**CITY OF ONTARIO, OHIO**



**Yellow Book Report**

**December 31, 2013**

**PLATTENBURG**  
Certified Public Accountants

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

Honorable Mayor and City Council  
City of Ontario, Ohio

We have audited, in accordance with the 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, 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, Ohio (the City), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 27, 2014.

**Internal Control over Financial Reporting**

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

*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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of audit findings that we consider to be significant deficiencies which are included in finding 2013-1.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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*.

## Purpose of this Report

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

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.  
Columbus, Ohio  
June 27, 2014

**CITY OF ONTARIO, OHIO  
SCHEDULE OF AUDIT FINDINGS  
Year Ended December 31, 2013**

**Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS**

**2013-1 Finding Type —Significant Deficiency –Controls Related to Financial Reporting**

The presentation of financial statements and related footnotes that are free of material misstatement is the responsibility of the City's management. Independent auditors are not part of an entity's internal control structure and should not be relied upon by management to detect misstatements in the financial statements.

For the current year the City did not prepare bank reconciliations for the payroll checking account. We prepared a payroll bank reconciliation to our satisfaction for audit purposes as of December 31, 2013.

It is important that management perform control procedures related to preparing financial statements and footnotes that enable management to prevent and detect potential misstatements in the financial statements and footnotes in a timely manner prior to audit. The City's failure to prepare monthly bank reconciliations for the payroll checking account is a significant deficiency in the City's internal control over financial reporting.

**Recommendation:**

The City should prepare monthly bank reconciliations for the payroll checking account.

**Management's Response:**

Management agrees.



# Dave Yost • Auditor of State

CITY OF ONTARIO

RICHLAND COUNTY

## CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
AUGUST 26, 2014