

**CITY OF ONTARIO, OHIO**



**Basic Financial Statements**

**December 31, 2014**

**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, 2014 through December 31, 2014. 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 19, 2015

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of Ontario

### 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements.

### 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, 20% Street Construction Fund and Street Construction & Maintenance 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 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 29, 2015, 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.*

Dayton, Ohio

June 29, 2015

## CITY OF ONTARIO, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014 (Unaudited)

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, 2014. 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 2014 are as follows:

- The total net position of the City increased \$1,408,702. Net position of governmental activities increased \$1,856,671 or 7.64% from 2013 and net position of business-type activities decreased \$447,969 or 2.65% from 2013.
- General revenues accounted for \$5,855,996 or 63.45% of total governmental activities revenue. Program specific revenues accounted for \$3,373,494 or 36.55% of total governmental activities revenue.
- The City had \$7,352,738 in expenses related to governmental activities; \$3,373,494 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$3,979,244 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$5,855,996.
- The general fund had revenues and other financing sources of \$4,398,502 in 2014. This represents an increase of \$106,327 from 2013 revenues. The expenditures and other financing uses of the general fund, which totaled \$4,030,508 in 2014, increased \$312,892 from 2013. The net increase in fund balance for the general fund was \$367,994 or 7.97%.
- The 20% street construction fund had revenues and other financing sources of \$3,022,832 in 2014. The expenditures of the 20% street construction fund totaled \$2,926,425 in 2014. The net increase in fund balance for the 20% street construction fund was \$96,407. The 20% street construction fund received revenues of \$2,003,920 from the Ohio Department of Transportation (ODOT) for the West 4<sup>th</sup> Street project.
- The street construction and maintenance fund had revenues and other financing sources of \$298,795 in 2014. The expenditures of the street construction and maintenance fund totaled \$1,465,529 in 2014. The street construction and maintenance fund reported a deficit fund balance of \$880,394 as a result of reporting a fund liability for the short-term bond anticipation note issued for street improvements during 2014.
- Net position for the business-type activities, which are made up of the water and sewer enterprise funds, decreased in 2014 by \$447,969.

#### **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, 2014

#### **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 2014?" 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 20.

## **CITY OF ONTARIO, OHIO**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014**

#### ***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.

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 street construction and maintenance 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 20-26 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 27-29 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 30 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 31-61 of this report.

**CITY OF ONTARIO, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**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, 2014 and December 31, 2013.

	<u>Governmental Activities</u>		<u>Business - type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b><u>Assets</u></b>						
Current and other assets	\$ 9,961,028	\$ 8,824,042	\$ 5,565,867	\$ 4,286,072	\$ 15,526,895	\$ 13,110,114
Capital assets, net	<u>20,939,308</u>	<u>18,584,799</u>	<u>15,215,910</u>	<u>13,851,930</u>	<u>36,155,218</u>	<u>32,436,729</u>
Total assets	<u>30,900,336</u>	<u>27,408,841</u>	<u>20,781,777</u>	<u>18,138,002</u>	<u>51,682,113</u>	<u>45,546,843</u>
<b><u>Liabilities</u></b>						
Long-term liabilities						
outstanding	1,954,252	1,986,605	1,069,486	847,618	3,023,738	2,834,223
Other liabilities	<u>2,250,764</u>	<u>572,921</u>	<u>3,225,123</u>	<u>355,247</u>	<u>5,475,887</u>	<u>928,168</u>
Total liabilities	<u>4,205,016</u>	<u>2,559,526</u>	<u>4,294,609</u>	<u>1,202,865</u>	<u>8,499,625</u>	<u>3,762,391</u>
Deferred inflows	<u>548,028</u>	<u>558,694</u>	-	-	<u>548,028</u>	<u>558,694</u>
<b><u>Net position</u></b>						
Net investment in capital assets	18,090,182	16,757,518	12,052,670	13,068,938	30,142,852	29,826,456
Restricted	1,598,686	1,316,678	-	-	1,598,686	1,316,678
Unrestricted	<u>6,458,424</u>	<u>6,216,425</u>	<u>4,434,498</u>	<u>3,866,199</u>	<u>10,892,922</u>	<u>10,082,624</u>
Total net position	<u>\$ 26,147,292</u>	<u>\$ 24,290,621</u>	<u>\$ 16,487,168</u>	<u>\$ 16,935,137</u>	<u>\$ 42,634,460</u>	<u>\$ 41,225,758</u>

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2014, the City's total assets and deferred outflows exceeded liabilities and deferred inflows by \$ 42,634,460. At year-end, net positions were \$26,147,292 and \$16,487,168 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 69.96% 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, 2014, were \$18,090,182 and \$12,052,670 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, 2014, 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, \$1,598,686, 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 \$6,458,424 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, 2014**

The table below shows the changes in net position for 2014 and 2013.

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenues</b>						
Program revenues:						
Charges for services and sales	\$ 766,894	\$ 651,492	\$ 1,851,192	\$ 1,990,142	\$ 2,618,086	\$ 2,641,634
Operating grants and contributions	602,680	446,637	-	-	602,680	446,637
Capital grants and contributions	<u>2,003,920</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,003,920</u>	<u>-</u>
Total program revenues	<u>3,373,494</u>	<u>1,098,129</u>	<u>1,851,192</u>	<u>1,990,142</u>	<u>5,224,686</u>	<u>3,088,271</u>
General revenues:						
Property taxes	414,632	350,427	-	-	414,632	350,427
Income taxes	4,648,544	4,424,890	-	-	4,648,544	4,424,890
Unrestricted grants	448,352	270,277	-	-	448,352	270,277
Payments in lieu of taxes	193,396	193,396	-	-	193,396	193,396
Interest	69,813	74,434	-	-	69,813	74,434
(Decrease) in fair market value of investments	(9,508)	(5,713)	-	-	(9,508)	(5,713)
Miscellaneous	<u>90,767</u>	<u>74,133</u>	<u>(38,983)</u>	<u>2,848</u>	<u>51,784</u>	<u>76,981</u>
Total general revenues	<u>5,855,996</u>	<u>5,381,844</u>	<u>(38,983)</u>	<u>2,848</u>	<u>5,817,013</u>	<u>5,384,692</u>
Total revenues	<u>9,229,490</u>	<u>6,479,973</u>	<u>1,812,209</u>	<u>1,992,990</u>	<u>11,041,699</u>	<u>8,472,963</u>
Expenses:						
General government	2,100,017	1,866,335	-	-	2,100,017	1,866,335
Security of persons and property	2,489,409	2,170,669	-	-	2,489,409	2,170,669
Public health and welfare	4,145	1,088	-	-	4,145	1,088
Transportation	2,454,964	2,059,849	-	-	2,454,964	2,059,849
Community environment	28,207	29,334	-	-	28,207	29,334
Leisure time activity	202,160	199,572	-	-	202,160	199,572
Note issuance cost	17,850	-	-	-	17,850	-
Interest and fiscal charges	55,986	67,910	-	-	55,986	67,910
Water	-	-	979,531	1,004,424	979,531	1,004,424
Sewer	-	-	1,300,728	1,107,868	1,300,728	1,107,868
Total expenses	<u>7,352,738</u>	<u>6,394,757</u>	<u>2,280,259</u>	<u>2,112,292</u>	<u>9,632,997</u>	<u>8,507,049</u>
Transfers	<u>(20,081)</u>	<u>(1,746,701)</u>	<u>20,081</u>	<u>1,746,701</u>	<u>-</u>	<u>-</u>
Change in net position	1,856,671	(1,661,485)	(447,969)	1,627,399	1,408,702	(34,086)
Net position at beginning 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>
Net position at end of year	<u>\$ 26,147,292</u>	<u>\$ 24,290,621</u>	<u>\$ 16,487,168</u>	<u>\$ 16,935,137</u>	<u>\$ 42,634,460</u>	<u>\$ 41,225,758</u>

## CITY OF ONTARIO, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014

#### Governmental Activities

Governmental activities net position increased \$1,856,671 in 2014.

Total governmental expenses increased \$957,981 from 2013, which is attributed primarily to an increase in transportation expenses for street projects. The primary decrease in expenses occurred in security of persons and property.

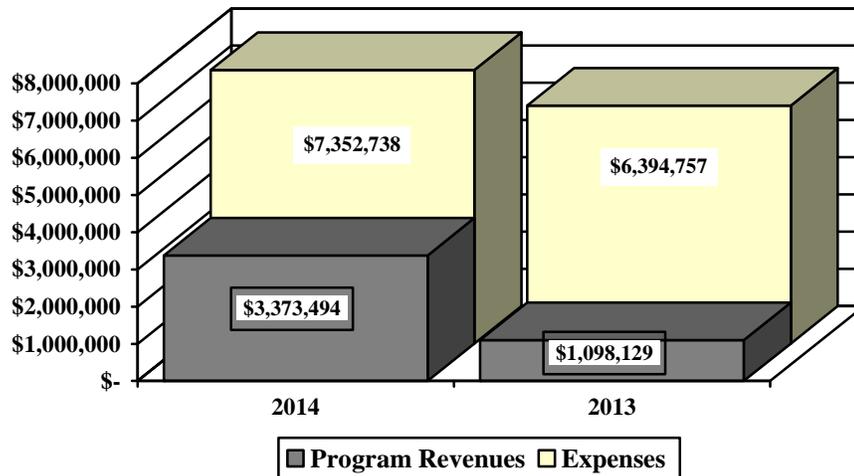
Security of persons and property, which primarily supports the operations of the police department accounted for \$2,489,409 of the total expenses of the City. These expenses were partially funded by \$252,852 in direct charges to users of the services and \$8,226 in operating grants and contributions. Transportation expenses totaled \$2,454,964. Transportation expenses were partially funded by \$21,764 in direct charges to users of the service, \$594,454 in operating grants and contributions and \$2,003,920 in capital grants and contributions.

The state and federal government contributed to the City \$602,680 in operating grants and contributions. These revenues are restricted to a particular program or purpose. \$594,454 of the operating grants and contributions subsidized transportation programs. The City also received \$2,003,920 in capital grants and contributions. This was made up entirely of payments on behalf of the City by ODOT to fund the West 4<sup>th</sup> Street project. The entire \$2,003,920 was used to subsidize transportation programs.

General revenues totaled \$5,855,996, and amounted to 63.45% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$5,063,176. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government revenue, making up \$448,352.

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, 2014**

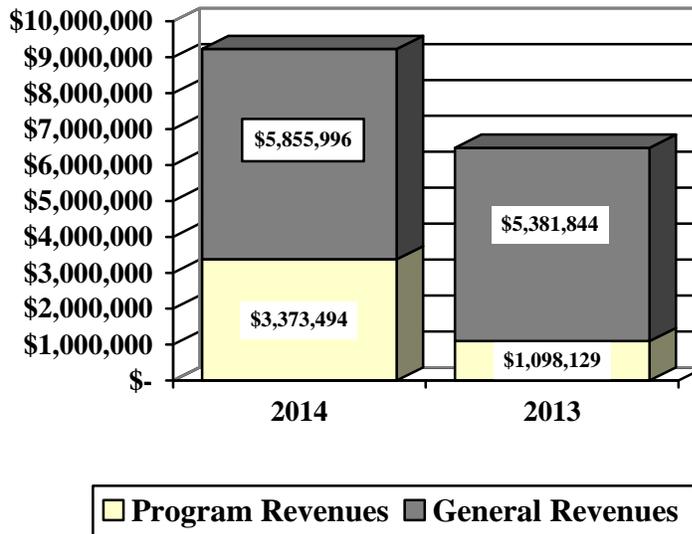
**Governmental Activities**

	Total Cost of Services 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
Program Expenses:				
General government	\$ 2,100,017	\$ 1,632,971	\$ 1,866,335	\$ 1,485,695
Security of persons and property	2,489,409	2,228,331	2,170,669	1,924,746
Public health and welfare	4,145	(3,410)	1,088	(7,687)
Transportation	2,454,964	(165,174)	2,059,849	1,614,255
Community environment	28,207	28,207	29,334	29,334
Leisure time activity	202,160	184,483	199,572	182,375
Note issuance costs	17,850	17,850	-	-
Interest and fiscal charges	55,986	55,986	67,910	67,910
<b>Total Expenses</b>	<b>\$ 7,352,738</b>	<b>\$ 3,979,244</b>	<b>\$ 6,394,757</b>	<b>\$ 5,296,628</b>

The dependence upon general revenues for governmental activities is apparent, with 63.95% of expenses supported through taxes and other general revenues.

The chart below illustrates the City's general revenues and program revenues for 2014 and 2013.

**Governmental Activities - General and Program Revenues**

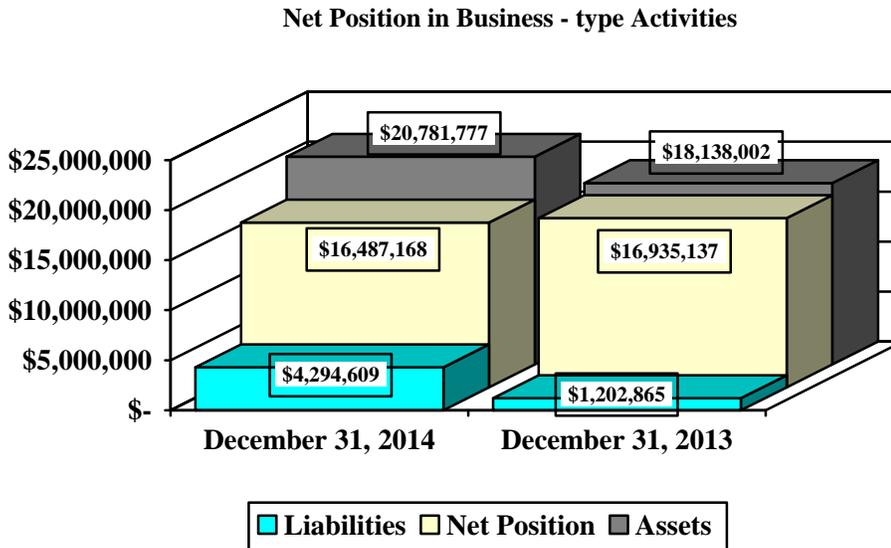


## CITY OF ONTARIO, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014

#### Business-type Activities

Business-type activities include the water and sewer enterprise funds. These programs had program revenues of \$1,851,192, general revenues of \$(38,983), transfers in of \$20,081 and expenses of \$2,280,259 for 2014. The graph below shows the business-type activities assets, liabilities, and net position at year-end.



#### 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 20) reported a combined fund balance of \$5,750,490 which is \$683,846 less than last year's total of \$6,434,336.

**CITY OF ONTARIO, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2014 for all major and nonmajor governmental funds.

	<u>Fund Balances</u> 12/31/14	<u>Fund Balances</u> 12/31/13	<u>Increase/</u> <u>(Decrease)</u>
Major funds:			
General	\$ 4,984,595	\$ 4,616,601	\$ 367,994
20% Street Construction	148,078	51,671	96,407
Street Construction and Maintenance	(880,394)	286,340	(1,166,734)
Other nonmajor governmental funds	<u>1,498,211</u>	<u>1,479,724</u>	<u>18,487</u>
Total	<u>\$ 5,750,490</u>	<u>\$ 6,434,336</u>	<u>\$ (683,846)</u>

***General Fund***

The City's general fund balance increased \$367,994. The table that follows assists in illustrating the revenues of the general fund.

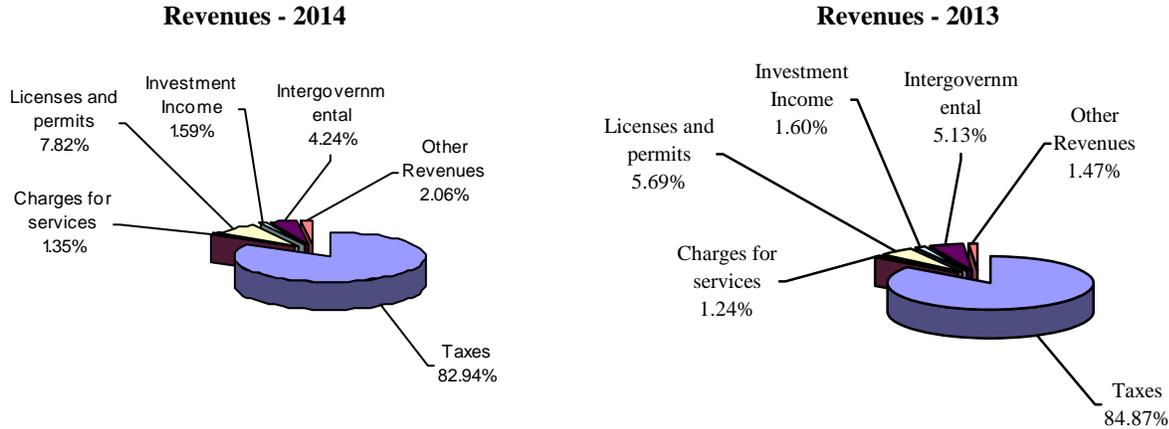
	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 3,643,334	\$ 3,635,354	0.22 %
Charges for services	59,336	52,745	12.50 %
Licenses, permits and fees	343,492	243,575	41.02 %
Investment income	69,813	74,434	(6.21) %
Increase (decrease) in fair market value of investments	(9,508)	(5,713)	66.43 %
Intergovernmental	186,241	219,859	(15.29) %
Other	<u>90,420</u>	<u>63,148</u>	43.19 %
Total	<u>\$ 4,383,128</u>	<u>\$ 4,283,402</u>	2.33 %

Tax revenue represents 82.94% of all general fund revenue. Intergovernmental revenue decreased due to a decrease in state shared revenues. Investment income decreased 66.43% as a result of a fluctuation in interest rates. 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. During 2014, the City recovered cable franchise fees of \$92,312, which resulted in an increase in license, permits and fees revenue.

**CITY OF ONTARIO, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

The following charts illustrate the general fund revenues for 2014 and 2013.



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

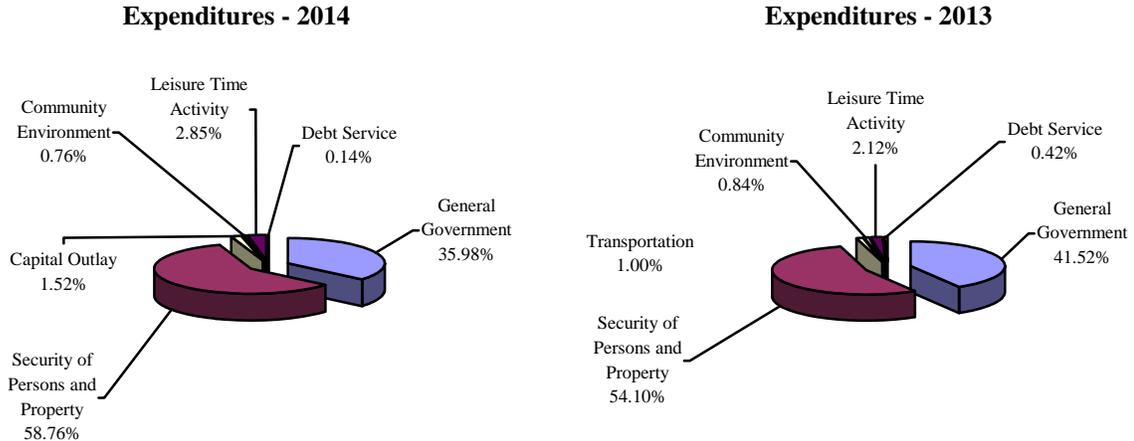
	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Expenditures</u></b>			
General government	\$ 1,338,572	\$ 1,455,769	(8.05) %
Security of persons and property	2,185,785	1,897,316	15.20 %
Transportation	-	35,075	(100.00) %
Community environment	28,207	29,334	(3.84) %
Leisure time activity	105,843	74,388	42.29 %
Capital outlay	56,551	-	100.00 %
Debt service	5,143	14,672	(64.95) %
<b>Total</b>	<b><u>\$ 3,720,101</u></b>	<b><u>\$ 3,506,554</u></b>	<b>6.09 %</b>

The largest expenditure line items are security of persons and property and general government. These two expenditures account for 94.74% of total general fund expenditures. General government decreased 8.05% primarily due to a decrease in employee P.E.R.S. expenditures. Security of persons and property increased 15.20% due to an increase in police insurance expenditures. Leisure time activities increased 42.29% primarily due to an increase in park maintenance expenditures. Capital outlay expenditures increased due to the addition of several improvement projects.

**CITY OF ONTARIO, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

The following charts illustrate the general fund expenditures for 2014 and 2013.



**20% Street Construction Fund**

The 20% street construction fund had revenues and other financing sources of \$3,022,832 in 2014. The expenditures of the 20% street construction fund totaled \$2,926,425 in 2014. The net increase in fund balance for the 20% street construction fund was \$96,407 or 186.58%. The 20% street construction fund received intergovernmental revenues of \$2,003,920 from the Ohio Department of Transportation (ODOT) for the West 4<sup>th</sup> Street project.

**Street Construction and Maintenance Fund**

The street construction and maintenance fund had revenues and other financing sources of \$298,795 in 2014. The expenditures of the street construction and maintenance fund totaled \$1,465,529 in 2014. The net decrease in fund balance for the street construction and maintenance fund was \$1,166,734 or 407.46%. This was due to reporting a fund liability for the short-term bond anticipation note issued for street improvements during 2014.

**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 \$2,500,000 remained the same as the final budgeted revenues. Actual revenues and other financing sources of \$4,329,606 were \$1,829,606 more than final budgeted revenues. Original budgeted expenditures and other financing uses were \$4,183,511 and final budgeted expenditures and other financing uses were \$4,272,147. Actual expenditures and other financing uses of \$4,137,000 were \$135,147 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.

**CITY OF ONTARIO, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of 2014, the City had \$36,155,218 (net of accumulated depreciation) invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. Of this total, \$20,939,308 was reported in governmental activities and \$15,215,910 was reported in business-type activities. The following table shows 2014 balances compared to 2013:

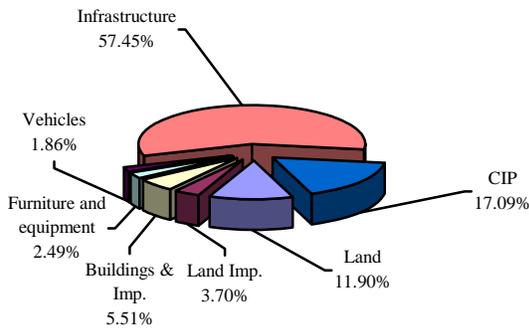
**Capital Assets at December 31  
(Net of Depreciation)**

	Governmental Activities		Business - type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 2,492,488	\$ 2,603,619	\$ 262,626	\$ 262,626	\$ 2,755,114	\$ 2,866,245
Construction in progress	3,577,883	80,975	1,690,150	1,651,407	5,268,033	1,732,382
Land improvements	774,850	859,605	6,710	8,736	781,560	868,341
Buildings and improvements	1,153,423	1,224,883	2,602,743	891,143	3,756,166	2,116,026
Furniture and equipment	520,903	591,850	299,959	335,098	820,862	926,948
Vehicles	389,185	387,949	-	-	389,185	387,949
Infrastructure	12,030,576	12,835,918	10,353,722	10,702,920	22,384,298	23,538,838
<b>Totals</b>	<b>\$ 20,939,308</b>	<b>\$ 18,584,799</b>	<b>\$ 15,215,910</b>	<b>\$ 13,851,930</b>	<b>\$ 36,155,218</b>	<b>\$ 32,436,729</b>

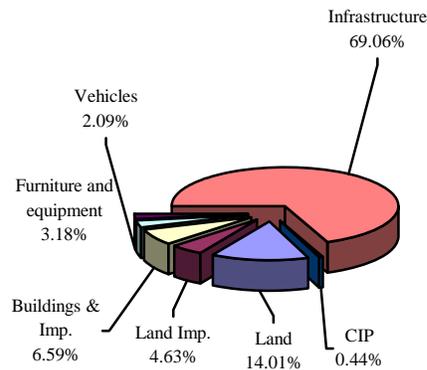
The City's largest governmental activities capital asset category is infrastructure which includes roads and bridges. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 57.45% of the City's total governmental capital assets.

The following graphs show the breakdown of governmental capital assets by category for 2014 and 2013.

**Capital Assets - Governmental Activities 2014**



**Capital Assets - Governmental Activities 2013**

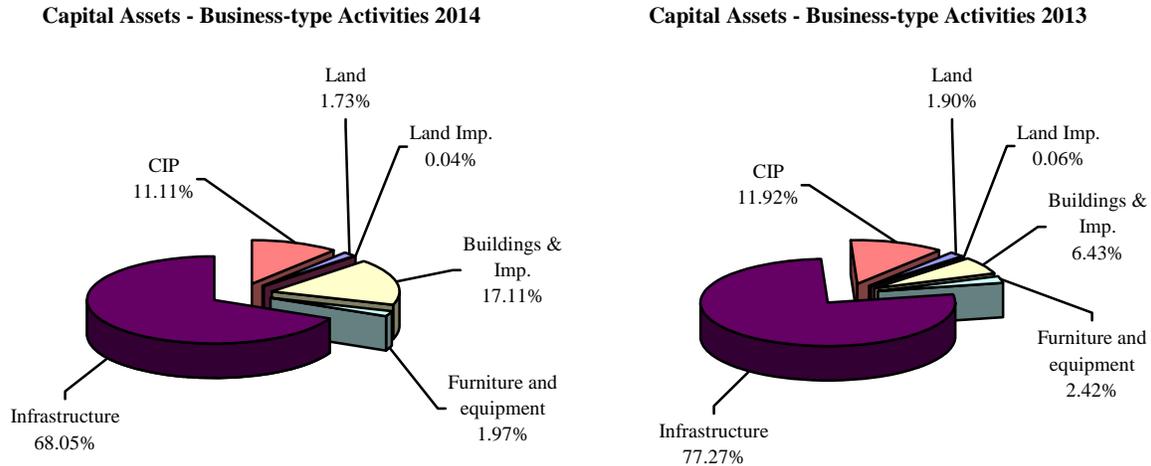


**CITY OF ONTARIO, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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 68.05% of the City's total business-type capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2014 and 2013.



See Note 11 to the basic financial statements for additional information on the City's capital assets.

***Debt Administration***

The City had the following long-term obligations outstanding at December 31, 2014 and 2013:

	Governmental activities	
	2014	2013
General obligation bonds	\$ 1,575,000	\$ 1,655,000
Capital leases payable	<u>6,953</u>	<u>2,426</u>
Total long-term obligations	<u>\$ 1,581,953</u>	<u>\$ 1,657,426</u>
	Business-type activities	
	2014	2013
OPWC loans	<u>\$ 994,962</u>	<u>\$ 782,992</u>
Total long-term obligations	<u>\$ 994,962</u>	<u>\$ 782,992</u>

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

## CITY OF ONTARIO, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014

#### **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 2014, Ontario was able to continue the annual paving project and had several new businesses come to the City. The former Lazarus building at the Richland Mall was purchased by Avita Health Systems and opened "Avita Ontario" in the fall of 2014. The medical center offers 27 different physicians and support staff to provide nearly 100 jobs, a lab, imaging facility and pharmacy. The health care complex will continue to build up the 17-acre lot in phases, with phase 2 including an Urgent Care Center with a helipad, and a more extensive care center.

The Spitzer Autoworld's Kia dealership had their grand opening in 2014, next door to their Spitzer Dodge facility that opened last year. The City is staying motivated and energized for the changes that are in the area. Ontario representatives attended the Select USA Summit in Washington, DC to market and promote the Adler Group property (the former General Motors Stamping Plant) and discuss the changes in the City and the history of the area. Efforts continue to attract business interest to this complex. Construction on the Beer Road Industrial Park roadway is complete and FedEx is developing over 31 acres, building a packaging and distribution center to open the summer of 2015, which will add approximately 150 jobs to the City. Ontario is also in the process with TownePlace Suites by Marriott (an extended stay hotel) to develop 67 acres of excellent retail property. TownePlace Suites is under construction and planning to open by the fall of 2015. The former Dearman Trucking property was purchased by Cole Tooling and Stamping and will be renovated and expanded to relocate and bring approximately 40 jobs to Ontario in early 2015. A strip mall was developed and constructed in front of the Walker Lake Road Shopping Center consisting of three specialty stores, one of which opened November 2014. Also in 2014, Interstate Batteries of North Central Ohio celebrated the grand opening of its newest location in Ontario, formerly home to the Hostess outlet store. The White Mule Co., a Marion Ohio company that produces parts for semis, moved into the former Springfield Mold and Die, Inc. property in the City. Dunham's Sports opened its new store in the retail strip known as Lexington-Springmill Road, next door to the recently constructed Buffalo Wild Wings restaurant.

The Ohio State University branch has completed two of the five on-campus new student housing units, "Buckeye Village". 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. The City is currently working on extending sidewalks approximately one mile to this "Campus District".

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, 2014

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Equity in pooled cash and investments . . . . .	\$ 6,553,111	\$ 4,965,583	\$ 11,518,694
Cash in segregated accounts . . . . .	28,582	-	28,582
Receivables (net of allowance for uncollectibles):			
Income taxes . . . . .	1,410,777	-	1,410,777
Real and other taxes . . . . .	395,031	-	395,031
Accounts . . . . .	129,754	483,076	612,830
Special assessments . . . . .	23,795	-	23,795
Accrued interest . . . . .	7,963	-	7,963
Intergovernmental . . . . .	1,101,697	-	1,101,697
Payment in lieu of taxes . . . . .	193,396	-	193,396
Prepayments . . . . .	10,810	-	10,810
Materials and supplies inventory . . . . .	106,112	117,208	223,320
Capital assets:			
Land and construction in progress . . . . .	6,070,371	1,952,776	8,023,147
Depreciable capital assets, net . . . . .	14,868,937	13,263,134	28,132,071
Total capital assets, net . . . . .	<u>20,939,308</u>	<u>15,215,910</u>	<u>36,155,218</u>
Total assets . . . . .	<u>30,900,336</u>	<u>20,781,777</u>	<u>51,682,113</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	50,108	-	50,108
Contracts payable . . . . .	746,095	331,758	1,077,853
Accrued wages and benefits payable . . . . .	51,589	6,248	57,837
Intergovernmental payable . . . . .	126,951	191,906	318,857
Accrued interest payable . . . . .	7,465	5,203	12,668
Claims payable . . . . .	2,152	-	2,152
Notes payable . . . . .	1,266,404	2,690,008	3,956,412
Long-term liabilities:			
Due within one year . . . . .	147,982	51,248	199,230
Due in more than one year . . . . .	1,806,270	1,018,238	2,824,508
Total liabilities . . . . .	<u>4,205,016</u>	<u>4,294,609</u>	<u>8,499,625</u>
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year . . . . .	548,028	-	548,028
Total deferred inflows of resources . . . . .	<u>548,028</u>	<u>-</u>	<u>548,028</u>
<b>Net position:</b>			
Net investment in capital assets . . . . .	18,090,182	12,052,670	30,142,852
Restricted for:			
Debt service . . . . .	278,477	-	278,477
Transportation improvement projects . . . . .	1,146,912	-	1,146,912
Court computerization . . . . .	11,754	-	11,754
Cemetery . . . . .	35,978	-	35,978
Other purposes . . . . .	125,565	-	125,565
Unrestricted . . . . .	6,458,424	4,434,498	10,892,922
Total net position . . . . .	<u>\$ 26,147,292</u>	<u>\$ 16,487,168</u>	<u>\$ 42,634,460</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ONTARIO, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Governmental activities:</b>				
Current:				
General government. . . . .	\$ 2,100,017	\$ 467,046	\$ -	\$ -
Security of persons and property . . . . .	2,489,409	252,852	8,226	-
Public health and welfare . . . . .	4,145	7,555	-	-
Transportation. . . . .	2,454,964	21,764	594,454	2,003,920
Community environment . . . . .	28,207	-	-	-
Leisure time activity. . . . .	202,160	17,677	-	-
Interest and fiscal charges. . . . .	55,986	-	-	-
Note issuance costs. . . . .	17,850	-	-	-
Total governmental activities . . . . .	<u>7,352,738</u>	<u>766,894</u>	<u>602,680</u>	<u>2,003,920</u>
<b>Business-type activities:</b>				
Water . . . . .	979,531	867,294	-	-
Sewer . . . . .	<u>1,300,728</u>	<u>983,898</u>	<u>-</u>	<u>-</u>
Total business-type activities . . . . .	<u>2,280,259</u>	<u>1,851,192</u>	<u>-</u>	<u>-</u>
Total primary government . . . . .	<u>\$ 9,632,997</u>	<u>\$ 2,618,086</u>	<u>\$ 602,680</u>	<u>\$ 2,003,920</u>

**General revenues:**

Property taxes levied for:

- General purposes . . . . .
- Police pension . . . . .
- Capital outlay. . . . .

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 investments . . . . .

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**

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (1,632,971)	\$ -	\$ (1,632,971)
(2,228,331)	-	(2,228,331)
3,410	-	3,410
165,174	-	165,174
(28,207)	-	(28,207)
(184,483)	-	(184,483)
(55,986)	-	(55,986)
(17,850)	-	(17,850)
<u>(3,979,244)</u>	<u>-</u>	<u>(3,979,244)</u>
-	(112,237)	(112,237)
-	<u>(316,830)</u>	<u>(316,830)</u>
-	<u>(429,067)</u>	<u>(429,067)</u>
<u>(3,979,244)</u>	<u>(429,067)</u>	<u>(4,408,311)</u>
310,307	-	310,307
27,859	-	27,859
76,466	-	76,466
3,089,110	-	3,089,110
1,202,504	-	1,202,504
356,930	-	356,930
448,352	-	448,352
193,396	-	193,396
69,813	-	69,813
(9,508)	-	(9,508)
90,767	(38,983)	51,784
<u>5,855,996</u>	<u>(38,983)</u>	<u>5,817,013</u>
<u>(20,081)</u>	<u>20,081</u>	<u>-</u>
1,856,671	(447,969)	1,408,702
<u>24,290,621</u>	<u>16,935,137</u>	<u>41,225,758</u>
<u>\$ 26,147,292</u>	<u>\$ 16,487,168</u>	<u>\$ 42,634,460</u>

**CITY OF ONTARIO, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2014

	<u>General</u>	<u>20% Street Construction</u>	<u>Street Construction and Maintenance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and investments . . . . .	\$ 4,746,432	\$ 47,189	\$ 295,261	\$ 1,464,229	\$ 6,553,111
Cash in segregated accounts . . . . .	-	-	-	28,582	28,582
Receivables (net of allowance for uncollectibles):					
Income taxes . . . . .	987,544	329,181	-	94,052	1,410,777
Real and other taxes . . . . .	341,021	-	-	54,010	395,031
Accounts . . . . .	116,042	-	-	13,712	129,754
Accrued interest . . . . .	7,919	-	29	15	7,963
Special assessments . . . . .	-	-	-	23,795	23,795
Intergovernmental . . . . .	49,637	726,375	294,249	31,436	1,101,697
Payments in lieu of taxes . . . . .	-	-	-	193,396	193,396
Prepayments . . . . .	10,810	-	-	-	10,810
Materials and supplies inventory . . . . .	5,211	32,366	68,535	-	106,112
<b>Total assets . . . . .</b>	<b><u>\$ 6,264,616</u></b>	<b><u>\$ 1,135,111</u></b>	<b><u>\$ 658,074</u></b>	<b><u>\$ 1,903,227</u></b>	<b><u>\$ 9,961,028</u></b>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 50,108	\$ -	\$ -	\$ -	\$ 50,108
Contracts payable . . . . .	9,842	726,375	-	9,878	746,095
Accrued wages and benefits payable . . . . .	43,485	7,709	-	395	51,589
Intergovernmental payable . . . . .	71,432	10,373	-	45,146	126,951
Accrued interest payable . . . . .	-	-	2,451	-	2,451
Claims payable . . . . .	2,152	-	-	-	2,152
Notes payable . . . . .	-	-	1,266,404	-	1,266,404
<b>Total liabilities . . . . .</b>	<b><u>177,019</u></b>	<b><u>744,457</u></b>	<b><u>1,268,855</u></b>	<b><u>55,419</u></b>	<b><u>2,245,750</u></b>
<b>Deferred inflows of resources:</b>					
Property taxes levied for the next fiscal year . . . . .	306,145	-	-	241,883	548,028
Delinquent property tax revenue not available . . . . .	25,321	-	-	4,010	29,331
Special assessments revenue not available . . . . .	-	-	-	23,795	23,795
Income tax revenue not available . . . . .	727,728	242,576	-	69,308	1,039,612
Nonexchange transactions . . . . .	43,808	-	269,613	10,601	324,022
<b>Total deferred inflows of resources . . . . .</b>	<b><u>1,103,002</u></b>	<b><u>242,576</u></b>	<b><u>269,613</u></b>	<b><u>349,597</u></b>	<b><u>1,964,788</u></b>
<b>Fund balances:</b>					
Nonspendable . . . . .	16,021	32,366	68,535	-	116,922
Restricted . . . . .	-	-	-	838,919	838,919
Committed . . . . .	17,146	115,712	-	659,292	792,150
Assigned . . . . .	1,264,717	-	-	-	1,264,717
Unassigned (deficit) . . . . .	3,686,711	-	(948,929)	-	2,737,782
<b>Total fund balances (deficit) . . . . .</b>	<b><u>4,984,595</u></b>	<b><u>148,078</u></b>	<b><u>(880,394)</u></b>	<b><u>1,498,211</u></b>	<b><u>5,750,490</u></b>
<b>Total liabilities, deferred inflows of resources and fund balances . . . . .</b>	<b><u>\$ 6,264,616</u></b>	<b><u>\$ 1,135,111</u></b>	<b><u>\$ 658,074</u></b>	<b><u>\$ 1,903,227</u></b>	<b><u>\$ 9,961,028</u></b>

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, 2014

<b>Total governmental fund balances</b>		\$	5,750,490
<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.			20,939,308
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	\$	29,331	
Income taxes receivable		1,039,612	
Special assessments receivable		23,795	
Intergovernmental receivable		324,022	
Total		324,022	1,416,760
Unamortized bond discounts are not recognized in the governmental funds.			11,777
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		(5,014)	
Compensated absences payable		(384,076)	
Capital lease payable		(6,953)	
General obligation bonds payable		(1,575,000)	
Total		(1,575,000)	(1,971,043)
<b>Net position of governmental activities</b>		\$	26,147,292

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, 2014

	<b>General</b>	<b>20% Street Construction</b>	<b>Street Construction and Maintenance</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>					
Income taxes . . . . .	\$ 3,337,030	\$ 1,003,709	\$ -	\$ 310,053	\$ 4,650,792
Real and other local taxes . . . . .	306,304	-	-	103,904	410,208
Charges for services . . . . .	59,336	-	-	25,232	84,568
Licenses, permits and fees . . . . .	343,492	-	-	31,771	375,263
Fines and forfeitures . . . . .	-	-	-	298,476	298,476
Intergovernmental . . . . .	186,241	2,003,920	268,762	445,396	2,904,319
Special assessments . . . . .	-	-	-	5,331	5,331
Payments in lieu of taxes . . . . .	-	-	-	193,396	193,396
Investment income . . . . .	69,813	-	33	20	69,866
Rental income . . . . .	-	-	-	2,500	2,500
Other . . . . .	90,420	46	-	301	90,767
Decrease in fair market value of investments . . . . .	(9,508)	-	-	-	(9,508)
<b>Total revenues . . . . .</b>	<b>4,383,128</b>	<b>3,007,675</b>	<b>268,795</b>	<b>1,416,380</b>	<b>9,075,978</b>
<b>Expenditures:</b>					
Current:					
General government . . . . .	1,338,572	-	-	683,929	2,022,501
Security of persons and property . . . . .	2,185,785	-	-	244,782	2,430,567
Public health and welfare . . . . .	-	-	-	4,145	4,145
Transportation . . . . .	-	2,926,425	1,446,674	294,981	4,668,080
Community environment . . . . .	28,207	-	-	-	28,207
Leisure time activity . . . . .	105,843	-	-	40,857	146,700
Capital outlay . . . . .	56,551	-	-	342,965	399,516
Debt service:					
Principal retirement . . . . .	4,847	-	-	80,000	84,847
Interest and fiscal charges . . . . .	296	-	1,005	54,039	55,340
Note issuance costs . . . . .	-	-	17,850	-	17,850
<b>Total expenditures . . . . .</b>	<b>3,720,101</b>	<b>2,926,425</b>	<b>1,465,529</b>	<b>1,745,698</b>	<b>9,857,753</b>
Excess (deficiency) of revenues over (under) expenditures . . . . .	663,027	81,250	(1,196,734)	(329,318)	(781,775)
<b>Other financing sources (uses):</b>					
Sale of assets . . . . .	6,000	-	-	82,555	88,555
Capital lease transaction . . . . .	9,374	-	-	-	9,374
Transfers in . . . . .	-	15,157	30,000	265,250	310,407
Transfers (out) . . . . .	(310,407)	-	-	-	(310,407)
<b>Total other financing sources (uses) . . . . .</b>	<b>(295,033)</b>	<b>15,157</b>	<b>30,000</b>	<b>347,805</b>	<b>97,929</b>
Net change in fund balances . . . . .	367,994	96,407	(1,166,734)	18,487	(683,846)
<b>Fund balances at beginning of year . . . . .</b>	<b>4,616,601</b>	<b>51,671</b>	<b>286,340</b>	<b>1,479,724</b>	<b>6,434,336</b>
<b>Fund balances (deficit) at end of year . . . . .</b>	<b>\$ 4,984,595</b>	<b>\$ 148,078</b>	<b>\$ (880,394)</b>	<b>\$ 1,498,211</b>	<b>\$ 5,750,490</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ONTARIO, 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, 2014**

<b>Net change in fund balances - total governmental funds</b>	\$	(683,846)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
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 capital outlay exceeds depreciation expense in the current period.		
Capital asset additions	\$ 3,663,846	
Current year depreciation	<u>(1,195,649)</u>	
Total		2,468,197
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(113,688)
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	4,424	
Income taxes	(2,248)	
Special assessments	756	
Intergovernmental revenues	<u>150,580</u>	
Total		153,512
Capital lease obligations are reported as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net position.		
		(9,374)
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.		
		84,847
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	143	
Amortization of discount on bond issuance	<u>(789)</u>	
Total		(646)
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.		
		<u>(42,331)</u>
<b>Change in net position of governmental activities</b>	\$	<u><u>1,856,671</u></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)  
 GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Income taxes . . . . .	\$ 1,952,526	\$ 1,952,526	\$ 3,381,467	\$ 1,428,941
Real and other taxes. . . . .	175,995	175,995	304,796	128,801
Charges for services. . . . .	34,262	34,262	59,336	25,074
Licenses, permits and fees. . . . .	141,621	141,621	245,266	103,645
Intergovernmental. . . . .	112,092	112,092	194,126	82,034
Investment income. . . . .	38,322	38,322	66,367	28,045
Other . . . . .	45,182	45,182	72,248	27,066
Total revenues . . . . .	<u>2,500,000</u>	<u>2,500,000</u>	<u>4,323,606</u>	<u>1,823,606</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	1,508,102	1,494,632	1,393,357	101,275
Security of persons and property . . . . .	2,247,515	2,326,855	2,257,563	69,292
Community environment . . . . .	30,700	29,490	29,353	137
Leisure time activity . . . . .	116,800	110,776	108,985	1,791
Capital outlay . . . . .	-	-	37,335	(37,335)
Total expenditures . . . . .	<u>3,903,117</u>	<u>3,961,753</u>	<u>3,826,593</u>	<u>135,160</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>(1,403,117)</u>	<u>(1,461,753)</u>	<u>497,013</u>	<u>1,958,766</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets. . . . .	-	-	6,000	6,000
Transfers (out). . . . .	<u>(280,394)</u>	<u>(310,394)</u>	<u>(310,407)</u>	<u>(13)</u>
Total other financing sources (uses) . . . . .	<u>(280,394)</u>	<u>(310,394)</u>	<u>(304,407)</u>	<u>5,987</u>
Net change in fund balances . . . . .	(1,683,511)	(1,772,147)	192,606	1,964,753
<b>Fund balance at beginning of year. . . . .</b>	4,515,227	4,515,227	4,515,227	-
<b>Prior year encumbrances appropriated . . . . .</b>	10,000	10,000	10,000	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 2,841,716</u>	<u>\$ 2,753,080</u>	<u>\$ 4,717,833</u>	<u>\$ 1,964,753</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 FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Income taxes . . . . .	\$ -	\$ -	\$ 1,000,082	\$ 1,000,082
Other . . . . .	-	-	46	46
Total revenues . . . . .	<u>-</u>	<u>-</u>	<u>1,000,128</u>	<u>1,000,128</u>
<b>Expenditures:</b>				
Current:				
Transportation . . . . .	1,108,035	1,147,207	985,222	161,985
Total expenditures . . . . .	<u>1,108,035</u>	<u>1,147,207</u>	<u>985,222</u>	<u>161,985</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(1,108,035)</u>	<u>(1,147,207)</u>	<u>14,906</u>	<u>1,162,113</u>
<b>Other financing sources:</b>				
Transfers in . . . . .	-	-	15,157	15,157
Total other financing sources . . . . .	<u>-</u>	<u>-</u>	<u>15,157</u>	<u>15,157</u>
Net change in fund balances . . . . .	(1,108,035)	(1,147,207)	30,063	1,177,270
<b>Fund balance (deficit) at beginning of year . .</b>	<u>(15,144)</u>	<u>(15,144)</u>	<u>(15,144)</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ (1,123,179)</u>	<u>\$ (1,162,351)</u>	<u>\$ 14,919</u>	<u>\$ 1,177,270</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)  
 STREET CONSTRUCTION AND MAINTENANCE FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental . . . . .	249,976	249,976	262,786	12,810
Investment income . . . . .	24	24	25	1
Total revenues . . . . .	<u>250,000</u>	<u>250,000</u>	<u>262,811</u>	<u>12,811</u>
<b>Expenditures:</b>				
Current:				
Transportation . . . . .	872,232	2,269,219	1,584,762	684,457
Debt service:				
Note issuance costs . . . . .	-	-	17,850	(17,850)
Total expenditures . . . . .	<u>872,232</u>	<u>2,269,219</u>	<u>1,602,612</u>	<u>666,607</u>
Excess of expenditures over revenues . . . . .	<u>(622,232)</u>	<u>(2,019,219)</u>	<u>(1,339,801)</u>	<u>679,418</u>
<b>Other financing sources:</b>				
Transfers in . . . . .	-	-	30,000	30,000
Premium on note issuance . . . . .	-	-	7,850	7,850
Note issuance . . . . .	-	-	1,260,000	1,260,000
Total other financing sources . . . . .	<u>-</u>	<u>-</u>	<u>1,297,850</u>	<u>1,297,850</u>
Net change in fund balances . . . . .	<u>(622,232)</u>	<u>(2,019,219)</u>	<u>(41,951)</u>	<u>1,977,268</u>
<b>Fund balance at beginning of year . . . . .</b>	29,293	29,293	29,293	-
<b>Prior year encumbrances appropriated . . . . .</b>	204,522	204,522	204,522	-
<b>Fund balance (deficit) at end of year . . . . .</b>	<u><u>\$ (388,417)</u></u>	<u><u>\$ (1,785,404)</u></u>	<u><u>\$ 191,864</u></u>	<u><u>\$ 1,977,268</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ONTARIO, OHIO**

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2014

	<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 . . . . .	\$ 3,381,211	\$ 1,584,372	\$ 4,965,583
Receivables (net of allowance for uncollectables):			
Accounts . . . . .	216,494	266,582	483,076
Materials and supplies inventory . . . . .	85,638	31,570	117,208
Total current assets . . . . .	<u>3,683,343</u>	<u>1,882,524</u>	<u>5,565,867</u>
Noncurrent assets:			
Capital assets:			
Land and construction in progress . . . . .	1,627,158	325,618	1,952,776
Depreciable capital assets, net . . . . .	3,976,200	9,286,934	13,263,134
Total capital assets, net . . . . .	<u>5,603,358</u>	<u>9,612,552</u>	<u>15,215,910</u>
Total assets . . . . .	<u>9,286,701</u>	<u>11,495,076</u>	<u>20,781,777</u>
<b>Liabilities:</b>			
Current liabilities:			
Contracts payable . . . . .	275,112	56,646	331,758
Accrued wages and benefits payable . . . . .	4,521	1,727	6,248
Intergovernmental . . . . .	5,680	186,226	191,906
Accrued interest payable . . . . .	3,968	1,235	5,203
Compensated absences payable - current . . . . .	7,925	3,318	11,243
OPWC loans payable - current . . . . .	1,838	38,167	40,005
Notes payable . . . . .	2,052,615	637,393	2,690,008
Total current liabilities . . . . .	<u>2,351,659</u>	<u>924,712</u>	<u>3,276,371</u>
Long-term liabilities:			
Compensated absences payable . . . . .	37,643	25,638	63,281
OPWC loans payable . . . . .	8,271	946,686	954,957
Total long-term liabilities . . . . .	<u>45,914</u>	<u>972,324</u>	<u>1,018,238</u>
Total liabilities . . . . .	<u>2,397,573</u>	<u>1,897,036</u>	<u>4,294,609</u>
<b>Net position:</b>			
Net investment in capital assets . . . . .	4,058,627	7,994,043	12,052,670
Unrestricted . . . . .	2,830,501	1,603,997	4,434,498
Total net position . . . . .	<u>\$ 6,889,128</u>	<u>\$ 9,598,040</u>	<u>\$ 16,487,168</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, 2014

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Total</b>
<b>Operating revenues:</b>			
Charges for services . . . . .	\$ 867,294	\$ 983,898	\$ 1,851,192
Other . . . . .	2,850	-	2,850
Total operating revenues. . . . .	<u>870,144</u>	<u>983,898</u>	<u>1,854,042</u>
<b>Operating expenses:</b>			
Personal services . . . . .	351,402	113,603	465,005
Contract services. . . . .	198,718	833,393	1,032,111
Materials and supplies. . . . .	168,121	37,163	205,284
Depreciation. . . . .	253,695	313,620	567,315
Other . . . . .	6,476	2,254	8,730
Total operating expenses. . . . .	<u>978,412</u>	<u>1,300,033</u>	<u>2,278,445</u>
Operating loss . . . . .	<u>(108,268)</u>	<u>(316,135)</u>	<u>(424,403)</u>
<b>Nonoperating expenses:</b>			
Interest and fiscal charges . . . . .	(1,119)	(695)	(1,814)
Note issuance costs . . . . .	(35,164)	(6,669)	(41,833)
Total nonoperating expenses. . . . .	<u>(36,283)</u>	<u>(7,364)</u>	<u>(43,647)</u>
Loss before contributions and transfers . . . . .	(144,551)	(323,499)	(468,050)
Transfer in . . . . .	-	30,040	30,040
Transfer out . . . . .	(30,040)	-	(30,040)
Capital contributions. . . . .	20,081	-	20,081
Change in net position . . . . .	(154,510)	(293,459)	(447,969)
<b>Net position at beginning of year . . . . .</b>	<u>7,043,638</u>	<u>9,891,499</u>	<u>16,935,137</u>
<b>Net position at end of year . . . . .</b>	<u>\$ 6,889,128</u>	<u>\$ 9,598,040</u>	<u>\$ 16,487,168</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, 2014

	<b>Business-type Activities - Enterprise Funds</b>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>			
Cash received from customers . . . . .	\$ 931,905	\$ 1,070,977	\$ 2,002,882
Cash received from other operations . . . . .	2,850	-	2,850
Cash payments for personal services . . . . .	(355,707)	(119,309)	(475,016)
Cash payments for contract services . . . . .	76,394	(824,511)	(748,117)
Cash payments for materials and supplies . . . . .	(183,460)	(10,799)	(194,259)
Cash payments for other expenses . . . . .	(152,542)	(2,254)	(154,796)
	<u>319,440</u>	<u>114,104</u>	<u>433,544</u>
<b>Net cash provided by operating activities . . . . .</b>			
<b>Cash flows from capital and related financing activities:</b>			
Acquisition of capital assets . . . . .	(1,389,325)	(465,243)	(1,854,568)
Principal retirement on OPWC loans . . . . .	(31,878)	-	(31,878)
OPWC loan issuance . . . . .	-	243,848	243,848
Note issuance . . . . .	2,040,000	635,000	2,675,000
Premium on note issuance . . . . .	15,464	2,933	18,397
Note issuance costs . . . . .	(35,164)	(6,669)	(41,833)
	<u>599,097</u>	<u>409,869</u>	<u>1,008,966</u>
<b>Net cash provided by capital and related financing activities . . . . .</b>			
Net increase in cash and cash equivalents . . . . .	918,537	523,973	1,442,510
<b>Cash and investments at beginning of year . . . . .</b>	<u>2,462,674</u>	<u>1,060,399</u>	<u>3,523,073</u>
<b>Cash and investments at end of year . . . . .</b>	<u>\$ 3,381,211</u>	<u>\$ 1,584,372</u>	<u>\$ 4,965,583</u>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>			
Operating loss . . . . .	\$ (108,268)	\$ (316,135)	\$ (424,403)
Adjustments:			
Depreciation . . . . .	253,695	313,620	567,315
Changes in assets and liabilities:			
(Increase) decrease in materials and supplies inventory . . . . .	(15,339)	26,364	11,025
Decrease in accounts receivable . . . . .	64,611	87,079	151,690
Increase (decrease) in accounts payable . . . . .	129,046	(174,112)	(45,066)
Decrease in accrued wages and benefits . . . . .	(7,273)	(8,028)	(15,301)
Increase (decrease) in intergovernmental payable . . . . .	(2,732)	181,118	178,386
Increase in compensated absences payable . . . . .	5,700	4,198	9,898
	<u>319,440</u>	<u>114,104</u>	<u>433,544</u>
<b>Net cash provided by operating activities . . . . .</b>			

**Noncash transactions:**

The sewer fund purchased \$56,646 in capital assets on account at December 31, 2014.  
 During 2014, the water fund received \$20,081 in capital contributions from governmental activities.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ONTARIO, OHIO**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
DECEMBER 31, 2014**

	<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

## CITY OF ONTARIO, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

#### **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, 2014

#### 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.

*Street construction and maintenance fund* - The street construction and maintenance fund is required by Ohio Revised Code to account for the portion of the State gasoline tax and motor vehicle registration fees designated for maintenance of streets within the City.

## CITY OF ONTARIO, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

#### 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, 2014

**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, 2014, but which were levied to finance 2015 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, 2014, 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, 2014

#### 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 2014, investments were limited to nonnegotiable 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, 2014**

**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 2014 amounted to \$69,813, which includes \$39,655 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 expensed/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, 2014, 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, 2014

**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, 2014 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, 2014

**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, 2014**

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

**O. Debt Issuance Costs, Discounts and Premiums**

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. Note premiums are deferred and accreted over the term of the notes. Note premiums are presented as an addition to the face amount of the notes.

On the governmental fund financial statements, debt issuance costs, discounts and premiums 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 \$20,081 in capital contributions from governmental funds during 2014.

**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, 2014**

**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 2014.

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES**

**A. Change in Accounting Principles**

For 2014, the City has implemented GASB Statement No. 69, "Government Combinations and Disposals of Government Operations" and GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the City.

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the City.

**B. Deficit Fund Balances**

Fund balance at December 31, 2014 included the following individual fund deficit:

<u>Major governmental fund</u>	<u>Deficit</u>
Street construction and maintenance	\$ 880,394

This fund 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 this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance in the street construction and maintenance fund is due to reporting a bond anticipation note payable as a fund liability (See Note 14 for detail).

## CITY OF ONTARIO, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

#### 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.

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.

## CITY OF ONTARIO, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

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

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,
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, 2014 was \$28,582. These depository accounts are included in "deposits with financial institutions" below.

#### B. Deposits with Financial Institutions

At December 31, 2014, the carrying amount of all City deposits was \$8,418,622. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2014, \$8,040,721 of the City's bank balance of \$9,339,303 was exposed to custodial risk as discussed below, while \$1,298,582 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, 2014

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

**C. Investments**

As of December 31, 2014, 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>
FHLMC - callable	\$ 723,562	\$ -	\$ -	\$ 249,623	\$ 473,939
FHLB - callable	249,393	-	-	-	249,393
FHLMC - noncallable	917,170	-	-	-	917,170
FNMA - noncallable	769,510	-	-	-	769,510
FFCB - noncallable	498,935	-	-	-	498,935
Money market funds	15,879	15,879	-	-	-
<b>Total</b>	<b>\$ 3,174,449</b>	<b>\$ 15,879</b>	<b>\$ -</b>	<b>\$ 249,623</b>	<b>\$ 2,908,947</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, 2014

**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, 2014:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLMC - callable	\$ 723,562	22.79
FHLB - callable	249,393	7.86
FHLMC - noncallable	917,170	28.89
FNMA - noncallable	769,510	24.24
FFCB - noncallable	498,935	15.72
Money market funds	15,879	0.50
Total	<u>\$ 3,174,449</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, 2014:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 8,418,622
Investments	3,174,449
Total	<u>\$ 11,593,071</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 6,581,693
Business-type activities	4,965,583
Agency funds	45,795
Total	<u>\$ 11,593,071</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A.** Interfund transfers for the year ended December 31, 2014, consisted of the following, as reported on the fund financial statements:

<u>Transfers from the general fund to:</u>	
20% Street construction	\$ 15,157
Street construction and maintenance	30,000
Nonmajor governmental funds	265,250
<u>Transfers from water fund to:</u>	
Sewer	30,040
Total	<u>\$ 340,447</u>

## CITY OF ONTARIO, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

#### 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.

The City transferred \$30,040 from the water fund to the sewer fund to make debt principal payments during 2014.

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.

#### 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. 2014 public utility property taxes became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

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, 2014 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 2014 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.

**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

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

The full tax rate for all City operations for the year ended December 31, 2014 was \$2.20 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2014 property tax receipts were based are as follows:

<u>Real Property</u>	
Residential/Agricultural	\$ 100,653,800
Commercial/Industrial/Mineral	73,119,000
<u>Public Utility</u>	
Real	123,290
Personal	4,992,640
	<hr/>
Total Assessed Value	\$ 178,888,730

**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 2014, 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 \$4,650,792 in 2014.

**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.

**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.

**CITY OF ONTARIO, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**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 2014. 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, 2014, 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	\$ 1,410,777
Real and other taxes	395,031
Accounts	129,754
Special assessments	23,795
Accrued interest	7,963
Intergovernmental	1,101,697
Payments in lieu of taxes	193,396

**Business-type activities:**

Accounts	483,076
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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, 2014

**NOTE 11 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2014, was as follows:

<b><u>Governmental activities:</u></b>	Balance 1/1/2014	Additions	Disposals	Balance 12/31/2014
<i>Capital assets, not being depreciated:</i>				
Land	\$ 2,603,619	\$ -	\$ (111,131)	\$ 2,492,488
Construction in progress	<u>80,975</u>	<u>3,496,908</u>	<u>-</u>	<u>3,577,883</u>
Total capital assets, not being depreciated	<u>2,684,594</u>	<u>3,496,908</u>	<u>(111,131)</u>	<u>6,070,371</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,631,813	3,481	-	2,635,294
Buildings and improvements	3,213,770	1,110	-	3,214,880
Furniture and equipment	3,317,949	71,104	(26,530)	3,362,523
Vehicles	1,605,465	91,243	-	1,696,708
Infrastructure	<u>22,477,571</u>	<u>-</u>	<u>-</u>	<u>22,477,571</u>
Total capital assets, being depreciated	<u>33,246,568</u>	<u>166,938</u>	<u>(26,530)</u>	<u>33,386,976</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,772,208)	(88,236)	-	(1,860,444)
Buildings and improvements	(1,988,887)	(72,570)	-	(2,061,457)
Furniture and equipment	(2,726,099)	(139,494)	23,973	(2,841,620)
Vehicles	(1,217,516)	(90,007)	-	(1,307,523)
Infrastructure	<u>(9,641,653)</u>	<u>(805,342)</u>	<u>-</u>	<u>(10,446,995)</u>
Total accumulated depreciation	<u>(17,346,363)</u>	<u>(1,195,649)</u>	<u>23,973</u>	<u>(18,518,039)</u>
Total capital assets, being depreciated, net	<u>15,900,205</u>	<u>(1,028,711)</u>	<u>(2,557)</u>	<u>14,868,937</u>
Governmental activities capital assets, net	<u>\$ 18,584,799</u>	<u>\$ 2,468,197</u>	<u>\$ (113,688)</u>	<u>\$ 20,939,308</u>

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

**Governmental activities:**

General government	\$ 57,636
Security of persons and property	106,785
Transportation	935,112
Leisure time activity	<u>96,116</u>
Total depreciation expense - governmental activities	<u>\$ 1,195,649</u>

**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

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

<b><u>Business-type activities:</u></b>	Balance 1/1/2014	Additions	Disposals	Balance 12/31/2014
<i>Capital assets, not being depreciated:</i>				
Land	\$ 262,626	\$ -	\$ -	\$ 262,626
Construction in progress	<u>1,651,407</u>	<u>1,850,972</u>	<u>(1,812,229)</u>	<u>1,690,150</u>
Total capital assets, not being depreciated	<u>1,914,033</u>	<u>1,850,972</u>	<u>(1,812,229)</u>	<u>1,952,776</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	62,292	-	-	62,292
Buildings and improvements	2,029,005	1,812,229	-	3,841,234
Furniture and equipment	2,765,089	50,323	-	2,815,412
Infrastructure:				
Sewer lines	10,653,890	-	-	10,653,890
Water lines	<u>5,676,994</u>	<u>30,000</u>	<u>-</u>	<u>5,706,994</u>
Total capital assets, being depreciated	<u>21,187,270</u>	<u>1,892,552</u>	<u>-</u>	<u>23,079,822</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(53,556)	(2,026)	-	(55,582)
Buildings and improvements	(1,137,862)	(100,629)	-	(1,238,491)
Furniture and equipment	(2,429,991)	(85,462)	-	(2,515,453)
Infrastructure:				
Sewer lines	(3,138,890)	(229,854)	-	(3,368,744)
Water lines	<u>(2,489,074)</u>	<u>(149,344)</u>	<u>-</u>	<u>(2,638,418)</u>
Total accumulated depreciation	<u>(9,249,373)</u>	<u>(567,315)</u>	<u>-</u>	<u>(9,816,688)</u>
Total capital assets, being depreciated, net	<u>11,937,897</u>	<u>1,325,237</u>	<u>-</u>	<u>13,263,134</u>
Business-type activities capital assets, net	<u>\$ 13,851,930</u>	<u>\$ 3,176,209</u>	<u>\$ (1,812,229)</u>	<u>\$ 15,215,910</u>

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

**Business-type activities:**

Water	\$ 253,695
Sewer	<u>313,620</u>
Total depreciation expense - business-type activities	<u>\$ 567,315</u>

**CITY OF ONTARIO, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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

During 2014, the City entered into a capitalized lease for a vehicle. 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 and vehicles have been capitalized in the amount of \$74,349. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2014 was \$65,561, leaving a current book value of \$8,788. A corresponding liability was recorded in the government-wide financial statements. Principal and interest payments on the leases, totaled \$4,847 and \$296, 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, 2014.

<u>Year Ending December 31.</u>	<u>Total</u>
2015	\$ 3,236
2016	3,237
2017	<u>809</u>
Total future minimum lease payments	7,282
Less: amount representing interest	<u>(329)</u>
Present value of future minimum lease payments	<u>\$ 6,953</u>

**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**NOTE 13 - LONG-TERM OBLIGATIONS**

A. During 2014, the following activity occurred in governmental and business-type activities long-term obligations:

	Balance			Balance	Due within
	1/1/2014	Additions	Disposals	12/31/2014	One Year
<b><u>Governmental activities:</u></b>					
General obligation bonds payable	\$ 1,655,000	\$ -	\$ (80,000)	\$ 1,575,000	\$ 80,000
Capital lease payable	2,426	9,374	(4,847)	6,953	3,236
Compensated absences	<u>341,745</u>	<u>100,237</u>	<u>(57,906)</u>	<u>384,076</u>	<u>64,746</u>
	<u>\$ 1,999,171</u>	<u>\$ 109,611</u>	<u>\$ (142,753)</u>	1,966,029	<u>\$ 147,982</u>
Unamortized discount on bonds				<u>(11,777)</u>	
Total governmental activities				<u>\$ 1,954,252</u>	
<b><u>Business-type activities:</u></b>					
OPWC water treatment loan	\$ 11,947	\$ -	\$ (1,838)	\$ 10,109	\$ 1,838
OPWC sewer improvement loan	416,666	-	(16,667)	399,999	16,667
OPWC I/I reduction phase 2 loan	354,379	-	(13,373)	341,006	13,372
OPWC above ground equalization tank loan	<u>-</u>	<u>243,848</u>	<u>-</u>	<u>243,848</u>	<u>8,128</u>
Total OPWC loans	<u>782,992</u>	<u>243,848</u>	<u>(31,878)</u>	<u>994,962</u>	<u>40,005</u>
Compensated absences	<u>64,626</u>	<u>21,191</u>	<u>(11,293)</u>	<u>74,524</u>	<u>11,243</u>
Total business-type activities	<u>\$ 847,618</u>	<u>\$ 265,039</u>	<u>\$ (43,171)</u>	<u>\$ 1,069,486</u>	<u>\$ 51,248</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, 2014

**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 \$341,006

During 2014, the City entered into another OPWC loan agreement for the purpose of building an above ground equalization tank. The loan is interest free and the outstanding balance as of December 31, 2014 was \$243,848.

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, 2014 are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Governmental Activities</u>		
	<u>General Obligation Bonds Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	90,000	52,940	142,940
2020 - 2024	515,000	208,090	723,090
2025 - 2029	<u>630,000</u>	<u>89,240</u>	<u>719,240</u>
 Total	 <u>\$ 1,575,000</u>	 <u>\$ 589,349</u>	 <u>\$ 2,164,349</u>

**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

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

Year Ending December 31,	Business-type Activities				Total OPWC Loans
	OPWC Water Treatment Loan Principal	OPWC Sewer Improvement Loan Principal	OPWC Sewer I/I Reduction Phase 2 Principal	OPWC Sewer Equalization Tank Principal	
2015	\$ 1,838	\$ 16,667	\$ 13,372	\$ 8,128	\$ 40,005
2016	1,838	16,667	13,373	8,128	40,006
2017	1,838	16,667	13,373	8,129	40,007
2018	1,838	16,667	13,373	8,128	40,006
2019	1,838	16,667	13,373	8,128	40,006
2020 - 2024	919	83,335	66,864	40,642	191,760
2025 - 2029	-	83,334	66,864	40,642	190,840
2030 - 2034	-	83,330	66,864	40,641	190,835
2035 - 2039	-	66,665	66,864	40,642	174,171
2040 - 2044	-	-	6,686	40,640	47,326
Total	<u>\$ 10,109</u>	<u>\$ 399,999</u>	<u>\$ 341,006</u>	<u>\$ 243,848</u>	<u>\$ 994,962</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, 2014, the City's overall legal debt margin was \$17,468,013 and the unvoted debt margin was \$10,098,576.

**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**NOTE 14 - NOTES PAYABLE**

	Balance			Balance
	<u>12/31/2013</u>	<u>Issued</u>	<u>Retired</u>	<u>12/31/2014</u>
<u>Governmental fund notes</u>				
Bond anticipation notes - Series 2014, street construction and maintenance	\$ -	\$ 1,260,000	\$ -	\$ 1,260,000
Add: unamortized premium	-	7,850	(1,446)	6,404
Total Governmental Fund Notes	<u>\$ -</u>	<u>\$ 1,267,850</u>	<u>\$ (1,446)</u>	<u>\$ 1,266,404</u>
 <u>Enterprise fund notes</u>				
Bond anticipation notes - Series 2014, water	\$ -	\$ 2,040,000	\$ -	\$ 2,040,000
Add: unamortized premium	-	15,464	(2,849)	12,615
Bond anticipation notes - Series 2014, sewer	-	635,000	-	635,000
Add: unamortized premium	-	2,933	(540)	2,393
Total Enterprise Fund Notes	<u>\$ -</u>	<u>\$ 2,693,397</u>	<u>\$ (3,389)</u>	<u>\$ 2,690,008</u>

On October 22, 2014, the City issued Series 2014 bond anticipation notes in the amount of \$3,935,000 for the following purposes: (a) \$960,000 for a water meter reading system, (b) \$380,000 for the painting of the Maybee Rd water tower (c) \$700,000 for waterline repairs, (d) \$635,000 for the Tappan Rd lift station, (e) \$765,000 for Urwin Parkway improvements and (f) \$495,000 for Ferguson Rd improvements. The notes bore an interest rate of 1.00% and will mature on October 22, 2015.

All notes were backed by the full faith and credit of the City. The note liability is reflected in the fund which received the proceeds. The notes were issued in anticipation of long-term bond financing and will be refinanced until such bonds are issued.

**NOTE 15 - 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 2014, the City contracted with the Ohio Plan for various types of insurance.

**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**NOTE 15 - RISK MANAGEMENT - (Continued)**

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	25,722,600
Special Property Coverage	1,000	1,565,530
Electronic Equipment/Media Coverage	1,000	219,638
Public Employee Dishonesty	0	25,000
Boiler and Machinery	1,000	25,722,600

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 \$2,152 reported on the financial statements at December 31, 2014 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.

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>
2014	\$ 2,141	\$ 37,407	\$ (37,396)	\$ 2,152
2013	3,107	37,335	(38,301)	2,141

## CITY OF ONTARIO, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

#### NOTE 16 - 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 2014, member and employer contribution rates were consistent across all three plans. The 2014 member contribution rates were 10.00% for members. The City's contribution rate for 2014 was 14.00% of covered payroll.

The City's contribution rate for pension benefits for members in the Traditional Plan and Combined Plan for 2014 was 12.00%. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2014, 2013, and 2012 were \$188,565, \$163,222, and \$107,308, respectively; 91.99% has been contributed for 2014 and 100% has been contributed for 2013 and 2012. The remaining 2014 pension liability has been reported as due to other governments/pension obligation payable on the basic financial statements. Contributions to the Member-Directed Plan for 2014 were \$1,718 made by the City and \$1,227 made by the plan members.

##### 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).

**CITY OF ONTARIO, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**NOTE 16 - PENSION PLANS - (Continued)**

Funding Policy - From January 1, 2014 through July 1, 2014, plan members were required to contribute 10.75% of their annual covered salary. From July 2, 2014 through December 31, 2014, plan members were required to contribute 11.50% of their annual covered salary. Throughout 2014, the City was required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute.

For 2014, the portion of the City's contributions to fund pension obligations was 19.00% for police officers and 23.50% for firefighters. The City's required contributions for pension obligations to OP&F for police officers was \$189,534 for the year ended December 31, 2014, \$184,713 for the year ended December 31, 2013, and \$148,315, for the year ended December 31, 2012. 100% has been contributed for 2014, 2013 and 2012.

**NOTE 17 - 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.

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 2014, 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 and Combined Plan for 2014 was 2.00%.

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.

## CITY OF ONTARIO, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

#### NOTE 17 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2014, 2013, and 2012 were \$14,505, \$12,556, and \$81,648, respectively; 91.99% has been contributed for 2014 and 100% has been contributed for 2013 and 2012. The remaining 2014 post-employment health care benefits liability has been reported as due to other governments/pension obligation payable 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 4.00% 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.

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.

**CITY OF ONTARIO, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**NOTE 17 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

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. For 2014, the portion of employer contributions allocated to health care was 0.50% of covered payroll. 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 \$60,021 for the year ended December 31, 2014, \$41,020 for the year ended December 31, 2013, and \$78,519, for the year ended December 31, 2012. 100% has been contributed for 2014, 2013 and 2012.

**NOTE 18 - 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, street construction and maintenance, 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).

**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**NOTE 18 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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, 20% street construction fund and the street construction and maintenance.

	<b>Net Change in Fund Balance</b>		
	<u>General fund</u>	<u>20% Street Construction fund</u>	<u>Street Construction and Maintenance fund</u>
Budget basis	\$ 192,606	30,063	\$ (41,951)
Net adjustment for revenue accruals	59,522	2,007,547	5,984
Net adjustment for expenditure accruals	79,504	(1,973,473)	15,836
Adjustment for financing sources (uses)	9,374	-	(1,250,000)
Adjustment for encumbrances	<u>26,988</u>	<u>32,270</u>	<u>103,397</u>
GAAP basis	<u>\$ 367,994</u>	<u>\$ 96,407</u>	<u>\$ (1,166,734)</u>

**NOTE 19 - 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, 2014.

**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.

**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**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	Street Construction and Maintenance	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Materials and supplies inventory	\$ 5,211	\$ 32,366	\$ 68,535	\$ -	\$ 106,112
Prepays	<u>10,810</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,810</u>
Total nonspendable	<u>16,021</u>	<u>32,366</u>	<u>68,535</u>	<u>-</u>	<u>116,922</u>
Restricted:					
Debt service	-	-	-	259,696	259,696
Transportation improvement projects	-	-	-	412,459	412,459
Mayor's court programs	-	-	-	28,582	28,582
Cemetery	-	-	-	35,978	35,978
Police programs	-	-	-	33,676	33,676
Other purposes	<u>-</u>	<u>-</u>	<u>-</u>	<u>68,528</u>	<u>68,528</u>
Total restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>838,919</u>	<u>838,919</u>
Committed:					
Capital outlays	17,146	-	-	659,292	676,438
Transportation improvement projects	<u>-</u>	<u>115,712</u>	<u>-</u>	<u>-</u>	<u>115,712</u>
Total committed	<u>17,146</u>	<u>115,712</u>	<u>-</u>	<u>659,292</u>	<u>792,150</u>
Assigned:					
General government	26,988	-	-	-	26,988
Subsequent year appropriations	<u>1,237,729</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,237,729</u>
Total assigned	<u>1,264,717</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,264,717</u>
Unassigned (deficit)	<u>3,686,711</u>	<u>-</u>	<u>(948,929)</u>	<u>-</u>	<u>2,737,782</u>
Total fund balances	<u>\$ 4,984,595</u>	<u>\$ 148,078</u>	<u>\$ (880,394)</u>	<u>\$ 1,498,211</u>	<u>\$ 5,750,490</u>

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**CITY OF ONTARIO, OHIO**



**Single Audit Reports**

**December 31, 2014**

**PLATTENBURG**  
Certified Public Accountants

**CITY OF ONTARIO**  
 Schedule of Expenditures of Federal Awards  
 For the year ended December 31, 2014

Federal Grantor/Pass Through Grantor/Program Grant Title	Grant or Pass-Through Number	CFDA Number	Disbursements
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
<b>FEDERAL HIGHWAY ADMINISTRATION</b>			
<i>Passed through Ohio Department of Transportation</i>			
Highway Planning & Construction	PID 96525	20.205	\$1,277,546
<b>Total Department of Transportation Federal Highway Administration</b>			1,277,546
<b>Total Federal Awards Expenditures</b>			\$1,277,546

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of federal awards is a summary of the activity of the City's federal awards programs. The schedule has been prepared on the cash basis of accounting.

**INDEPENDENT AUDITORS' 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, City Council and City Manager  
City of Ontario

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 (the City), as of and for the year ended December 31, 2014, 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 29, 2015.

**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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of audit findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *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. We consider the deficiency described in the accompanying schedule of audit findings and questioned costs as Finding 2014-1 to be a material weakness.

**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*.

### **City's Response to Findings**

The City's response to the findings identified in our audit is described in the accompanying schedule of audit findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

We noted certain matters that we reported to management of the City in a separate letter dated June 29, 2015.

### **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.  
Dayton, Ohio  
June 29, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Honorable Mayor, City Council and City Manager  
City of Ontario

**Report on Compliance for Each Major Federal Program**

We have audited the City of Ontario's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

**Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing

procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 29, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.  
Dayton, Ohio  
June 29, 2015

**CITY OF ONTARIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2014**

**Section I – Summary of Auditor’s Results**

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any material reported non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were the any other significant control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under Section .510?	No
(d)(1)(vii)	Major Programs (list):	Highway Planning and Construction -CFDA# 20.205
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

## **Section II – Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS**

### **2014–1 Finding Type —Material Weakness—Controls Related to Financial Reporting**

During the year ended December 31, 2014 we identified misstatements in the City's financial statements requiring adjustment in order to present the current year financial statements in accordance with accounting principles generally accepted in the United States of America. The misstatements are an indicator that improvements are needed to strengthen existing control procedures related to financial reporting to enable management to prevent and/or detect potential misstatements in the financial statements and footnotes in a timely manner. The misstatements related to intergovernmental receivable, capital assets, contracts payable, net investment in capital assets, restricted net position and transportation expense.

#### **Recommendation:**

A systematic, detailed planning and review process related to financial reporting would improve management's ability to prevent and/or detect potential misstatements in the financial statements and footnotes in a timely manner.

#### **Management's Response:**

Management plans to evaluate and continually update this process in order to improve the City's ability to prevent and/or detect potential misstatements in the financial statements and footnotes in a timely manner.

## **Section III – Federal Award Findings and Questioned Costs**

None

**CITY OF ONTARIO**  
**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**  
***OMB CIRCULAR A-133***  
**December 31, 2014**

**Summary of Prior Audit Findings and Questioned Costs:**

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

During the year ended December 31, 2013 the City did not prepare bank reconciliations for the payroll checking account.

Status: Partially corrected and re-issued as a management letter comment.

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# 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  
SEPTEMBER 1, 2015