

**CITY OF ONTARIO, OHIO**



**Basic Financial Statements**

**December 31, 2017**

**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, 2017 through December 31, 2017. 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

July 10, 2018

**This page intentionally left blank.**

**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, 2017, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, 35% Street Construction Fund, and Tax Increment 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 and schedules of net pension liabilities and pension contributions 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 15, 2018, 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.*  
Plattenburg & Associates, Inc.  
Cincinnati, Ohio  
June 15, 2018

## CITY OF ONTARIO, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017 (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, 2017. 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 2017 are as follows:

- The total net position of the City decreased \$654,306. Net position of governmental activities decreased \$703,374 or 3.32% from 2016. Net position of business-type activities increased \$49,068 or 0.30% from 2016 net position.
- General revenues accounted for \$6,380,924 or 83.84% of total governmental activities revenue. Program specific revenues accounted for \$1,229,940 or 16.16% of total governmental activities revenue.
- The City had \$8,311,102 in expenses related to governmental activities; \$1,229,940 of these expenses was offset by program specific charges for services, grants or contributions. The general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$6,380,924 were not adequate to provide the remaining expenses of the governmental activities of \$7,081,162.
- The general fund had revenues and other financing sources of \$4,665,653 in 2017. This represents a decrease of \$17,207 from 2016 revenues. The expenditures and other financing uses of the general fund, which totaled \$4,866,951 in 2017, increased \$670,296 from 2016. The net decrease in fund balance for the general fund was \$201,298 or 3.82%.
- The 35% street construction fund had revenues and other financing sources of \$1,268,023 in 2017. The expenditures of the 35% street construction fund totaled \$1,118,034 in 2017. The net increase in fund balance for the 35% street construction fund was \$149,989.
- The tax increment fund had revenues of \$382,796 in 2017. The expenditures and other financing uses of the tax increment fund totaled \$286,168 in 2017. The net increase in fund balance for the tax increment fund was \$96,628.
- Net position for the business-type activities, which are made up of the water and sewer enterprise funds, increased in 2017 by \$49,068.

#### **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, 2017 (UNAUDITED)

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

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

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2017?" 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 19-21 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 12.

##### *Governmental Funds*

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



## CITY OF ONTARIO, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017 (UNAUDITED)

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

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and non-major funds. The City's major governmental funds are the general fund, the 35% street construction fund and the tax increment 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 22-28 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. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its self-insurance programs for medical-related employee benefits. The basic proprietary fund financial statements can be found on pages 29-31 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 32 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 33-78 of this report.

#### ***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 80-86 of this report.

**CITY OF ONTARIO, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(UNAUDITED)

**Government-Wide Financial Analysis**

The statement of net position provides the perspective of the City as a whole. The table below provides a summary of the City's net position at December 31, 2017 and December 31, 2016.

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b><u>Assets</u></b>						
Current assets	\$ 8,967,905	\$ 9,497,238	\$ 5,687,222	\$ 5,100,374	\$ 14,655,127	\$ 14,597,612
Capital assets, net	20,057,335	20,288,587	14,888,988	15,100,282	34,946,323	35,388,869
Total assets	29,025,240	29,785,825	20,576,210	20,200,656	49,601,450	49,986,481
<b><u>Deferred outflows of resources</u></b>						
Unamortized deferred charges	132,641	143,772	-	-	132,641	143,772
Pension	1,408,660	1,461,760	227,059	162,146	1,635,719	1,623,906
Total deferred outflows of resources	1,541,301	1,605,532	227,059	162,146	1,768,360	1,767,678
<b><u>Liabilities</u></b>						
Current liabilities	227,802	215,624	349,549	163,049	577,351	378,673
Long-term liabilities:						
Due within one year	400,124	263,369	238,667	180,263	638,791	443,632
Net pension liability	5,429,830	5,114,398	562,886	416,705	5,992,716	8,295,825
Other amounts	3,326,782	3,556,537	3,186,800	3,181,427	6,513,582	3,973,242
Total liabilities	9,384,538	9,149,928	4,337,902	3,941,444	13,722,440	13,091,372
<b><u>Deferred inflows of resources</u></b>						
Property taxes and PILOTs	577,730	973,951	-	-	577,730	973,951
Pension	99,954	59,785	7,795	12,854	107,749	72,639
Total deferred inflows of resources	677,684	1,033,736	7,795	12,854	685,479	1,046,590
<b><u>Net Position</u></b>						
Net investment in capital assets	16,905,744	17,067,662	11,569,537	11,831,835	28,475,281	28,899,497
Restricted	1,046,997	802,596	-	-	1,046,997	802,596
Unrestricted	2,551,578	3,337,435	4,888,035	4,576,669	7,439,613	7,914,104
Total net position	\$ 20,504,319	\$ 21,207,693	\$ 16,457,572	\$ 16,408,504	\$ 36,961,891	\$ 37,616,197

The City has adopted Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68" which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

## CITY OF ONTARIO, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017 (UNAUDITED)

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the standards required by GASB 68, the net pension liability equals the City's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the City's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the City is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2017, the City's total assets and deferred outflows exceeded liabilities and deferred inflows by \$36,961,891. At year-end, net positions were \$20,504,319 and \$16,457,572 for the governmental activities and the business-type activities, respectively.

**CITY OF ONTARIO, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(UNAUDITED)**

Capital assets reported on the government-wide statements represent the largest portion of the City's net position. At year-end, capital assets represented 70.45% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. Net investment in capital assets to acquire the assets at December 31, 2017, were \$16,905,744 and \$11,569,537 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, 2017, 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, \$1,046,997, 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 \$2,551,578 may be used to meet the City's ongoing obligations to citizens and creditors.

**THIS SPACE INTENTIONALLY LEFT BLANK**

**CITY OF ONTARIO, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(UNAUDITED)**

The table below shows the changes in net position for 2017 and 2016.

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenues</b>						
Program revenues:						
Charges for services and sales	\$ 768,911	\$ 760,256	\$ 3,070,124	\$ 2,625,405	\$ 3,839,035	\$ 3,385,661
Operating grants and contributions	<u>461,029</u>	<u>426,979</u>	<u>-</u>	<u>-</u>	<u>461,029</u>	<u>426,979</u>
Total program revenues	<u>1,229,940</u>	<u>1,187,235</u>	<u>3,070,124</u>	<u>2,625,405</u>	<u>4,300,064</u>	<u>3,812,640</u>
General revenues:						
Property taxes	416,177	472,735	-	-	416,177	472,735
Income taxes	5,005,013	5,144,317	-	-	5,005,013	5,144,317
Unrestricted grants	191,113	160,292	-	-	191,113	160,292
Payments in lieu of taxes	606,161	276,449	-	-	606,161	276,449
Interest	103,950	65,891	-	-	103,950	65,891
Decrease in fair market value of investments	(14,254)	(6,536)	-	-	(14,254)	(6,536)
Miscellaneous	<u>72,764</u>	<u>46,243</u>	<u>4,717</u>	<u>5,456</u>	<u>77,481</u>	<u>51,699</u>
Total general revenues	<u>6,380,924</u>	<u>6,159,391</u>	<u>4,717</u>	<u>5,456</u>	<u>6,385,641</u>	<u>6,164,847</u>
Total revenues	<u>7,610,864</u>	<u>7,346,626</u>	<u>3,074,841</u>	<u>2,630,861</u>	<u>10,685,705</u>	<u>9,977,487</u>
Expenses:						
General government	2,178,702	1,727,858	-	-	2,178,702	1,727,858
Security of persons and property	3,082,438	2,956,277	-	-	3,082,438	2,956,277
Public health and welfare	9,629	9,973	-	-	9,629	9,973
Transportation	2,647,680	2,529,679	-	-	2,647,680	2,529,679
Community environment	70,943	32,053	-	-	70,943	32,053
Leisure time activity	228,864	234,172	-	-	228,864	234,172
Interest and fiscal charges	92,846	133,464	-	-	92,846	133,464
Water	-	-	929,705	1,007,281	929,705	1,007,281
Sewer	-	-	2,099,204	1,686,325	2,099,204	1,686,325
Total expenses	<u>8,311,102</u>	<u>7,623,476</u>	<u>3,028,909</u>	<u>2,693,606</u>	<u>11,340,011</u>	<u>10,317,082</u>
Transfers	<u>(3,136)</u>	<u>(2,471)</u>	<u>3,136</u>	<u>2,471</u>	<u>-</u>	<u>-</u>
Change in net position	(703,374)	(279,321)	49,068	(60,274)	(654,306)	(339,595)
Net position at beginning of year	<u>21,207,693</u>	<u>21,487,014</u>	<u>16,408,504</u>	<u>16,468,778</u>	<u>37,616,197</u>	<u>37,955,792</u>
Net position at end of year	<u>\$ 20,504,319</u>	<u>\$ 21,207,693</u>	<u>\$ 16,457,572</u>	<u>\$ 16,408,504</u>	<u>\$ 36,961,891</u>	<u>\$ 37,616,197</u>

**Governmental Activities**

Governmental activities net position decreased \$703,374 in 2017.

Total governmental expenses increased \$687,626 from 2016, which is attributed primarily to an increase in transportation expenses for the maintenance and repair of streets from 2016 to 2017.

Security of persons and property, which primarily supports the operations of the police department accounted for \$3,082,438 of the total expenses of the City. These expenses were partially funded by \$237,162 in direct charges to users of the services and \$22,690 in operating grants and contributions. Transportation expenses totaled \$2,647,680. Transportation expenses were partially funded by \$438,339 in operating grants and contributions.

**CITY OF ONTARIO, OHIO**

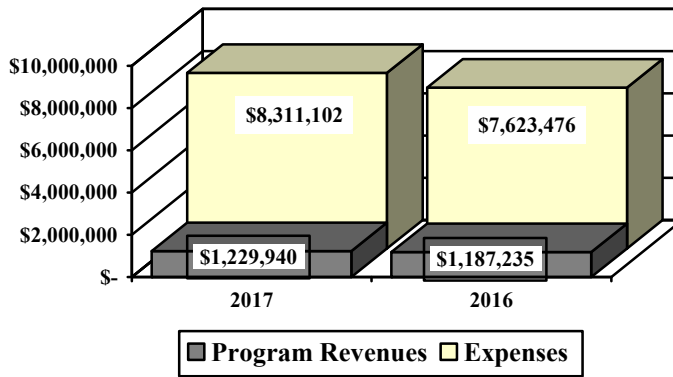
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(UNAUDITED)**

The state and federal government contributed to the City \$461,029 in operating grants and contributions. These revenues are restricted to a particular program or purpose. \$438,339 of the operating grants and contributions subsidized transportation programs.

General revenues totaled \$6,380,924 and amounted to 83.84% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$5,421,190. The other primary source of general revenues is payments in lieu of taxes making up \$606,161.

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**



**Governmental Activities**

	Total Cost of Services 2017	Net Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2016
Program Expenses:				
General government	\$ 2,178,702	\$ 1,671,499	\$ 1,727,858	\$ 1,277,256
Security of persons and property	3,082,438	2,822,586	2,956,277	2,700,181
Public health and welfare	9,629	3,444	9,973	(1,767)
Transportation	2,647,680	2,209,341	2,529,679	2,078,434
Community environment	70,943	70,943	32,053	32,053
Leisure time activity	228,864	210,503	234,172	216,620
Interest and fiscal charges	92,846	92,846	133,464	133,464
<b>Total Expenses</b>	<b>\$ 8,311,102</b>	<b>\$ 7,081,162</b>	<b>\$ 7,623,476</b>	<b>\$ 6,436,241</b>

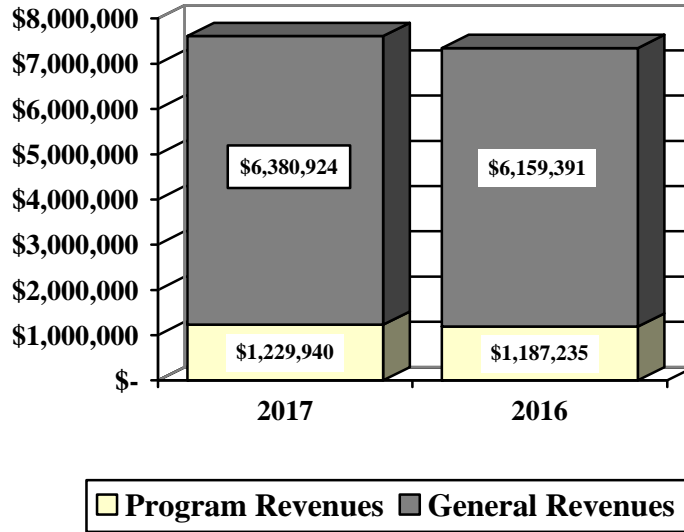
The dependence upon general revenues for governmental activities is apparent, with 76.78% of expenses supported through taxes and other general revenues.

**CITY OF ONTARIO, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(UNAUDITED)**

The chart below illustrates the City's general revenues and program revenues for 2017 and 2016.

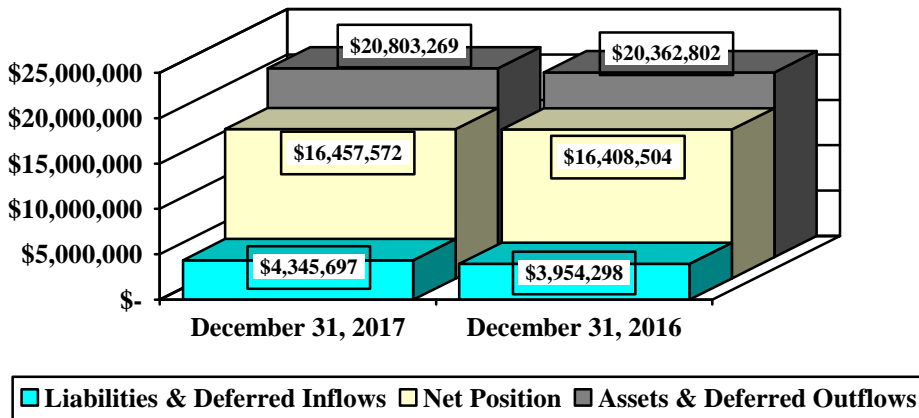
**Governmental Activities - General and Program Revenues**



**Business-type Activities**

Business-type activities include the water and sewer enterprise funds. These programs had program revenues of \$3,070,124, general revenues of \$4,717, transfers in of \$3,136 and expenses of \$3,028,909 for 2017. The graph on the following page shows the business-type activities assets, liabilities, and net position at year-end.

**Net Position in Business - type Activities**



**CITY OF ONTARIO, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(UNAUDITED)**

**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 22) reported a combined fund balance of \$7,308,234 which is \$111,643 less than last year's total of \$7,419,877.

The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2017 for all major and nonmajor governmental funds.

	<u>Fund Balances</u> 12/31/17	<u>Fund Balances</u> 12/31/16	<u>Change</u>
Major funds:			
General	\$ 5,063,421	\$ 5,264,719	\$ (201,298)
35% Street Construction	764,257	614,268	149,989
Tax Increment	96,628	-	96,628
Other nonmajor governmental funds	<u>1,383,928</u>	<u>1,540,890</u>	<u>(156,962)</u>
Total	<u>\$ 7,308,234</u>	<u>\$ 7,419,877</u>	<u>\$ (111,643)</u>



**CITY OF ONTARIO, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(UNAUDITED)**

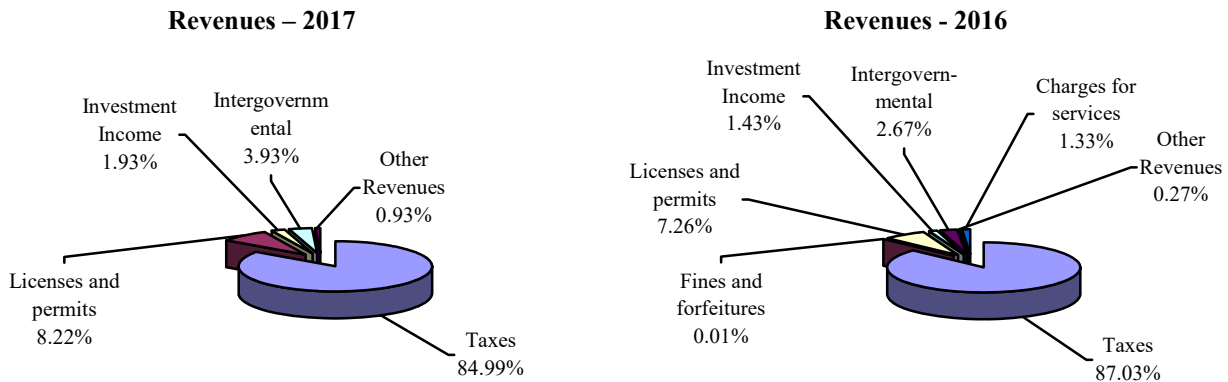
**General Fund**

The City's general fund balance decreased \$201,298. The table that follows assists in illustrating the revenues of the general fund.

	<u>2017</u> <u>Amount</u>	<u>2016</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b>Revenues</b>			
Taxes	\$ 3,880,177	\$ 4,060,559	(4.44) %
Charges for services	-	62,218	(100.00) %
Licenses, permits and fees	375,397	338,068	11.04 %
Fines and forfeitures	-	350	100.00 %
Investment income	102,511	66,871	53.30 %
Increase (decrease) in fair market value of investments	(14,254)	(6,536)	118.08 %
Intergovernmental	179,571	126,071	42.44 %
Other	<u>42,306</u>	<u>12,787</u>	230.85 %
<b>Total</b>	<u>\$ 4,565,708</u>	<u>\$ 4,660,388</u>	(2.03) %

Tax revenue represents 84.99% of all general fund revenue. Intergovernmental revenue increased due to an increase in state shared revenues. Investment income increased 53.30% as a result of a fluctuation in interest rates and a greater investment in federal securities during 2017. 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. Charges for services decreased due to a receivable for a school resource officer being recorded in 2016 that did not apply to 2017.

The following charts illustrate the general fund revenues for 2017 and 2016.



**CITY OF ONTARIO, OHIO**

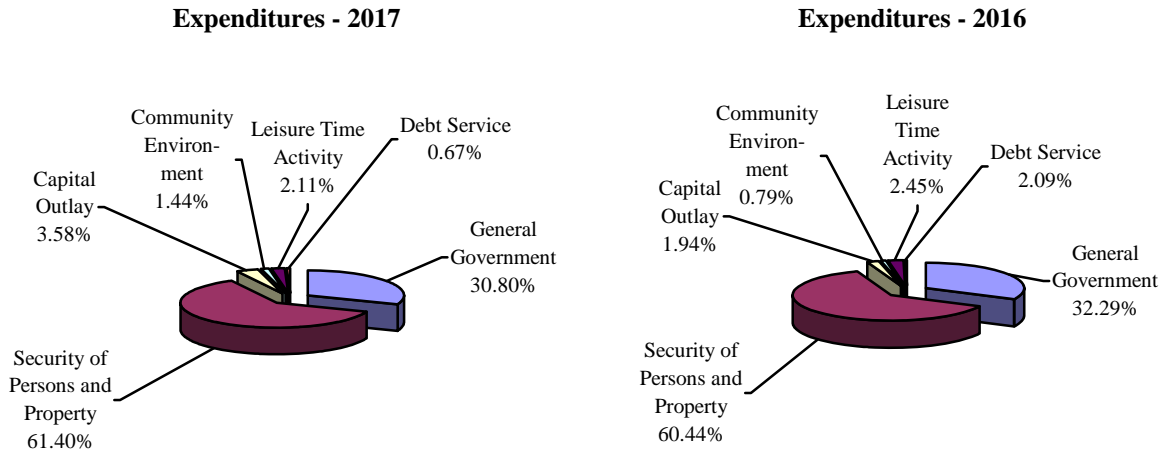
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(UNAUDITED)**

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

	<u>2017</u> <u>Amount</u>	<u>2016</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Expenditures</u></b>			
General government	\$ 1,391,170	\$ 1,246,675	11.59 %
Security of persons and property	2,772,586	2,333,371	18.82 %
Community environment	65,095	30,550	113.08 %
Leisure time activity	95,507	94,413	1.16 %
Capital outlay	161,860	75,068	115.62 %
Debt service	<u>30,398</u>	<u>80,410</u>	(62.20) %
 Total	 <u>\$ 4,516,616</u>	 <u>\$ 3,860,487</u>	 17.00 %

The largest expenditure line items are security of persons and property and general government. These two expenditures account for 92.20% of total general fund expenditures. Security of persons and property increased 18.82% due to an increase in police insurance expenditures. Community environment increased \$34,545 primarily due to expenditures related to helping fund a substance abuse program for the Ontario Local School District. Capital outlay expenditures increased due in part to an increase in asset additions throughout the City.

The following charts illustrate the general fund expenditures for 2017 and 2016.



***35% Street Construction Fund***

The 35% street construction fund had revenues and other financing sources of \$1,268,023 in 2017. The expenditures of the 35% street construction fund totaled \$1,118,034 in 2017. The net increase in fund balance for the 35% street construction fund was \$149,989.

**CITY OF ONTARIO, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(UNAUDITED)

***Tax Increment Fund***

The tax increment fund had revenues of \$382,796 in 2017. The expenditures and other financing uses of the tax increment fund totaled \$286,168 in 2017. The net increase in fund balance for the tax increment fund was \$96,628.

***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 \$4,418,300 were the same as final budgeted revenues. Actual revenues of \$4,614,281 were \$195,981 more than final budgeted revenues. Original budgeted expenditures and other financing uses were \$4,873,350 and final budgeted expenditures and other financing uses remained the same. Actual expenditures and other financing uses of \$4,703,121 were \$170,229 lower than final budgeted expenditures and other financing uses.

***Proprietary Funds***

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

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of 2017, the City had \$34,946,323 (net of accumulated depreciation) invested in land, easements, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. Of this total, \$20,057,335 was reported in governmental activities and \$14,888,988 was reported in business-type activities. The following table shows 2017 balances compared to 2016:

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

	<u>Governmental Activities</u>		<u>Business - type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 2,492,488	\$ 2,492,488	\$ 262,626	\$ 262,626	\$ 2,755,114	\$ 2,755,114
Easements	19,705	19,705	-	-	19,705	19,705
Land improvements	633,606	713,048	21,468	22,712	655,074	735,760
Buildings and improvements	953,500	1,016,407	3,179,805	3,301,875	4,133,305	4,318,282
Furniture and equipment	543,095	400,593	1,087,251	814,239	1,630,346	1,214,832
Vehicles	567,385	616,621	-	-	567,385	616,621
Infrastructure	14,847,556	15,029,725	10,337,838	10,698,830	25,185,394	25,728,555
<b>Totals</b>	<b>\$ 20,057,335</b>	<b>\$ 20,288,587</b>	<b>\$ 14,888,988</b>	<b>\$ 15,100,282</b>	<b>\$ 34,946,323</b>	<b>\$ 35,388,869</b>

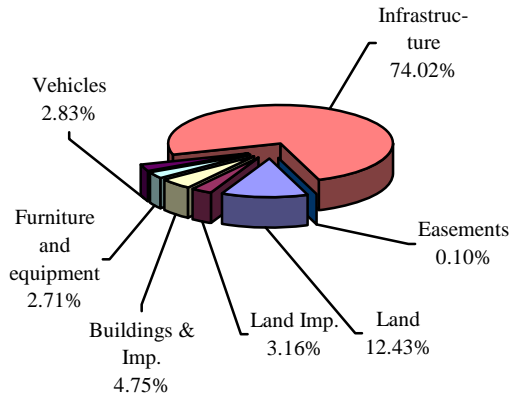
The City's largest governmental activities capital asset category is infrastructure which includes roads and bridges. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 74.02% of the City's total governmental capital assets.

**CITY OF ONTARIO, OHIO**

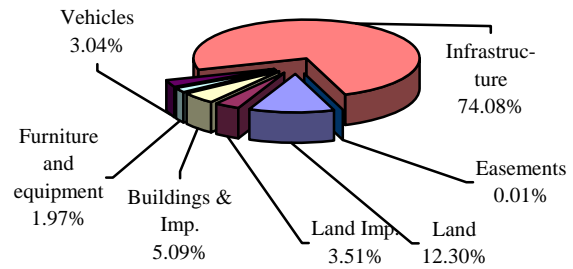
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(UNAUDITED)**

The following graphs show the breakdown of governmental capital assets by category for 2017 and 2016.

**Capital Assets - Governmental Activities 2017**



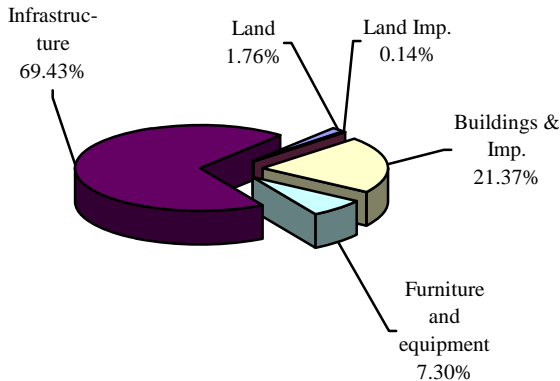
**Capital Assets - Governmental Activities 2016**



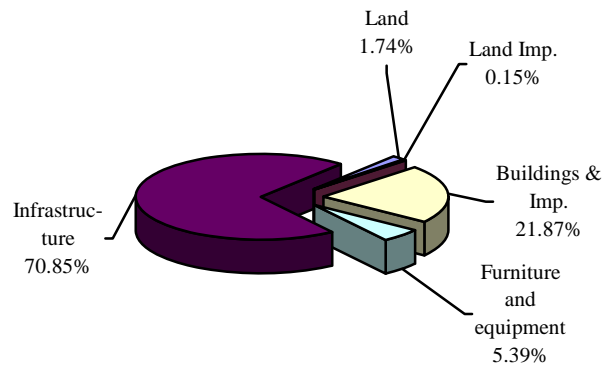
The City's largest business-type capital asset category is infrastructure that primarily includes water and sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 69.43% of the City's total business-type capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2017 and 2016.

**Capital Assets - Business-type Activities 2017**



**Capital Assets - Business-type Activities 2016**



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

**CITY OF ONTARIO, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(UNAUDITED)**

***Debt Administration***

The City had the following long-term obligations outstanding at December 31, 2017 and 2016:

	Governmental activities	
	<u>2017</u>	<u>2016</u>
General obligation bonds	\$ 2,660,000	\$ 2,780,000
Capital leases payable	<u>277,165</u>	<u>210,764</u>
Total long-term obligations	<u>\$ 2,937,165</u>	<u>\$ 2,990,764</u>

	Business-type activities	
	<u>2017</u>	<u>2016</u>
OPWC loans	\$ 874,943	\$ 914,950
General obligation bonds	1,950,000	2,075,000
Capital leases payable	<u>235,562</u>	<u>-</u>
Total long-term obligations	<u>\$ 3,060,505</u>	<u>\$ 2,989,950</u>

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

**Economic Conditions and Outlook**

The City of Ontario strives to create a business-friendly environment for both existing and new businesses. Regardless if the type of business is manufacturing, healthcare, 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 five-county area. Ontario is located conveniently between Columbus and Cleveland, with several main routes in and out of the city offering easy access to all directions. The City also is beneficially located to take advantage of three major airports: Cleveland, Columbus, and Akron-Canton.

The City offers several economic development tools to attract business and industry. The Job Creation Tax Credit (JCTC) pursuant to Ohio law may be offered to entities who agree to make a capital investment to create and/or retain jobs. Additionally, the City actively promotes economic development by offering retention and expansion support and assistance for those businesses already located in the community. The Ohio Community Reinvestment Area program provides property tax exemptions for property owners who renovate existing or construct new buildings. These programs are designed to help offset the high cost of business start-up activities as well as assist existing businesses to grow and remain competitive in the long-term.

During 2017, Ontario made several improvements including playground equipment and many trees being added to the parks. The Maize Memorial Dog Park continues to develop, becoming very popular while drawing visitors from several counties. Adjacent to the dog park, a disc-golf course was constructed. The City was also able to continue the annual paving project and made numerous enhancements to the infrastructure. Marketing and development continues for the Ontario Triangle complex which features the new TownePlace Suites by Marriott. Opening recently, this 86-room extended-stay hotel, in conjunction with the City, developed 67 acres of excellent retail property.

## CITY OF ONTARIO, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017 (UNAUDITED)

The former Lazarus building at the Richland Mall was purchased by Avita Health System and opened "Avita Ontario", a state-of-the-art multi-specialty medical facility in the fall of 2014. The medical center offers primary care providers and medical specialists surrounded by specialty service lines such as outpatient diagnostic and treatment services including lab, imaging, endoscopy and pharmacy. The health care complex will continue to build up the 17-acre lot in phases, with phase 2, a 23-bed emergency department with helipad, surgery care, inpatient hospital beds and critical care unit opening in 2017. The cardiology services are also being expanded to include a cardiac catheterization lab and cardiac rehab area. This phase totaled \$26 million covering 94,000 square feet and created 350 new jobs.

The City is staying motivated and energized for changes in the area. Construction on the Beer Road Industrial Park roadway is complete enabling FedEx to develop more than 31 acres and build a \$10 million 165,000 square foot packaging and distribution center. The industrial park continues to develop. In cooperation with the Ontario Growth Corporation, the City works to attract new business. The Department of Zoning reported more than \$7.3 million in new construction, alterations, and additions. In 2017, there were 20 business grand openings including an OhioHealth free-standing emergency department, an IHOP and the Altitude Trampoline Park, which offers an excellent entertainment location.

The Ohio State University branch has completed three 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, which share the campus, 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 recently extended the sidewalks approximately one mile to this "Campus District". The goal is to have a walkable community with a "town center" concept. A zoning plan for the Walker-Lake and Lexington-Springmill Road area has been completed.

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, 2017**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Equity in pooled cash and investments . . . . .	\$ 6,792,031	\$ 4,537,431	\$ 11,329,462
Cash in segregated accounts . . . . .	21,862	-	21,862
Receivables (net of allowance for uncollectibles)			
Income taxes . . . . .	1,072,471	-	1,072,471
Real and other local taxes . . . . .	377,008	-	377,008
Accounts . . . . .	39,024	1,028,437	1,067,461
Special assessments . . . . .	1,130	-	1,130
Accrued interest . . . . .	17,455	-	17,455
Intergovernmental . . . . .	188,132	-	188,132
Payment in lieu of taxes . . . . .	248,573	-	248,573
Prepayments . . . . .	87,062	6,958	94,020
Materials and supplies inventory . . . . .	112,744	116,253	228,997
Net pension asset . . . . .	6,691	1,865	8,556
Internal balance . . . . .	3,722	(3,722)	-
Capital assets:			
Nondepreciable assets . . . . .	2,512,193	262,626	2,774,819
Depreciable capital assets, net . . . . .	17,545,142	14,626,362	32,171,504
Total capital assets, net . . . . .	<u>20,057,335</u>	<u>14,888,988</u>	<u>34,946,323</u>
Total assets . . . . .	<u>29,025,240</u>	<u>20,576,210</u>	<u>49,601,450</u>
<b>Deferred outflows of resources:</b>			
Unamortized deferred charges on debt refunding . . . . .	132,641	-	132,641
Pension - OPERS . . . . .	787,206	227,059	1,014,265
Pension - OP&F . . . . .	621,454	-	621,454
Total deferred outflows of resources . . . . .	<u>1,541,301</u>	<u>227,059</u>	<u>1,768,360</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	19,294	6,157	25,451
Contracts payable . . . . .	10,848	-	10,848
Accrued wages and benefits payable . . . . .	80,465	11,970	92,435
Intergovernmental payable . . . . .	51,431	325,558	376,989
Accrued interest payable . . . . .	8,101	5,864	13,965
Claims payable . . . . .	57,663	-	57,663
Long-term liabilities:			
Due within one year . . . . .	400,124	238,667	638,791
Due in more than one year . . . . .	3,326,782	3,186,800	6,513,582
Net pension liability . . . . .	5,429,830	562,886	5,992,716
Total liabilities . . . . .	<u>9,384,538</u>	<u>4,337,902</u>	<u>13,722,440</u>
<b>Deferred inflows of resources:</b>			
Property taxes and PILOTs levied for the next fiscal year . . . . .	577,730	-	577,730
Pension - OPERS . . . . .	47,026	7,795	54,821
Pension - OP&F . . . . .	52,928	-	52,928
Total deferred inflows of resources . . . . .	<u>677,684</u>	<u>7,795</u>	<u>685,479</u>
<b>Net position:</b>			
Net investment in capital assets . . . . .	16,905,744	11,569,537	28,475,281
Restricted for:			
Debt service . . . . .	127,099	-	127,099
Transportation improvement projects . . . . .	624,113	-	624,113
Tax increment financing . . . . .	96,628	-	96,628
Court computerization . . . . .	13,764	-	13,764
Cemetery . . . . .	38,025	-	38,025
Other purposes . . . . .	147,368	-	147,368
Unrestricted . . . . .	<u>2,551,578</u>	<u>4,888,035</u>	<u>7,439,613</u>
Total net position . . . . .	<u>\$ 20,504,319</u>	<u>\$ 16,457,572</u>	<u>\$ 36,961,891</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ONTARIO, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017

	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
<b>Governmental activities:</b>			
General government . . . . .	\$ 2,178,702	\$ 507,203	\$ -
Security of persons and property . . .	3,082,438	237,162	22,690
Public health and welfare . . . . .	9,629	6,185	-
Transportation . . . . .	2,647,680	-	438,339
Community environment . . . . .	70,943	-	-
Leisure time activity . . . . .	228,864	18,361	-
Interest and fiscal charges . . . . .	92,846	-	-
Total governmental activities . . . . .	<u>8,311,102</u>	<u>768,911</u>	<u>461,029</u>
<b>Business-type activities:</b>			
Water . . . . .	929,705	912,552	-
Sewer . . . . .	2,099,204	2,157,572	-
Total business-type activities . . . . .	<u>3,028,909</u>	<u>3,070,124</u>	<u>-</u>
Total primary government . . . . .	<u>\$ 11,340,011</u>	<u>\$ 3,839,035</u>	<u>\$ 461,029</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**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (1,671,499)	\$ -	\$ (1,671,499)
(2,822,586)	-	(2,822,586)
(3,444)	-	(3,444)
(2,209,341)	-	(2,209,341)
(70,943)	-	(70,943)
(210,503)	-	(210,503)
(92,846)	-	(92,846)
<u>(7,081,162)</u>	<u>-</u>	<u>(7,081,162)</u>
-	(17,153)	(17,153)
-	58,368	58,368
-	41,215	41,215
<u>(7,081,162)</u>	<u>41,215</u>	<u>(7,039,947)</u>
347,578	-	347,578
19,517	-	19,517
49,082	-	49,082
3,439,066	-	3,439,066
1,154,751	-	1,154,751
411,196	-	411,196
191,113	-	191,113
606,161	-	606,161
103,950	-	103,950
(14,254)	-	(14,254)
72,764	4,717	77,481
<u>6,380,924</u>	<u>4,717</u>	<u>6,385,641</u>
<u>(3,136)</u>	<u>3,136</u>	<u>-</u>
(703,374)	49,068	(654,306)
<u>21,207,693</u>	<u>16,408,504</u>	<u>37,616,197</u>
<u>\$ 20,504,319</u>	<u>\$ 16,457,572</u>	<u>\$ 36,961,891</u>

**CITY OF ONTARIO, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2017

	<u>General</u>	<u>35% Street Construction</u>	<u>Tax Increment Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and investments . . . . .	\$ 4,784,216	\$ 638,627	\$ 96,628	\$ 1,243,479	\$ 6,762,950
Cash in segregated accounts . . . . .	-	-	-	21,862	21,862
Receivables (net of allowance for uncollectibles):					
Income taxes . . . . .	750,730	250,243	-	71,498	1,072,471
Real and other local taxes . . . . .	314,922	-	-	62,086	377,008
Accounts . . . . .	38,239	-	-	785	39,024
Accrued interest . . . . .	15,095	-	-	2,360	17,455
Special assessments . . . . .	-	-	-	1,130	1,130
Intergovernmental . . . . .	33,784	-	-	154,348	188,132
Payments in lieu of taxes . . . . .	-	-	111,439	137,134	248,573
Prepayments . . . . .	87,062	-	-	-	87,062
Materials and supplies inventory . . . . .	671	46,756	-	65,317	112,744
<b>Total assets . . . . .</b>	<b>\$ 6,024,719</b>	<b>\$ 935,626</b>	<b>\$ 208,067</b>	<b>\$ 1,759,999</b>	<b>\$ 8,928,411</b>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 7,594	\$ 1,000	\$ -	\$ 10,700	\$ 19,294
Contracts payable . . . . .	10,848	-	-	-	10,848
Accrued wages and benefits payable . . . . .	67,175	12,855	-	435	80,465
Intergovernmental payable . . . . .	38,851	3,786	-	8,794	51,431
Compensated absences payable . . . . .	37,301	-	-	-	37,301
Claims payable . . . . .	1,688	-	-	-	1,688
<b>Total liabilities . . . . .</b>	<b>163,457</b>	<b>17,641</b>	<b>-</b>	<b>19,929</b>	<b>201,027</b>
<b>Deferred inflows of resources:</b>					
Property taxes and PILOTs levied for the next fiscal year . . . . .	281,453	-	111,439	184,838	577,730
Delinquent property tax revenue not available . . . . .	19,922	-	-	3,377	23,299
Accrued interest not available . . . . .	4,385	-	-	743	5,128
Special assessments revenue not available . . . . .	-	-	-	1,130	1,130
Income tax revenue not available . . . . .	461,185	153,728	-	43,922	658,835
Nonexchange transactions . . . . .	30,896	-	-	122,132	153,028
<b>Total deferred inflows of resources . . . . .</b>	<b>797,841</b>	<b>153,728</b>	<b>111,439</b>	<b>356,142</b>	<b>1,419,150</b>
<b>Fund balances:</b>					
Nonspendable . . . . .	87,733	46,756	-	65,317	199,806
Restricted . . . . .	-	-	96,628	781,569	878,197
Committed . . . . .	-	717,501	-	537,042	1,254,543
Assigned . . . . .	497,770	-	-	-	497,770
Unassigned . . . . .	4,477,918	-	-	-	4,477,918
<b>Total fund balances . . . . .</b>	<b>5,063,421</b>	<b>764,257</b>	<b>96,628</b>	<b>1,383,928</b>	<b>7,308,234</b>
<b>Total liabilities, deferred inflows of resources and fund balances . . . . .</b>	<b>\$ 6,024,719</b>	<b>\$ 935,626</b>	<b>\$ 208,067</b>	<b>\$ 1,759,999</b>	<b>\$ 8,928,411</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, 2017

<b>Total governmental fund balances</b>	\$	7,308,234
<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.		20,057,335
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Real and other local taxes receivable	\$ 23,299	
Income taxes receivable	658,835	
Accrued interest receivable	5,128	
Special assessments receivable	1,130	
Intergovernmental receivable	<u>153,028</u>	
Total		841,420
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.		(26,894)
An internal balance is recorded in governmental activities to reflect underpayments to the internal service funds by the business-type activities.		3,722
Unamortized deferred amounts on refundings are not recognized in the governmental funds.		132,641
Unamortized bond discounts are not recognized in the governmental funds.		1,578
Unamortized bond premiums are not recognized in the governmental funds.		(348,645)
The net pension asset and net pension liability are not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the asset, the liability and related deferred inflows/outflows are not reported in governmental funds.		
Net pension asset	6,691	
Deferred outflows of resources	1,408,660	
Deferred inflows of resources	(99,954)	
Net pension liability	<u>(5,429,830)</u>	
Total		(4,114,433)
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	(8,101)	
Compensated absences payable	(405,373)	
Capital lease payable	(277,165)	
General obligation bonds payable	<u>(2,660,000)</u>	
Total		<u>(3,350,639)</u>
<b>Net position of governmental activities</b>	<b>\$</b>	<b><u>20,504,319</u></b>

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, 2017

	<u>General</u>	<u>35% Street Construction</u>	<u>Tax Increment Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Income taxes . . . . .	\$ 3,529,320	\$ 1,184,836	\$ -	\$ 419,792	\$ 5,133,948
Real and other local taxes . . . . .	350,857	-	-	68,933	419,790
Charges for services . . . . .	-	-	-	24,546	24,546
Licenses, permits and fees . . . . .	375,397	-	-	15,019	390,416
Fines and forfeitures . . . . .	-	-	-	347,514	347,514
Intergovernmental . . . . .	179,571	-	-	466,178	645,749
Special assessments . . . . .	-	-	-	5,664	5,664
Payments in lieu of taxes . . . . .	-	-	382,796	223,365	606,161
Investment income . . . . .	102,511	-	-	16,401	118,912
Other . . . . .	42,306	8,742	-	21,742	72,790
Decrease in fair market value of investments . . . . .	(14,254)	-	-	-	(14,254)
<b>Total revenues . . . . .</b>	<u>4,565,708</u>	<u>1,193,578</u>	<u>382,796</u>	<u>1,609,154</u>	<u>7,751,236</u>
<b>Expenditures:</b>					
Current:					
General government . . . . .	1,391,170	-	201,018	449,919	2,042,107
Security of persons and property . . . . .	2,772,586	-	-	318,345	3,090,931
Public health and welfare . . . . .	-	-	-	9,629	9,629
Transportation . . . . .	-	961,415	-	413,169	1,374,584
Community environment . . . . .	65,095	-	-	-	65,095
Leisure time activity . . . . .	95,507	-	-	47,312	142,819
Capital outlay . . . . .	161,860	73,400	-	736,863	972,123
Debt service:					
Principal retirement . . . . .	28,998	77,946	-	120,000	226,944
Interest and fiscal charges . . . . .	1,400	5,273	-	102,183	108,856
<b>Total expenditures . . . . .</b>	<u>4,516,616</u>	<u>1,118,034</u>	<u>201,018</u>	<u>2,197,420</u>	<u>8,033,088</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>49,092</u>	<u>75,544</u>	<u>181,778</u>	<u>(588,266)</u>	<u>(281,852)</u>
<b>Other financing sources (uses):</b>					
Capital lease transaction . . . . .	99,945	73,400	-	-	173,345
Transfers in . . . . .	-	1,045	-	431,304	432,349
Transfers (out) . . . . .	(350,335)	-	(85,150)	-	(435,485)
<b>Total other financing sources (uses) . . . . .</b>	<u>(250,390)</u>	<u>74,445</u>	<u>(85,150)</u>	<u>431,304</u>	<u>170,209</u>
Net change in fund balances . . . . .	(201,298)	149,989	96,628	(156,962)	(111,643)
<b>Fund balances at beginning of year . . . . .</b>	<u>5,264,719</u>	<u>614,268</u>	<u>-</u>	<u>1,540,890</u>	<u>7,419,877</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 5,063,421</u>	<u>\$ 764,257</u>	<u>\$ 96,628</u>	<u>\$ 1,383,928</u>	<u>\$ 7,308,234</u>

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, 2017

<b>Net change in fund balances - total governmental funds</b>	\$	(111,643)
<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	\$ 1,169,744	
Current year depreciation	(1,394,552)	
Total		(224,808)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(6,444)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Real and other local taxes	(3,613)	
Income taxes	(128,935)	
Investment income	1,682	
Special assessments	771	
Intergovernmental revenues	(10,881)	
Total		(140,976)
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.		
		(173,345)
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.		
		226,944
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 less interest being reported on the statement of activities:		
Change in accrued interest	\$ 275	
Amortization of bond premium	27,655	
Amortization of deferred amounts on refunding	(11,131)	
Amortization of discount on bond issuance	(789)	
Total		16,010
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		427,569
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(835,917)
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.		
		49,836
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		69,400
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b>(703,374)</b>

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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Income taxes . . . . .	\$ 3,369,048	\$ 3,369,048	\$ 3,518,488	\$ 149,440
Real and other local taxes. . . . .	327,699	327,699	342,235	14,536
Licenses, permits and fees. . . . .	285,558	285,558	298,224	12,666
Intergovernmental. . . . .	172,860	172,860	180,527	7,667
Investment income. . . . .	86,973	86,973	90,831	3,858
Other . . . . .	176,162	176,162	183,976	7,814
Total revenues . . . . .	<u>4,418,300</u>	<u>4,418,300</u>	<u>4,614,281</u>	<u>195,981</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	1,641,949	1,624,195	1,398,245	225,950
Security of persons and property . . . . .	2,744,466	2,761,815	2,745,809	16,006
Community environment . . . . .	67,435	67,840	65,376	2,464
Leisure time activity . . . . .	111,500	111,500	94,380	17,120
Capital outlay . . . . .	-	-	51,067	(51,067)
Total expenditures . . . . .	<u>4,565,350</u>	<u>4,565,350</u>	<u>4,354,877</u>	<u>210,473</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(147,050)</u>	<u>(147,050)</u>	<u>259,404</u>	<u>406,454</u>
<b>Other financing uses:</b>				
Transfers (out). . . . .	<u>(308,000)</u>	<u>(308,000)</u>	<u>(348,244)</u>	<u>(40,244)</u>
Total other financing uses . . . . .	<u>(308,000)</u>	<u>(308,000)</u>	<u>(348,244)</u>	<u>(40,244)</u>
Net change in fund balances . . . . .	(455,050)	(455,050)	(88,840)	366,210
<b>Fund balance at beginning of year. . . . .</b>	<u>4,889,123</u>	<u>4,889,123</u>	<u>4,889,123</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 4,434,073</u>	<u>\$ 4,434,073</u>	<u>\$ 4,800,283</u>	<u>\$ 366,210</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)  
 35% STREET CONSTRUCTION FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2017

	<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 . . . . .	\$ 1,190,883	\$ 1,190,883	\$ 1,181,225	\$ (9,658)
Other . . . . .	8,813	8,813	8,742	(71)
Total revenues . . . . .	<u>1,199,696</u>	<u>1,199,696</u>	<u>1,189,967</u>	<u>(9,729)</u>
<b>Expenditures:</b>				
Current:				
Transportation . . . . .	1,114,308	1,114,308	1,036,634	77,674
Total expenditures . . . . .	<u>1,114,308</u>	<u>1,114,308</u>	<u>1,036,634</u>	<u>77,674</u>
Excess of revenues over expenditures. . . . .	<u>85,388</u>	<u>85,388</u>	<u>153,333</u>	<u>67,945</u>
<b>Other financing sources:</b>				
Transfers in . . . . .	1,054	1,054	1,045	(9)
Total other financing sources . . . . .	<u>1,054</u>	<u>1,054</u>	<u>1,045</u>	<u>(9)</u>
Net change in fund balances . . . . .	86,442	86,442	154,378	67,936
<b>Fund balance at beginning of year. . . . .</b>	<u>484,249</u>	<u>484,249</u>	<u>484,249</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 570,691</u>	<u>\$ 570,691</u>	<u>\$ 638,627</u>	<u>\$ 67,936</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)  
 TAX INCREMENT FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Revenue in lieu of taxes . . . . .	\$ 369,580	\$ 378,900	\$ 382,796	\$ 3,896
Total revenues . . . . .	<u>369,580</u>	<u>378,900</u>	<u>382,796</u>	<u>3,896</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	205,900	226,020	201,018	25,002
Total expenditures . . . . .	<u>205,900</u>	<u>226,020</u>	<u>201,018</u>	<u>25,002</u>
Excess of revenues over expenditures. .	<u>163,680</u>	<u>152,880</u>	<u>181,778</u>	<u>28,898</u>
<b>Other financing uses:</b>				
Transfers (out). . . . .	(85,150)	(85,150)	(85,150)	-
Total other financing uses . . . . .	<u>(85,150)</u>	<u>(85,150)</u>	<u>(85,150)</u>	<u>-</u>
Net change in fund balances . . . . .	78,530	67,730	96,628	28,898
<b>Fund balances at beginning of year . . . . .</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 78,530</u>	<u>\$ 67,730</u>	<u>\$ 96,628</u>	<u>\$ 28,898</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**CITY OF ONTARIO, OHIO**

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2017

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental</b>
	<b>Water</b>	<b>Sewer</b>	<b>Total</b>	<b>Activities - Internal Service Fund</b>
<b>Assets:</b>				
Current assets:				
Equity in pooled cash and investments . . . . .	\$ 3,181,514	\$ 1,355,917	\$ 4,537,431	\$ 29,081
Receivables (net of allowance for uncollectables):				
Accounts . . . . .	280,666	747,771	1,028,437	-
Materials and supplies inventory . . . . .	86,415	29,838	116,253	-
Prepayments . . . . .	5,195	1,763	6,958	-
Total current assets . . . . .	<u>3,553,790</u>	<u>2,135,289</u>	<u>5,689,079</u>	<u>29,081</u>
Noncurrent assets:				
Net pension asset . . . . .	1,128	737	1,865	-
Capital assets:				
Land and construction in progress . . . . .	262,626	-	262,626	-
Depreciable capital assets, net . . . . .	5,165,365	9,460,997	14,626,362	-
Total capital assets, net . . . . .	<u>5,427,991</u>	<u>9,460,997</u>	<u>14,888,988</u>	<u>-</u>
Total noncurrent assets . . . . .	<u>5,429,119</u>	<u>9,461,734</u>	<u>14,890,853</u>	<u>-</u>
Total assets . . . . .	<u>8,982,909</u>	<u>11,597,023</u>	<u>20,579,932</u>	<u>29,081</u>
<b>Deferred outflows of resources:</b>				
Pension - OPERS. . . . .	132,669	94,390	227,059	-
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable . . . . .	-	6,157	6,157	-
Accrued wages and benefits payable . . . . .	8,514	3,456	11,970	-
Intergovernmental payable . . . . .	4,639	320,919	325,558	-
Accrued interest payable . . . . .	4,389	1,475	5,864	-
Compensated absences payable - current . . . . .	11,691	5,932	17,623	-
General obligation bonds payable . . . . .	105,000	20,000	125,000	-
OPWC loans payable - current . . . . .	1,838	38,168	40,006	-
Capital lease obligations payable . . . . .	26,327	29,711	56,038	-
Claims payable . . . . .	-	-	-	55,975
Total current liabilities . . . . .	<u>162,398</u>	<u>425,818</u>	<u>588,216</u>	<u>55,975</u>
Long-term liabilities:				
Compensated absences payable . . . . .	51,629	36,764	88,393	-
General obligation bonds payable . . . . .	1,370,000	455,000	1,825,000	-
OPWC loans payable . . . . .	2,757	832,180	834,937	-
Unamortized premium on bonds . . . . .	189,915	69,031	258,946	-
Capital lease obligations payable . . . . .	84,341	95,183	179,524	-
Net pension liability . . . . .	340,427	222,459	562,886	-
Total long-term liabilities . . . . .	<u>2,039,069</u>	<u>1,710,617</u>	<u>3,749,686</u>	<u>-</u>
Total liabilities . . . . .	<u>2,201,467</u>	<u>2,136,435</u>	<u>4,337,902</u>	<u>55,975</u>
<b>Deferred inflows of resources:</b>				
Pension - OPERS. . . . .	5,318	2,477	7,795	-
<b>Net position:</b>				
Net investment in capital assets . . . . .	3,647,813	7,921,724	11,569,537	-
Unrestricted . . . . .	3,260,980	1,630,777	4,891,757	(26,894)
Total net position (deficit) . . . . .	<u>\$ 6,908,793</u>	<u>\$ 9,552,501</u>	<u>16,461,294</u>	<u>\$ (26,894)</u>
Adjustment to reflect the consolidation of the internal service fund activities related to enterprise funds . . . . .			(3,722)	
Net position of business-type activities			<u>\$ 16,457,572</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, 2017

	<u>Business-type Activities - Enterprise Funds</u>			<b>Governmental Activities - Internal Service Fund</b>
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
<b>Operating revenues:</b>				
Charges for services . . . . .	\$ 912,552	\$ 2,157,572	\$ 3,070,124	\$ 758,551
Other . . . . .	4,665	52	4,717	-
Total operating revenues. . . . .	<u>917,217</u>	<u>2,157,624</u>	<u>3,074,841</u>	<u>758,551</u>
<b>Operating expenses:</b>				
Personal services . . . . .	371,020	201,996	573,016	-
Contract services. . . . .	110,596	1,455,739	1,566,335	184,278
Materials and supplies. . . . .	107,300	79,525	186,825	-
Claims expense . . . . .	-	-	-	494,272
Depreciation. . . . .	304,758	349,661	654,419	-
Other . . . . .	5,226	-	5,226	-
Total operating expenses. . . . .	<u>898,900</u>	<u>2,086,921</u>	<u>2,985,821</u>	<u>678,550</u>
Operating income . . . . .	<u>18,317</u>	<u>70,703</u>	<u>89,020</u>	<u>80,001</u>
<b>Nonoperating revenues (expenses):</b>				
Interest and fiscal charges . . . . .	(39,780)	(14,513)	(54,293)	-
Interest income. . . . .	-	-	-	604
Total nonoperating revenues (expenses). . . . .	<u>(39,780)</u>	<u>(14,513)</u>	<u>(54,293)</u>	<u>604</u>
Income (loss) before transfers . . . . .	<u>(21,463)</u>	<u>56,190</u>	<u>34,727</u>	<u>80,605</u>
Transfers in. . . . .	<u>2,091</u>	<u>1,045</u>	<u>3,136</u>	<u>-</u>
Change in net position . . . . .	<u>(19,372)</u>	<u>57,235</u>	<u>37,863</u>	<u>80,605</u>
<b>Net position (deficit) at beginning of year . . . . .</b>	<u>6,928,165</u>	<u>9,495,266</u>		<u>(107,499)</u>
<b>Net position (deficit) at end of year . . . . .</b>	<u>\$ 6,908,793</u>	<u>\$ 9,552,501</u>		<u>\$ (26,894)</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			<u>11,205</u>	
Change in net position of business-type activities			<u>\$ 49,068</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, 2017**

	<u>Business-type Activities - Enterprise Funds</u>			<b>Governmental Activities - Internal Service Fund</b>
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
<b>Cash flows from operating activities:</b>				
Cash received from customers . . . . .	\$ 832,079	\$ 1,780,615	\$ 2,612,694	\$ 758,551
Cash received from other operations . . . . .	4,665	52	4,717	-
Cash payments for personal services . . . . .	(321,358)	(167,897)	(489,255)	-
Cash payments for contract services . . . . .	(112,794)	(1,268,777)	(1,381,571)	(184,278)
Cash payments for materials and supplies . . . . .	(86,437)	(77,334)	(163,771)	-
Cash payments for other expenses . . . . .	(5,226)	-	(5,226)	-
Cash payments for claims . . . . .	-	-	-	(489,936)
Net cash provided by operating activities . . . . .	<u>310,929</u>	<u>266,659</u>	<u>577,588</u>	<u>84,337</u>
<b>Cash flows from noncapital financing activities:</b>				
Cash received from transfers in . . . . .	2,091	1,045	3,136	-
Cash used in repayment of interfund loans . . . . .	-	-	-	(55,860)
Net cash provided by (used in) noncapital financing activities . . . . .	<u>2,091</u>	<u>1,045</u>	<u>3,136</u>	<u>(55,860)</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition of capital assets . . . . .	(117,115)	(26,590)	(143,705)	-
Principal retirement on OPWC loans . . . . .	(1,838)	(38,169)	(40,007)	-
Principal retirement on bonds . . . . .	(105,000)	(20,000)	(125,000)	-
Interest paid on bonds . . . . .	(55,650)	(18,399)	(74,049)	-
Principal retirement on capital leases . . . . .	(30,000)	(33,858)	(63,858)	-
Net cash used in capital and related financing activities . . . . .	<u>(309,603)</u>	<u>(137,016)</u>	<u>(446,619)</u>	<u>-</u>
<b>Cash flows from investing activities:</b>				
Interest received . . . . .	-	-	-	604
Net cash provided by investing activities . . . . .	<u>-</u>	<u>-</u>	<u>-</u>	<u>604</u>
Net increase in cash and cash equivalents . . . . .	3,417	130,688	134,105	29,081
<b>Cash and investments at beginning of year . . . . .</b>	<u>3,178,097</u>	<u>1,225,229</u>	<u>4,403,326</u>	<u>-</u>
<b>Cash and investments at end of year . . . . .</b>	<u>\$ 3,181,514</u>	<u>\$ 1,355,917</u>	<u>\$ 4,537,431</u>	<u>\$ 29,081</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>				
Operating income . . . . .	\$ 18,317	\$ 70,703	\$ 89,020	\$ 80,001
Adjustments:				
Depreciation . . . . .	304,758	349,661	654,419	-
Changes in assets, deferred outflows, liabilities and deferred inflows:				
Decrease in materials and supplies inventory . . . . .	20,863	2,191	23,054	-
(Increase) in accounts receivable . . . . .	(80,473)	(376,957)	(457,430)	-
(Increase) in prepayments . . . . .	(5,195)	(1,763)	(6,958)	-
(Increase) in net pension asset . . . . .	(81)	(123)	(204)	-
(Increase) in deferred outflows - pension - OPERS . . . . .	(30,460)	(34,453)	(64,913)	-
Increase in accounts payable . . . . .	-	6,157	6,157	-
Increase in accrued wages and benefits . . . . .	3,008	156	3,164	-
Increase (decrease) in Intergovernmental payable . . . . .	(1,866)	179,250	177,384	-
Increase in compensated absences payable . . . . .	7,087	5,686	12,773	-
Increase in net pension liability . . . . .	77,756	68,425	146,181	-
Decrease in deferred inflows - pension - OPERS . . . . .	(2,785)	(2,274)	(5,059)	-
Increase in claims payable . . . . .	-	-	-	4,336
Net cash provided by operating activities . . . . .	<u>\$ 310,929</u>	<u>\$ 266,659</u>	<u>\$ 577,588</u>	<u>\$ 84,337</u>

**Noncash transactions:**

The water fund entered into a capital lease of \$140,668 during 2017.  
The sewer fund entered into a capital lease of \$158,752 during 2017.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ONTARIO, OHIO**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
DECEMBER 31, 2017**

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and investments . . . . .	<u>\$ 49,069</u>
Total assets . . . . .	<u><u>\$ 49,069</u></u>
<b>Liabilities:</b>	
Deposits held and due to others . . . . .	<u>\$ 49,069</u>
Total liabilities . . . . .	<u><u>\$ 49,069</u></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, 2017

#### **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.

**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 activities of the internal service funds are eliminated to avoid “doubling up” revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

## CITY OF ONTARIO, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

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. The internal service fund is presented in a single column on the face of the proprietary fund financial statements. 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.

35% street construction fund - The 35% street construction fund receives income tax revenues for constructing, maintaining and repairing City streets.

Tax increment fund - This fund accounts for and reports the accumulation of restricted payments in lieu of tax revenues.

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 and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

***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.

***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.

***Internal service fund*** - Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's only internal service fund is the Self-Insurance fund which reports on the payments of premiums and claims for healthcare.

***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, 2017

**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 Outflows of Resources and Deferred Inflows of Resources** - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, See Note 15 for deferred outflows of resources related the City's net pension liability. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.



**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2017, but which were levied to finance 2018 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes, but is not limited to, income taxes, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the City, See Note 15 for deferred inflows of resources related to the City's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position. In addition, deferred inflows of resources include a deferred gain on debt refunding.

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

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 ordinance 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.

**CITY OF ONTARIO, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

The appropriation ordinance 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 2017, investments were limited to nonnegotiable certificates of deposits, federal agency securities, U.S. government money market mutual funds, commercial paper, U.S. Treasury notes and STAR Ohio. 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.

During 2017, the City invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The City measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

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 2017 amounted to \$102,511, which includes \$51,488 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.

**CITY OF ONTARIO, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

**H. Inventory**

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

**I. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2017, 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 acquisition values as of the date received. The City maintains a capitalization threshold of \$5,000. 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 easements. 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.

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

**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

**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, 2017 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.

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.

**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

**N. Interfund Balances**

On fund financial statements, receivables and payables resulting from negative cash balances are classified as “due to/due from other funds”. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position.

**O. 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, 2017**

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

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

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

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

**Q. 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.

**R. 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 City did not receive any contributions of capital during 2017.

**S. 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.

**T. 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 for water, sewer and self-insurance programs. 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.

**U. 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 2017.

**CITY OF ONTARIO, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

**V. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**W. Fair Value Measurements**

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For 2017, the City has implemented GASB Statement No. 80, "*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*", GASB Statement No. 81 "*Irrevocable Split-Interest Agreements*", and GASB Statement No. 82, "*Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*".

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the City.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the City.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the City.

**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**B. Deficit Fund Balances**

Fund balances at December 31, 2017 included the following individual fund deficit:

<u>Nonmajor funds</u>	<u>Deficit</u>
Internal service fund	\$ 26,894

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 resulted from adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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;



**CITY OF ONTARIO, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

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 two hundred seventy days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and,
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, 2017 was \$21,862. These depository accounts are included in "deposits with financial institutions" below.

**B. Deposits with Financial Institutions**

At December 31, 2017, the carrying amount of all City deposits was \$3,573,445 and the bank balance of all City deposits was \$3,923,781. Of the bank balance, \$1,000,000 was covered by the FDIC, \$750,000 was covered by the Ohio Pooled Collateral System, and \$2,173,781 was potentially exposed to custodial credit risk discussed below because those deposits were uninsured and could be uncollateralized. Although 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, 2017

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

Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State. Financial institutions which have received an extension (the “grace period”) from the Ohio Treasurer of State to participate in the OPCS beyond December 31, 2017 may also pledge a single pool of eligible securities to secure the repayment of all public moneys deposited in the institution and not otherwise secured pursuant to law, provided that at all times the total market value of the securities so pledged is at least equal to 105% of the total amount of all public deposits to be secured by the pooled securities that are not covered by any federal deposit insurance. For 2017, certain City financial institutions participated in OPCS and some did not participate in the OPCS because they received an extension of time to participate.

**C. Investments**

As of December 31, 2017, the City had the following investments and maturities:

Measurement/ Investment type	Measurement Amount	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 60 months	Greater than 24 months
Fair value:						
FHLMC	\$ 904,271	\$ 524,261	\$ -	\$ -	\$ -	\$ 380,010
FNMA	1,720,085	-	-	-	393,476	1,326,609
FFCB	346,159	-	-	-	-	346,159
FHLB	547,211	99,936	-	-	-	447,275
U.S. Government money						
market funds	5,005	5,005	-	-	-	-
Commercial paper	820,145	572,612	247,533	-	-	-
U.S. Treasury notes	670,047	-	-	-	-	670,047
Amortized cost:						
STAR Ohio	2,814,025	2,814,025	-	-	-	-
Total	<u>\$ 7,826,948</u>	<u>\$ 4,015,839</u>	<u>\$ 247,533</u>	<u>\$ -</u>	<u>\$ 393,476</u>	<u>\$ 3,170,100</u>

The City’s investments in U.S. Treasury Notes are valued using quoted market prices in active markets (Level 1 inputs). The City’s investments in federal agency securities (FHLMC, FNMA, FFCB, FHLB) and Commercial Paper are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

*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:* STAR Ohio carries a rating of AAAm by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The City's investments in federal agency securities and U.S. Treasury notes were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The City's investment policy does not specifically address credit risk beyond requiring the City to only invest in securities authorized by State statute. The City's investments in commercial are rated P-1 and A-1 with Moody's and Standard & Poor's, respectively.

*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.

*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, 2017:

<u>Measurement/ Investment type</u>	<u>Measurement Amount</u>	<u>% of Total</u>
Fair value:		
FHLMC	\$ 904,271	11.55
FNMA	1,720,085	21.98
FFCB	346,159	4.42
FHLB	547,211	6.99
U.S. Government money market fund	5,005	0.06
Commercial paper	820,145	10.48
U.S. Treasury notes	670,047	8.56
Amortized cost:		
STAR Ohio	<u>2,814,025</u>	<u>35.96</u>
Total	<u>\$ 7,826,948</u>	<u>100.00</u>

**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

**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, 2017:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 3,573,445
Investments	7,826,948
Total	<u>\$ 11,400,393</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 6,813,893
Business-type activities	4,537,431
Agency funds	49,069
Total	<u>\$ 11,400,393</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund transfers for the year ended December 31, 2017, consisted of the following as reported on the fund financial statements:

<u>Transfers from the general fund to:</u>	
35% street construction fund	\$ 1,045
Nonmajor governmental funds	346,154
Water fund	2,091
Sewer fund	1,045
Total transfers from general fund	<u>\$ 350,335</u>
 <u>Transfers from the tax increment fund:</u>	
Nonmajor governmental funds	\$ 85,150
Total transfers from the tax increment fund	<u>\$ 85,150</u>
Total	<u>\$ 435,485</u>

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 \$85,150 transfer from the tax increment fund to the debt service fund (a nonmajor governmental fund) were for payments of the 2016 TIF project bonds principal and interest.

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.

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**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. 2017 public utility property taxes became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 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, 2017 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 2017 operations and the collection of delinquent taxes has been offset by a deferred inflow of resources since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is a deferred inflow of resources.

The full tax rate for all City operations for the year ended December 31, 2017 was \$2.20 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2017 property tax receipts were based are as follows:

<u>Real Property</u>	
Residential/Agricultural	\$ 99,617,340
Commercial/Industrial/Mineral	74,034,690
<u>Public Utility</u>	
Real/Personal	<u>5,856,030</u>
Total Assessed Value	<u>\$ 179,508,060</u>

**CITY OF ONTARIO, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**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 2017, by City ordinance, income tax proceeds, after income tax department expenditures, are credited to the following: general fund, capital improvement fund, and the 35% street construction fund. On the modified accrual basis of accounting, total income tax revenue was \$5,133,948 in 2017.

**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 the same rate. 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 life insurance to its employees through Guardian Insurance. The City provides medical, prescription, dental and vision benefits to employees through a self-insured plan.

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

The City, pursuant to the Ohio Revised Code and City ordinances, has established five TIFs with the addition of the Campus District, Ontario Triangle Development, Lexington-Springmill/Ferguson Road and Beer Road Industrial Park TIF agreements during 2016. 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.

During 2017, the City received PILOT revenue of \$606,161 in the tax increment fund and debt service fund (a nonmajor governmental fund). 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.

**CITY OF ONTARIO, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE 10 - RECEIVABLES**

Receivables at December 31, 2017, 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	\$ 1,072,471
Real and other taxes	377,008
Accounts	39,024
Special assessments	1,130
Accrued interest	17,455
Intergovernmental	188,132
Payments in lieu of taxes	248,573

**Business-type activities:**

Accounts	1,028,437
----------	-----------

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.

THIS SPACE INTENTIONALLY LEFT BLANK

**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 11 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2017, was as follows:

<b><u>Governmental activities:</u></b>	Balance 1/1/2017	Additions	Disposals	Balance 12/31/2017
<i>Capital assets, not being depreciated:</i>				
Land	\$ 2,492,488	\$ -	\$ -	\$ 2,492,488
Easements	<u>19,705</u>	<u>-</u>	<u>-</u>	<u>19,705</u>
Total capital assets, not being depreciated	<u>2,512,193</u>	<u>-</u>	<u>-</u>	<u>2,512,193</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,749,496	-	-	2,749,496
Buildings and improvements	3,221,760	6,334	-	3,228,094
Furniture and equipment	3,455,454	263,950	-	3,719,404
Vehicles	1,926,693	69,878	(9,374)	1,987,197
Infrastructure	<u>27,418,687</u>	<u>829,582</u>	<u>-</u>	<u>28,248,269</u>
Total capital assets, being depreciated	<u>38,772,090</u>	<u>1,169,744</u>	<u>(9,374)</u>	<u>39,932,460</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(2,036,448)	(79,442)	-	(2,115,890)
Buildings and improvements	(2,205,353)	(69,241)	-	(2,274,594)
Furniture and equipment	(3,054,861)	(121,448)	-	(3,176,309)
Vehicles	(1,310,072)	(112,670)	2,930	(1,419,812)
Infrastructure	<u>(12,388,962)</u>	<u>(1,011,751)</u>	<u>-</u>	<u>(13,400,713)</u>
Total accumulated depreciation	<u>(20,995,696)</u>	<u>(1,394,552)</u>	<u>2,930</u>	<u>(22,387,318)</u>
Total capital assets, being depreciated, net	<u>17,776,394</u>	<u>(224,808)</u>	<u>(6,444)</u>	<u>17,545,142</u>
Governmental activities capital assets, net	<u>\$ 20,288,587</u>	<u>\$ (224,808)</u>	<u>\$ (6,444)</u>	<u>\$ 20,057,335</u>

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

<b><u>Governmental activities:</u></b>	
General government	\$ 53,190
Security of persons and property	96,322
Transportation	1,162,210
Leisure time activity	<u>82,830</u>
Total depreciation expense - governmental activities	<u>\$ 1,394,552</u>



**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

<b><u>Business-type activities:</u></b>	Balance 1/1/2017	Additions	Disposals	Balance 12/31/2017
<i>Capital assets, not being depreciated:</i>				
Land	\$ 262,626	\$ -	\$ -	\$ 262,626
Total capital assets, not being depreciated	<u>262,626</u>	<u>-</u>	<u>-</u>	<u>262,626</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	79,492	-	-	79,492
Buildings and improvements	4,752,755	-	-	4,752,755
Furniture and equipment	3,476,941	376,652	-	3,853,593
Infrastructure:				
Sewer lines	10,653,890	-	-	10,653,890
Water lines	<u>6,898,956</u>	<u>66,473</u>	<u>-</u>	<u>6,965,429</u>
Total capital assets, being depreciated	<u>25,862,034</u>	<u>443,125</u>	<u>-</u>	<u>26,305,159</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(56,780)	(1,244)	-	(58,024)
Buildings and improvements	(1,450,880)	(122,070)	-	(1,572,950)
Furniture and equipment	(2,662,702)	(103,640)	-	(2,766,342)
Infrastructure:				
Sewer lines	(3,826,043)	(228,921)	-	(4,054,964)
Water lines	<u>(3,027,973)</u>	<u>(198,544)</u>	<u>-</u>	<u>(3,226,517)</u>
Total accumulated depreciation	<u>(11,024,378)</u>	<u>(654,419)</u>	<u>-</u>	<u>(11,678,797)</u>
Total capital assets, being depreciated, net	<u>14,837,656</u>	<u>(211,294)</u>	<u>-</u>	<u>14,626,362</u>
Business-type activities capital assets, net	<u>\$ 15,100,282</u>	<u>\$ (211,294)</u>	<u>\$ -</u>	<u>\$ 14,888,988</u>

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

<b><u>Business-type activities:</u></b>	
Water	\$ 304,758
Sewer	<u>349,661</u>
Total depreciation expense - business-type activities	<u>\$ 654,419</u>

**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

During 2017, the City entered into capitalized leases for vehicles, police equipment and copiers. In previous years, the City entered into capitalized leases for a vehicles and software. 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 \$864,887. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2017 was \$152,495 leaving a current book value of \$712,392. A corresponding liability was recorded in the government-wide financial statements and proprietary fund statements. Principal and interest payments on the leases, totaled \$28,998 and \$1,400, respectively, in the general fund, \$77,946 and \$5,273 principal and interest paid out of the 35% street construction fund, \$30,000 and \$0 principal and interest paid out of the water fund and \$33,858 and \$0 principal and interest paid out of the sewer fund, respectively.

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, 2017.

<u>Year Ending December 31,</u>	<u>Total</u>
2018	\$ 180,775
2019	180,776
2020	85,812
2021	81,736
2022	7,241
2023-2024	<u>14,482</u>
Total future minimum lease payments	550,822
Less: amount representing interest	<u>(38,095)</u>
Present value of future minimum lease payments	<u><u>\$ 512,727</u></u>

**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 13 - LONG-TERM OBLIGATIONS**

A. During 2017, the following activity occurred in governmental and business-type activities long-term obligations:

	Balance 1/1/2017	Additions	Disposals	Balance 12/31/2017	Due within One Year
<b><u>Governmental activities:</u></b>					
<i>General obligation bonds:</i>					
Walker lake road bonds, 2009	\$ 265,000	\$ -	\$ (85,000)	\$ 180,000	\$ 90,000
Walker lake road refunding bonds, 2016	1,130,000	-	-	1,130,000	-
Urwin parkway improvement bonds, 2016	700,000	-	(25,000)	675,000	30,000
Ferguson road improvement bonds, 2016	455,000	-	-	455,000	50,000
Sidewalk improvement bonds	230,000	-	(10,000)	220,000	10,000
Total general obligation bonds	<u>2,780,000</u>	<u>-</u>	<u>(120,000)</u>	<u>2,660,000</u>	<u>180,000</u>
Capital lease payable	210,764	173,345	(106,944)	277,165	108,605
Net pension liability	5,114,398	429,993	(114,561)	5,429,830	-
Compensated absences	455,209	56,900	(69,435)	442,674	111,519
	<u>\$ 8,560,371</u>	<u>\$ 660,238</u>	<u>\$ (410,940)</u>	8,809,669	<u>\$ 400,124</u>
Unamortized premiums on bonds				348,645	
Unamortized discount on bonds				<u>(1,578)</u>	
Total governmental activities				<u>\$ 9,156,736</u>	
<b><u>Business-type activities:</u></b>					
<i>General obligation bonds:</i>					
Water meter reading system improvement bonds, 2016	\$ 745,000	\$ -	\$ (75,000)	\$ 670,000	\$ 75,000
Mabee road water tower improvement bonds, 2016	295,000	-	(10,000)	285,000	10,000
Waterline repair improvement bonds, 2016	540,000	-	(20,000)	520,000	20,000
Tappan road lift station improvement bonds, 2016	495,000	-	(20,000)	475,000	20,000
Total general obligation bonds	<u>2,075,000</u>	<u>-</u>	<u>(125,000)</u>	<u>1,950,000</u>	<u>125,000</u>
OPWC water treatment loan	6,433	-	(1,838)	4,595	1,838
OPWC sewer improvement loan	366,665	-	(16,667)	349,998	16,667
OPWC I/I reduction phase 2 loan	314,260	-	(13,373)	300,887	13,373
OPWC above ground equalization tank loan	227,592	-	(8,129)	219,463	8,128
Total OPWC loans	<u>914,950</u>	<u>-</u>	<u>(40,007)</u>	<u>874,943</u>	<u>40,006</u>
Capital lease payable	-	299,420	(63,858)	235,562	56,038
Net pension liability	416,705	146,181	-	562,886	-
Compensated absences	93,243	26,835	(14,062)	106,016	17,623
	<u>\$ 3,499,898</u>	<u>\$ 472,436</u>	<u>\$ (242,927)</u>	<u>\$ 3,729,407</u>	<u>\$ 238,667</u>
Unamortized premiums on bonds				258,946	
Total business-type activities				<u>\$ 3,988,353</u>	

## CITY OF ONTARIO, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

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 35% street construction and maintenance fund.

The City's net pension liability is described in Note 15.

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.

On October 19, 2016, the City issued general obligation refunding and improvement bonds in the amount of \$4,590,000 to advance refund a portion of the Walker Lake Road general obligation bonds, series 2009 (\$1,130,000) and were used to retire the Urwin Parkway Improvements bond anticipation notes (\$775,000), the Ferguson Road Improvement bond anticipation notes (\$495,000), the sidewalk improvements bond anticipation notes (\$250,000), the water meter reading system bond anticipation notes (\$885,000), the Maybee Road water tower bond anticipation notes (\$355,000), the waterline repair bond anticipation notes (\$655,000), and the Tappan Road lift station bond anticipation notes (\$595,000). The reacquisition price exceeded the net carrying amount of the Walker Lake Road refunding bonds by \$146,091. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to interest expense through maturity on December 1, 2029 for the Walker Lake Road refunding bonds using the straight-line method.

The governmental activities improvement bonds carry interest rates ranging from 2.00% and 4.05% and will mature on December 1, 2035 (The Urwin Parkway and sidewalk improvement bonds) and on December 1, 2025 (The Ferguson Road improvement bonds). The business-type activities improvement bonds carry interest rates between 2.00% and 4.05% and will mature on December 1, 2025 (The water meter reading systems bonds) and on December 1, 2035 (The Maybee Road water tower, waterline repair and Tappan Road lift station improvement bonds).

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.

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 \$300,887.

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, 2017 was \$219,463.

**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

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, 2017 are as follows:

Year Ending December 31,	<u>Governmental Activities</u>			<u>Business-Type Activities</u>		
	<u>General Obligation Bonds Payable</u>			<u>General Obligation Bonds Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 180,000	\$ 98,828	\$ 278,828	\$ 125,000	\$ 71,550	\$ 196,550
2019	185,000	93,990	278,990	125,000	69,050	194,050
2020	195,000	87,900	282,900	130,000	65,300	195,300
2021	195,000	82,050	277,050	140,000	61,400	201,400
2022	195,000	76,200	271,200	145,000	57,200	202,200
2023 - 2027	975,000	258,800	1,233,800	610,000	198,000	808,000
2028 - 2032	545,000	88,600	633,600	395,000	105,000	500,000
2033 - 2035	190,000	15,400	205,400	280,000	22,600	302,600
Total	<u>\$ 2,660,000</u>	<u>\$ 801,768</u>	<u>\$ 3,461,768</u>	<u>\$ 1,950,000</u>	<u>\$ 650,100</u>	<u>\$ 2,600,100</u>

Year Ending December 31,	<u>Business-type Activities</u>					<u>Total OPWC Loans</u>
	<u>OPWC Water Treatment Loan Principal</u>	<u>OPWC Sewer Improvement Loan Principal</u>	<u>OPWC Sewer I/I Reduction Phase 2 Principal</u>	<u>OPWC Sewer Equalization Tank Principal</u>		
	2018	\$ 1,838	\$ 16,667	\$ 13,373	\$ 8,128	
2019	1,838	16,667	13,372	8,128	40,005	
2020	919	16,667	13,372	8,129	39,087	
2021	-	16,667	13,373	8,128	38,168	
2022	-	16,667	13,373	8,128	38,168	
2023 - 2027	-	83,335	66,864	40,642	190,841	
2028 - 2032	-	83,331	66,864	40,642	190,837	
2033 - 2037	-	83,330	66,864	40,641	190,835	
2038 - 2042	-	16,667	33,432	40,641	90,740	
2043 - 2044	-	-	-	16,256	16,256	
Total	<u>\$ 4,595</u>	<u>\$ 349,998</u>	<u>\$ 300,887</u>	<u>\$ 219,463</u>	<u>\$ 874,943</u>	

**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

**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, 2017, the City's overall legal debt margin was \$16,322,416 and the unvoted debt margin was \$10,007,013.

**NOTE 14 - RISK MANAGEMENT**

**A. Comprehensive**

The City is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During 2017, the City contracted with the Ohio Plan for various types of insurance.

The coverage and deductible are as follows:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Coverage</u>
General Liability	\$ 0	\$5,000,000/\$7,000,000
Employers Liability	0	5,000,000
Employee Benefits	0	5,000,000/7,000,000
Law Enforcement Officers Liability	5,000	5,000,000/7,000,000
Public Officials Liability	5,000	5,000,000/7,000,000
Automobile	0	5,000,000
Property	1,000	26,910,373
Special Property Coverage	1,000	1,792,375
Electronic Equipment/Media Coverage	1,000	233,083
Public Employee Dishonesty	0	25,000
Boiler and Machinery	1,000	26,910,373

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.

**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

**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 \$1,688 reported on the financial statements at December 31, 2017 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>
2017	\$ 1,548	\$ 33,255	\$ (33,115)	\$ 1,688
2016	2,652	33,135	(34,239)	1,548

**D. Medical Self-Insurance**

Medical insurance is offered to employees through a self-insurance internal service fund. The City is a member of the JHP Health Benefits Program, a risk and cost saving pool, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the City's behalf. The claims liability of \$55,975 reported in the internal service fund at December 31, 2017 is based on an estimate provided by the third party administrator and 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 claim costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

Changes in claims activity for the past fiscal year is as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2017	\$ 51,639	\$ 494,272	\$ (489,936)	\$ 55,975
2016	-	589,721	(538,082)	51,639

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 15 - DEFINED BENEFIT PENSION PLANS**

*Net Pension Liability/Asset*

The net pension liability/asset reported on the statement of net position represents a liability or asset to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability/asset represents the City's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability/asset calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes any net pension liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits or overfunded benefits is presented as a long-term *net pension liability* or *net pension asset*, respectively, on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

***Plan Description – Ohio Public Employees Retirement System (OPERS)***

Plan Description - City employees, other than full-time police, participate 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 and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS' Traditional Pension Plan.



**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Pension Plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the Traditional Pension Plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

<b>Group A</b> Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	<b>Group B</b> 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	<b>Group C</b> Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

**CITY OF ONTARIO, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3.00% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 2.25%.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.00% to the member's FAS for the first 30 years of service.

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 2.25% COLA adjustment on the defined benefit portion of their benefit.

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS's Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
<b>2017 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
 <b>2017 Actual Contribution Rates</b>	
Employer:	
Pension	13.0 %
Post-employment Health Care Benefits	1.0 %
Total Employer	14.0 %
 Employee	 10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The City’s contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$204,428 for 2017. Of this amount, \$12,231 is reported as intergovernmental payable.

***Plan Description – Ohio Police & Fire Pension Fund (OP&F)***

Plan Description - City full-time police participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension 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 information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OPF website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member’s average annual salary. The following discussion of the pension formula relates to normal service retirement.

**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.50% for each of the first 20 years of service credit, 2.00% for each of the next five years of service credit and 1.50% for each year of service credit in excess of 25 years. The maximum pension of 72.00% of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police
<b>2017 Statutory Maximum Contribution Rates</b>	
Employer	19.50 %
Employee	12.25 %
<b>2017 Actual Contribution Rates</b>	
Employer:	
Pension	19.00 %
Post-employment Health Care Benefits	0.50 %
Total Employer	19.50 %
Employee	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$267,692 for 2017. Of this amount \$19,029 is reported as intergovernmental payable.

**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

*Pension Liabilities/Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

The net pension liability and net pension asset for the OPERS Traditional Pension Plan, Combined Plan and Member-Directed Plan, respectively, were measured as of December 31, 2016, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. The City's proportion of the net pension liability or asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS - Traditional</u>	<u>OPERS - Combined</u>	<u>OPERS - Member- Directed</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportion of the net pension liability/asset prior measurement date	0.01158500%	0.01642000%	0.00245300%	0.05478600%	
Proportion of the net pension liability/asset current measurement date	<u>0.01137400%</u>	<u>0.01534900%</u>	<u>0.00316300%</u>	<u>0.05383500%</u>	
Change in proportionate share	<u>-0.00021100%</u>	<u>-0.00107100%</u>	<u>0.00071000%</u>	<u>-0.00095100%</u>	
Proportionate share of the net pension liability	\$ 2,582,842	\$ -	\$ -	\$ 3,409,874	\$ 5,992,716
Proportionate share of the net pension asset	-	(8,543)	(13)	-	(8,556)
Pension expense	533,337	6,172	16	416,948	956,473

THIS SPACE INTENTIONALLY LEFT BLANK

**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
<b>Deferred outflows of resources</b>					
Differences between expected and actual experience	\$ 3,500	\$ -	\$ 135	\$ 965	\$ 4,600
Net difference between projected and actual earnings on pension plan investments	384,644	2,084	11	331,591	718,330
Changes of assumptions	409,670	2,082	15	-	411,767
Changes in employer's proportionate percentage/difference between employer contributions	7,695	-	-	21,206	28,901
City contributions subsequent to the measurement date	195,212	7,800	1,417	267,692	472,121
<b>Total deferred outflows of resources</b>	<b>\$ 1,000,721</b>	<b>\$ 11,966</b>	<b>\$ 1,578</b>	<b>\$ 621,454</b>	<b>\$ 1,635,719</b>
<b>Deferred inflows of resources</b>					
Differences between expected and actual experience	\$ 15,370	\$ 4,372	\$ -	\$ 7,850	\$ 27,592
Changes in employer's proportionate percentage/difference between employer contributions	35,079	-	-	45,078	80,157
<b>Total deferred inflows of resources</b>	<b>\$ 50,449</b>	<b>\$ 4,372</b>	<b>\$ -</b>	<b>\$ 52,928</b>	<b>\$ 107,749</b>

\$472,121 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset in the year ending December 31, 2018.

**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
2018	\$ 305,781	\$ 406	\$ 23	\$ 121,886	\$ 428,096
2019	324,533	406	22	121,884	446,845
2020	136,020	315	22	92,115	228,472
2021	(11,274)	(423)	20	(26,267)	(37,944)
2022	-	(345)	19	(7,933)	(8,259)
Thereafter	-	(565)	55	(851)	(1,361)
<b>Total</b>	<b>\$ 755,060</b>	<b>\$ (206)</b>	<b>\$ 161</b>	<b>\$ 300,834</b>	<b>\$ 1,055,849</b>

**Actuarial Assumptions - OPERS**

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the Board's actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, for the defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Wage inflation	3.25%
Future salary increases, including inflation COLA or ad hoc COLA	3.25% to 10.75% including wage inflation Pre 1/7/2013 retirees: 3.00%, simple Post 1/7/2013 retirees: 3.00%, simple through 2018, then 2.15% simple
Investment rate of return	7.50%
Actuarial cost method	Individual entry age

**CITY OF ONTARIO, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3% for 2016.

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans.



**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

The table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	23.00 %	2.75 %
Domestic equities	20.70	6.34
Real estate	10.00	4.75
Private equity	10.00	8.97
International equities	18.30	7.95
Other investments	18.00	4.92
Total	100.00 %	5.66 %

**Discount Rate** - The discount rate used to measure the total pension liability/asset was 7.50%, post-experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. A discount rate of 8.00% was used in the previous measurement period. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table presents the City's proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 7.50%, as well as what the City's proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (6.50%) or one-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 3,945,868	\$ 2,582,842	\$ 1,447,000
Combined Plan	614	(8,543)	(15,656)
Member-Directed Plan	32	(13)	(32)

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

*Actuarial Assumptions – OP&F*

OP&F's total pension liability as of December 31, 2016 is based on the results of an actuarial valuation date of January 1, 2016 and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2016, are presented below:

Valuation date	January 1, 2016
Actuarial cost method	Entry age normal
Investment rate of return	8.25%
Projected salary increases	4.25% - 11.00%
Payroll increases	3.75%
Inflation assumptions	3.25%
Cost of living adjustments	2.60% and 3.00% simple

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed for the five-year period ended December 31, 2016. The recommended assumption changes based on this experience study were adopted by OPF's Board and were effective beginning with the January 1, 2017 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2016 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Real Rate of Return **</u>	<u>30 Year Expected Real Rate of Return **</u>
Cash and Cash Equivalents	- %		
Domestic Equity	16.00	4.46 %	5.21 %
Non-US Equity	16.00	4.66	5.40
Core Fixed Income *	20.00	1.67	2.37
Global Inflation			
Protected Securities *	20.00	0.49	2.33
High Yield	15.00	3.33	4.48
Real Estate	12.00	4.71	5.65
Private Markets	8.00	7.31	7.99
Timber	5.00	6.87	6.87
Master Limited Partnerships	8.00	6.92	7.36
<b>Total</b>	<b><u>120.00 %</u></b>		

Note: assumptions are geometric.

\* levered 2x

\*\* numbers include inflation

OPF's Board of Trustees has incorporated the "risk parity" concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

**Discount Rate** - The total pension liability was calculated using the discount rate of 8.25%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25%. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

*Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25%), or one percentage point higher (9.25%) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$ 4,541,523	\$ 3,409,874	\$ 2,450,751

*Changes Between Measurement Date and Report Date* - In October 2017, the OP&F Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of January 1, 2017. The most significant change is a reduction in the discount rate from 8.25% to 8.00%. Although the exact amount of these changes is not known, it has the potential to impact to the City's net pension liability.

**NOTE 16 - POSTRETIREMENT BENEFIT PLANS**

**A. Ohio Public Employees Retirement System**

Plan Description - OPERS administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. This trust is also used to fund health care for Member Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2016 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS Board) 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/financial/reports.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (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.

**CITY OF ONTARIO, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2017, 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 2017 was 1.00%.

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2017, 2016, and 2015 were \$16,183, \$31,722, and \$30,587, respectively; 94.46% has been contributed for 2017 and 100% has been contributed for 2016 and 2017. The remaining 2017 post-employment health care benefits liability has been reported as intergovernmental 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 health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

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).

**CITY OF ONTARIO, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was .5% of covered payroll from January 1, 2017 thru December 31, 2017. 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 were \$7,045 for the year ended December 31, 2017, \$6,399 for the year ended December 31, 2016, and \$6,315, for the year ended December 31, 2015. 100% has been contributed for 2016 and 2015. 93.07% has been contributed for police for 2017. The remaining 2017 post-employment health care benefits liability has been reported as intergovernmental payable on the basic financial statements.

**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 17 - BUDGETARY BASIS OF ACCOUNTING**

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund, the 35% street construction fund and the tax increment fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for the general fund, the 35% street construction fund and the tax increment fund.

**Net Change in Fund Balance**

	<u>General fund</u>	35% Street <u>Construction fund</u>	Tax <u>Increment fund</u>
Budget basis	\$ (88,840)	\$ 154,378	\$ 96,628
Net adjustment for revenue accruals	(48,573)	3,611	-
Net adjustment for expenditure accruals	(161,739)	(81,400)	-
Adjustment for financing sources (uses)	<u>97,854</u>	<u>73,400</u>	<u>-</u>
GAAP basis	<u>\$ (201,298)</u>	<u>\$ 149,989</u>	<u>\$ 96,628</u>

**CITY OF ONTARIO, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE 18 - CONTINGENCIES**

**A. Grants**

The City receives significant financial assistance from numerous federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2017.

**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.

THIS SPACE INTENTIONALLY LEFT BLANK



**CITY OF ONTARIO, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 19 - 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	35% Street Construction	Tax Increment	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Materials and supplies inventory	\$ 671	\$ 46,756	\$ -	\$ 65,317	\$ 112,744
Prepays	<u>87,062</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,062</u>
Total nonspendable	<u>87,733</u>	<u>46,756</u>	<u>-</u>	<u>65,317</u>	<u>199,806</u>
Restricted:					
Debt service	-	-	-	134,070	134,070
Transportation improvement projects	-	-	-	438,482	438,482
Mayor's court programs	-	-	-	35,626	35,626
Cemetery	-	-	-	38,025	38,025
Police programs	-	-	-	76,188	76,188
Tax increment financing	-	-	96,628	-	96,628
Other purposes	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,178</u>	<u>59,178</u>
Total restricted	<u>-</u>	<u>-</u>	<u>96,628</u>	<u>781,569</u>	<u>878,197</u>
Committed:					
Capital outlays	-	-	-	537,042	537,042
Transportation improvement projects	<u>-</u>	<u>717,501</u>	<u>-</u>	<u>-</u>	<u>717,501</u>
Total committed	<u>-</u>	<u>717,501</u>	<u>-</u>	<u>537,042</u>	<u>1,254,543</u>
Assigned:					
Subsequent year appropriations	<u>497,770</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>497,770</u>
Total assigned	<u>497,770</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>497,770</u>
Unassigned	<u>4,477,918</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,477,918</u>
Total fund balances	<u>\$ 5,063,421</u>	<u>\$ 764,257</u>	<u>\$ 96,628</u>	<u>\$ 1,383,928</u>	<u>\$ 7,308,234</u>

**CITY OF ONTARIO, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE 20 - TAX ABATEMENTS**

As of December 31, 2017, the City provides tax abatements through an income tax credit agreement and Community Reinvestment Area (CRA) programs. This program relates to the abatement of property taxes.

CRA - Under the authority of Ohio Revised Code (ORC) Section 3735.67, the CRA program is an economic development tool administered by municipal and county governments that provides real property tax exemptions for property owners who renovate existing or construct new buildings. CRA's are areas of land in which property owners can receive tax incentives for investing in real property improvements. Under the CRA program, local governments petition to the Ohio Development Services Agency (ODSA) for confirmation of a geographical area in which investment in housing is desired. Once an area is confirmed by the ODSA, local governments may offer real property tax exemptions to taxpayers that invest in that area. Property owners in the CRA can receive temporary tax abatements for renovation of existing structures and new construction in these areas. Property owners apply to the local legislative authority for approval to renovate or construct in the CRA. Upon approval and certification of completion, the amount of the abatement is deducted from the individual or entity's property tax bill. As of December 31, 2017, there were no participants in the City's CRA programs.

Income Tax Credit Agreement - Under Ordinance No. 14-79 the City established an income tax abatement agreement with Cole Tool & Die. Under the agreement, the City agrees to offer a tax credit to Cole Tool and Die of 50% of their annual withholding taxes. This credit is reduced by any profit in Cole Tool and Die's business account. The agreement was established on December 18, 2014 and will remain in effect for seven years.

The City has entered into an agreement to abate income taxes through this program. During 2017, the City's income tax revenues were reduced as a result of this agreement as follows:

<u>Tax Abatement Program</u>	City <u>Taxes Abated</u>
Income tax abatement	
Total	<u>\$ 11,221</u>

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF ONTARIO, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY/NET PENSION ASSET  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

	LAST FOUR YEARS			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Traditional Plan:</i>				
City's proportion of the net pension liability	0.011374%	0.011585%	0.011831%	0.011831%
City's proportionate share of the net pension liability	\$ 2,582,842	\$ 2,006,668	\$ 1,426,951	\$ 1,394,721
City's covered payroll	\$ 1,489,417	\$ 1,469,617	\$ 1,428,825	\$ 1,255,554
City's proportionate share of the net pension liability as a percentage of its covered payroll	173.41%	136.54%	99.87%	111.08%
Plan fiduciary net position as a percentage of the total pension liability	77.25%	81.08%	86.45%	86.36%
<i>Combined Plan:</i>				
City's proportion of the net pension asset	0.015349%	0.016420%	0.016101%	0.016101%
City's proportionate share of the net pension asset	\$ 8,543	\$ 7,990	\$ 6,199	\$ 1,689
City's covered payroll	\$ 59,750	\$ 59,750	\$ 58,858	\$ -
City's proportionate share of the net pension asset as a percentage of its covered payroll	14.30%	13.37%	10.53%	0.00%
Plan fiduciary net position as a percentage of the total pension asset	116.55%	116.90%	114.83%	104.56%
<i>Member Directed Plan:</i>				
City's proportion of the net pension asset	0.003163%	0.002453%	n/a	n/a
City's proportionate share of the net pension asset	\$ 13	\$ 9	n/a	n/a
City's covered payroll	\$ 16,421	\$ 17,253	n/a	n/a
City's proportionate share of the net pension asset as a percentage of its covered payroll	0.08%	0.05%	n/a	n/a
Plan fiduciary net position as a percentage of the total pension asset	103.40%	103.91%	n/a	n/a

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each year were determined as of the City's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF ONTARIO, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST FOUR YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability	0.05383500%	0.05478600%	0.05414130%	0.05414130%
City's proportionate share of the net pension liability	\$ 3,409,874	\$ 3,524,435	\$ 2,804,745	\$ 2,636,851
City's covered payroll	\$ 1,279,863	\$ 1,229,737	\$ 1,185,121	\$ 1,163,180
City's proportionate share of the net pension liability as a percentage of its covered payroll	266.42%	286.60%	236.66%	226.69%
Plan fiduciary net position as a percentage of the total pension liability	68.36%	66.77%	72.20%	73.00%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each year were determined as of the City's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF ONTARIO, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY CONTRIBUTIONS  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TEN YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 195,212	\$ 178,730	\$ 176,354	\$ 171,459
Contributions in relation to the contractually required contribution	<u>(195,212)</u>	<u>(178,730)</u>	<u>(176,354)</u>	<u>(171,459)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,501,631	\$ 1,489,417	\$ 1,469,617	\$ 1,428,825
Contributions as a percentage of covered payroll	13.00%	12.00%	12.00%	12.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ 7,800	\$ 7,170	\$ 7,170	\$ 7,063
Contributions in relation to the contractually required contribution	<u>(7,800)</u>	<u>(7,170)</u>	<u>(7,170)</u>	<u>(7,063)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 60,000	\$ 59,750	\$ 59,750	\$ 58,858
Contributions as a percentage of covered payroll	13.00%	12.00%	12.00%	12.00%
<i>Member Directed Plan:</i>				
Contractually required contribution	\$ 1,417	\$ 1,560	\$ 1,639	
Contributions in relation to the contractually required contribution	<u>(1,417)</u>	<u>(1,560)</u>	<u>(1,639)</u>	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
City's covered payroll	\$ 14,170	\$ 16,421	\$ 17,253	
Contributions as a percentage of covered payroll	10.00%	9.50%	9.50%	

Note: Information prior to 2010 for the City's combined plan and prior to 2015 for the City's member directed plan was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 163,222	\$ 107,308	\$ 139,796	\$ 125,405	\$ 125,560	\$ 112,257
<u>(163,222)</u>	<u>(107,308)</u>	<u>(139,796)</u>	<u>(125,405)</u>	<u>(125,560)</u>	<u>(112,257)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,255,554	\$ 1,073,080	\$ 1,397,960	\$ 1,406,411	\$ 1,545,354	\$ 1,603,671
13.00%	10.00%	10.00%	8.92%	8.13%	7.00%
\$ -	\$ -	\$ 442	\$ 539		
<u>-</u>	<u>-</u>	<u>(442)</u>	<u>(539)</u>		
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
\$ -	\$ -	\$ 5,560	\$ 5,564		
13.00%	7.95%	7.95%	9.69%		

**CITY OF ONTARIO, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY CONTRIBUTIONS  
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST TEN YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Police:</i>				
Contractually required contribution	\$ 267,692	\$ 243,174	\$ 233,650	\$ 225,173
Contributions in relation to the contractually required contribution	<u>(267,692)</u>	<u>(243,174)</u>	<u>(233,650)</u>	<u>(225,173)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,408,905	\$ 1,279,863	\$ 1,229,737	\$ 1,185,121
Contributions as a percentage of covered payroll	19.00%	19.00%	19.00%	19.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 184,713	\$ 148,315	\$ 140,294	\$ 139,907	\$ 141,930	\$ 148,472
<u>(184,713)</u>	<u>(148,315)</u>	<u>(140,294)</u>	<u>(139,907)</u>	<u>(141,930)</u>	<u>(148,472)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,162,936	\$ 1,163,255	\$ 1,100,345	\$ 1,097,310	\$ 1,113,176	\$ 1,164,486
15.88%	12.75%	12.75%	12.75%	12.75%	12.75%

**CITY OF ONTARIO, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2017

*OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for 2014-2017.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for 2014-2017.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2017. In October 2017, the OP&F Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of January 1, 2017. The most significant change is a reduction in the discount rate from 8.25% to 8.00%. Although the exact amount of these changes is not known, it has the potential to impact to the City's net pension liability.

**CITY OF ONTARIO, OHIO**



**Yellow Book Report**

**December 31, 2017**

**PLATTENBURG**  
Certified Public Accountants

**This page intentionally left blank.**

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

Honorable Mayor and City Council  
City of Ontario

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, 2017, 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 15, 2018.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

## Purpose of this Report

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

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.

Cincinnati, Ohio

June 15, 2018



# 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  
JULY 24, 2018