

**CITY OF ONTARIO, OHIO
RICHLAND COUNTY**



**REGULAR AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2020**

PLATTENBURG
Certified Public Accountants

OHIO AUDITOR OF STATE
KEITH FABER



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City Council
City of Ontario
555 Slumbo Rd
Ontario, OH 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, 2020 through December 31, 2020. 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 cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

June 25, 2021

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CITY OF ONTARIO, OHIO
RICHLAND COUNTY
FOR THE YEAR ENDED DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Ontario

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ontario (the City) as of and for the year ended December 31, 2020, 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, and 35% Street Construction Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of pension information and other postemployment information to 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 11, 2021, 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 11, 2021

CITY OF ONTARIO, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2020 (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, 2020. 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 2020 are as follows:

- The total net position of the City increased \$408,519. Net position of governmental activities increased \$167,231 or 0.79% from 2019's net position. Net position of business-type activities increased \$241,288 or 1.48% from 2019's net position.
- General revenues accounted for \$8,958,136 or 88.19% of total governmental activities revenue. Program specific revenues accounted for \$1,199,517 or 11.81% of total governmental activities revenue.
- The City had \$9,965,543 in expenses related to governmental activities; \$1,199,517 of these expenses were offset by program specific charges for services, grants or contributions. The general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$8,958,136 were adequate to provide the remaining expenses of the governmental activities of \$8,766,026.
- The general fund had revenues of \$5,841,513 in 2020. This represents an increase of \$676,457 from 2019 revenues and other financing sources. The expenditures and other financing uses of the general fund, which totaled \$5,147,120 in 2020, decreased \$592,324 from 2019. The net decrease in fund balance for the general fund was \$724,882 or 10.86%.
- The 35% street construction fund had revenues and other financing sources of \$1,992,409 in 2020. The expenditures of the 35% street construction fund totaled \$1,623,380 in 2020. The net increase in fund balance for the 35% street construction fund was \$369,029.
- Net position for the business-type activities, which are made up of the water and sewer enterprise funds, increased in 2020 by \$241,288.

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.

CITY OF ONTARIO, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2020 (UNAUDITED)

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.

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 2020?" 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.

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.

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, 2020
(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 and the 35% street construction 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.

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.

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. Custodial funds are the City's only fiduciary fund type.

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.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's net pension/OPEB liabilities/asset.

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CITY OF ONTARIO, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020
(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, 2020 and December 31, 2019.

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<u>Assets</u>						
Current assets	\$13,174,824	\$11,714,730	\$6,947,573	\$6,393,351	\$20,122,397	\$18,108,081
Capital assets, net	19,107,919	20,204,626	13,703,406	14,088,797	32,811,325	34,293,423
Total assets	32,282,743	31,919,356	20,650,979	20,482,148	52,933,722	52,401,504
<u>Deferred outflows of resources</u>						
Unamortized deferred charges	99,248	110,379	-	-	99,248	110,379
Pension	888,326	2,025,841	93,178	225,902	981,504	2,251,743
OPEB	595,062	485,073	61,759	37,418	656,821	522,491
Total deferred outflows of resources	1,582,636	2,621,293	154,937	263,320	1,737,573	2,884,613
<u>Liabilities</u>						
Current liabilities	366,686	324,459	439,501	439,356	806,187	763,815
Long-term liabilities:						
Due within one year	458,373	367,371	292,109	225,553	750,482	592,924
Net pension liability	5,410,131	7,056,904	467,488	684,429	5,877,619	7,741,333
Net OPEB liability/asset	1,721,399	1,649,514	318,027	317,188	2,039,426	1,966,702
Other amounts	2,827,049	3,063,383	2,522,191	2,716,172	5,349,240	5,779,555
Total liabilities	10,783,638	12,461,631	4,039,316	4,382,698	14,822,954	16,844,329
<u>Deferred inflows of resources</u>						
Property taxes and PILOTs	569,050	744,821	-	-	569,050	744,821
Pension	872,799	85,800	131,564	22,642	1,004,363	108,442
OPEB	399,909	175,645	63,281	9,661	463,190	185,306
Total deferred inflows of resources	1,841,758	1,006,266	194,845	32,303	2,036,603	1,038,569
<u>Net Position</u>						
Net investment in capital assets	16,507,259	17,396,532	11,028,834	11,252,393	27,536,093	28,648,925
Restricted	1,451,557	1,442,224	-	-	1,451,557	1,442,224
Unrestricted	3,281,167	2,233,996	5,542,921	5,078,074	8,824,088	7,312,070
Total net position	\$21,239,983	\$21,072,752	\$16,571,755	\$16,330,467	\$37,811,738	\$37,403,219

CITY OF ONTARIO, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2020 (UNAUDITED)

The net pension liability/asset is reported pursuant to Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net other postemployment benefits (OPEB) liability is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." 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 OPEB, the net pension liability, and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net pension asset.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability/asset or net OPEB liability. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability/asset and the net OPEB liability to equal the City's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 these liabilities. 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 Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *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 retirement system is responsible for the administration of the pension and OPEB plans.

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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities 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 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

CITY OF ONTARIO, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020
(UNAUDITED)**

In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability/asset and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2020, the City's total assets and deferred outflows exceeded liabilities and deferred inflows by \$37,811,738. At year-end, net positions were \$21,239,983 and \$16,571,755 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's net position. At year-end, capital assets represented 61.99% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. Net investment in capital assets to acquire the assets at December 31, 2020, were \$16,507,259 and \$11,028,834 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, 2020, 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, \$1,451,557, 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 \$3,281,167 may be used to meet the City's ongoing obligations to citizens and creditors.

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CITY OF ONTARIO, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020
(UNAUDITED)**

The table below shows the changes in net position for 2020 and 2019.

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues:						
Charges for services and sales	\$ 339,854	\$ 419,422	\$ 3,939,518	\$ 3,968,411	\$ 4,279,372	\$ 4,387,833
Operating grants and contributions	859,663	574,403	-	-	859,663	574,403
Total program revenues	1,199,517	993,825	3,939,518	3,968,411	5,139,035	4,962,236
General revenues:						
Property taxes	387,882	413,688	-	-	387,882	413,688
Income taxes	6,935,203	5,767,270	-	-	6,935,203	5,767,270
Unrestricted grants	222,396	153,383	-	-	222,396	153,383
Payments in lieu of taxes	753,277	530,557	-	-	753,277	530,557
Interest	165,535	210,823	-	-	165,535	210,823
Increase (decrease) in fair value of investments	141,407	109,863	-	-	141,407	109,863
Miscellaneous	352,436	196,020	58,812	55,527	411,248	251,547
Total general revenues	8,958,136	7,381,604	58,812	55,527	9,016,948	7,437,131
Total revenues	10,157,653	8,375,429	3,998,330	4,023,938	14,155,983	12,399,367
Expenses:						
General government	2,014,365	1,950,125	-	-	2,014,365	1,950,125
Security of persons and property	3,346,791	770,082	-	-	3,346,791	770,082
Public health and welfare	7,069	12,042	-	-	7,069	12,042
Transportation	4,224,031	2,964,266	-	-	4,224,031	2,964,266
Community environment	41,019	48,370	-	-	41,019	48,370
Leisure time activity	247,619	387,074	-	-	247,619	387,074
Interest and fiscal charges	84,649	83,787	-	-	84,649	83,787
Water	-	-	1,275,208	1,141,060	1,275,208	1,141,060
Sewer	-	-	2,506,713	2,585,329	2,506,713	2,585,329
Total expenses	9,965,543	6,215,746	3,781,921	3,726,389	13,747,464	9,942,135
Transfers	(24,879)	(47,972)	24,879	47,972	-	-
Change in net position	167,231	2,111,711	241,288	345,521	408,519	2,457,232
Net position at beginning of year	21,072,752	18,961,041	16,330,467	15,984,946	37,403,219	34,945,987
Net position at end of year	\$ 21,239,983	\$ 21,072,752	\$ 16,571,755	\$ 16,330,467	\$ 37,811,738	\$ 37,403,219

Governmental Activities

Governmental activities net position increased \$167,231 in 2020.

Total governmental expenses increased \$3,749,797 from 2019 to 2020, which is attributed primarily to an increase in security of persons and property expenses. Ohio Police & Fire (OP&F) implemented a new stipend-based health care model, which caused the net OPEB liability and related expenses to significantly decrease in 2019, and the 2020 amounts more accurately depict the City's expenses.

Security of persons and property, which primarily supports the operations of the police department accounted for \$3,346,791 of the total expenses of the City. These expenses were partially funded by \$172,421 in direct charges to users of the services. Transportation expenses totaled \$4,224,031. Transportation expenses were partially funded by \$524,439 in operating grants.

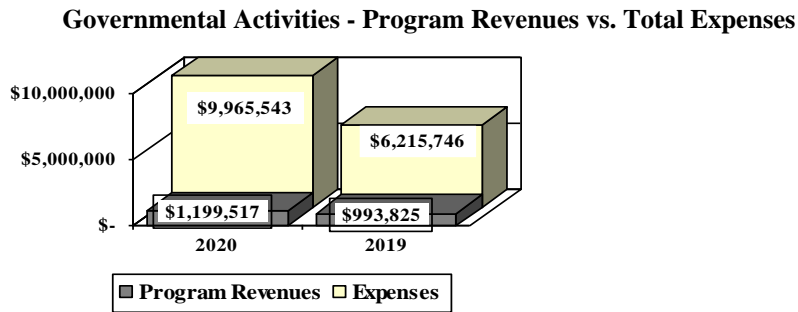
CITY OF ONTARIO, OHIO

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020
(UNAUDITED)**

The state and federal government contributed to the City \$859,663 in operating grants and contributions. These revenues are restricted to a particular program or purpose. In 2020, operating grants and contributions subsidized security of persons and property and transportation programs.

General revenues totaled \$8,958,136 and amounted to 88.19% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$7,323,085. The other primary source of general revenues is payments in lieu of taxes making up \$753,277. The largest revenue increase was for income taxes. This change was due to an increase in the receivable for income taxes as result of the change in the timing of income tax payments due to COVID-19.

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

	Total Cost of Services 2020	Net Cost of Services 2020	Total Cost of Services 2019	Net Cost of Services 2019
Program Expenses:				
General government	\$ 2,014,365	\$ 1,868,255	\$ 1,950,125	\$ 1,791,394
Security of persons and property	3,346,791	2,839,146	770,082	584,450
Public health and welfare	7,069	(379)	12,042	5,427
Transportation	4,224,031	3,699,592	2,964,266	2,346,916
Community environment	41,019	41,019	48,370	48,370
Leisure time activity	247,619	233,744	387,074	361,577
Interest and fiscal charges	84,649	84,649	83,787	83,787
Total Expenses	\$ 9,965,543	\$ 8,766,026	\$ 6,215,746	\$ 5,221,921

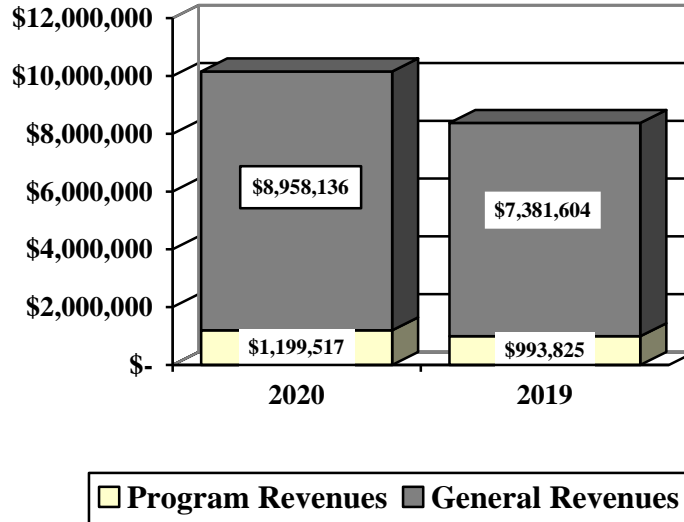
The dependence upon general revenues for governmental activities is apparent, with 87.96% of expenses supported through taxes and other general revenues.

CITY OF ONTARIO, OHIO

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020
(UNAUDITED)**

The chart below illustrates the City’s general revenues and program revenues for 2020 and 2019.

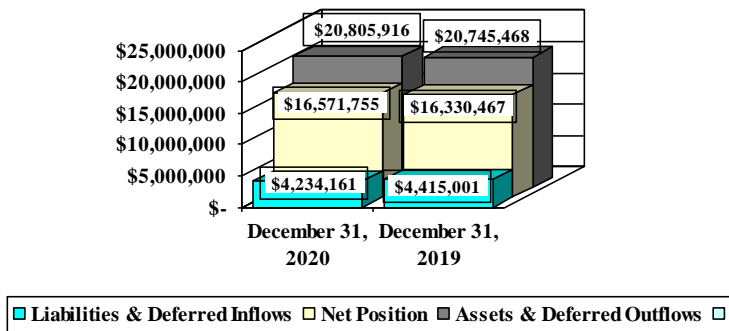
Governmental Activities - General and Program Revenues



Business-Type Activities

Business-type activities include the water and sewer enterprise funds. These programs had program revenues of \$3,939,518, general revenues of \$58,812, transfers in of \$24,879 and expenses of \$3,781,921 for 2020. The graph below shows the business-type activities assets, deferred outflows, liabilities, deferred inflows, and net position at year-end.

Net Position in Business - type Activities



Financial Analysis of the City’s Funds

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

CITY OF ONTARIO, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020
(UNAUDITED)

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 reported a combined fund balance of \$10,708,768 which is \$1,079,642 more than last year's total of \$9,629,126.

The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2020 for all major and nonmajor governmental funds.

	<u>Fund Balances</u> <u>12/31/20</u>	<u>Fund Balances</u> <u>12/31/19</u>	<u>Change</u>
Major funds:			
General	\$ 7,397,424	\$ 6,672,542	\$ 724,882
35% Street Construction	1,664,739	1,295,710	369,029
Other nonmajor governmental funds	<u>1,646,605</u>	<u>1,660,874</u>	<u>(14,269)</u>
Total	<u>\$ 10,708,768</u>	<u>\$ 9,629,126</u>	<u>\$ 1,079,642</u>

General Fund

The City's general fund balance increased \$724,882. The table that follows assists in illustrating the revenues of the general fund.

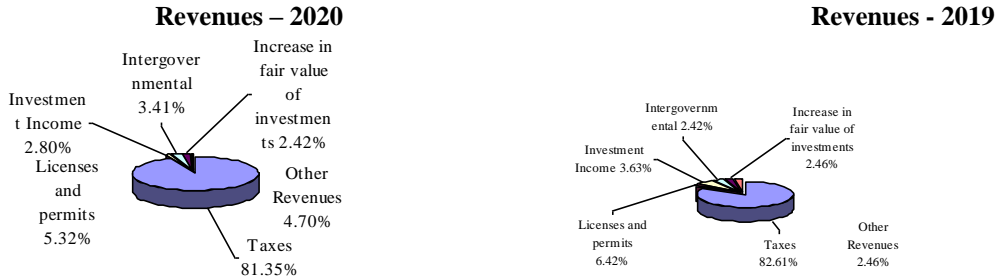
	<u>2020</u> <u>Amount</u>	<u>2019</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 4,752,746	\$ 4,267,087	11.38 %
Licenses, permits and fees	310,583	331,246	(6.24) %
Investment income	163,448	204,756	(20.17) %
Increase in fair value of investments	141,407	109,863	28.71 %
Intergovernmental	199,013	125,169	59.00 %
Other	<u>274,316</u>	<u>126,935</u>	116.11 %
Total	<u>\$ 5,841,513</u>	<u>\$ 5,165,056</u>	13.10 %

Tax revenue represents 81.36% of all general fund revenue. Intergovernmental revenue increased due to an increase in state shared revenues. Investment income decreased 20.17% as a result of a decrease in interest rates and the amount invested. Total tax revenue increased income taxes collected during the year.

CITY OF ONTARIO, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020
(UNAUDITED)**

The following charts illustrate the general fund revenues for 2020 and 2019.



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

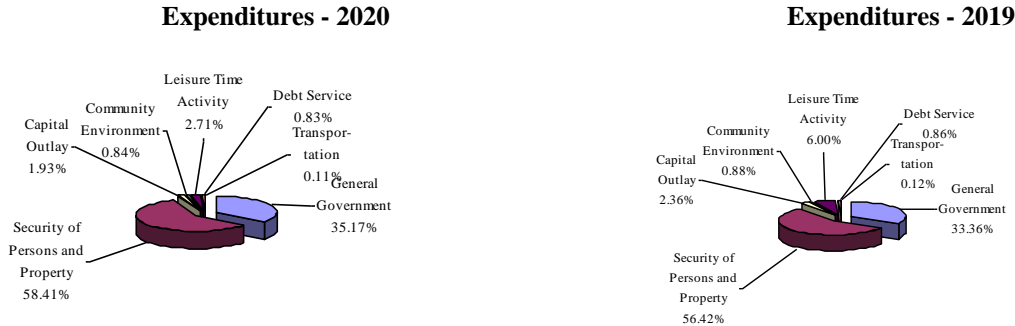
	<u>2020</u> <u>Amount</u>	<u>2019</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
General government	\$ 1,531,807	\$ 1,445,970	5.94 %
Security of persons and property	2,544,279	2,445,282	4.05 %
Transportation	5,000	5,000	0.00 %
Community environment	36,509	38,267	(4.59) %
Leisure time activity	117,881	260,197	(54.70) %
Capital outlay	84,200	102,303	(17.70) %
Debt service	36,193	37,104	(2.46) %
Total	<u>\$ 4,355,869</u>	<u>\$ 4,334,123</u>	0.50 %

The largest expenditure line items are security of persons and property and general government. These two expenditures account for 93.74% of total general fund expenditures. Security of persons and property increased 4.05% primarily due to an increase in insurance expense for police in 2020. Leisure time activity decreased 54.70% primarily due to less expenditures related to park maintenance.

CITY OF ONTARIO, OHIO

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020
(UNAUDITED)**

The following charts illustrate the general fund expenditures for 2020 and 2019.



35% Street Construction Fund

The 35% street construction fund had revenues and other financing sources of \$1,992,409 in 2020. The expenditures of the 35% street construction fund totaled \$1,623,380 in 2020. The net increase in fund balance for the 35% street construction fund was \$369,029.

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 were \$4,677,100 and the final budgeted revenues were \$5,027,100. Actual revenues of \$5,601,040 were \$573,940 more than final budgeted revenues. Original budgeted expenditures and other financing uses were \$5,729,159 and final budgeted expenditures and other financing uses were \$6,079,159. Actual expenditures and other financing uses of \$5,204,066 were \$875,093 lower than final budgeted expenditures and other financing uses.

Proprietary Funds

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

CITY OF ONTARIO, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020
(UNAUDITED)

Capital Assets and Debt Administration

Capital Assets

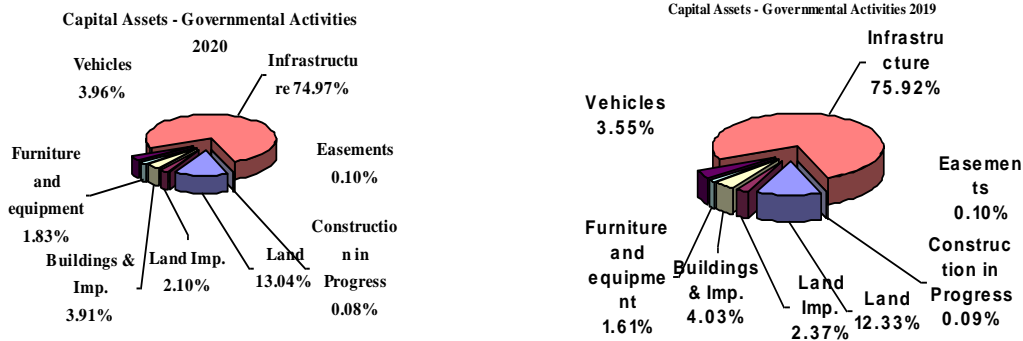
At the end of 2020, the City had \$32,811,325 (net of accumulated depreciation) invested in land, easements, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. Of this total, \$19,107,919 was reported in governmental activities and \$13,703,406 was reported in business-type activities. The following table shows 2020 balances compared to 2019:

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

	Governmental Activities		Business - type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 2,492,488	\$ 2,492,488	\$ 338,131	\$ 262,626	\$ 2,830,619	\$ 2,755,114
Easements	19,705	19,705	-	-	19,705	19,705
Construction in progress	16,000	17,500	276,266	74,587	292,266	92,087
Land improvements	400,709	477,864	17,736	18,980	418,445	496,844
Buildings and improvements	746,501	815,018	2,815,841	2,935,665	3,562,342	3,750,683
Furniture and equipment	349,961	325,443	836,863	952,237	1,186,824	1,277,680
Vehicles	757,105	716,656	-	-	757,105	716,656
Infrastructure	14,325,450	15,339,952	9,418,569	9,844,702	23,744,019	25,184,654
Totals	\$ 19,107,919	\$ 20,204,626	\$ 13,703,406	\$ 14,088,797	\$ 32,811,325	\$ 34,293,423

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 74.97% of the City's total governmental capital assets.

The following graphs show the breakdown of governmental capital assets by category for 2020 and 2019.

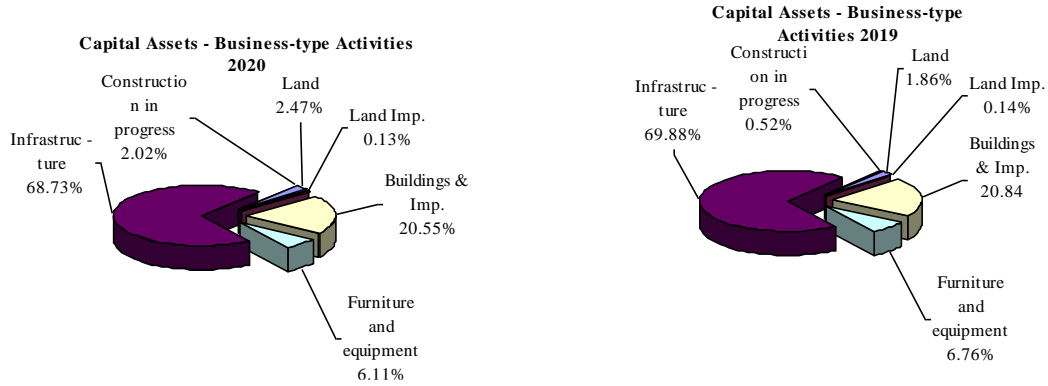


The City's largest business-type capital asset category is infrastructure that primarily includes water and sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 72.37% of the City's total business-type capital assets.

CITY OF ONTARIO, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020
(UNAUDITED)**

The following graphs show the breakdown of business-type capital assets by category for 2020 and 2019.



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

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2020 and 2019:

	Governmental activities	
	<u>2020</u>	<u>2019</u>
General obligation bonds	\$ 2,100,000	\$ 2,295,000
Capital leases payable	334,227	330,137
Lease-purchase agreement	<u>45,188</u>	<u>56,535</u>
Total long-term obligations	<u>\$ 2,479,415</u>	<u>\$ 2,681,672</u>
	Business-type activities	
	<u>2020</u>	<u>2019</u>
OPWC loans	\$ 736,762	\$ 794,932
OWDA loan	105,709	-
General obligation bonds	1,570,000	1,700,000
Capital leases payable	61,807	121,627
Lease-purchase agreement	<u>18,845</u>	<u>18,845</u>
Total long-term obligations	<u>\$ 2,493,123</u>	<u>\$ 2,635,404</u>

See Note 14 to the basic financial statements for additional information on the City's long-term obligations.

CITY OF ONTARIO, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2020 (UNAUDITED)

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.

In 2018, the City acquired the former General Motors complex, consisting of 267 acres. In 2019 major infrastructure improvements were made to the site and it is now being marketed as the Ontario Commerce Park. This prime property, which has rail access as well as convenient access to major highways, offers opportunities and great potential for businesses. Ontario 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. In 2020, revitalization at the Ontario Commerce Park started strong. A developer signed a development agreement purchasing six acres of land and a building, with the option to buy the property in stages. The developer invested \$3.3 million transforming the building to accommodate Charter Next Generation, who will lease the building and make specialty bags. Production is scheduled to begin March 2021. In April 2021, the developer will start construction of a second facility for Charter Next Generation's use with the plan for the manufacturer to have almost 135,000 square feet of space to operate. The two companies are also working on building another 200,000 square-foot facility to be completed at the end of 2022. In total, the developer is planning to invest almost \$20 million in renovation and building new facilities. Norfolk and Southern will be reactivating the railroad to access the complex by the end of 2021.

The City continues to make improvements in the parks, which included adding playground equipment and planting many trees. The Maize Memorial Dog Park has become 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 continue for the Ontario Triangle complex which features the TownePlace Suites by Marriott. This 86-room extended-stay hotel, in conjunction with the City, developed 67 acres of excellent retail property.

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, pharmacy and forensic services. 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 also expanded to include a cardiac catheterization lab and cardiac rehabilitation area. This phase totaled \$26 million covering 94,000 square feet and created 350 new jobs. The hospital is currently in the process of renovating the second floor to add additional inpatient beds and operating rooms to meet the needs of the community. In October 2020, Avita purchased the former Sears property at the Richland Mall, which consists of a vacant two-story building and a freestanding automotive center situated on 17 acres of land. This 102,149 square-foot addition will allow for convenient patient access and will continue their expansion of services, clinic space and administrative needs.

CITY OF ONTARIO, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2020 (UNAUDITED)

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. Even with all the challenges of COVID-19, the City had a very successful year. The Department of Zoning reported more than \$19 million in new construction, alterations, and additions, with 15 new businesses opening in 2020.

The Ohio State University branch's Molyet Village Apartments, in 2020, were nearly filled by students living on campus. In addition, three of the five additional on-campus student housing units, "Buckeye Village" is completed. The complex is located on Lexington-Springmill Road north of Meijer's. OSU and North Central State College, which share the campus, relocated the main entrance for easier access to the retail area/business district, what campus leaders call the Gateway project. This demonstrates the dedication both colleges have to our community and we look forward to continuing this partnership. In 2020, many Buckeye trees, donated by the Columbus campus, were planted in honor of the university's 150th anniversary. The City has extended the sidewalks approximately one mile to this "Campus District". The goal is to have a walkable community with a "town center" concept.

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. The addition of the new businesses and the development of the industrial parks, show that Ontario is a great place to live, work, raise a family and grow a business. Ontario has a strong past and a bright future.

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. www.ontarioohio.org <https://youtu.be/yzSKgxq-gTs>

CITY OF ONTARIO, OHIO
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and investments	\$ 7,846,271	\$ 6,502,999	\$ 14,349,270
Cash in segregated accounts	14,040	-	14,040
Receivables (net of allowance for uncollectibles):			
Income taxes	1,796,676	-	1,796,676
Real and other local taxes	370,806	-	370,806
Accounts	23,229	317,575	340,804
Accrued interest	25,187	-	25,187
Intergovernmental	228,843	-	228,843
Payment in lieu of taxes	230,034	-	230,034
Prepayments	103,362	9,510	112,872
Materials and supplies inventory	340,377	110,599	450,976
Net pension asset	23,528	6,325	29,853
Internal balance	(565)	565	-
Assets held for resale	2,173,036	-	2,173,036
Capital assets:			
Nondepreciable assets	2,528,193	614,397	3,142,590
Depreciable capital assets, net	16,579,726	13,089,009	29,668,735
Total capital assets, net	19,107,919	13,703,406	32,811,325
Total assets	32,282,743	20,650,979	52,933,722
Deferred outflows of resources:			
Unamortized deferred charges on debt refunding	99,248	-	99,248
Pension	888,326	93,178	981,504
OPEB	595,062	61,759	656,821
Total deferred outflows of resources	1,582,636	154,937	1,737,573
Liabilities:			
Accounts payable	44,623	22,482	67,105
Accrued wages and benefits payable	137,299	17,086	154,385
Intergovernmental payable	53,440	394,900	448,340
Accrued interest payable	6,725	5,033	11,758
Claims payable	78,804	-	78,804
Deposits payable	45,795	-	45,795
Long-term liabilities:			
Due within one year	458,373	292,109	750,482
Due in more than one year	2,827,049	2,522,191	5,349,240
Net pension liability	5,410,131	467,488	5,877,619
Net OPEB liability	1,721,399	318,027	2,039,426
Total liabilities	10,783,638	4,039,316	14,822,954
Deferred inflows of resources:			
Property taxes and PILOTs levied for the next fiscal year	569,050	-	569,050
Pension	872,799	131,564	1,004,363
OPEB	399,909	63,281	463,190
Total deferred inflows of resources	1,841,758	194,845	2,036,603
Net position:			
Net investment in capital assets	16,507,259	11,028,834	27,536,093
Restricted for:			
Debt service	111,267	-	111,267
Transportation improvement projects	907,642	-	907,642
Tax increment financing	263,305	-	263,305
Court computerization	6,935	-	6,935
Cemetery	33,019	-	33,019
Other purposes	129,389	-	129,389
Unrestricted	3,281,167	5,542,921	8,824,088
Total net position	\$ 21,239,983	\$ 16,571,755	\$ 37,811,738

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ONTARIO, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>
Governmental activities:			
General government.	\$ 2,014,365	\$ 146,110	\$ -
Security of persons and property . . .	3,346,791	172,421	335,224
Public health and welfare	7,069	7,448	-
Transportation.	4,224,031	-	524,439
Community environment	41,019	-	-
Leisure time activity.	247,619	13,875	-
Interest and fiscal charges.	84,649	-	-
Total governmental activities	<u>9,965,543</u>	<u>339,854</u>	<u>859,663</u>
Business-type activities:			
Water	1,275,208	922,990	-
Sewer	<u>2,506,713</u>	<u>3,016,528</u>	-
Total business-type activities	<u>3,781,921</u>	<u>3,939,518</u>	-
Total primary government	<u>\$ 13,747,464</u>	<u>\$ 4,279,372</u>	<u>\$ 859,663</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
Increase in fair value of investments
Miscellaneous
Total general revenues
Transfers
Total general revenues, special items, and 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**

Governmental Activities	Business-type Activities	Total
\$ (1,868,255)	\$ -	\$ (1,868,255)
(2,839,146)	-	(2,839,146)
379	-	379
(3,699,592)	-	(3,699,592)
(41,019)	-	(41,019)
(233,744)	-	(233,744)
(84,649)	-	(84,649)
<u>(8,766,026)</u>	<u>-</u>	<u>(8,766,026)</u>
-	(352,218)	(352,218)
-	509,815	509,815
-	<u>157,597</u>	<u>157,597</u>
<u>(8,766,026)</u>	<u>157,597</u>	<u>(8,608,429)</u>
340,308	-	340,308
19,805	-	19,805
27,769	-	27,769
4,809,451	-	4,809,451
1,608,520	-	1,608,520
517,232	-	517,232
222,396	-	222,396
753,277	-	753,277
165,535	-	165,535
141,407	-	141,407
352,436	58,812	411,248
<u>8,958,136</u>	<u>58,812</u>	<u>9,016,948</u>
<u>(24,879)</u>	<u>24,879</u>	<u>-</u>
<u>8,933,257</u>	<u>83,691</u>	<u>9,016,948</u>
167,231	241,288	408,519
<u>21,072,752</u>	<u>16,330,467</u>	<u>37,403,219</u>
<u>\$ 21,239,983</u>	<u>\$ 16,571,755</u>	<u>\$ 37,811,738</u>

CITY OF ONTARIO, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	<u>General</u>	<u>35% Street Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and investments	\$ 4,851,125	\$ 1,538,280	\$ 1,393,812	\$ 7,783,217
Cash in segregated accounts	13,420	-	620	14,040
Receivables (net of allowance for uncollectibles):				
Income taxes	1,262,089	415,790	118,797	1,796,676
Real and other local taxes	315,521	-	55,285	370,806
Accounts	23,229	-	-	23,229
Accrued interest	24,910	-	277	25,187
Intergovernmental	45,593	-	183,250	228,843
Payments in lieu of taxes	-	-	230,034	230,034
Prepayments	103,362	-	-	103,362
Materials and supplies inventory	13,957	121,896	204,524	340,377
Assets held for resale	2,173,036	-	-	2,173,036
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 8,826,242</u>	<u>\$ 2,075,966</u>	<u>\$ 2,186,599</u>	<u>\$ 13,088,807</u>
Liabilities:				
Accounts payable	\$ 7,686	\$ -	\$ 15,121	\$ 22,807
Accrued wages and benefits payable	111,516	25,021	762	137,299
Intergovernmental payable	31,136	7,828	14,476	53,440
Compensated absences payable	-	89,281	-	89,281
Claims payable	729	-	-	729
Deposits payable	45,795	-	-	45,795
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>196,862</u>	<u>122,130</u>	<u>30,359</u>	<u>349,351</u>
Deferred inflows of resources:				
Property taxes and PILOTs levied for the next fiscal year	294,797	-	274,253	569,050
Delinquent property tax revenue not available	15,521	-	2,328	17,849
Accrued interest not available	11,993	-	125	12,118
Income tax revenue not available	867,291	289,097	82,599	1,238,987
Nonexchange transactions	42,354	-	150,330	192,684
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>1,231,956</u>	<u>289,097</u>	<u>509,635</u>	<u>2,030,688</u>
Fund balances:				
Nonspendable	2,290,355	121,896	204,524	2,616,775
Restricted	-	-	1,141,153	1,141,153
Committed	-	1,542,843	300,928	1,843,771
Assigned	1,517,015	-	-	1,517,015
Unassigned	3,590,054	-	-	3,590,054
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>7,397,424</u>	<u>1,664,739</u>	<u>1,646,605</u>	<u>10,708,768</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,826,242</u>	<u>\$ 2,075,966</u>	<u>\$ 2,186,599</u>	<u>\$ 13,088,807</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ONTARIO, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2020

Total governmental fund balances	\$	10,708,768
<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.		19,107,919
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	\$ 17,849	
Income taxes receivable	1,238,987	
Accrued interest receivable	12,118	
Intergovernmental receivable	192,684	
Total	1,461,638	1,461,638
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.		(36,837)
An internal balance is recorded in governmental activities to reflect overpayments to the internal service funds by the business-type activities.		(565)
Unamortized deferred amounts on refundings are not recognized in the governmental funds.		99,248
Unamortized bond premiums are not recognized in the governmental funds.		(265,681)
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	23,528	
Deferred outflows of resources	888,326	
Deferred inflows of resources	(872,799)	
Net pension liability	(5,410,131)	
Total	(5,371,076)	(5,371,076)
The net OPEB liability is not available to pay for current period expenditures; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred outflows of resources	595,062	
Deferred inflows of resources	(399,909)	
Net OPEB liability	(1,721,399)	
Total	(1,526,246)	(1,526,246)
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	(6,725)	
Compensated absences payable	(451,045)	
Capital lease payable	(334,227)	
Lease purchase agreement payable	(45,188)	
General obligation bonds payable	(2,100,000)	
Total	(2,937,185)	(2,937,185)
Net position of governmental activities	\$	21,239,983

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, 2020

	<u>General</u>	<u>35% Street Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Income taxes	\$ 4,413,260	\$ 1,476,456	\$ 479,500	\$ 6,369,216
Real and other local taxes.	339,486	-	47,451	386,937
Charges for services.	-	-	21,303	21,303
Licenses, permits and fees	310,583	-	9,774	320,357
Intergovernmental.	199,013	-	883,079	1,082,092
Payments in lieu of taxes	-	-	753,277	753,277
Investment income.	163,448	-	23,979	187,427
Other	274,316	18,687	61,288	354,291
Increase in fair value of investments	141,407	-	-	141,407
Total revenues	<u>5,841,513</u>	<u>1,495,143</u>	<u>2,279,651</u>	<u>9,616,307</u>
Expenditures:				
Current:				
General government	1,531,807	-	345,481	1,877,288
Security of persons and property	2,544,279	-	340,973	2,885,252
Public health and welfare.	-	-	7,069	7,069
Transportation	5,000	1,477,406	720,074	2,202,480
Community environment	36,509	-	-	36,509
Leisure time activity	117,881	-	37,706	155,587
Capital outlay	84,200	65,334	894,157	1,043,691
Debt service:				
Principal retirement.	31,733	71,347	195,000	298,080
Interest and fiscal charges	4,460	9,293	87,900	101,653
Total expenditures	<u>4,355,869</u>	<u>1,623,380</u>	<u>2,628,360</u>	<u>8,607,609</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>1,485,644</u>	<u>(128,237)</u>	<u>(348,709)</u>	<u>1,008,698</u>
Other financing sources (uses):				
Capital lease transaction.	30,489	65,334	-	95,823
Transfers in	-	431,932	493,223	925,155
Transfers (out).	(791,251)	-	(158,783)	(950,034)
Total other financing sources (uses)	<u>(760,762)</u>	<u>497,266</u>	<u>334,440</u>	<u>70,944</u>
Net change in fund balances	724,882	369,029	(14,269)	1,079,642
Fund balances at beginning of year	<u>6,672,542</u>	<u>1,295,710</u>	<u>1,660,874</u>	<u>9,629,126</u>
Fund balances at end of year	<u>\$ 7,397,424</u>	<u>\$ 1,664,739</u>	<u>\$ 1,646,605</u>	<u>\$ 10,708,768</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, 2020

Net change in fund balances - total governmental funds		\$ 1,079,642
<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 depreciation expense exceeds capital outlay in the current period.		
Capital asset additions	\$ 379,892	
Current year depreciation	<u>(1,466,869)</u>	
Total		(1,086,977)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(9,730)
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	945	
Income taxes	565,987	
Investment income	(1,025)	
Special assessments	(1,826)	
Intergovernmental revenues	<u>(22,735)</u>	
Total		541,346
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.		
		(95,823)
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.		
		298,080
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	480	
Amortization of bond premium	27,655	
Amortization of deferred amounts on refunding	<u>(11,131)</u>	
Total		17,004
Contractually required pension/OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension		459,261
OPEB		7,748
Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability and net OPEB liability are reported as pension/OPEB expense in the statement of activities.		
Pension		(726,335)
OPEB		(193,908)
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.		
		(20,895)
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.		
		<u>(102,182)</u>
Change in net position of governmental activities		<u>\$ 167,231</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ONTARIO, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Income taxes	\$ 3,596,064	\$ 3,930,165	\$ 4,306,450	\$ 376,285
Real and other local taxes.	283,709	338,635	339,755	1,120
Licenses, permits and fees.	261,950	269,313	313,697	44,384
Intergovernmental.	167,635	168,461	200,750	32,289
Investment income.	138,677	128,313	166,072	37,759
Other	229,065	192,213	274,316	82,103
Total revenues	4,677,100	5,027,100	5,601,040	573,940
Expenditures:				
Current:				
General government	1,860,780	1,990,615	1,613,903	376,712
Security of persons and property	2,707,855	2,896,794	2,520,548	376,246
Transportation	4,674	5,000	5,000	-
Community environment	9,581	10,250	5,385	4,865
Leisure time activity	164,988	176,500	143,513	32,987
Capital outlay	268,281	287,000	123,592	163,408
Total expenditures	5,016,159	5,366,159	4,411,941	954,218
Excess (deficiency) of revenues over (under) expenditures	(339,059)	(339,059)	1,189,099	1,528,158
Other financing uses:				
Transfers (out).	(713,000)	(713,000)	(792,125)	(79,125)
Total other financing uses	(713,000)	(713,000)	(792,125)	(79,125)
Net change in fund balances	(1,052,059)	(1,052,059)	396,974	1,449,033
Fund balance at beginning of year.	4,169,008	4,169,008	4,169,008	-
Fund balance at end of year	\$ 3,116,949	\$ 3,116,949	\$ 4,565,982	\$ 1,449,033

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, 2020

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Income taxes	\$ 946,112	\$ 946,112	\$ 1,445,759	\$ 499,647
Other	12,229	12,229	18,687	6,458
Total revenues	<u>958,341</u>	<u>958,341</u>	<u>1,464,446</u>	<u>506,105</u>
Expenditures:				
Current:				
Transportation	1,601,759	1,941,759	1,489,508	452,251
Total expenditures	<u>1,601,759</u>	<u>1,941,759</u>	<u>1,489,508</u>	<u>452,251</u>
Excess of expenditures over revenues.	<u>(643,418)</u>	<u>(983,418)</u>	<u>(25,062)</u>	<u>958,356</u>
Other financing sources:				
Transfers in	282,659	282,659	431,932	149,273
Total other financing sources	<u>282,659</u>	<u>282,659</u>	<u>431,932</u>	<u>149,273</u>
Net change in fund balances	(360,759)	(700,759)	406,870	1,107,629
Fund balance at beginning of year.	<u>1,130,873</u>	<u>1,130,873</u>	<u>1,130,873</u>	<u>-</u>
Fund balance at end of year	<u>\$ 770,114</u>	<u>\$ 430,114</u>	<u>\$ 1,537,743</u>	<u>\$ 1,107,629</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ONTARIO, OHIO

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2020

	Business-type Activities - Enterprise Funds			Governmental
	Water	Sewer	Total	Activities - Internal Service Fund
Assets:				
Current assets:				
Equity in pooled cash and investments	\$ 3,004,296	\$ 3,498,703	\$ 6,502,999	\$ 63,054
Receivables (net of allowance for uncollectables):				
Accounts	71,101	246,474	317,575	-
Materials and supplies inventory	91,670	18,929	110,599	-
Prepayments	5,700	3,810	9,510	-
Total current assets	<u>3,172,767</u>	<u>3,767,916</u>	<u>6,940,683</u>	<u>63,054</u>
Noncurrent assets:				
Net pension asset	3,933	2,392	6,325	-
Capital assets:				
Land and construction in progress	262,626	351,771	614,397	-
Depreciable capital assets, net	4,632,410	8,456,599	13,089,009	-
Total capital assets, net	<u>4,895,036</u>	<u>8,808,370</u>	<u>13,703,406</u>	<u>-</u>
Total noncurrent assets	<u>4,898,969</u>	<u>8,810,762</u>	<u>13,709,731</u>	<u>-</u>
Total assets	<u>8,071,736</u>	<u>12,578,678</u>	<u>20,650,414</u>	<u>63,054</u>
Deferred outflows of resources:				
Pension	56,367	36,811	93,178	-
OPEB	37,708	24,051	61,759	-
Total deferred outflows of resources	<u>94,075</u>	<u>60,862</u>	<u>154,937</u>	<u>-</u>
Liabilities:				
Current liabilities:				
Accounts payable	11,857	10,625	22,482	21,816
Accrued wages and benefits payable	11,602	5,484	17,086	-
Intergovernmental payable	3,579	391,321	394,900	-
Accrued interest payable	3,689	1,344	5,033	-
Compensated absences payable - current	40,881	8,301	49,182	-
General obligation bonds payable	120,000	20,000	140,000	-
OPWC loans payable - current	-	38,168	38,168	-
Capital lease obligations payable	29,038	35,721	64,759	-
Claims payable	-	-	-	78,075
Total current liabilities	<u>220,646</u>	<u>510,964</u>	<u>731,610</u>	<u>99,891</u>
Long-term liabilities:				
Compensated absences payable	23,716	47,985	71,701	-
General obligation bonds payable	1,035,000	395,000	1,430,000	-
OWDA loans payable	-	105,709	105,709	-
OPWC loans payable	-	698,594	698,594	-
Unamortized premium on bonds	142,822	57,472	200,294	-
Capital lease obligations payable	-	15,893	15,893	-
Net pension liability	290,700	176,788	467,488	-
Net OPEB liability	197,760	120,267	318,027	-
Total long-term liabilities	<u>1,689,998</u>	<u>1,617,708</u>	<u>3,307,706</u>	<u>-</u>
Total liabilities	<u>1,910,644</u>	<u>2,128,672</u>	<u>4,039,316</u>	<u>99,891</u>
Deferred inflows of resources:				
Pension	89,963	41,601	131,564	-
OPEB	43,361	19,920	63,281	-
Total deferred inflows of resources	<u>133,324</u>	<u>61,521</u>	<u>194,845</u>	<u>-</u>
Net position:				
Net investment in capital assets	3,568,177	7,460,657	11,028,834	-
Unrestricted	2,553,666	2,988,690	5,542,356	(36,837)
Total net position	<u>\$ 6,121,843</u>	<u>\$ 10,449,347</u>	<u>16,571,190</u>	<u>\$ (36,837)</u>
Adjustment to reflect the consolidation of the internal service fund activities related to enterprise funds.			565	
Net position of business-type activities			<u>\$ 16,571,755</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, 2020

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water	Sewer	Total	
Operating revenues:				
Charges for services	\$ 922,990	\$ 3,016,528	\$ 3,939,518	\$ 889,059
Other	36,759	22,053	58,812	-
Total operating revenues.	959,749	3,038,581	3,998,330	889,059
Operating expenses:				
Personal services	373,037	217,697	590,734	-
Contract services.	149,997	1,843,453	1,993,450	253,746
Materials and supplies.	393,104	70,613	463,717	-
Claims expense	-	-	-	750,035
Depreciation.	313,779	354,696	668,475	-
Other	6,343	-	6,343	-
Total operating expenses.	1,236,260	2,486,459	3,722,719	1,003,781
Operating income (loss).	(276,511)	552,122	275,611	(114,722)
Nonoperating revenues (expenses):				
Interest and fiscal charges	(34,229)	(15,239)	(49,468)	-
Total nonoperating revenues (expenses).	(34,229)	(15,239)	(49,468)	2,806
Income (loss) before transfers	(310,740)	536,883	226,143	(111,916)
Transfers in.	3,864	21,015	24,879	-
Change in net position	(306,876)	557,898	251,022	(111,916)
Net position at beginning of year.	6,428,719	9,891,449		75,079
Net position at end of year	\$ 6,121,843	\$ 10,449,347		\$ (36,837)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			(9,734)	
Change in net position of business-type activities.			<u>\$ 241,288</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, 2020

	<u>Business-type Activities - Enterprise Funds</u>			Governmental
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	Activities - Internal Service Fund
Cash flows from operating activities:				
Cash received from customers	\$ 926,891	\$ 3,022,507	\$ 3,949,398	\$ 889,059
Cash received from other operations	36,759	22,053	58,812	-
Cash payments for personal services	(311,728)	(187,663)	(499,391)	-
Cash payments for contract services	(148,046)	(1,850,288)	(1,998,334)	(252,274)
Cash payments for materials and supplies	(400,574)	(71,253)	(471,827)	-
Cash payments for other expenses	(6,343)	-	(6,343)	-
Cash payments for claims	-	-	-	(733,709)
Net cash provided by (used in) operating activities	<u>96,959</u>	<u>935,356</u>	<u>1,032,315</u>	<u>(96,924)</u>
Cash flows from noncapital financing activities:				
Cash received from transfers in	<u>3,864</u>	<u>21,015</u>	<u>24,879</u>	<u>-</u>
Net cash provided by noncapital financing activities	<u>3,864</u>	<u>21,015</u>	<u>24,879</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(5,900)	(277,184)	(283,084)	-
Principal retirement on OPWC loans	(919)	(57,251)	(58,170)	-
Principal retirement on bonds	(110,000)	(20,000)	(130,000)	-
Principal retirement on capital leases	(28,103)	(31,717)	(59,820)	-
Interest paid	(50,197)	(19,141)	(69,338)	-
OWDA loan proceeds	-	105,709	105,709	-
Net cash used in capital and related financing activities	<u>(195,119)</u>	<u>(299,584)</u>	<u>(494,703)</u>	<u>-</u>
Cash flows from investing activities:				
Interest received	-	-	-	2,806
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,806</u>
Net increase (decrease) in cash and investments	(94,296)	656,787	562,491	(94,118)
Cash and investments at beginning of year	<u>3,098,592</u>	<u>2,841,916</u>	<u>5,940,508</u>	<u>157,172</u>
Cash and investments at end of year	<u>\$ 3,004,296</u>	<u>\$ 3,498,703</u>	<u>\$ 6,502,999</u>	<u>\$ 63,054</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (276,511)	\$ 552,122	\$ 275,611	\$ (114,722)
Adjustments:				
Depreciation	313,779	354,696	668,475	-
Changes in assets, deferred outflows, liabilities and deferred inflows:				
(Increase) in materials and supplies inventory	(7,972)	(640)	(8,612)	-
Decrease in accounts receivable	3,901	5,979	9,880	-
(Increase) in net pension asset	(1,527)	(1,206)	(2,733)	-
Decrease in deferred outflows - pension	102,002	30,722	132,724	-
(Increase) in deferred outflows - OPEB	(8,525)	(15,816)	(24,341)	-
Increase in accounts payable	2,453	5,195	7,648	1,472
Increase in accrued wages and benefits	2,549	1,270	3,819	-
Increase (decrease) in intergovernmental payable	608	(11,611)	(11,003)	-
Increase in compensated absences payable	24,129	10,278	34,407	-
(Decrease) in net pension liability	(167,697)	(49,244)	(216,941)	-
Increase (decrease) in net OPEB liability	(14,677)	15,516	839	-
Increase in deferred inflows - pension	82,241	26,681	108,922	-
Increase in deferred inflows - OPEB	42,206	11,414	53,620	-
Increase in claims payable	-	-	-	16,326
Net cash provided by (used in) operating activities	<u>\$ 96,959</u>	<u>\$ 935,356</u>	<u>\$ 1,032,315</u>	<u>\$ (96,924)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ONTARIO, OHIO

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2020

	<u>Custodial</u>
Assets:	
Cash in segregated accounts.	\$ 3,014
Total assets	<u>3,014</u>
Liabilities:	
Intergovernmental payable.	<u>3,014</u>
Total liabilities	<u>3,014</u>
Net position:	
Restricted for other governments.	<u>-</u>
Total net position.	<u>\$ -</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ONTARIO, OHIO

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Custodial</u>
Additions:	
Fines and forfeitures	\$ 55,493
Total additions	<u>55,493</u>
Deductions:	
Distributions to other governments	<u>55,493</u>
Total deductions.	<u>55,493</u>
Change in net position	-
Net position at beginning of year	<u>-</u>
Net position at end of year	<u><u>\$ -</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, 2020

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, 2020

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.

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.

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.

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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

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 custodial 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. The City has no trust funds. The City's only custodial fund is used to account for the collection and remittance of fines and forfeitures for other governments by the City's Mayor's Court.

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.

Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from custodial funds.

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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 custodial 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 Notes 16 and 17 for deferred outflows of resources related the City's net pension liability and net OPEB liability, respectively. 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, 2020

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, 2020, but which were levied to finance 2021 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 Notes 16 and 17 for deferred inflows of resources related to the City's net pension liability and net OPEB liability, respectively. 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 custodial 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 Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amount on the final amended certificate of estimated resources in effect at the time the final appropriations were passed by Council.

The appropriation 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.

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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

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 2020, investments were limited to nonnegotiable and negotiable 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 2020, 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 2020, 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 \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 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 2020 amounted to \$163,448 which includes \$102,804 assigned from other funds of the City.

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

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

H. Inventory

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

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2020, 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.

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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

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, construction in progress, 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

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, 2020 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.

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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

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. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan’s fiduciary net position is not sufficient for payment of those benefits.

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.

N. Fund Balance

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

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

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

CITY OF ONTARIO, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

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.

O. 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 from or addition 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.

P. Estimates

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

Q. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions are reported as revenue in the proprietary fund financial statements.

CITY OF ONTARIO, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

R. Net Position

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

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

S. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are 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.

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. The City did not have any special items or extraordinary items in 2020.

U. Pensions/Other Postemployment Benefits (OPEB)

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

V. 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.

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For 2020, the City has applied GASB Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance" to GASB Statement Nos. 87 and 89, which were originally due to be implemented in 2020. GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The following pronouncement is postponed by one year and the City has elected delaying implementation until the fiscal year ended December 31, 2021:

- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*

The following pronouncements are postponed by eighteen months and the City has elected delaying implementation until the fiscal year ended December 31, 2022:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*

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, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. 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;
7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio); and,
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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 deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions 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.

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. Excepted as noted above, 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, 2020 was \$17,054. These depository accounts are included in "deposits with financial institutions" below.

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Deposits with Financial Institutions

At December 31, 2020, the carrying amount of all City deposits was \$5,256,582 and the bank balance of all City deposits was \$5,638,974. Of the bank balance, \$2,880,377 was covered by the FDIC and \$2,758,597 was exposed to custodial credit risk as discussed below.

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's 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 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 rate set by the Treasurer of State. 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.

C. Investments

As of December 31, 2020, 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 24 months	Greater than 24 months
<i>Fair value:</i>						
FHLMC	\$ 585,945	\$ 100,697	\$ -	\$ -	\$ 125,106	\$ 360,142
FNMA	727,008	-	226,611	-	-	500,397
FFCB	351,988	251,987	-	-	100,001	-
FHLB	150,162	150,162	-	-	-	-
U.S. Treasury Notes	691,788	515,762	176,026	-	-	-
Commercial paper	149,919	149,919	-	-	-	-
Negotiable CDs	4,830,538	196,189	-	177,004	614,432	3,842,913
U.S. Government money market funds	123,022	123,022	-	-	-	-
<i>Amortized cost:</i>						
STAR Ohio	<u>1,499,372</u>	<u>1,499,372</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 9,109,742</u>	<u>\$ 2,987,110</u>	<u>\$ 402,637</u>	<u>\$ 177,004</u>	<u>\$ 839,539</u>	<u>\$ 4,703,452</u>

The City's investments in U.S. Government money market funds are valued using quoted market prices in active markets (Level 1 inputs). The City's investments in federal agency securities (FHLMC, FNMA, FFCB, FHLB), U.S. Treasury Notes 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).

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.

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 negotiable CDs are not rated. The negotiable CDs are covered by FDIC. 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 paper 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, commercial paper, and U.S. Treasury notes 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, 2020:

<u>Measurement/ Investment type</u>	<u>Measurement Amount</u>	<u>% of Total</u>
<i>Fair value:</i>		
FHLMC	\$ 585,945	6.43
FNMA	727,008	7.98
FFCB	351,988	3.86
FHLB	150,162	1.65
U.S. Treasury notes	691,788	7.59
Negotiable CDs	4,830,538	53.03
Commercial paper	149,919	1.65
U.S. Government money market fund	123,022	1.35
<i>Amortized cost:</i>		
STAR Ohio	<u>1,499,372</u>	<u>16.46</u>
Total	<u>\$ 9,109,742</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2020:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 5,256,582
Investments	<u>9,109,742</u>
Total	<u>\$ 14,366,324</u>

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 7,860,311
Business-type activities	6,502,999
Custodial funds	3,014
Total	<u>\$ 14,366,324</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended December 31, 2020, consisted of the following as reported on the fund financial statements:

Transfers from the general fund to:

35% street construction fund	\$ 431,932
Nonmajor governmental funds	353,523
Water fund	3,864
Sewer fund	1,932
Total transfers from general fund	<u>791,251</u>

Transfers from nonmajor governmental funds to:

Nonmajor governmental funds	139,700
Sewer fund	19,083
Total transfers	<u>\$ 950,034</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 \$139,700 transfer from the tax increment fund (a nonmajor governmental fund) to the debt service fund (a nonmajor governmental fund) were for payments of the 2016 TIF project bonds principal and interest. In addition, the debt service fund transferred 19,083 to the sewer fund to provide resources for a debt payment.

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

NOTE 6 - PROPERTY TAXES

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2020 public utility property taxes became a lien December 31, 2019, are levied after October 1, 2020, and are collected in 2021 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 6 - PROPERTY TAXES - (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Ontario. County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2020 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 2020 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, 2020 was \$2.20 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2020 property tax receipts were based are as follows:

<u>Real Property</u>	
Residential/Agricultural	\$ 105,269,570
Commercial/Industrial/Mineral	66,279,330
<u>Public Utility</u>	
Real/Personal	<u>6,661,650</u>
Total Assessed Value	<u>\$ 178,210,550</u>

NOTE 7 - LOCAL INCOME TAX

The City levies and collects an income tax of 1.5% on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of .5% of the tax paid to another municipality. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. During 2020, 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 \$6,369,216 in 2020.

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.

CITY OF ONTARIO, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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 2020, the City received PILOT revenue of \$753,277 in the tax increment fund and debt service fund (nonmajor governmental funds). The TIFs have a longevity of the shorter period of 30 years or until the public improvements are paid for. The property tax exemption then ceases; PILOT’s cease and property taxes then apply to the increased property values.

NOTE 10 - RECEIVABLES

Receivables at December 31, 2020, consisted of taxes, accounts (billings for user charged services), 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	\$	1,796,676
Real and other taxes		370,806
Accounts		23,229
Accrued interest		25,187
Intergovernmental		228,843
Payments in lieu of taxes		230,034

Business-type activities:

Accounts	\$	317,575
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Receivables have been disaggregated on the face of the financial statements. The only receivable not expected to be collected within the subsequent year are the special assessments which are collected over the life of the assessment.

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CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 11 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020, was as follows:

<u>Governmental activities:</u>	Balance 1/1/2020	Additions	Disposals	Balance 12/31/2020
<i>Capital assets, not being depreciated:</i>				
Land	\$ 2,492,488	\$ -	\$ -	\$ 2,492,488
Easements	19,705	-	-	19,705
Construction in progress	<u>17,500</u>	<u>44,112</u>	<u>(45,612)</u>	<u>16,000</u>
Total capital assets, not being depreciated	<u>2,529,693</u>	<u>44,112</u>	<u>(45,612)</u>	<u>2,528,193</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,749,496	-	-	2,749,496
Buildings and improvements	3,228,094	-	-	3,228,094
Furniture and equipment	3,725,954	135,489	(50,058)	3,811,385
Vehicles	2,387,119	200,291	(50,722)	2,536,688
Infrastructure	<u>30,838,090</u>	<u>45,612</u>	<u>-</u>	<u>30,883,702</u>
Total capital assets, being depreciated	<u>42,928,753</u>	<u>381,392</u>	<u>(100,780)</u>	<u>43,209,365</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(2,271,632)	(77,155)	-	(2,348,787)
Buildings and improvements	(2,413,076)	(68,517)	-	(2,481,593)
Furniture and equipment	(3,400,511)	(101,241)	40,328	(3,461,424)
Vehicles	(1,670,463)	(159,842)	50,722	(1,779,583)
Infrastructure	<u>(15,498,138)</u>	<u>(1,060,114)</u>	<u>-</u>	<u>(16,558,252)</u>
Total accumulated depreciation	<u>(25,253,820)</u>	<u>(1,466,869)</u>	<u>91,050</u>	<u>(26,629,639)</u>
Total capital assets, being depreciated, net	<u>17,674,933</u>	<u>(1,085,477)</u>	<u>(9,730)</u>	<u>16,579,726</u>
Governmental activities capital assets, net	<u>\$ 20,204,626</u>	<u>\$ (1,041,365)</u>	<u>\$ (55,342)</u>	<u>\$ 19,107,919</u>

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

<u>Governmental activities:</u>	
General government	\$ 50,938
Security of persons and property	80,029
Transportation	1,255,164
Leisure Time Activity	<u>80,738</u>
Total depreciation expense - governmental activities	<u>\$ 1,466,869</u>

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 11 - CAPITAL ASSETS - (Continued)

<u>Business-type activities:</u>	Balance 1/1/2020	Additions	Disposals	Balance 12/31/2020
<i>Capital assets, not being depreciated:</i>				
Land	\$ 262,626	\$ 75,505	\$ -	\$ 338,131
Construction in progress	<u>74,587</u>	<u>201,679</u>	<u>-</u>	<u>276,266</u>
Total capital assets, not being depreciated	<u>337,213</u>	<u>277,184</u>	<u>-</u>	<u>614,397</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	3,977,950	5,900	-	3,983,850
Infrastructure:				
Sewer lines	10,653,890	-	-	10,653,890
Water lines	<u>7,341,560</u>	<u>-</u>	<u>-</u>	<u>7,341,560</u>
Total capital assets, being depreciated	<u>26,805,647</u>	<u>5,900</u>	<u>-</u>	<u>26,811,547</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(60,512)	(1,244)	-	(61,756)
Buildings and improvements	(1,817,090)	(119,824)	-	(1,936,914)
Furniture and equipment	(3,025,713)	(121,274)	-	(3,146,987)
Infrastructure:				
Sewer lines	(4,512,780)	(228,908)	-	(4,741,688)
Water lines	<u>(3,637,968)</u>	<u>(197,225)</u>	<u>-</u>	<u>(3,835,193)</u>
Total accumulated depreciation	<u>(13,054,063)</u>	<u>(668,475)</u>	<u>-</u>	<u>(13,722,538)</u>
Total capital assets, being depreciated, net	<u>13,751,584</u>	<u>(662,575)</u>	<u>-</u>	<u>13,089,009</u>
Business-type activities capital assets, net	<u>\$ 14,088,797</u>	<u>\$ (385,391)</u>	<u>\$ -</u>	<u>\$ 13,703,406</u>

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

<u>Business-type activities:</u>	
Water	\$ 313,779
Sewer	<u>354,696</u>
Total depreciation expense - business-type activities	<u>\$ 668,475</u>

NOTE 12 - CAPITAL LEASES - LESSEE DISCLOSURE

The City entered into capitalized leases for a vehicles, police equipment, copiers, 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.

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 12 - CAPITAL LEASES - LESSEE DISCLOSURE - (Continued)

General capital assets consisting of equipment and vehicles have been capitalized in the amount of \$1,220,935. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2020 was \$510,640 leaving a current book value of \$710,295. A corresponding liability was recorded in the government-wide financial statements and proprietary fund statements. Principal and interest payments on the leases, totaled \$20,386 and \$1,611, respectively, in the general fund, \$71,347 and \$9,293 principal and interest paid out of the 35% street construction fund, \$28,103 and \$1,897 principal and interest paid out of the water fund and \$31,717 and \$2,141 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, 2020.

<u>Year Ending December 31,</u>	<u>Total</u>
2021	\$ 160,889
2022	87,228
2023	87,228
2024	87,227
2025	<u>1,647</u>
Total future minimum lease payments	424,219
Less: amount representing interest	<u>(28,185)</u>
Present value of future minimum lease payments	<u>\$ 396,034</u>

NOTE 13 - LEASE PURCHASE OBLIGATION - LESSEE DISCLOSURE

During 2018, the City entered into a lease purchase agreement in the amount of \$86,285 to finance lighting upgrades throughout the City. Lease purchase payments will be reclassified and are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds. These expenditures will be reflected as program/function expenditures on a budgetary basis. The City began making payments on the lease purchase agreement in 2019.

The following is a schedule of the future long-term minimum lease payments required under the lease purchase agreement and the present value of the minimum lease payments as of December 31, 2020:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
2021	\$ 10,080	\$ 4,116	\$ 14,196
2022	10,080	4,116	14,196
2023	10,080	4,116	14,196
2024	10,080	4,116	14,196
2025	<u>10,078</u>	<u>4,118</u>	<u>14,196</u>
Total Minimum Lease Payments	50,398	20,582	70,980
Less: Amount Representing Interest	<u>(5,210)</u>	<u>(1,737)</u>	<u>(6,947)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 45,188</u>	<u>\$ 18,845</u>	<u>\$ 64,033</u>

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 14 - LONG-TERM OBLIGATIONS

A. During 2020, the following activity occurred in governmental and business-type activities long-term obligations.

	Balance			Balance	Due within
	1/1/2020	Additions	Disposals	12/31/2020	One Year
<u>Governmental activities:</u>					
<i><u>General obligation bonds:</u></i>					
Walker lake road refunding bonds, 2016	\$ 1,130,000	\$ -	\$ (30,000)	\$ 1,100,000	\$ 30,000
Urwin parkway improvement bonds, 2016	615,000	-	(55,000)	560,000	55,000
Ferguson road improvement bonds, 2016	350,000	-	(10,000)	340,000	10,000
Sidewalk improvement bonds	<u>200,000</u>	<u>-</u>	<u>(100,000)</u>	<u>100,000</u>	<u>100,000</u>
Total general obligation bonds	<u>2,295,000</u>	<u>-</u>	<u>(195,000)</u>	<u>2,100,000</u>	<u>195,000</u>
Capital lease payable	330,137	95,823	(91,733)	334,227	86,652
Lease-purchase agreement	56,535	-	(11,347)	45,188	8,856
Net pension liability	7,056,904	-	(1,646,773)	5,410,131	-
Net OPEB liability	1,649,514	71,885	-	1,721,399	-
Compensated absences	<u>455,746</u>	<u>177,059</u>	<u>(92,479)</u>	<u>540,326</u>	<u>167,865</u>
	<u>\$ 11,843,836</u>	<u>\$ 344,767</u>	<u>\$ (2,037,332)</u>	10,151,271	<u>\$ 458,373</u>
Unamortized premiums on bonds				265,681	
Total governmental activities				<u>\$ 10,416,952</u>	
<u>Business-type activities:</u>					
<i><u>General obligation bonds:</u></i>					
Water meter reading system improvement bonds, 2016	\$ 520,000	\$ -	\$ (80,000)	\$ 440,000	\$ 80,000
Mabee road water tower improvement bonds, 2016	265,000	-	(10,000)	255,000	15,000
Waterline repair improvement bonds, 2016	480,000	-	(20,000)	460,000	25,000
Tappan road lift station improvement bonds, 2016	<u>435,000</u>	<u>-</u>	<u>(20,000)</u>	<u>415,000</u>	<u>20,000</u>
Total general obligation bonds	<u>1,700,000</u>	<u>-</u>	<u>(130,000)</u>	<u>1,570,000</u>	<u>140,000</u>
<i><u>OPWC loans - direct borrowings:</u></i>					
OPWC water treatment loan	919	-	(919)	-	-
OPWC sewer improvement loan	316,664	-	(25,000)	291,664	16,667
OPWC I/I reduction phase 2 loan	274,142	-	(20,059)	254,083	13,373
OPWC above ground equalization tank loan	<u>203,207</u>	<u>-</u>	<u>(12,192)</u>	<u>191,015</u>	<u>8,128</u>
Total OPWC loans	<u>794,932</u>	<u>-</u>	<u>(58,170)</u>	<u>736,762</u>	<u>38,168</u>
Capital lease payable	121,627	-	(59,820)	61,807	61,807
OWDA Loan (direct borrowing)	-	105,709	-	105,709	-
Lease purchase agreement	18,845	-	-	18,845	2,952
Net pension liability	684,429	-	(216,941)	467,488	-
Net OPEB liability	317,188	839	-	318,027	-
Compensated absences	<u>86,476</u>	<u>47,301</u>	<u>(12,894)</u>	<u>120,883</u>	<u>49,182</u>
	<u>\$ 3,723,497</u>	<u>\$ 153,849</u>	<u>\$ (477,825)</u>	3,399,521	<u>\$ 292,109</u>
Unamortized premiums on bonds				200,294	
Total business-type activities				<u>\$ 3,599,815</u>	

CITY OF ONTARIO, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

The City's capital lease obligations and lease purchase agreements are described in Notes 12 and 13, respectively.

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 and net OPEB liability are described in Notes 16 and 17.

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 (a nonmajor governmental 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 was paid from the water fund. The final payment was made during 2020, and there is no outstanding obligation at December 31, 2020.

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 \$254,083.

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, 2020 was \$191,015.

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. OPWC loans are direct borrowings that have terms negotiated directly between the City and the OPWC and are not offered for public sale. In the event of default, the OPWC may declare the full amount of the then unpaid original loan amount to be immediately due and payable and/or require the City to pay any fines, penalties, interest or late charges associated with the default.

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

The City has entered into a debt financing arrangement through the Ohio Water Development Authority (OWDA) to fund capital improvements to the City's sewer buildings and infrastructure. The amount due to the OWDA is payable solely from sewer fund revenues. The loan agreements function similar to a line-of-credit agreement and require semi-annual payments based on the permissible borrowings rather than the actual amount loaned.

OWDA loans are direct borrowings that have terms negotiated directly between the City and the OWDA and are not offered for public sale. In the event of default, the OWDA may declare the full amount of the then unpaid original loan amount to be immediately due and payable and/or require the City to pay any fines, penalties, interest, or late charges associated with the default.

The loan has not been closed out and therefore no future debt payment schedule is available.

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, 2020 are as follows:

Year Ending December 31,	Governmental Activities			Business-Type Activities		
	General Obligation Bonds Payable			General Obligation Bonds Payable		
	Principal	Interest	Total	Principal	Interest	Total
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	205,000	68,400	273,400	155,000	51,400	206,400
2024	215,000	60,200	275,200	155,000	45,200	200,200
2025	225,000	51,600	276,600	160,000	39,000	199,000
2026 - 2030	755,000	144,800	899,800	365,000	134,800	499,800
2031 - 2035	<u>310,000</u>	<u>37,800</u>	<u>347,800</u>	<u>450,000</u>	<u>55,200</u>	<u>505,200</u>
Total	<u>\$ 2,100,000</u>	<u>\$ 521,050</u>	<u>\$ 2,621,050</u>	<u>\$ 1,570,000</u>	<u>\$ 444,200</u>	<u>\$ 2,014,200</u>

Year Ending December 31,	Business-type Activities - direct borrowing			
	OPWC Sewer Improvement Loan	OPWC Sewer /I Reduction Phase 2	OPWC Sewer Equalization Tank	Total OPWC Loans
	Principal	Principal	Principal	Loans
2021	\$ 16,667	\$ 13,373	\$ 8,128	\$ 38,168
2022	16,667	13,373	8,128	38,168
2023	16,667	13,373	8,129	38,169
2024	16,667	13,373	8,128	38,168
2025	16,667	13,372	8,128	38,167
2026 - 2030	83,333	66,864	40,642	190,839
2031 - 2035	83,330	66,864	40,642	190,836
2036 - 2040	41,666	53,491	40,641	135,798
2041 - 2045	<u>-</u>	<u>-</u>	<u>28,449</u>	<u>28,449</u>
Total	<u>\$ 291,664</u>	<u>\$ 254,083</u>	<u>\$ 191,015</u>	<u>\$ 736,762</u>

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 14 - 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, 2020, the City’s overall legal debt margin was \$16,730,100 and the unvoted debt margin was \$9,919,572.

NOTE 15 - RISK MANAGEMENT

A. Comprehensive

The City is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During 2020, 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	500	5,000,000
Property	1,000	28,769,310
Special Property Coverage	1,000	1,205,389
Electronic Equipment/Media Coverage	1,000	249,095
Public Employee Dishonesty	100	100,000
Boiler and Machinery	1,000	29,974,669

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

B. Workers’ Compensation

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

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 15 - RISK MANAGEMENT - (Continued)

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 \$729 reported on the financial statements at December 31, 2020 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>
2020	\$ 1,981	\$ 37,097	\$ (38,349)	\$ 729
2019	1,929	33,122	(33,070)	1,981

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 \$78,075 reported in the internal service fund at December 31, 2020 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>
2020	\$ 61,749	\$ 750,035	\$ (733,709)	\$ 78,075
2019	59,140	580,208	(577,599)	61,749

NOTE 16 - DEFINED BENEFIT PENSION PLANS

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Asset and Net OPEB Liability

Pensions and OPEB 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 net pension liability/asset and the net OPEB liability represent the City’s proportionate share of each pension/OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan’s fiduciary net position. The net pension/OPEB 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.

CITY OF ONTARIO, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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/OPEB are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability/asset is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide health care to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability/asset 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.

The remainder of this note includes the pension disclosures. See Note 17 for the OPEB disclosures.

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 combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. 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.

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members in the traditional and combined plans 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 and combined plans as per the reduced benefits adopted by SB 343 (see OPERS Comprehensive Annual Financial Report referenced above for additional information, including requirements for reduced and unreduced benefits):

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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The initial amount of a member’s pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

When a traditional plan benefit recipient has received benefits for 12 months, current law provides for an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the cost of living adjustment is 3 percent. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3.00%.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. 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. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. 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 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of the benefit (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022.

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

	State and Local
2020 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
2020 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits ****	0.0 %
Total Employer	14.0 %
Employee	10.0 %

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

**** This employer health care rate is for the traditional and combined plans. The employer contribution for the member-directed plan is 4.00%.

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 \$227,743 for 2020. Of this amount, \$20,986 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 OP&F website at 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.

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 July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent 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 (see OP&F Comprehensive Annual Financial Report referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits).

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F 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, surviving beneficiaries, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

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 3.00% or the percent increase, if any, in the consumer price index over the 12 month period ending on September 30th 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 3.00% 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	Firefighters
2020 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2020 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50 %	0.50 %
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$279,767 for 2020. Of this amount, \$30,036 is reported as intergovernmental payable.

Net 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 were measured as of December 31, 2019, 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, 2019, and was determined by rolling forward the total pension liability as of January 1, 2019, to December 31, 2019. 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.

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

Following is information related to the proportionate share and pension expense:

	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
Proportion of the net pension liability/asset prior measurement date	0.01144600%	0.01468700%	0.00129600%	0.05643400%	
Proportion of the net pension liability/asset current measurement date	<u>0.01116400%</u>	<u>0.01429400%</u>	<u>0.00124700%</u>	<u>0.05449360%</u>	
Change in proportionate share	<u>-0.00028200%</u>	<u>-0.00039300%</u>	<u>-0.00004900%</u>	<u>-0.00194040%</u>	
Proportionate share of the net pension liability	\$ 2,206,639	\$ -	\$ -	\$ 3,670,980	\$ 5,877,619
Proportionate share of the net pension asset	-	(29,806)	(47)	-	(29,853)
Pension expense	344,467	3,415	(28)	448,702	796,556

At December 31, 2020, 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
Deferred outflows of resources					
Differences between expected and actual experience	\$ -	\$ -	\$ 157	\$ 138,962	\$ 139,119
Changes of assumptions	117,861	3,075	7	90,112	211,055
Changes in employer's proportionate percentage/difference between employer contributions	28,567	-	-	95,253	123,820
Contributions subsequent to the measurement date	217,481	9,037	1,225	279,767	507,510
Total deferred outflows of resources	<u>\$ 363,909</u>	<u>\$ 12,112</u>	<u>\$ 1,389</u>	<u>\$ 604,094</u>	<u>\$ 981,504</u>

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
Deferred inflows of resources					
Differences between expected and actual experience	\$ 27,900	\$ 6,995	\$ -	\$ 189,325	\$ 224,220
Net difference between projected and actual earnings on pension plan investments	440,175	3,865	15	177,339	621,394
Changes in employer's proportionate percentage/ difference between employer contributions	51,249	-	-	107,500	158,749
Total deferred inflows of resources	<u>\$ 519,324</u>	<u>\$ 10,860</u>	<u>\$ 15</u>	<u>\$ 474,164</u>	<u>\$ 1,004,363</u>

\$507,510 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, 2021.

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

	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
Year Ending December 31:					
2021	\$ (60,203)	\$ (1,899)	\$ 19	\$ (32,322)	\$ (94,405)
2022	(156,142)	(1,828)	20	(13,656)	(171,606)
2023	18,226	(752)	22	73,989	91,485
2024	(174,777)	(2,161)	16	(181,144)	(358,066)
2025	-	(400)	18	3,296	2,914
Thereafter	-	(745)	54	-	(691)
Total	<u>\$ (372,896)</u>	<u>\$ (7,785)</u>	<u>\$ 149</u>	<u>\$ (149,837)</u>	<u>\$ (530,369)</u>

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.

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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, 2019, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2019, are presented below.

Wage inflation	3.25%
Future salary increases, including inflation	3.25% to 10.75% including wage inflation
COLA or ad hoc COLA	Pre 1/7/2013 retirees: 3.00%, simple Post 1/7/2013 retirees: 1.40%, simple through 2020, then 2.15% simple
Investment rate of return	
Current measurement date	7.20%
Prior measurement date	7.20%
Actuarial cost method	Individual entry age

In October 2019, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from 3.00% simple through 2018 then 2.15% simple to 1.40% simple through 2020 the 2.15% simple.

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

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

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. 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 was 17.20% for 2019.

The allocation of investment assets with the Defined Benefit portfolio is approved by the 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. The long-term expected 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. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	25.00 %	1.83 %
Domestic equities	19.00	5.75
Real estate	10.00	5.20
Private equity	12.00	10.70
International equities	21.00	7.66
Other investments	13.00	4.98
Total	<u>100.00 %</u>	<u>5.61 %</u>

Discount Rate - The discount rate used to measure the total pension liability/asset was 7.20%, post-experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. The discount rate used to measure total pension liability prior to December 31, 2019 was 7.20%. 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/Asset to Changes in the Discount Rate - The following table presents the proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 7.20%, as well as what the proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (6.20%) or one-percentage-point higher (8.20%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 3,639,464	\$ 2,206,639	\$ 918,574
Combined Plan	(18,010)	(29,806)	(38,308)
Member-Directed Plan	(25)	(47)	(62)

Actuarial Assumptions - OP&F

OP&F's total pension liability as of December 31, 2019, is based on the results of an actuarial valuation date of January 1, 2019, 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 the value 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. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2019, are presented below.

Valuation date	1/1/19 with actuarial liabilities rolled forward to 12/31/19
Actuarial cost method	Entry age normal
Investment rate of return	8.00%
Projected salary increases	3.75% - 10.50%
Payroll increases	3.25% per annum, compounded annually, consisting of
	inflation rate of 2.75% plus productivity increase rate of 0.50%
Cost of living adjustments	3.00% simple; 2.20% simple for increases based on the lesser of the increase in CPI and 3.00%

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120%.

Age	Police	Fire
67 or less	77%	68%
68-77	105%	87%
78 and up	115%	120%

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35%	35%
60-69	60%	45%
70-79	75%	70%
80 and up	100%	90%

The most recent experience study was completed for the five-year period ended December 31, 2016.

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 and Guidelines. 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 average 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, 2020

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2019 are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return **
Cash and Cash Equivalents	- %	1.00 %
Domestic Equity	16.00	5.40
Non-US Equity	16.00	5.80
Private Markets	8.00	8.00
Core Fixed Income *	23.00	2.70
High Yield Fixed Income	7.00	4.70
Private Credit	5.00	5.50
U.S. Inflation		
Linked Bonds *	17.00	2.50
Master Limited Partnerships	8.00	6.60
Real Assets	8.00	7.40
Private Real Estate	12.00	6.40
Total	<u>120.00 %</u>	

Note: assumptions are geometric.

* levered 2x

** numbers include inflation

OP&F'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 the relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.20 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 8.00%. 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 8.00%. 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.

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 8.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00%), or one percentage point higher (9.00%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net pension liability	\$ 5,087,851	\$ 3,670,980	\$ 2,485,908

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 17 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the City's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability 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 these estimates annually.

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 OPEB are financed; however, the City does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term net OPEB liability on the accrual basis of accounting. Any liability for the contractually-required OPEB 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 - The Ohio Public Employees Retirement System (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 postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty 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 75. See OPERS' Comprehensive Annual Financial Report referenced below for additional information.

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

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 Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, state and local employers contributed at a rate of 14.00% of earnable salary and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care was 0.00% for the Traditional and Combined plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2020 was 4.00%.

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

The City's contractually required contribution was \$490 for 2020. Of this amount, \$45 is reported as intergovernmental payable.

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

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment health care plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

A retiree is eligible for the OP&F health care stipend unless they have access to any other group coverage including employer and retirement coverage. The eligibility of spouses and dependent children could increase the stipend amount. If the spouse or dependents have access to any other group coverage including employer or retirement coverage, they are not eligible for stipend support from OP&F. Even if an OP&F member or their dependents are not eligible for a stipend, they can use the services of the third-party administrator to select and enroll in a plan. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

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 information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 17 - DEFINED BENEFIT OPEB 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 employer units, 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.

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2020, the portion of employer contributions allocated to health care was 0.50% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees’ primary responsibility to ensure that pension benefits are adequately funded.

The OP&F Board of Trustees is also 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 contractually required contribution to OP&F was \$7,362 for 2020. Of this amount, \$790 is reported as intergovernmental payable.

Net OPEB Liabilities, OPEB Expense, and Deferred Outflows or Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F’s total OPEB liability was measured as of December 31, 2019, and was determined by rolling forward the total OPEB liability as of January 1, 2019, to December 31, 2019. The City’s proportion of the net OPEB liability was based on the City’s share of contributions to the retirement plan relative to the contributions of all participating entities.

Following is information related to the proportionate share and OPEB expense:

	OPERS	OP&F	Total
Proportion of the net OPEB liability			
prior measurement date	0.01114300%	0.05643400%	
Proportion of the net OPEB liability			
current measurement date	<u>0.01086800%</u>	<u>0.05449360%</u>	
Change in proportionate share	<u>-0.00027500%</u>	<u>-0.00194040%</u>	
Proportionate share of the net OPEB liability	\$ 1,501,153	\$ 538,273	\$ 2,039,426
OPEB expense	\$ 156,249	\$ 67,881	\$ 224,130

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 39	\$ -	\$ 39
Changes of assumptions	237,618	314,696	552,314
Changes in employer's proportionate percentage/difference between employer contributions	13,843	82,773	96,616
Contributions subsequent to the measurement date	490	7,362	7,852
Total deferred outflows of resources	<u>\$ 251,990</u>	<u>\$ 404,831</u>	<u>\$ 656,821</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 137,288	\$ 57,885	\$ 195,173
Net difference between projected and actual earnings on OPEB plan investments	76,438	24,768	101,206
Changes of assumptions	-	114,714	114,714
Changes in employer's proportionate percentage/difference between employer contributions	30,415	21,682	52,097
Total deferred inflows of resources	<u>\$ 244,141</u>	<u>\$ 219,049</u>	<u>\$ 463,190</u>

\$7,852 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2021.

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Year Ending December 31:	OPERS	OP&F	Total
2021	\$ 30,827	\$ 34,031	\$ 64,858
2022	9,134	34,032	43,166
2023	60	39,112	39,172
2024	(32,662)	31,105	(1,557)
2025	-	31,347	31,347
Thereafter	-	8,793	8,793
Total	\$ 7,359	\$ 178,420	\$ 185,779

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 health care costs 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 coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25%
Projected Salary Increases, including inflation	3.25 to 10.75% including wage inflation
Single Discount Rate:	
Current measurement date	3.16%
Prior Measurement date	3.96%
Investment Rate of Return	
Current measurement date	6.00%
Prior Measurement date	6.00%
Municipal Bond Rate	
Current measurement date	2.75%
Prior Measurement date	3.71%
Health Care Cost Trend Rate	
Current measurement date	10.00% initial, 3.50% ultimate in 2030
Prior Measurement date	7.50%, initial 3.25%, ultimate in 2029
Actuarial Cost Method	Individual Entry Age Normal

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

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

The long-term expected rate of return on health care 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 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, if any contributions are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health care-related payments are assumed to occur mid-year. 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 Health Care portfolio was 19.70% for 2019.

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care 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.

For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	36.00 %	1.53 %
Domestic Equities	21.00	5.75
Real Estate Investment Trust	6.00	5.69
International Equities	23.00	7.66
Other investments	14.00	4.90
Total	100.00 %	4.55 %

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

Discount Rate - A single discount rate of 3.16% was used to measure the OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.96% was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 2.75%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate - The following table presents the proportionate share of the net OPEB liability calculated using the single discount rate of 3.16%, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.16%) or one-percentage-point higher (4.16%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's proportionate share of the net OPEB liability	\$ 1,964,500	\$ 1,501,153	\$ 1,130,163

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate - Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.00% lower or 1.00% higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2020 is 10.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

	<u>1% Decrease</u>	<u>Current Health Care Trend Rate Assumption</u>	<u>1% Increase</u>
City's proportionate share of the net OPEB liability	\$ 1,456,855	\$ 1,501,153	\$ 1,544,886

Changes between Measurement Date and Reporting Date

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current year financial statements but are expected to decrease the associated OPEB liability.

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - OP&F

OP&F's total OPEB liability as of December 31, 2019, is based on the results of an actuarial valuation date of January 1, 2019, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value 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.

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 and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Valuation Date	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00%
Projected Salary Increases	3.75% to 10.50%
Payroll Growth	3.25%
Single discount rate:	
Current measurement date	3.56%
Prior measurement date	4.66%
Cost of Living Adjustments	3.00% simple; 2.20% simple for increases based on the lesser of the increase in CPI and 3.00%

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120%.

Age	Police	Fire
67 or less	77%	68%
68-77	105%	87%
78 and up	115%	120%

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
59 or less	35%	35%
60-69	60%	45%
70-79	75%	70%
80 and up	100%	90%

The most recent experience study was completed for the five-year period ended December 31, 2016.

The long-term expected rate of return on OPEB 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.

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2019, are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return **
Cash and Cash Equivalents	- %	1.00 %
Domestic Equity	16.00	5.40
Non-US Equity	16.00	5.80
Private Markets	8.00	8.00
Core Fixed Income *	23.00	2.70
High Yield Fixed Income	7.00	4.70
Private Credit	5.00	5.50
U.S. Inflation		
Linked Bonds *	17.00	2.50
Master Limited Partnerships	8.00	6.60
Real Assets	8.00	7.40
Private Real Estate	12.00	6.40
Total	120.00 %	

Note: assumptions are geometric.

* levered 2x

** numbers include inflation

OP&F'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 1.20 times due to the application of leverage in certain fixed income asset classes.

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

Discount Rate - For 2019, the total OPEB liability was calculated using the discount rate of 3.56%. For 2018, the total OPEB liability was calculated using the discount rate of 4.66%. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8.00%. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.75% at December 31, 2019 and 4.13% at December 31, 2018, was blended with the long-term rate of 8.00%, which resulted in a blended discount rate of 3.56% for 2019 and 4.66% for 2018. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2034. The long-term expected rate of return on health care investments was applied to projected costs through 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate - Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.56%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56%), or one percentage point higher (4.56%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net OPEB liability	\$ 667,424	\$ 538,273	\$ 430,958

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate - The total OPEB liability is based on a medical benefit that is a flat dollar amount; therefore, it is unaffected by a health care cost trend rate. An increase or decrease in the trend rate would have no effect on the total OPEB liability.

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

CITY OF ONTARIO, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

(d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis).

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

Net Change in Fund Balance

	<u>General fund</u>	<u>35% Street Construction fund</u>
Budget basis	\$ 396,974	\$ 406,870
Net adjustment for revenue accruals	240,473	30,697
Net adjustment for expenditure accruals	56,072	(133,872)
Adjustment for financing sources (uses)	<u>31,363</u>	<u>65,334</u>
GAAP basis	<u>\$ 724,882</u>	<u>\$ 369,029</u>

NOTE 19 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2020.

B. Litigation

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

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 20 - FUND BALANCE

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

Fund balance	General	35% Street Construction	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Materials and supplies inventory	\$ 13,957	\$ 121,896	\$ 204,524	\$ 340,377
Prepays	103,362	-	-	103,362
Assets held for resale	2,173,036	-	-	2,173,036
Total nonspendable	<u>2,290,355</u>	<u>121,896</u>	<u>204,524</u>	<u>2,616,775</u>
Restricted:				
Debt service	-	-	117,992	117,992
Transportation improvement projects	-	-	569,659	569,659
Mayor's court programs	-	-	6,935	6,935
Cemetery	-	-	33,019	33,019
Police programs	-	-	85,266	85,266
Other purposes	-	-	328,282	328,282
Total restricted	<u>-</u>	<u>-</u>	<u>1,141,153</u>	<u>1,141,153</u>
Committed:				
Capital outlays	-	-	300,928	300,928
Transportation improvement projects	-	1,542,843	-	1,542,843
Total committed	<u>-</u>	<u>1,542,843</u>	<u>300,928</u>	<u>1,843,771</u>
Assigned:				
Subsequent year appropriations	1,517,015	-	-	1,517,015
Total assigned	<u>1,517,015</u>	<u>-</u>	<u>-</u>	<u>1,517,015</u>
Unassigned	3,590,054	-	-	3,590,054
Total fund balances	<u>\$ 7,397,424</u>	<u>\$ 1,664,739</u>	<u>\$ 1,646,605</u>	<u>\$ 10,708,768</u>

CITY OF ONTARIO, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 21 - TAX ABATEMENTS

As of December 31, 2020, 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, 2020, 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.

Under Ordinance No. 17-02 the City established an income tax abatement agreement with ES Consulting, Inc. Under the agreement, the City agrees to offer a tax credit to ES Consulting Inc. of 50% of their annual withholding taxes. This credit is reduced by any profit in ES Consulting Inc.'s business account. The agreement was established on January 4, 2017 and will remain in effect for ten years.

The City has entered into an agreement to abate income taxes through this program. During 2020, the City's income tax revenues were reduced as a result of this agreement as follows:

<u>Tax Abatement Program</u>	<u>City Taxes Abated</u>
Income tax abatement	<u>\$ 7,545</u>

NOTE 22 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the City. The City's investment portfolio and the pension and other employee benefits plan in which the City participate fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the City's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ONTARIO, OHIO

SCHEDULES OF THE 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 SEVEN YEARS			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>Traditional Plan:</i>				
City's proportion of the net pension liability	0.011164%	0.011446%	0.011171%	0.011374%
City's proportionate share of the net pension liability	\$ 2,206,640	\$ 3,134,827	\$ 1,752,512	\$ 2,582,842
City's covered payroll	\$ 1,547,943	\$ 1,587,071	\$ 1,501,631	\$ 1,489,417
City's proportionate share of the net pension liability as a percentage of its covered payroll	142.55%	197.52%	116.71%	173.41%
Plan fiduciary net position as a percentage of the total pension liability	82.17%	74.70%	84.66%	77.25%
<i>Combined Plan:</i>				
City's proportion of the net pension asset	0.014294%	0.014687%	0.014650%	0.015349%
City's proportionate share of the net pension asset	\$ 29,806	\$ 16,423	\$ 19,943	\$ 8,543
City's covered payroll	\$ 63,629	\$ 62,814	\$ 60,000	\$ 59,750
City's proportionate share of the net pension asset as a percentage of its covered payroll	46.84%	26.15%	33.24%	14.30%
Plan fiduciary net position as a percentage of the total pension asset	145.28%	126.64%	137.28%	116.55%
<i>Member Directed Plan:</i>				
City's proportion of the net pension asset	0.001247%	0.001296%	0.002586%	0.003163%
City's proportionate share of the net pension asset	\$ 47	\$ 30	\$ 90	\$ 13
City's covered payroll	\$ 7,410	\$ 7,410	\$ 14,170	\$ 16,421
City's proportionate share of the net pension asset as a percentage of its covered payroll	0.63%	0.40%	0.64%	0.08%
Plan fiduciary net position as a percentage of the total pension asset	118.84%	113.42%	124.46%	103.40%

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 fiscal year were determined as of the City's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

	<u>2016</u>	<u>2015</u>	<u>2014</u>
	0.011585%	0.011831%	0.011831%
\$	2,006,668	\$ 1,426,951	\$ 1,394,721
\$	1,469,617	\$ 1,428,825	\$ 1,255,554
	136.54%	99.87%	111.08%
	81.08%	86.45%	86.36%
	0.016420%	0.016101%	0.016101%
\$	7,990	\$ 6,199	\$ 1,689
\$	59,750	\$ 58,858	\$ -
	13.37%	10.53%	0.00%
	116.90%	114.83%	104.56%
	0.002453%	n/a	n/a
\$	9	n/a	n/a
\$	17,253	n/a	n/a
	0.05%	n/a	n/a
	103.91%	n/a	n/a

CITY OF ONTARIO, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SEVEN YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's proportion of the net pension liability	0.05449360%	0.05643400%	0.05673700%	0.05383500%
City's proportionate share of the net pension liability	\$ 3,670,980	\$ 4,606,506	\$ 3,482,235	\$ 3,409,874
City's covered payroll	\$ 1,424,700	\$ 1,441,911	\$ 1,408,905	\$ 1,279,863
City's proportionate share of the net pension liability as a percentage of its covered payroll	257.67%	319.47%	247.16%	266.42%
Plan fiduciary net position as a percentage of the total pension liability	69.89%	63.07%	70.91%	68.36%

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 fiscal year were determined as of the City's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>
0.05478600%	0.05414130%	0.05414130%
\$ 3,524,435	\$ 2,804,745	\$ 2,636,851
\$ 1,229,737	\$ 1,185,121	\$ 1,163,180
286.60%	236.66%	226.69%
66.77%	72.20%	73.00%

CITY OF ONTARIO, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 217,481	\$ 216,712	\$ 222,190	\$ 195,212
Contributions in relation to the contractually required contribution	<u>(217,481)</u>	<u>(216,712)</u>	<u>(222,190)</u>	<u>(195,212)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,553,436	\$ 1,547,943	\$ 1,587,071	\$ 1,501,631
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	13.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ 9,037	\$ 8,908	\$ 8,794	\$ 7,800
Contributions in relation to the contractually required contribution	<u>(9,037)</u>	<u>(8,908)</u>	<u>(8,794)</u>	<u>(7,800)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 64,550	\$ 63,629	\$ 62,814	\$ 60,000
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	13.00%
<i>Member Directed Plan:</i>				
Contractually required contribution	\$ 1,225	\$ 741	\$ 741	\$ 1,417
Contributions in relation to the contractually required contribution	<u>(1,225)</u>	<u>(741)</u>	<u>(741)</u>	<u>(1,417)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 12,250	\$ 7,410	\$ 7,410	\$ 14,170
Contributions as a percentage of covered payroll	10.00%	10.00%	10.00%	10.00%

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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 178,730	\$ 176,354	\$ 171,459	\$ 163,222	\$ 107,308	\$ 139,796
<u>(178,730)</u>	<u>(176,354)</u>	<u>(171,459)</u>	<u>(163,222)</u>	<u>(107,308)</u>	<u>(139,796)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,489,417	\$ 1,469,617	\$ 1,428,825	\$ 1,255,554	\$ 1,073,080	\$ 1,397,960
12.00%	12.00%	12.00%	13.00%	10.00%	10.00%
\$ 7,170	\$ 7,170	\$ 7,063	\$ -	\$ -	\$ 442
<u>(7,170)</u>	<u>(7,170)</u>	<u>(7,063)</u>	<u>-</u>	<u>-</u>	<u>(442)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 59,750	\$ 59,750	\$ 58,858	\$ -	\$ -	\$ 5,560
12.00%	12.00%	12.00%	13.00%	7.95%	7.95%
\$ 1,560	\$ 1,639				
<u>(1,560)</u>	<u>(1,639)</u>				
<u>\$ -</u>	<u>\$ -</u>				
\$ 13,000	\$ 13,658				
12.00%	12.00%				

CITY OF ONTARIO, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN YEARS			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>Police:</i>				
Contractually required contribution	\$ 279,767	\$ 270,693	\$ 273,963	\$ 267,692
Contributions in relation to the contractually required contribution	<u>(279,767)</u>	<u>(270,693)</u>	<u>(273,963)</u>	<u>(267,692)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,472,458	\$ 1,424,700	\$ 1,441,911	\$ 1,408,905
Contributions as a percentage of covered payroll	19.00%	19.00%	19.00%	19.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 243,174	\$ 233,650	\$ 225,173	\$ 184,713	\$ 148,315	\$ 140,294
<u>(243,174)</u>	<u>(233,650)</u>	<u>(225,173)</u>	<u>(184,713)</u>	<u>(148,315)</u>	<u>(140,294)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,279,863	\$ 1,229,737	\$ 1,185,121	\$ 1,162,936	\$ 1,163,255	\$ 1,100,345
19.00%	19.00%	19.00%	15.88%	12.75%	12.75%

CITY OF ONTARIO, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability	0.010868%	0.011143%	0.010950%	0.011151%
City's proportionate share of the net OPEB liability	\$ 1,501,153	\$ 1,452,784	\$ 1,189,089	\$ 1,126,314
City's covered payroll	\$ 1,618,982	\$ 1,657,295	\$ 1,575,801	\$ 1,565,588
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	92.72%	87.66%	75.46%	71.94%
Plan fiduciary net position as a percentage of the total OPEB liability	47.80%	46.33%	54.14%	54.05%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal 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 THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability	0.05449360%	0.05643400%	0.05673700%	0.05383500%
City's proportionate share of the net OPEB liability	\$ 538,273	\$ 513,918	\$ 3,214,667	\$ 2,555,426
City's covered payroll	\$ 1,424,700	\$ 1,441,911	\$ 1,408,905	\$ 1,279,863
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	37.78%	35.64%	228.17%	199.66%
Plan fiduciary net position as a percentage of the total OPEB liability	47.08%	46.57%	14.13%	15.96%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal 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 THE REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN YEARS			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 490	\$ 296	\$ 296	\$ 16,183
Contributions in relation to the contractually required contribution	<u>(490)</u>	<u>(296)</u>	<u>(296)</u>	<u>(16,183)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,630,236	\$ 1,618,982	\$ 1,657,295	\$ 1,575,801
Contributions as a percentage of covered payroll	0.03%	0.02%	0.02%	1.03%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 31,722	\$ 30,587	\$ 14,505	\$ 12,556	\$ 81,648	\$ 56,255
<u>(31,722)</u>	<u>(30,587)</u>	<u>(14,505)</u>	<u>(12,556)</u>	<u>(81,648)</u>	<u>(56,255)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,562,167	\$ 1,543,025	\$ 1,487,683	\$ 1,255,554	\$ 1,073,080	\$ 1,403,520
2.03%	1.98%	0.98%	1.00%	7.61%	4.01%

CITY OF ONTARIO, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN YEARS			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>Police:</i>				
Contractually required contribution	\$ 7,362	\$ 7,124	\$ 7,210	\$ 7,045
Contributions in relation to the contractually required contribution	<u>(7,362)</u>	<u>(7,124)</u>	<u>(7,210)</u>	<u>(7,045)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,472,458	\$ 1,424,700	\$ 1,441,911	\$ 1,408,905
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 6,399	\$ 6,315	\$ 60,021	\$ 41,020	\$ 78,519	\$ 74,273
<u>(6,399)</u>	<u>(6,315)</u>	<u>(60,021)</u>	<u>(41,020)</u>	<u>(78,519)</u>	<u>(74,273)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,279,863	\$ 1,229,737	\$ 1,185,121	\$ 1,162,936	\$ 1,163,255	\$ 1,100,345
0.50%	0.50%	0.50%	3.62%	6.75%	6.75%

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CITY OF ONTARIO, OHIO

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020

PENSION

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2020.

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%. There were no changes in assumptions for 2018. For 2019, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the assumed rate of return and discount rate were reduced from 7.50% down to 7.20%. There were no changes in assumptions for 2020.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2020.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2017. For 2018, the following were the most significant changes of assumptions that affected the total pension since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.50% down to 8.00%, (b) changing the future salary increases from a range of 4.25%-11.00% to 3.75%-10.50%, (c) reduction in payroll increases from 3.75% down to 3.25%, (d) reduction in inflation assumptions from 3.25% down to 2.75% and (e) Cost of Living Adjustments (COLA) were reduced from 2.60% and 3.00% simple to 2.20% and 3.00% simple. There were no changes in assumptions for 2019-2020.

(Continued)

CITY OF ONTARIO, OHIO

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2017-2020.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017. For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 4.23% down to 3.85%. For 2019, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.85% up to 3.96%, (b) The investment rate of return was decreased from 6.50% percent down to 6.00%, (c) the municipal bond rate was increased from 3.31% up to 3.71% and (d) the health care cost trend rate was increased from 7.50%, initial/3.25%, ultimate in 2028 up to 10.00%, initial/3.25% ultimate in 2029. For 2020, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was decreased from 3.96% up to 3.16%, (b) the municipal bond rate was decreased from 3.71% up to 2.75% and (c) the health care cost trend rate was increased from 10.00%, initial/3.25%, ultimate in 2029 up to 10.50%, initial/3.50% ultimate in 2030.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2017-2018. For 2019, OP&F changed its retiree health care model from a self-insured health care plan to a stipend-based health care model. There were no changes in benefit terms for 2020.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017. For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) DROP interest rate was reduced from 4.50% to 4.00%, (b) CPI-based COLA was reduced from 2.60% to 2.20%, (c) investment rate of return was reduced from 8.25% to 8.00%, (d) salary increases were reduced from 3.75% to 3.25% and (e) payroll growth was reduced from 3.75% to 3.25%. For 2019, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.24% up to 4.66%. For 2020, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was decreased from 4.66% up to 3.56%.

**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, 2020, 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 11, 2021.

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) as a basis for designing 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 the 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 financial statements. 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 11, 2021

OHIO AUDITOR OF STATE KEITH FABER



CITY OF ONTARIO

RICHLAND COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 7/8/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov