

CITY OF ONTARIO, OHIO



Basic Financial Statements

December 31, 2015

PLATTENBURG
Certified Public Accountants

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, 2015, 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, 20% Street Construction Fund and Street Construction & Maintenance Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 3 to the financial statements, the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2016, 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.

Dayton, Ohio

June 21, 2016

CITY OF ONTARIO, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015 (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, 2015. 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 2015 are as follows:

- The total net position of the City decreased \$1,052,480. Net position of governmental activities decreased \$1,290,534 or 5.67% from restated net position. Net position of business-type activities increased \$238,054 or 1.47% from restated 2014 net position.
- General revenues accounted for \$5,549,850 or 80.92% of total governmental activities revenue. Program specific revenues accounted for \$1,309,012 or 19.08% of total governmental activities revenue.
- The City had \$7,641,380 in expenses related to governmental activities; \$1,309,012 of these expenses was offset by program specific charges for services, grants or contributions. The general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$5,549,850 were not adequate to provide the remaining expenses of the governmental activities of \$6,332,368.
- The general fund had revenues and other financing sources of \$4,272,864 in 2015. This represents a decrease of \$125,638 from 2014 revenues. The expenditures and other financing uses of the general fund, which totaled \$4,478,945 in 2015, increased \$448,437 from 2014. The net decrease in fund balance for the general fund was \$206,081 or 4.13%.
- The 20% street construction fund had revenues and other financing sources of \$1,908,334 in 2015. The expenditures of the 20% street construction fund totaled \$1,699,560 in 2015. The net increase in fund balance for the 20% street construction fund was \$208,774.
- The street construction and maintenance fund had revenues and other financing sources of \$561,391 in 2015. The expenditures of the street construction and maintenance fund totaled \$886,842 in 2015. The street construction and maintenance fund reported a deficit fund balance of \$1,205,845 as a result of reporting a fund liability for the short-term bond anticipation note issued for street improvements during 2015.
- Net position for the business-type activities, which are made up of the water and sewer enterprise funds, increased in 2015 by \$238,054.

Using this Annual Financial Report

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

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

CITY OF ONTARIO, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015 (UNAUDITED)

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" The statement of net position and the statement of activities answer this question. These statements include all *assets, deferred outflows, liabilities, deferred inflows, revenues and expenses (excluding fiduciary funds)* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

The City's statement of net position and statement of activities can be found on pages 19-21 of this report.

Reporting the City's Most Significant Funds

Fund Financial Statements

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

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The analysis of the City's major governmental and proprietary funds begins on page 22.

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, 2015 (UNAUDITED)

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

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and non-major funds. The City's major governmental funds are the general fund, 20% street construction fund and street construction and maintenance fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 22-28 of this report.

Proprietary Funds

The City maintains proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations. Both of the City's enterprise funds are considered major funds. The basic proprietary fund financial statements can be found on pages 29-31 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds are the City's only fiduciary fund type. The basic fiduciary fund financial statement can be found on page 32 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 33-74 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 75-81 of this report.

CITY OF ONTARIO, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)

Government-Wide Financial Analysis

The statement of net position provides the perspective of the City as a whole. Net position at December 31, 2014 has been restated as described in Note 3.A of the notes to the basic financial statements. The table below provides a summary of the City's net position at December 31, 2015 and December 31, 2014.

	Governmental Activities		Business-Type Activities		Total	
	2015	Restated 2014	2015	Restated 2014	2015	Restated 2014
Assets						
Current assets	\$ 8,294,051	\$ 9,962,360	\$ 4,795,627	\$ 5,566,224	\$ 13,089,678	\$ 15,528,584
Capital assets, net	21,109,165	20,939,308	15,697,332	15,215,910	36,806,497	36,155,218
Total assets	29,403,216	30,901,668	20,492,959	20,782,134	49,896,175	51,683,802
Deferred outflows of resources						
Pension	559,665	366,000	54,907	37,695	614,572	403,695
Total deferred outflows of resources	559,665	366,000	54,907	37,695	614,572	403,695
Liabilities						
Current liabilities	1,758,345	2,250,764	2,732,290	3,225,123	4,490,635	5,475,887
Long-term liabilities:						
Due within one year	233,923	147,982	54,068	51,248	287,991	199,230
Net pension liability	3,930,394	3,737,076	301,302	294,496	4,231,696	4,031,572
Other amounts	1,984,899	1,806,270	985,359	1,018,238	2,970,258	2,824,508
Total liabilities	7,907,561	7,942,092	4,073,019	4,589,105	11,980,580	12,531,197
Deferred inflows of resources						
Property taxes and PILOTs	544,510	548,028	-	-	544,510	548,028
Pension	23,796	-	6,069	-	29,865	-
Total deferred inflows of resources	568,306	548,028	6,069	-	574,375	548,028
Net Position						
Net investment in capital assets	17,780,785	18,090,182	12,242,746	12,052,670	30,023,531	30,142,852
Restricted	459,888	1,598,686	-	-	459,888	1,598,686
Unrestricted	3,246,341	3,088,680	4,226,032	4,178,054	7,472,373	7,266,734
Total net position	\$ 21,487,014	\$ 22,777,548	\$ 16,468,778	\$ 16,230,724	\$ 37,955,792	\$ 39,008,272

During 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68" which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

CITY OF ONTARIO, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015 (UNAUDITED)

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

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

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

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

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

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

As a result of implementing GASB 68, the City is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, for governmental activities from \$26,147,292 to \$22,777,548 and business-type activities from \$16,487,168 to \$16,230,724.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2015, the City's total assets and deferred outflows exceeded liabilities and deferred inflows by \$37,955,792. At year-end, net positions were \$21,487,014 and \$16,468,778 for the governmental activities and the business-type activities, respectively.

CITY OF ONTARIO, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015 (UNAUDITED)

Capital assets reported on the government-wide statements represent the largest portion of the City's net position. At year-end, capital assets represented 73.77% 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, 2015, were \$17,780,785 and \$12,242,746 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, 2015, 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, \$459,888, 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 \$3,246,341 may be used to meet the City's ongoing obligations to citizens and creditors.

CITY OF ONTARIO, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

The table below shows the changes in net position for 2015 and 2014.

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues:						
Charges for services and sales	\$ 618,638	\$ 766,894	\$ 2,174,159	\$ 1,851,192	\$ 2,792,797	\$ 2,618,086
Operating grants and contributions	690,374	602,680	-	-	690,374	602,680
Capital grants and contributions	-	2,003,920	-	-	-	2,003,920
Total program revenues	1,309,012	3,373,494	2,174,159	1,851,192	3,483,171	5,224,686
General revenues:						
Property taxes	433,220	414,632	-	-	433,220	414,632
Income taxes	4,556,506	4,648,544	-	-	4,556,506	4,648,544
Unrestricted grants	182,759	448,352	-	-	182,759	448,352
Payments in lieu of taxes	193,396	193,396	-	-	193,396	193,396
Interest	77,870	69,813	-	-	77,870	69,813
(Decrease) in fair market value of investments	1,493	(9,508)	-	-	1,493	(9,508)
Miscellaneous	104,606	90,767	59,658	(38,983)	164,264	51,784
Total general revenues	5,549,850	5,855,996	59,658	(38,983)	5,609,508	5,817,013
Total revenues	6,858,862	9,229,490	2,233,817	1,812,209	9,092,679	11,041,699
Expenses:						
General government	1,703,237	2,100,017	-	-	1,703,237	2,100,017
Security of persons and property	2,510,419	2,489,409	-	-	2,510,419	2,489,409
Public health and welfare	6,010	4,145	-	-	6,010	4,145
Transportation	3,067,101	2,454,964	-	-	3,067,101	2,454,964
Community environment	29,423	28,207	-	-	29,423	28,207
Leisure time activity	255,488	202,160	-	-	255,488	202,160
Note issuance cost	-	17,850	-	-	-	17,850
Interest and fiscal charges	69,702	55,986	-	-	69,702	55,986
Water	-	-	960,489	979,531	960,489	979,531
Sewer	-	-	1,543,290	1,300,728	1,543,290	1,300,728
Total expenses	7,641,380	7,352,738	2,503,779	2,280,259	10,145,159	9,632,997
Transfers	(508,016)	(20,081)	508,016	20,081	-	-
Change in net position	(1,290,534)	1,856,671	238,054	(447,969)	(1,052,480)	1,408,702
Net position at beginning of year (restated)	22,777,548	N/A	16,230,724	N/A	39,008,272	N/A
Net position at end of year	\$ 21,487,014	\$ 22,777,548	\$ 16,468,778	\$ 16,230,724	\$ 37,955,792	\$ 39,008,272

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$403,695 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$431,806. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

CITY OF ONTARIO, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Total 2015 program expenses under GASB 68	\$ 7,641,380	\$ 2,503,779
Pension expense under GASB 68	(398,314)	(33,492)
2015 contractually required contributions	<u>378,423</u>	<u>38,751</u>
Adjusted 2015 program expenses	7,621,489	2,509,038
Total 2014 program expenses under GASB 27	<u>7,352,738</u>	<u>2,280,259</u>
Increase in program expenses not related to pension	<u>\$ 268,751</u>	<u>\$ 228,779</u>

Governmental Activities

Governmental activities net position decreased \$1,290,534 in 2015.

Total governmental expenses increased \$288,642 from 2014, which is attributed primarily to an increase in transportation expenses for the maintenance and repair of streets.

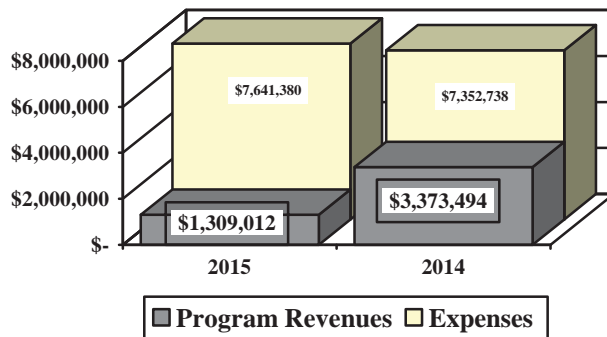
Security of persons and property, which primarily supports the operations of the police department accounted for \$2,510,419 of the total expenses of the City. These expenses were partially funded by \$242,314 in direct charges to users of the services and \$1,680 in operating grants and contributions. Transportation expenses totaled \$3,067,101. Transportation expenses were partially funded by \$688,694 in operating grants and contributions.

The state and federal government contributed to the City \$690,374 in operating grants and contributions. These revenues are restricted to a particular program or purpose. \$688,694 of the operating grants and contributions subsidized transportation programs. During 2014, the City received \$2,003,920 in capital grants and contributions from ODOT to fund the West 4th Street project. This project was completed in 2015

General revenues totaled \$5,549,850, and amounted to 80.92% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$4,989,726. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government revenue, making up \$182,759.

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

Governmental Activities - Program Revenues vs. Total Expenses



CITY OF ONTARIO, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

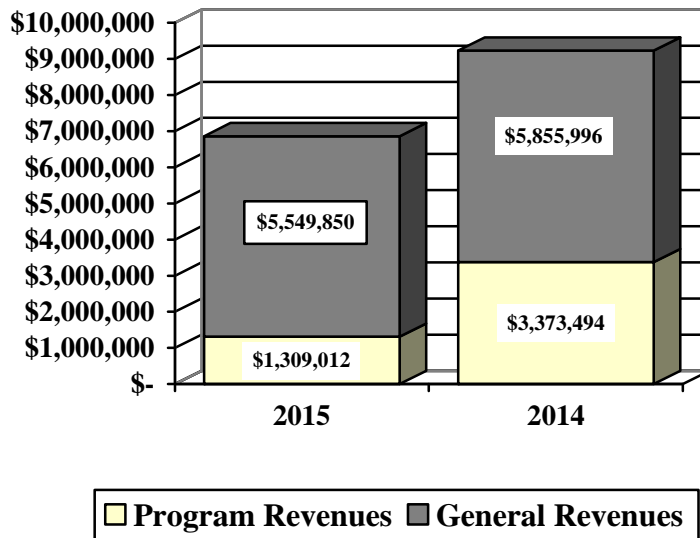
Governmental Activities

	Total Cost of Services 2015	Net Cost of Services 2015	Total Cost of Services 2014	Net Cost of Services 2014
Program Expenses:				
General government	\$ 1,703,237	\$ 1,352,959	\$ 2,100,017	\$ 1,632,971
Security of persons and property	2,510,419	2,266,425	2,489,409	2,228,331
Public health and welfare	6,010	(2,810)	4,145	(3,410)
Transportation	3,067,101	2,378,407	2,454,964	(165,174)
Community environment	29,423	29,423	28,207	28,207
Leisure time activity	255,488	238,262	202,160	184,483
Note issuance costs	-	-	17,850	17,850
Interest and fiscal charges	69,702	69,702	55,986	55,986
Total Expenses	\$ 7,641,380	\$ 6,332,368	\$ 7,352,738	\$ 3,979,244

The dependence upon general revenues for governmental activities is apparent, with 82.87% of expenses supported through taxes and other general revenues.

The chart below illustrates the City's general revenues and program revenues for 2015 and 2014.

Governmental Activities - General and Program Revenues



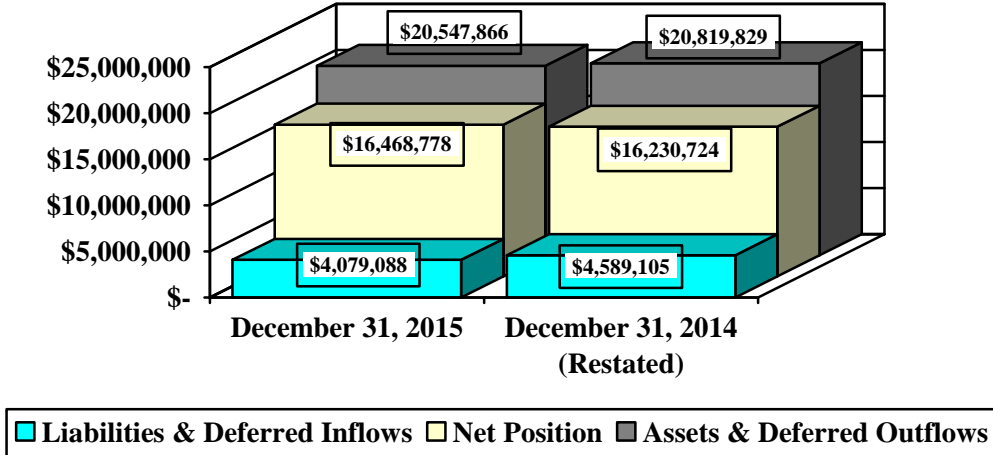
Business-type Activities

Business-type activities include the water and sewer enterprise funds. These programs had program revenues of \$2,174,159, general revenues of \$59,658, transfers in of \$508,016 and expenses of \$2,503,779 for 2015. The graph on the following page shows the business-type activities assets, liabilities, and net position at year-end.

CITY OF ONTARIO, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)

Net Position in Business - type Activities



Financial Analysis of the City's Funds

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

Governmental Funds

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

The City's governmental funds (as presented on the balance sheet on page 22) reported a combined fund balance of \$4,829,854 which is \$920,636 less than last year's total of \$5,750,490.

The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2015 for all major and nonmajor governmental funds.

	Fund Balances 12/31/15	Fund Balances 12/31/14	Increase/ (Decrease)
Major funds:			
General	\$ 4,778,514	\$ 4,984,595	\$ (206,081)
20% Street Construction	356,852	148,078	208,774
Street Construction and Maintenance	(1,205,845)	(880,394)	(325,451)
Other nonmajor governmental funds	<u>900,333</u>	<u>1,498,211</u>	<u>(597,878)</u>
Total	<u>\$ 4,829,854</u>	<u>\$ 5,750,490</u>	<u>\$ (920,636)</u>

CITY OF ONTARIO, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

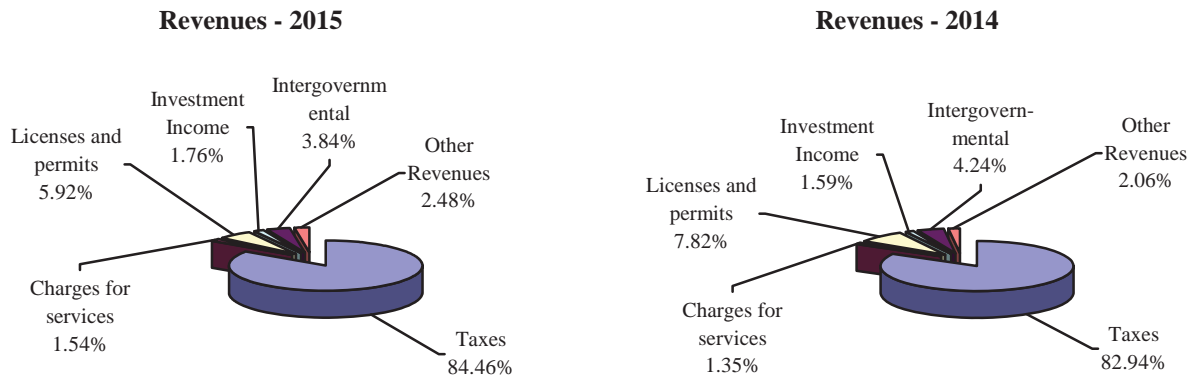
General Fund

The City's general fund balance decreased \$206,081. The table that follows assists in illustrating the revenues of the general fund.

	<u>2015</u> <u>Amount</u>	<u>2014</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
Revenues			
Taxes	\$ 3,538,803	\$ 3,643,334	(2.87) %
Charges for services	64,380	59,336	8.50 %
Licenses, permits and fees	248,141	343,492	(27.76) %
Investment income	73,794	69,813	5.70 %
Increase (decrease) in fair market value of investments	1,493	(9,508)	(115.70) %
Intergovernmental	161,063	186,241	(13.52) %
Other	<u>103,850</u>	<u>90,420</u>	14.85 %
Total	<u>\$ 4,191,524</u>	<u>\$ 4,383,128</u>	(4.37) %

Tax revenue represents 84.46% of all general fund revenue. Intergovernmental revenue decreased due to a decrease in state shared revenues. Investment income increased 5.70% as a result of a fluctuation in interest rates. The increase in the fair market value of investments was a result of increasing market values of the federal agency securities. The City intends to hold the federal agency securities to maturity. Licenses, permits and fees decreased 27.76% due to a decrease in franchise cable fees received by the City during 2015. During 2014, the City received approximately \$75,000 in delinquent franchise cable fees.

The following charts illustrate the general fund revenues for 2015 and 2014.



CITY OF ONTARIO, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

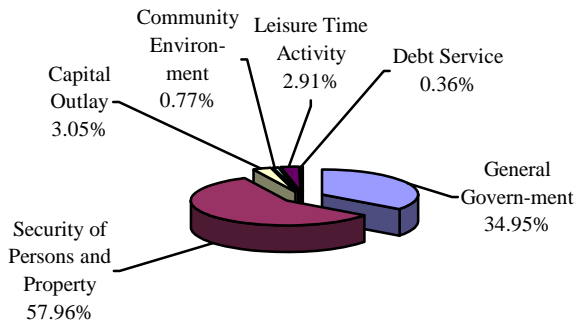
The table that follows assists in illustrating the expenditures of the general fund.

	<u>2015</u> <u>Amount</u>	<u>2014</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
General government	\$ 1,342,553	\$ 1,338,572	0.30 %
Security of persons and property	2,226,398	2,185,785	1.86 %
Community environment	29,782	28,207	5.58 %
Leisure time activity	111,763	105,843	5.59 %
Capital outlay	117,078	56,551	107.03 %
Debt service	<u>13,689</u>	<u>5,143</u>	166.17 %
 Total	 <u>\$ 3,841,263</u>	 <u>\$ 3,720,101</u>	 3.26 %

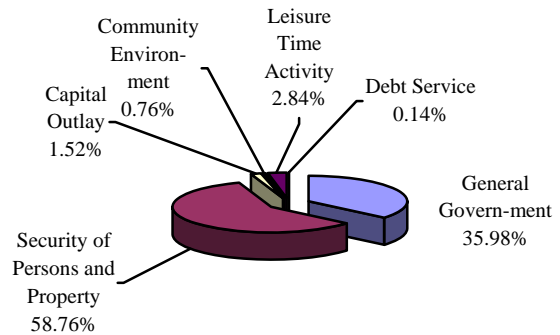
The largest expenditure line items are security of persons and property and general government. These two expenditures account for 92.91% of total general fund expenditures. Security of persons and property increased 1.86% due to an increase in police insurance expenditures. Leisure time activities increased 5.59% primarily due to an increase in park maintenance expenditures. Capital outlay expenditures increased due to the addition of several improvement projects and a capital lease transaction.

The following charts illustrate the general fund expenditures for 2015 and 2014.

Expenditures - 2015



Expenditures - 2014



20% Street Construction Fund

The 20% street construction fund had revenues and other financing sources of \$1,908,334 in 2015. The expenditures of the 20% street construction fund totaled \$1,699,560 in 2015. The net increase in fund balance for the 20% street construction fund was \$208,774 or 140.99%.

CITY OF ONTARIO, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)

Street Construction and Maintenance Fund

The street construction and maintenance fund had revenues and other financing sources of \$561,391 in 2015. The expenditures of the street construction and maintenance fund totaled \$886,842 in 2015. The net decrease in fund balance for the street construction and maintenance fund was \$325,451 or 36.97%.

Budgeting Highlights - General Fund

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

In the general fund, original budgeted revenues of \$3,198,500 were \$2,298,744 greater than final budgeted revenues of \$899,756. Actual revenues of \$4,232,595 were \$3,332,839 more than final budgeted revenues. Original budgeted expenditures and other financing uses were \$4,490,205 and final budgeted expenditures and other financing uses were \$4,793,203. Actual expenditures and other financing uses of \$4,411,201 were \$382,002 lower than final budgeted expenditures and other financing uses.

Proprietary Funds

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

Capital Assets and Debt Administration

Capital Assets

At the end of 2015, the City had \$36,806,497 (net of accumulated depreciation) invested in land, easements, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. Of this total, \$21,109,165 was reported in governmental activities and \$15,697,332 was reported in business-type activities. The following table shows 2015 balances compared to 2014:

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

	<u>Governmental Activities</u>		<u>Business - type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 2,492,488	\$ 2,492,488	\$ 262,626	\$ 262,626	\$ 2,755,114	\$ 2,755,114
Easements	19,705	-	-	-	19,705	-
Construction in progress	-	3,577,883	-	1,690,150	-	5,268,033
Land improvements	782,372	774,850	6,326	6,710	788,698	781,560
Buildings and improvements	1,080,572	1,153,423	3,424,628	2,602,743	4,505,200	3,756,166
Furniture and equipment	574,465	520,903	871,922	299,959	1,446,387	820,862
Vehicles	604,066	389,185	-	-	604,066	389,185
Infrastructure	15,555,497	12,030,576	11,131,830	10,353,722	26,687,327	22,384,298
Totals	\$ 21,109,165	\$ 20,939,308	\$ 15,697,332	\$ 15,215,910	\$ 36,806,497	\$ 36,155,218

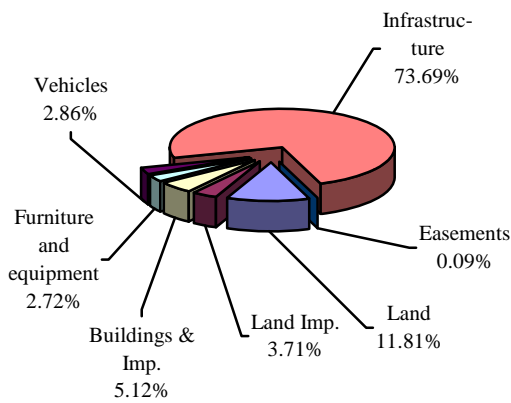
CITY OF ONTARIO, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

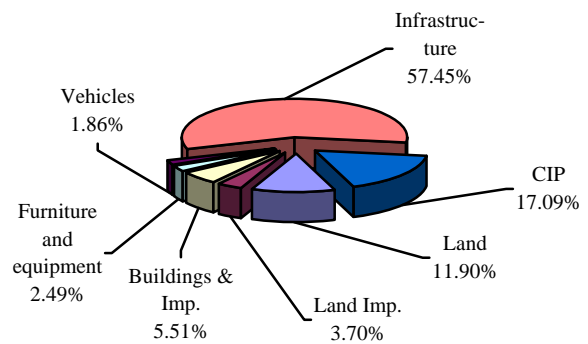
The City's largest governmental activities capital asset category is infrastructure which includes roads and bridges. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 73.69% of the City's total governmental capital assets.

The following graphs show the breakdown of governmental capital assets by category for 2015 and 2014.

Capital Assets - Governmental Activities 2015



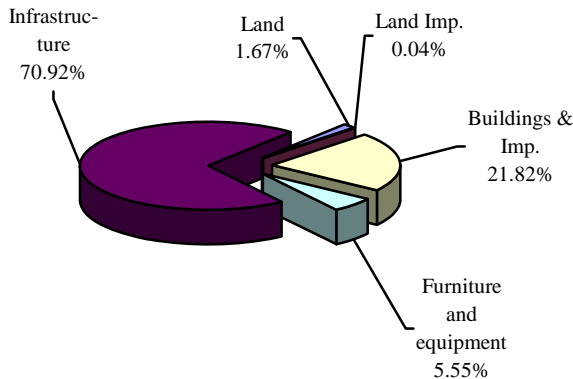
Capital Assets - Governmental Activities 2014



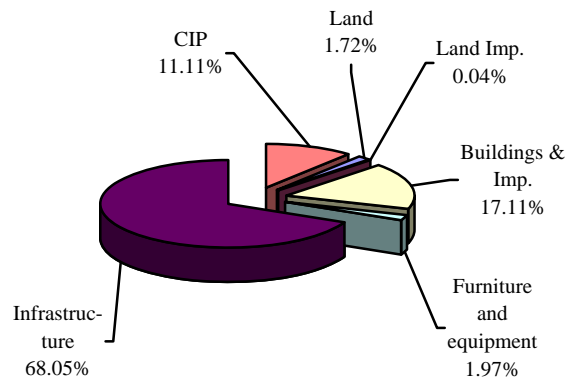
The City's largest business-type capital asset category is infrastructure that primarily includes water and sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 74.25% of the City's total business-type capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2015 and 2014.

Capital Assets - Business-type Activities 2015



Capital Assets - Business-type Activities 2014



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

CITY OF ONTARIO, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015 (UNAUDITED)

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2015 and 2014:

	Governmental activities	
	<u>2015</u>	<u>2014</u>
General obligation bonds	\$ 1,495,000	\$ 1,575,000
Capital leases payable	<u>319,456</u>	<u>6,953</u>
Total long-term obligations	<u>\$ 1,814,456</u>	<u>\$ 1,581,953</u>

	Business-type activities	
	<u>2015</u>	<u>2014</u>
OPWC loans	<u>\$ 954,956</u>	<u>\$ 994,962</u>
Total long-term obligations	<u>\$ 954,956</u>	<u>\$ 994,962</u>

The City also had \$1,524,912 and \$2,499,630 in short-term notes payable outstanding at December 31, 2015 in the governmental and business-type activities, respectively. See Note 14 for detail.

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

Economic Conditions and Outlook

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

During 2015, Ontario had several improvements made in the parks, including the opening of the Maize Memorial Dog Park which has become very popular. A disc-golf course is being constructed adjacent to the dog park and will be ready in early 2016. Ontario was also able to continue the annual paving project and made numerous enhancements to the infrastructure. Ferguson Road was widened and the intersection at Lexington-Springmill Road was improved, which will help manage the increased traffic for the new TownePlace Suites by Marriott. This 86-room extended stay hotel, in conjunction with the City, developed 67 acres of excellent retail property. TownePlace Suites is under construction and planning to open by the summer of 2016.

The former Lazarus building at the Richland Mall was purchased by Avita Health Systems and opened "Avita Ontario" in the fall of 2014. The medical center offers 35 providers, 20 specialists and more than 100 support staff who perform outpatient diagnostic and treatment services including a lab, imaging, endoscopy and pharmacy. The health care complex will continue to build up the 17-acre lot in phases, with phase 2 including a 22-bed emergency department with a helipad, surgery department, hospital beds and a critical care unit. The cardiology services are also being expanded. This phase totals \$26 million and covers 94,000 square feet. The project will create at least 350 new jobs when it opens by early 2017.

CITY OF ONTARIO, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015 (UNAUDITED)

The City is staying motivated and energized for the changes that are in the area. The former General Motors Stamping Plant will be the site for the new 270-acre Ontario Business Park. 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 former Dearman Trucking property was purchased by Cole Tooling and Stamping who renovated and expanded the location to relocate and brought approximately 40 jobs to Ontario. More growth is expected with employment to triple in the near future.

In cooperation with the Ontario Growth Corporation, the City works to attract new business. The Department of Zoning reported 16 new businesses in 2015 including: Ninja Japanese Steakhouse, Old Carolina BBQ, The BBQ Shack, Ontario Fitness Center, Penn Station East Coast Subs, and a Valero Convenience Store.

The Ohio State University branch has completed two of the five on-campus new student housing units, "Buckeye Village". The next building is under construction and expected to be open for the fall of 2016. The complex is located on Lexington-Springmill Road north of Meijer's. OSU and North Central State College are planning to move the main entrance near Buckeye Village. This demonstrates the dedication both colleges have to our community and we look forward to partnering with them. The City extended the sidewalks approximately one mile to this "Campus District". The goal is to have a walkable community with a "town center" concept. A master zoning plan is currently being developed.

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

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mary Ann Hellinger, City Auditor, City of Ontario, 555 Stumbo Road, Ontario, Ohio 44906.

CITY OF ONTARIO, OHIO
STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and investments	\$ 5,907,096	\$ 3,954,856	\$ 9,861,952
Cash in segregated accounts	21,971	-	21,971
Receivables (net of allowance for uncollectibles):			
Income taxes	1,399,826	-	1,399,826
Real and other taxes	386,993	-	386,993
Accounts	35,951	688,126	724,077
Special assessments	3,471	-	3,471
Accrued interest	7,823	-	7,823
Intergovernmental	203,683	-	203,683
Payment in lieu of taxes	193,396	-	193,396
Prepayments	14,536	-	14,536
Materials and supplies inventory	114,415	151,336	265,751
Net pension asset	4,890	1,309	6,199
Capital assets:			
Nondepreciable assets	2,512,193	262,626	2,774,819
Depreciable capital assets, net	18,596,972	15,434,706	34,031,678
Total capital assets, net	21,109,165	15,697,332	36,806,497
Total assets	29,403,216	20,492,959	49,896,175
Deferred outflows of resources:			
Pension - OPERS	205,133	54,907	260,040
Pension - OP&F	354,532	-	354,532
Total deferred outflows of resources	559,665	54,907	614,572
Liabilities:			
Accounts payable	66,874	12,626	79,500
Accrued wages and benefits payable	60,772	7,088	67,860
Intergovernmental payable	95,331	208,103	303,434
Accrued interest payable	7,804	4,843	12,647
Claims payable	2,652	-	2,652
Notes payable	1,524,912	2,499,630	4,024,542
Long-term liabilities:			
Due within one year	233,923	54,068	287,991
Due in more than one year	1,984,899	985,359	2,970,258
Net pension liability	3,930,394	301,302	4,231,696
Total liabilities	7,907,561	4,073,019	11,980,580
Deferred inflows of resources:			
Property taxes levied for the next fiscal year	544,510	-	544,510
Pension - OPERS	22,672	6,069	28,741
Pension - OP&F	1,124	-	1,124
Total deferred inflows of resources	568,306	6,069	574,375
Net position:			
Net investment in capital assets	17,780,785	12,242,746	30,023,531
Restricted for:			
Debt service	33,574	-	33,574
Transportation improvement projects	302,350	-	302,350
Court computerization	9,286	-	9,286
Cemetery	37,792	-	37,792
Other purposes	76,886	-	76,886
Unrestricted	3,246,341	4,226,032	7,472,373
Total net position	\$ 21,487,014	\$ 16,468,778	\$ 37,955,792

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ONTARIO, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
Governmental activities:			
Current:			
General government	\$ 1,703,237	\$ 350,278	\$ -
Security of persons and property . . .	2,510,419	242,314	1,680
Public health and welfare	6,010	8,820	-
Transportation	3,067,101	-	688,694
Community environment	29,423	-	-
Leisure time activity	255,488	17,226	-
Interest and fiscal charges	69,702	-	-
Total governmental activities	<u>7,641,380</u>	<u>618,638</u>	<u>690,374</u>
Business-type activities:			
Water	960,489	944,929	-
Sewer	1,543,290	1,229,230	-
Total business-type activities	<u>2,503,779</u>	<u>2,174,159</u>	<u>-</u>
Total primary government	<u>\$ 10,145,159</u>	<u>\$ 2,792,797</u>	<u>\$ 690,374</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 market value of investments

Miscellaneous

Total general revenues

Transfers

Change in net position

Net position at beginning of year (restated) . . .

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
\$ (1,352,959)	\$ -	\$ (1,352,959)
(2,266,425)	-	(2,266,425)
2,810	-	2,810
(2,378,407)	-	(2,378,407)
(29,423)	-	(29,423)
(238,262)	-	(238,262)
(69,702)	-	(69,702)
<u>(6,332,368)</u>	<u>-</u>	<u>(6,332,368)</u>
-	(15,560)	(15,560)
-	(314,060)	(314,060)
-	<u>(329,620)</u>	<u>(329,620)</u>
<u>(6,332,368)</u>	<u>(329,620)</u>	<u>(6,661,988)</u>
296,447	-	296,447
21,622	-	21,622
115,151	-	115,151
3,188,503	-	3,188,503
1,069,886	-	1,069,886
298,117	-	298,117
182,759	-	182,759
193,396	-	193,396
77,870	-	77,870
1,493	-	1,493
104,606	59,658	164,264
<u>5,549,850</u>	<u>59,658</u>	<u>5,609,508</u>
<u>(508,016)</u>	<u>508,016</u>	<u>-</u>
(1,290,534)	238,054	(1,052,480)
<u>22,777,548</u>	<u>16,230,724</u>	<u>39,008,272</u>
<u>\$ 21,487,014</u>	<u>\$ 16,468,778</u>	<u>\$ 37,955,792</u>

CITY OF ONTARIO, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	<u>General</u>	<u>20% Street Construction</u>	<u>Street Construction and Maintenance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and investments	\$ 4,571,775	\$ 215,483	\$ 12,386	\$ 1,107,452	\$ 5,907,096
Cash in segregated accounts	-	-	-	21,971	21,971
Receivables (net of allowance for uncollectibles):					
Income taxes	979,878	326,626	-	93,322	1,399,826
Real and other taxes	329,953	-	-	57,040	386,993
Accounts	34,594	-	-	1,357	35,951
Accrued interest	7,763	-	40	20	7,823
Special assessments	-	-	-	3,471	3,471
Intergovernmental	40,101	-	134,667	28,915	203,683
Payments in lieu of taxes	-	-	-	193,396	193,396
Prepayments	14,536	-	-	-	14,536
Materials and supplies inventory	6,057	59,711	48,647	-	114,415
Total assets	<u>\$ 5,984,657</u>	<u>\$ 601,820</u>	<u>\$ 195,740</u>	<u>\$ 1,506,944</u>	<u>\$ 8,289,161</u>
Liabilities:					
Accounts payable	\$ 56,135	\$ 250	\$ 10,489	\$ -	\$ 66,874
Accrued wages and benefits payable	51,830	8,569	-	373	60,772
Intergovernmental payable	57,377	10,992	-	26,962	95,331
Accrued interest payable	-	-	2,470	486	2,956
Claims payable	2,652	-	-	-	2,652
Notes payable	-	-	1,274,912	250,000	1,524,912
Total liabilities	<u>167,994</u>	<u>19,811</u>	<u>1,287,871</u>	<u>277,821</u>	<u>1,753,497</u>
Deferred inflows of resources:					
Property taxes levied for the next fiscal year	299,362	-	-	245,148	544,510
Delinquent property tax revenue not available	23,725	-	-	4,101	27,826
Accrued interest not available	3,926	-	40	20	3,986
Special assessments revenue not available	-	-	-	3,471	3,471
Income tax revenue not available	675,471	225,157	-	64,331	964,959
Nonexchange transactions	35,665	-	113,674	11,719	161,058
Total deferred inflows of resources	<u>1,038,149</u>	<u>225,157</u>	<u>113,714</u>	<u>328,790</u>	<u>1,705,810</u>
Fund balances:					
Nonspendable	20,593	59,711	48,647	-	128,951
Restricted	-	-	-	510,563	510,563
Committed	-	297,141	-	389,770	686,911
Assigned	215,725	-	-	-	215,725
Unassigned (deficit)	4,542,196	-	(1,254,492)	-	3,287,704
Total fund balances (deficit)	<u>4,778,514</u>	<u>356,852</u>	<u>(1,205,845)</u>	<u>900,333</u>	<u>4,829,854</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,984,657</u>	<u>\$ 601,820</u>	<u>\$ 195,740</u>	<u>\$ 1,506,944</u>	<u>\$ 8,289,161</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, 2015

Total governmental fund balances		\$	4,829,854
<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.			21,109,165
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Real and other taxes receivable	\$	27,826	
Income taxes receivable		964,959	
Accrued interest receivable		3,986	
Special assessments receivable		3,471	
Intergovernmental receivable		161,058	
Total		161,058	1,161,300
Unamortized bond discounts are not recognized in the governmental funds.			10,988
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		4,890	
Deferred outflows of resources		559,665	
Deferred inflows of resources		(23,796)	
Net pension liability		(3,930,394)	
Total		(3,930,394)	(3,389,635)
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		(4,848)	
Compensated absences payable		(415,354)	
Capital lease payable		(319,456)	
General obligation bonds payable		(1,495,000)	
Total		(1,495,000)	(2,234,658)
Net position of governmental activities		\$	21,487,014

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, 2015

	General	20% Street Construction	Street Construction and Maintenance	Other Governmental Funds	Total Governmental Funds
Revenues:					
Income taxes	\$ 3,240,760	\$ 1,087,305	\$ -	\$ 303,094	\$ 4,631,159
Real and other local taxes	298,043	-	-	136,682	434,725
Charges for services	64,380	-	-	26,046	90,426
Licenses, permits and fees	248,141	-	-	11,349	259,490
Fines and forfeitures	-	-	-	264,681	264,681
Intergovernmental	161,063	256,610	437,851	177,894	1,033,418
Special assessments	-	-	-	5,215	5,215
Payments in lieu of taxes	-	-	-	193,396	193,396
Investment income	73,794	-	2,465	204	76,463
Other	103,850	19,447	100	459	123,856
Increase in fair market value of investments	1,493	-	-	-	1,493
Total revenues	4,191,524	1,363,362	440,416	1,119,020	7,114,322
Expenditures:					
Current:					
General government	1,342,553	-	-	330,303	1,672,856
Security of persons and property	2,226,398	-	-	251,684	2,478,082
Public health and welfare	-	-	-	6,031	6,031
Transportation	-	1,369,296	870,340	265,754	2,505,390
Community environment	29,782	-	-	-	29,782
Leisure time activity	111,763	-	-	44,520	156,283
Capital outlay	117,078	272,290	-	473,884	863,252
Debt service:					
Principal retirement	13,466	57,974	-	84,547	155,987
Interest and fiscal charges	223	-	5,086	63,770	69,079
Note issuance costs	-	-	11,416	-	11,416
Total expenditures	3,841,263	1,699,560	886,842	1,520,493	7,948,158
Excess (deficiency) of revenues over (under) expenditures	350,261	(336,198)	(446,426)	(401,473)	(833,836)
Other financing sources (uses):					
Capital lease transaction	81,340	272,290	-	34,860	388,490
Transfers in	-	272,682	120,975	252,000	645,657
Transfers (out)	(637,682)	-	-	(483,265)	(1,120,947)
Total other financing sources (uses)	(556,342)	544,972	120,975	(196,405)	(86,800)
Net change in fund balances	(206,081)	208,774	(325,451)	(597,878)	(920,636)
Fund balances (deficit) at beginning of year	4,984,595	148,078	(880,394)	1,498,211	5,750,490
Fund balances (deficit) at end of year	\$ 4,778,514	\$ 356,852	\$ (1,205,845)	\$ 900,333	\$ 4,829,854

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, 2015

Net change in fund balances - total governmental funds	\$	(920,636)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures.		
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense in the current period.		
Capital asset additions	\$	1,512,661
Current year depreciation		<u>(1,336,868)</u>
Total		175,793
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(5,936)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Real and other taxes		(1,505)
Income taxes		(74,653)
Investment income		3,986
Special assessments		(20,324)
Intergovernmental revenues		<u>(162,964)</u>
Total		(255,460)
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.		
		(388,490)
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.		
		155,987
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in more interest being reported on the statement of activities:		
Decrease in accrued interest		166
Amortization of discount on bond issuance		<u>(789)</u>
Total		(623)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		378,423
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(398,314)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(31,278)</u>
Change in net position of governmental activities	\$	<u><u>(1,290,534)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ONTARIO, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Income taxes	\$ 2,415,290	\$ 679,435	\$ 3,196,169	\$ 2,516,734
Real and other taxes.	227,258	63,929	300,732	236,803
Charges for services.	48,651	13,686	64,380	50,694
Licenses, permits and fees.	192,766	54,226	255,088	200,862
Intergovernmental.	122,734	34,525	162,414	127,889
Investment income.	56,993	16,033	75,420	59,387
Other	134,808	37,922	178,392	140,470
Total revenues	<u>3,198,500</u>	<u>899,756</u>	<u>4,232,595</u>	<u>3,332,839</u>
Expenditures:				
Current:				
General government	1,586,539	1,630,684	1,371,860	258,824
Security of persons and property	2,381,073	2,382,926	2,228,651	154,275
Community environment	30,450	30,450	29,570	880
Leisure time activity	91,000	112,000	97,858	14,142
Capital outlay	-	-	45,580	(45,580)
Total expenditures	<u>4,089,062</u>	<u>4,156,060</u>	<u>3,773,519</u>	<u>382,541</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(890,562)</u>	<u>(3,256,304)</u>	<u>459,076</u>	<u>3,715,380</u>
Other financing (uses):				
Transfers (out).	<u>(401,143)</u>	<u>(637,143)</u>	<u>(637,682)</u>	<u>(539)</u>
Total other financing (uses)	<u>(401,143)</u>	<u>(637,143)</u>	<u>(637,682)</u>	<u>(539)</u>
Net change in fund balances	(1,291,705)	(3,893,447)	(178,606)	3,714,841
Fund balance at beginning of year.	4,717,833	4,717,833	4,717,833	-
Prior year encumbrances appropriated	26,988	26,988	26,988	-
Fund balance at end of year	<u>\$ 3,453,116</u>	<u>\$ 851,374</u>	<u>\$ 4,566,215</u>	<u>\$ 3,714,841</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ONTARIO, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 20% STREET CONSTRUCTION FUND
 FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Income taxes	\$ 330,759	\$ 826,898	\$ 1,072,441	\$ 245,543
Intergovernmental	79,143	197,857	256,610	58,753
Other	2,497	6,243	8,097	1,854
Total revenues	<u>412,400</u>	<u>1,030,999</u>	<u>1,337,148</u>	<u>306,149</u>
Expenditures:				
Current:				
Transportation	1,250,409	1,264,139	1,452,886	(188,747)
Total expenditures	<u>1,250,409</u>	<u>1,264,139</u>	<u>1,452,886</u>	<u>(188,747)</u>
Excess of expenditures over revenues	<u>(838,009)</u>	<u>(233,140)</u>	<u>(115,738)</u>	<u>117,402</u>
Other financing sources:				
Sale of capital assets.	3,501	8,751	11,350	2,599
Transfers in	84,100	210,250	272,682	62,432
Total other financing sources	<u>87,600</u>	<u>219,001</u>	<u>284,032</u>	<u>65,031</u>
Net change in fund balances	(750,409)	(14,139)	168,294	182,433
Fund balance at beginning of year.	14,919	14,919	14,919	-
Prior year encumbrances appropriated	32,270	32,270	32,270	-
Fund balance (deficit) at end of year	<u>\$ (703,220)</u>	<u>\$ 33,050</u>	<u>\$ 215,483</u>	<u>\$ 182,433</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ONTARIO, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 STREET CONSTRUCTION AND MAINTENANCE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 216,223	\$ 437,620	\$ 441,494	\$ 3,874
Investment income	1,221	2,472	2,494	22
Other	49	99	100	1
Total revenues	<u>217,493</u>	<u>440,191</u>	<u>444,088</u>	<u>3,897</u>
Expenditures:				
Current:				
Transportation	847,397	847,397	839,963	7,434
Total expenditures	<u>847,397</u>	<u>847,397</u>	<u>839,963</u>	<u>7,434</u>
Excess of expenditures over revenues	<u>(629,904)</u>	<u>(407,206)</u>	<u>(395,875)</u>	<u>11,331</u>
Other financing sources:				
Transfers in	55,342	112,009	113,000	991
Total other financing sources	<u>55,342</u>	<u>112,009</u>	<u>113,000</u>	<u>991</u>
Net change in fund balances	(574,562)	(295,197)	(282,875)	12,322
Fund balance at beginning of year	191,864	191,864	191,864	-
Prior year encumbrances appropriated	103,397	103,397	103,397	-
Fund balance (deficit) at end of year	<u>\$ (279,301)</u>	<u>\$ 64</u>	<u>\$ 12,386</u>	<u>\$ 12,322</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ONTARIO, OHIO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
Assets:			
Current assets:			
Equity in pooled cash and investments	\$ 2,968,104	\$ 986,752	\$ 3,954,856
Receivables (net of allowance for uncollectables):			
Accounts	266,593	421,533	688,126
Materials and supplies inventory	118,753	32,583	151,336
Total current assets	<u>3,353,450</u>	<u>1,440,868</u>	<u>4,794,318</u>
Noncurrent assets:			
Net pension asset	912	397	1,309
Capital assets:			
Land and construction in progress	262,626	-	262,626
Depreciable capital assets, net	5,473,779	9,960,927	15,434,706
Total capital assets, net	<u>5,736,405</u>	<u>9,960,927</u>	<u>15,697,332</u>
Total noncurrent assets	<u>5,737,317</u>	<u>9,961,324</u>	<u>15,698,641</u>
Total assets	<u>9,090,767</u>	<u>11,402,192</u>	<u>20,492,959</u>
Deferred outflows of resources:			
Pension - OPERS	38,274	16,633	54,907
Liabilities:			
Current liabilities:			
Accounts payable	8,652	3,974	12,626
Accrued wages and benefits payable	4,709	2,379	7,088
Intergovernmental	9,206	198,897	208,103
Accrued interest payable	3,686	1,157	4,843
Compensated absences payable - current	8,408	5,654	14,062
OPWC loans payable - current	1,838	38,168	40,006
Notes payable	1,902,329	597,301	2,499,630
Total current liabilities	<u>1,938,828</u>	<u>847,530</u>	<u>2,786,358</u>
Long-term liabilities:			
Compensated absences payable	41,962	28,447	70,409
OPWC loans payable	6,433	908,517	914,950
Net pension liability	210,026	91,276	301,302
Total long-term liabilities	<u>258,421</u>	<u>1,028,240</u>	<u>1,286,661</u>
Total liabilities	<u>2,197,249</u>	<u>1,875,770</u>	<u>4,073,019</u>
Deferred inflows of resources:			
Pension - OPERS	4,230	1,839	6,069
Net position:			
Net investment in capital assets	3,825,805	8,416,941	12,242,746
Unrestricted	3,101,757	1,124,275	4,226,032
Total net position	<u>\$ 6,927,562</u>	<u>\$ 9,541,216</u>	<u>\$ 16,468,778</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ONTARIO, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
Operating revenues:			
Charges for services	\$ 944,929	\$ 1,229,230	\$ 2,174,159
Other	27,291	32,367	59,658
Total operating revenues.	972,220	1,261,597	2,233,817
Operating expenses:			
Personal services	346,112	124,940	471,052
Contract services.	170,265	1,057,647	1,227,912
Materials and supplies.	149,594	49,390	198,984
Depreciation.	266,053	300,329	566,382
Other	5,612	2,285	7,897
Total operating expenses.	937,636	1,534,591	2,472,227
Operating income (loss)	34,584	(272,994)	(238,410)
Nonoperating expenses:			
Interest and fiscal charges	(5,819)	(3,350)	(9,169)
Note issuance costs	(17,034)	(5,349)	(22,383)
Total nonoperating expenses.	(22,853)	(8,699)	(31,552)
Income (loss) before contributions and transfers	11,731	(281,693)	(269,962)
Transfers in.	205,460	299,869	505,329
Transfers out	-	(30,039)	(30,039)
Capital contributions.	-	32,726	32,726
Change in net position	217,191	20,863	238,054
Net position at beginning of year (restated) .	6,710,371	9,520,353	16,230,724
Net position at end of year	\$ 6,927,562	\$ 9,541,216	\$ 16,468,778

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ONTARIO, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
Cash flows from operating activities:			
Cash received from customers	\$ 894,830	\$ 1,074,279	\$ 1,969,109
Cash received from other operations	27,291	32,367	59,658
Cash payments for personal services	(341,283)	(119,069)	(460,352)
Cash payments for contract services	(161,613)	(905,021)	(1,066,634)
Cash payments for materials and supplies	(182,709)	(188,060)	(370,769)
Cash payments for other expenses	(5,612)	(2,285)	(7,897)
Net cash provided by (used in) operating activities	<u>230,904</u>	<u>(107,789)</u>	<u>123,115</u>
Cash flows from noncapital financing activities:			
Cash received from transfers in	205,460	299,869	505,329
Cash used in transfers out	-	(30,039)	(30,039)
Net cash provided by noncapital financing activities.	<u>205,460</u>	<u>269,830</u>	<u>475,290</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(674,212)	(672,624)	(1,346,836)
Principal retirement on OPWC loans	(1,838)	(38,168)	(40,006)
Principal retirement on notes	(2,040,000)	(635,000)	(2,675,000)
Interest paid on notes.	(20,400)	(6,350)	(26,750)
Note issuance	1,895,000	595,000	2,490,000
Premium on note issuance.	9,013	2,830	11,843
Note issuance costs	(17,034)	(5,349)	(22,383)
Net cash used in capital and related financing activities	<u>(849,471)</u>	<u>(759,661)</u>	<u>(1,609,132)</u>
Net decrease in cash and cash equivalents	(413,107)	(597,620)	(1,010,727)
Cash and investments at beginning of year	<u>3,381,211</u>	<u>1,584,372</u>	<u>4,965,583</u>
Cash and investments at end of year	<u>\$ 2,968,104</u>	<u>\$ 986,752</u>	<u>\$ 3,954,856</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 34,584	\$ (272,994)	\$ (238,410)
Adjustments:			
Depreciation.	266,053	300,329	566,382
Changes in assets and liabilities:			
(Increase) in materials and supplies inventory	(33,115)	(1,013)	(34,128)
(Increase) in accounts receivable	(50,099)	(154,951)	(205,050)
(Increase) in net pension asset.	(663)	(289)	(952)
(Increase) in deferred outflows - pension - OPERS.	(11,998)	(5,214)	(17,212)
Increase in accounts payable	8,652	3,974	12,626
Increase in accrued wages and benefits	188	652	840
Increase in intergovernmental payable	3,526	12,671	16,197
Increase in compensated absences payable	4,802	5,145	9,947
Increase in net pension liability	4,744	2,062	6,806
Increase in deferred inflows - pension - OPERS.	4,230	1,839	6,069
Net cash provided by (used in) operating activities	<u>\$ 230,904</u>	<u>\$ (107,789)</u>	<u>\$ 123,115</u>

Noncash transactions:

The water fund purchased \$275,112 in capital assets on account at December 31, 2014.
 The sewer fund purchased \$56,646 in capital assets on account at December 31, 2014.
 During 2015, the sewer fund received \$32,726 in capital contributions from governmental funds.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ONTARIO, OHIO

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
DECEMBER 31, 2015**

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

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1 - DESCRIPTION OF THE CITY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

B. Basis of Presentation - Fund Accounting

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

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

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

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

C. Fund Accounting

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

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

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

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

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

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

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

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

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

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

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

D. Measurement Focus and Basis of Accounting

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

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

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

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

E. Basis of Accounting

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

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

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources have been reported for the following items related to the City's net pension liability: (1) the net difference between projected and actual investment earnings on pension plan assets, (2) the City's contributions to the pension systems subsequent to the measurement date and (3) differences between employer's contributions and the employer's proportional share of contributions.

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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 and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2015, but which were levied to finance 2016 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, delinquent property taxes, income taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

The City also reports deferred inflow of resources for the following items related to the City's net pension liability: (1) differences between expected and actual experience and (2) differences between employer's contributions and the employer's proportional share of contributions. These deferred inflows of resources are only reported on the government-wide statement of net position.

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

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

F. Budgetary Process

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

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

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

G. Cash and Investments

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

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

During 2015, investments were limited to nonnegotiable certificates of deposits, federal agency securities and U.S. government money market mutual funds. Except for nonparticipating investment contracts, investments are reported at fair market value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

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 2015 amounted to \$73,794, which includes \$40,626 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, 2015, 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, 2015

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

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

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, 2015 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, 2015

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.

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, 2015**

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 are deferred and accreted over the terms of the bonds. Bond discounts are presented as a reduction to the face amount of the bonds. Note premiums are deferred and accreted over the term of the notes. Note premiums are presented as an addition to the face amount of the notes.

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

P. Estimates

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

Q. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions are reported as revenue in the proprietary fund financial statements. The sewer fund received \$32,726 in capital contributions from governmental funds during 2015.

CITY OF ONTARIO, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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 charges for services for water and sewer services. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as nonoperating.

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither of these transactions occurred in 2015.

U. Pensions

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

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

A. Change in Accounting Principles/Restatement of Net Position

For 2015, the City implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the City's pension plan disclosures, as presented in Note 16 to the financial statements, and added required supplementary information which is presented after the notes to the basic financial statements.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

A net position restatement is required in order to implement GASB Statement No 68 and 71. The governmental activities and business-type activities at January 1, 2015 have been restated as follows:

	Governmental Activities	Business-Type Activities
Net position as previously reported	\$ 26,147,292	\$ 16,487,168
Net pension asset	1,332	357
Deferred outflows - payments subsequent to measurement date	366,000	37,695
Net pension liability	<u>(3,737,076)</u>	<u>(294,496)</u>
Restated net position at January 1, 2015	<u>\$ 22,777,548</u>	<u>\$ 16,230,724</u>
	Water Enterprise Fund	Sewer Enterprise Fund
Net position as previously reported	\$ 6,889,128	\$ 9,598,040
Net pension asset	249	108
Deferred outflows - payments subsequent to measurement date	26,276	11,419
Net pension liability	<u>(205,282)</u>	<u>(89,214)</u>
Restated net position at January 1, 2015	<u>\$ 6,710,371</u>	<u>\$ 9,520,353</u>

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available. The restatement had no effect on governmental fund balances.

CITY OF ONTARIO, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balance

Fund balances at December 31, 2015 included the following individual fund deficit:

<u>Nonmajor funds</u>	<u>Deficit</u>
Street construction and maintenance	\$1,205,845

This fund complied with Ohio State law, which does not permit a cash basis deficit at year end. The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance in the street construction and maintenance fund is due to reporting a bond anticipation note payable as a fund liability (See Note 14 for detail).

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

CITY OF ONTARIO, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

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

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

A. Cash in Segregated Accounts

The City has depository accounts outside of the City treasury to account for Mayor's Court operations. The carrying amount of these depository accounts at December 31, 2015 was \$21,971. 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, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Deposits with Financial Institutions

At December 31, 2015, the carrying amount of all City deposits was \$6,728,954. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2015, \$5,547,993 of the City’s bank balance of \$6,839,964 was exposed to custodial risk as discussed below, while \$1,291,971 was covered by the FDIC.

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

C. Investments

As of December 31, 2015, the City had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 60 months</u>	<u>Greater than 24 months</u>
FHLMC - callable	\$ 248,242	\$ -	\$ -	\$ 248,242	\$ -	\$ -
FHLMC - noncallable	770,722	-	-	-	249,665	521,057
FNMA - noncallable	920,079	-	-	-	-	920,079
FFCB - noncallable	499,825	-	-	-	-	499,825
FHLB - noncallable	721,195	-	-	-	-	721,195
U.S. Government money market funds	40,701	40,701	-	-	-	-
Total	\$ 3,200,764	\$ 40,701	\$ -	\$ 248,242	\$ 249,665	\$ 2,662,156

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

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

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

Concentration of Credit Risk: The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2015:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLMC - callable	\$ 248,242	7.76
FHLMC - noncallable	770,722	24.08
FNMA - noncallable	920,079	28.74
FFCB - noncallable	499,825	15.62
FHLB - noncallable	721,195	22.53
U.S. Government money market funds	<u>40,701</u>	<u>1.27</u>
Total	<u>\$ 3,200,764</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, 2015:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 6,728,954
Investments	<u>3,200,764</u>
Total	<u>\$ 9,929,718</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 5,929,067
Business-type activities	3,954,856
Agency funds	<u>45,795</u>
Total	<u>\$ 9,929,718</u>

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the year ended December 31, 2015, consisted of the following, as reported on the fund financial statements:

Transfers from the general fund to:

20% Street construction fund	\$ 272,682
Street construction fund	113,000
Nonmajor governmental funds	<u>252,000</u>
Total transfers from general fund	<u>637,682</u>

Transfers from the nonmajor governmental funds:

Transfers from debt service fund to:

Street construction fund	7,975
Water fund	173,421
Sewer fund	48,869

Transfers from capital improvement fund to:

Water fund	2,000
Sewer fund	<u>251,000</u>

Total transfers from nonmajor governmental funds	<u>483,265</u>
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Transfers from sewer fund to:

Water fund	<u>30,039</u>
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Total	<u><u>\$ 1,150,986</u></u>
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Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The City transferred \$230,265 on GAAP-basis from the debt service fund to the street construction nonmajor special revenue fund, water fund and sewer fund to retire the notes payable that matured in 2015 and to report a fund liability for the short-term notes that were issued in 2015 and mature in 2016 in the fund which received the proceeds.

The City transferred funds from the capital improvement nonmajor capital projects fund to the water and sewer funds during 2015 to account for EPA improvements within the enterprise funds.

The City transferred \$30,039 from the sewer fund to the water fund during 2015 to repay the water fund for certain water obligations paid for by the sewer fund prior to 2015.

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

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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. 2015 public utility property taxes became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Ontario. County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2015 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 2015 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, 2015 was \$2.20 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2015 property tax receipts were based are as follows:

<u>Real Property</u>	
Residential/Agricultural	\$ 99,305,220
Commercial/Industrial/Mineral	73,845,090
<u>Public Utility</u>	
Real	129,600
Personal	<u>5,324,130</u>
Total Assessed Value	<u>\$ 178,604,040</u>

CITY OF ONTARIO, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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 2015, by City ordinance, income tax proceeds, after income tax department expenditures, are credited to the following: general fund, capital improvement fund, and the 20% street construction fund. On the modified accrual basis of accounting, total income tax revenue was \$4,631,159 in 2015.

NOTE 8 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

B. Insurance

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

NOTE 9 - TAX INCREMENT FINANCING DISTRICT (TIF)

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

PILOT revenue was \$193,396 in 2015. The TIFs have a longevity of the shorter period of 30 years or until the public improvements are paid for. The property tax exemption then ceases; PILOT's cease and property taxes then apply to the increased property values.

CITY OF ONTARIO, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 10 - RECEIVABLES

Receivables at December 31, 2015, consisted of taxes, accounts (billings for user charged services), special assessments, accrued interest and intergovernmental receivables arising from grants, entitlements, shared revenue and payments in lieu of taxes. A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

Income taxes	\$ 1,399,826
Real and other taxes	386,993
Accounts	35,951
Special assessments	3,471
Accrued interest	7,823
Intergovernmental	203,683
Payments in lieu of taxes	193,396

Business-type activities:

Accounts	688,126
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Receivables have been disaggregated on the face of the financial statements. The only receivable not expected to be collected within the subsequent year are the special assessments which are collected over the life of the assessment.

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 11 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015, was as follows:

<u>Governmental activities:</u>	Balance 1/1/2015	Additions	Disposals	Balance 12/31/2015
<i>Capital assets, not being depreciated:</i>				
Land	\$ 2,492,488	\$ -	\$ -	\$ 2,492,488
Easements	-	19,705	-	19,705
Construction in progress	<u>3,577,883</u>	<u>622,668</u>	<u>(4,200,551)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>6,070,371</u>	<u>642,373</u>	<u>(4,200,551)</u>	<u>2,512,193</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,635,294	97,752	-	2,733,046
Buildings and improvements	3,214,880	-	-	3,214,880
Furniture and equipment	3,362,523	200,431	(46,300)	3,516,654
Vehicles	1,696,708	316,723	(187,485)	1,825,946
Infrastructure	<u>22,477,571</u>	<u>4,455,933</u>	<u>-</u>	<u>26,933,504</u>
Total capital assets, being depreciated	<u>33,386,976</u>	<u>5,070,839</u>	<u>(233,785)</u>	<u>38,224,030</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,860,444)	(90,230)	-	(1,950,674)
Buildings and improvements	(2,061,457)	(72,851)	-	(2,134,308)
Furniture and equipment	(2,841,620)	(146,869)	46,300	(2,942,189)
Vehicles	(1,307,523)	(95,906)	181,549	(1,221,880)
Infrastructure	<u>(10,446,995)</u>	<u>(931,012)</u>	<u>-</u>	<u>(11,378,007)</u>
Total accumulated depreciation	<u>(18,518,039)</u>	<u>(1,336,868)</u>	<u>227,849</u>	<u>(19,627,058)</u>
Total capital assets, being depreciated, net	<u>14,868,937</u>	<u>3,733,971</u>	<u>(5,936)</u>	<u>18,596,972</u>
Governmental activities capital assets, net	<u>\$ 20,939,308</u>	<u>\$ 4,376,344</u>	<u>\$ (4,206,487)</u>	<u>\$ 21,109,165</u>

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

Governmental activities:

General government	\$ 61,106
Security of persons and property	109,583
Transportation	1,066,716
Leisure time activity	<u>99,463</u>
Total depreciation expense - governmental activities	<u>\$ 1,336,868</u>

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 11 - CAPITAL ASSETS - (Continued)

<u>Business-type activities:</u>	Balance 1/1/2015	Additions	Disposals	Balance 12/31/2015
<i>Capital assets, not being depreciated:</i>				
Land	\$ 262,626	\$ -	\$ -	\$ 262,626
Construction in progress	<u>1,690,150</u>	<u>935,253</u>	<u>(2,625,403)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>1,952,776</u>	<u>935,253</u>	<u>(2,625,403)</u>	<u>262,626</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	62,292	-	-	62,292
Buildings and improvements	3,841,234	911,521	-	4,752,755
Furniture and equipment	2,815,412	634,471	-	3,449,883
Infrastructure:				
Sewer lines	10,653,890	-	-	10,653,890
Water lines	<u>5,706,994</u>	<u>1,191,962</u>	<u>-</u>	<u>6,898,956</u>
Total capital assets, being depreciated	<u>23,079,822</u>	<u>2,737,954</u>	<u>-</u>	<u>25,817,776</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(55,582)	(384)	-	(55,966)
Buildings and improvements	(1,238,491)	(89,636)	-	(1,328,127)
Furniture and equipment	(2,515,453)	(62,508)	-	(2,577,961)
Infrastructure:				
Sewer lines	(3,368,744)	(228,378)	-	(3,597,122)
Water lines	<u>(2,638,418)</u>	<u>(185,476)</u>	<u>-</u>	<u>(2,823,894)</u>
Total accumulated depreciation	<u>(9,816,688)</u>	<u>(566,382)</u>	<u>-</u>	<u>(10,383,070)</u>
Total capital assets, being depreciated, net	<u>13,263,134</u>	<u>2,171,572</u>	<u>-</u>	<u>15,434,706</u>
Business-type activities capital assets, net	<u>\$ 15,215,910</u>	<u>\$ 3,106,825</u>	<u>\$ (2,625,403)</u>	<u>\$ 15,697,332</u>

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

Business-type activities:

Water	\$ 266,053
Sewer	<u>300,329</u>
Total depreciation expense - business-type activities	<u>\$ 566,382</u>

CITY OF ONTARIO, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 12 - CAPITAL LEASES - LESSEE DISCLOSURE

During 2015, the City entered into capitalized leases for vehicles and software. In previous years, the City entered into capitalized leases for a vehicle. These leases meet the criteria of a capital lease as defined by generally accepted accounting principles which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General capital assets consisting of equipment and vehicles have been capitalized in the amount of \$449,574. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2015 was \$34,754, leaving a current book value of \$414,820. A corresponding liability was recorded in the government-wide financial statements. Principal and interest payments on the leases, totaled \$13,466 and \$223, respectively, in the general fund, \$57,974 principal paid out of the 20% street construction fund and \$4,547 and no interest paid from the mayor's court computer fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of December 31, 2015.

<u>Year Ending December 31,</u>	<u>Total</u>
2016	\$ 86,511
2017	84,083
2018	83,274
2019	<u>83,275</u>
Total future minimum lease payments	337,143
Less: amount representing interest	<u>(17,687)</u>
Present value of future minimum lease payments	<u><u>\$319,456</u></u>

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 13 - LONG-TERM OBLIGATIONS

A. The long-term obligations have been restated as described in Note 3.A to the notes to the basic financial statements. During 2015, the following activity occurred in governmental and business-type activities long-term obligations:

	(Restated)				
	Balance			Balance	Due within
<u>Governmental activities:</u>	<u>1/1/2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>12/31/2015</u>	<u>One Year</u>
General obligation bonds payable	\$ 1,575,000	\$ -	\$ (80,000)	\$ 1,495,000	\$ 85,000
Capital lease payable	6,953	388,490	(75,987)	319,456	79,488
Net pension liability	3,737,076	193,318	-	3,930,394	-
Compensated absences	<u>384,076</u>	<u>96,024</u>	<u>(64,746)</u>	<u>415,354</u>	<u>69,435</u>
	<u>\$ 5,703,105</u>	<u>\$ 677,832</u>	<u>\$ (220,733)</u>	6,160,204	<u>\$ 233,923</u>
Unamortized discount on bonds				<u>(10,988)</u>	
Total governmental activities				<u>\$ 6,149,216</u>	
<u>Business-type activities:</u>					
OPWC water treatment loan	\$ 10,109	\$ -	\$ (1,838)	\$ 8,271	\$ 1,838
OPWC sewer improvement loan	399,999	-	(16,667)	383,332	16,667
OPWC I/I reduction phase 2 loan	341,006	-	(13,373)	327,633	13,373
OPWC above ground equalization tank loan	<u>243,848</u>	<u>-</u>	<u>(8,128)</u>	<u>235,720</u>	<u>8,128</u>
Total OPWC loans	<u>994,962</u>	<u>-</u>	<u>(40,006)</u>	<u>954,956</u>	<u>40,006</u>
Net pension liability	294,496	6,806	-	301,302	-
Compensated absences	<u>74,524</u>	<u>21,190</u>	<u>(11,243)</u>	<u>84,471</u>	<u>14,062</u>
Total business-type activities	<u>\$ 1,363,982</u>	<u>\$ 27,996</u>	<u>\$ (51,249)</u>	<u>\$ 1,340,729</u>	<u>\$ 54,068</u>

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

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

The City's net pension liability is described in Note 16.

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.

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

The interest-free OPWC water treatment loan was entered into during July 2000 to finance improvements to the water treatment plant. The OPWC water treatment loan will all be paid from the water fund.

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

During 2009, the City entered into a loan with the OPWC for the I/I reduction phase 2 project. This is an interest-free OPWC loan and has an outstanding balance of \$327,633.

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, 2015 was \$235,720.

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

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

Principal and interest requirements to retire the City's long-term obligations outstanding at December 31, 2015 are as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		
	<u>General Obligation Bonds Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 85,000	\$ 61,184	\$ 146,184
2017	85,000	58,634	143,634
2018	90,000	55,977	145,977
2019	90,000	52,940	142,940
2020	100,000	49,700	149,700
2021 - 2025	530,000	186,910	716,910
2026 - 2029	<u>515,000</u>	<u>60,720</u>	<u>575,720</u>
 Total	 <u>\$ 1,495,000</u>	 <u>\$ 526,065</u>	 <u>\$ 2,021,065</u>

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

Year Ending December 31,	Business-type Activities					Total OPWC Loans
	OPWC Water Treatment Loan Principal	OPWC Sewer Improvement Loan Principal	OPWC Sewer I/I Reduction Phase 2 Principal	OPWC Sewer Equalization Tank Principal		
2016	\$ 1,838	\$ 16,667	\$ 13,373	\$ 8,128	\$ 40,006	
2017	1,838	16,667	13,373	8,129	40,007	
2018	1,838	16,667	13,373	8,128	40,006	
2019	1,838	16,667	13,373	8,128	40,006	
2020	919	16,667	13,372	8,129	39,087	
2021 - 2025	-	83,335	66,864	40,641	190,840	
2026 - 2030	-	83,333	66,864	40,642	190,839	
2031 - 2035	-	83,330	66,864	40,642	190,836	
2036 - 2040	-	49,999	60,177	40,641	150,817	
2041 - 2044	-	-	-	32,512	32,512	
Total	<u>\$ 8,271</u>	<u>\$ 383,332</u>	<u>\$ 327,633</u>	<u>\$ 235,720</u>	<u>\$ 954,956</u>	

B. Legal Debt Margin

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the City's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2015, the City's overall legal debt margin was \$17,293,375 and the unvoted debt margin was \$9,858,173.

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 14 - NOTES PAYABLE

	<u>Balance</u>			<u>Balance</u>
	<u>12/31/2014</u>	<u>Issued</u>	<u>Retired</u>	<u>12/31/2015</u>
<u>Governmental fund notes</u>				
Various purpose improvement notes - series 2014:				
Urwin Parkway improvements	\$ 765,000	\$ -	\$ (765,000)	\$ -
Ferguson Road improvements	495,000	-	(495,000)	-
Various purpose improvement notes - series 2015:				
Urwin Parkway improvements	-	775,000	-	775,000
Ferguson Road improvements	-	495,000	-	495,000
Sidewalk improvements	-	250,000	-	250,000
Add: unamortized premium	6,404	6,041	(7,533)	4,912
Total governmental fund notes	<u>\$ 1,266,404</u>	<u>\$ 1,526,041</u>	<u>\$ (1,267,533)</u>	<u>\$ 1,524,912</u>
	<u>Balance</u>			<u>Balance</u>
	<u>12/31/2014</u>	<u>Issued</u>	<u>Retired</u>	<u>12/31/2015</u>
<u>Enterprise fund notes</u>				
Water - various purpose improvement notes:				
Water meter reading system, series 2014	\$ 960,000	\$ -	\$ (960,000)	\$ -
Maybee Road water tower, series 2014	380,000	-	(380,000)	-
Waterline repair, series 2014	700,000	-	(700,000)	-
Water meter reading system, series 2015	-	885,000	-	885,000
Maybee Road water tower, series 2015	-	355,000	-	355,000
Waterline repair, series 2015	-	655,000	-	655,000
Add: unamortized premium	12,615	9,013	(14,299)	7,329
Total water fund notes	<u>2,052,615</u>	<u>1,904,013</u>	<u>(2,054,299)</u>	<u>1,902,329</u>
Sewer - various purpose improvement notes:				
Tappan Road lift station, series 2014	\$ 635,000	\$ -	\$ (635,000)	\$ -
Tappan Road lift station, series 2015	-	595,000	-	595,000
Add: unamortized premium	2,393	2,830	(2,922)	2,301
Total sewer fund notes	<u>637,393</u>	<u>597,830</u>	<u>(637,922)</u>	<u>597,301</u>
Total enterprise fund notes	<u>\$ 2,690,008</u>	<u>\$ 2,501,843</u>	<u>\$ (2,692,221)</u>	<u>\$ 2,499,630</u>

The City retired \$3,935,000 in various purpose improvement notes, series 2014, on October 22, 2015. The City issued \$4,010,000 in various purpose improvement notes, Series 2015, on October 21, 2015. The notes bear an interest rate of 1.00% and mature on October 21, 2016.

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

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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 2015, the City contracted with the Ohio Plan for various types of insurance.

The coverage and deductible are as follows:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Coverage</u>
General Liability	\$ 0	\$5,000,000/\$7,000,000
Employers Liability	0	5,000,000
Employee Benefits	0	5,000,000/7,000,000
Law Enforcement Officers Liability	5,000	5,000,000/7,000,000
Public Officials Liability	5,000	5,000,000/7,000,000
Automobile	0	5,000,000
Property	1,000	26,512,682
Special Property Coverage	1,000	1,706,574
Electronic Equipment/Media Coverage	1,000	219,638
Public Employee Dishonesty	0	25,000
Boiler and Machinery	1,000	26,512,682

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

B. Workers' Compensation

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

C. Dental and Vision Self-Insurance

The City operates a self-insurance plan for dental and vision benefits. The activity of the plan is recorded in the City's general fund. The claims liability of \$2,652 reported on the financial statements at December 31, 2015 is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims cost, including estimates of costs relating to incurred but not reported claims, be reported.

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - RISK MANAGEMENT - (Continued)

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

<u>Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2015	\$ 2,152	\$ 40,829	\$ (40,329)	\$ 2,652
2014	2,141	37,407	(37,396)	2,152

NOTE 16 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability/Asset

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

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

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

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

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

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C 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
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	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	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.

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.0% to the member's FAS for the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 3% COLA adjustment on the defined benefit portion of their benefit.

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

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

	State and Local
2015 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
 2015 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0 %
Total Employer	14.0 %
Employee	10.0 %

CITY OF ONTARIO, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

The City's contractually required contribution for both the Traditional Pension Plan and the Combined Plan was \$183,524 for 2015. Of this amount, \$24,416 is reported as intergovernmental payable.

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

Plan Description - City full-time police participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org 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 after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

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

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

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	Police
2015 Statutory Maximum Contribution Rates	
Employer	19.50 %
Employee:	
January 1, 2015 through July 1, 2015	11.50 %
July 2, 2015 through December 31, 2015	12.25 %
 2015 Actual Contribution Rates	
Employer:	
Pension	19.00 %
Post-employment Health Care Benefits	0.50 %
 Total Employer	 19.50 %
 Employee:	
January 1, 2015 through July 1, 2015	11.50 %
July 2, 2015 through December 31, 2015	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$233,650 for 2015. Of this amount \$34,159 is reported as intergovernmental payable.

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

The net pension liability and net pension asset for the OPERS Traditional Pension Plan and Combined Plan, respectively, were measured as of December 31, 2014, 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, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. The City's proportion of the net pension liability or asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 1,426,951	\$ 2,804,745	\$ 4,231,696
Proportionate share of the net pension asset	6,199		6,199
Proportion of the net pension liability	0.01183100%	0.05414130%	
Proportion of the net pension asset	0.01610100%		
Pension expense	\$ 158,497	\$ 273,309	\$ 431,806

At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred outflows of resources			
Net difference between projected and actual earnings on pension plan investments	\$ 76,516	\$ 120,882	\$ 197,398
City contributions subsequent to the measurement date	<u>183,524</u>	<u>233,650</u>	<u>417,174</u>
Total deferred outflows of resources	<u>\$ 260,040</u>	<u>\$ 354,532</u>	<u>\$ 614,572</u>
Deferred inflows of resources			
Differences between expected and actual experience	26,961	-	26,961
Difference between employer contributions and proportionate share of contributions	<u>1,780</u>	<u>1,124</u>	<u>2,904</u>
Total deferred inflows of resources	<u>\$ 28,741</u>	<u>\$ 1,124</u>	<u>\$ 29,865</u>

\$417,174 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, 2016.

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Year Ending December 31:	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
2016	\$ 6,517	\$ 29,940	\$ 36,457
2017	6,517	29,940	36,457
2018	16,832	29,938	46,770
2019	18,903	29,938	48,841
2020	(225)	-	(225)
Thereafter	(767)	-	(767)
Total	<u>\$ 47,777</u>	<u>\$ 119,756</u>	<u>\$ 167,533</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.

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/asset in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.75 percent
Future salary increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or ad hoc COLA	3 percent, simple
Investment rate of return	8 percent
Actuarial cost method	Individual entry age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

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

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. 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 money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	23.00 %	2.31 %
Domestic equities	19.90	5.84
Real estate	10.00	4.25
Private equity	10.00	9.25
International equities	19.10	7.40
Other investments	18.00	4.59
Total	100.00 %	5.28 %

Discount Rate - The discount rate used to measure the total pension liability/asset was 8 percent for both the Traditional Pension Plan and the Combined Plan. 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 statutorily required rates. 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 was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the City's proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 8 percent, as well as what the City's proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 2,625,181	\$ 1,426,951	\$ 417,753
Combined Plan	805	(6,199)	(11,754)

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2014 is based on the results of an actuarial valuation date of January 1, 2014, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2014, are presented below:

Valuation date	January 1, 2014
Actuarial cost method	Entry age normal
Investment rate of return	8.25 percent
Projected salary increases	4.25 percent to 11 percent
Payroll increases	3.75 percent
Inflation assumptions	3.25 percent
Cost of living adjustments	2.60 percent and 3.00 percent

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

The most recent experience study was completed January 1, 2012.

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. 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 OPF's target asset allocation as of December 31, 2014 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	- %	(0.25) %
Domestic Equity	16.00	4.47
Non-US Equity	16.00	4.47
Core Fixed Income *	20.00	1.62
Global Inflation Protected *	20.00	1.33
High Yield	15.00	3.39
Real Estate	12.00	3.93
Private Markets	8.00	6.98
Timber	5.00	4.92
Master Limited Partnerships	8.00	7.03
Total	<u>120.00 %</u>	

* levered 2x

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

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

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$ 3,879,387	\$ 2,804,745	\$ 1,894,850

NOTE 17 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

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

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2015, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan and Combined Plan for 2015 was 2.00%.

CITY OF ONTARIO, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 17 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2015, 2014, and 2013 were \$30,587, \$14,505, and \$12,556, respectively; 88.60% has been contributed for 2015 and 100% has been contributed for 2014 and 2013. The remaining 2015 post-employment health care benefits liability has been reported as pension and postemployment benefits payable on the basic financial statements.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00% of the employer contributions toward the health care fund after the end of the transition period.

B. Ohio Police and Fire Pension Fund

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

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

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

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

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

CITY OF ONTARIO, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 17 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2015, the portion of employer contributions allocated to health care was 0.50% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers was \$6,315 for the year ended December 31, 2015, \$60,021 for the year ended December 31, 2014, and \$41,020, for the year ended December 31, 2013. 100% has been contributed for 2014 and 2013. 85.77% has been contributed for police for 2015. The remaining 2015 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements.

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

CITY OF ONTARIO, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	<u>General fund</u>	<u>35% Street Construction fund</u>	<u>Street Construction and Maintenance fund</u>
Budget basis	\$ (178,606)	168,294	\$ (282,875)
Net adjustment for revenue accruals	(41,071)	26,214	(3,672)
Net adjustment for expenditure accruals	(67,744)	(264,255)	(46,879)
Adjustment for financing sources (uses)	<u>81,340</u>	<u>278,521</u>	<u>7,975</u>
GAAP basis	<u>\$ (206,081)</u>	<u>\$ 208,774</u>	<u>\$ (325,451)</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, 2015.

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, 2015

NOTE 20 - FUND BALANCE

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

Fund balance	General	20% Street Construction	Street Construction and Maintenance	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Materials and supplies inventory	\$ 6,057	\$ 59,711	\$ 48,647	\$ -	\$ 114,415
Prepays	<u>14,536</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,536</u>
Total nonspendable	<u>20,593</u>	<u>59,711</u>	<u>48,647</u>	<u>-</u>	<u>128,951</u>
Restricted:					
Debt service	-	-	-	34,951	34,951
Transportation improvement projects	-	-	-	293,113	293,113
Mayor's court programs	-	-	-	31,257	31,257
Cemetery	-	-	-	38,767	38,767
Police programs	-	-	-	57,122	57,122
Other purposes	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,353</u>	<u>55,353</u>
Total restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>510,563</u>	<u>510,563</u>
Committed:					
Capital outlays	-	-	-	389,770	389,770
Transportation improvement projects	<u>-</u>	<u>297,141</u>	<u>-</u>	<u>-</u>	<u>297,141</u>
Total committed	<u>-</u>	<u>297,141</u>	<u>-</u>	<u>389,770</u>	<u>686,911</u>
Assigned:					
Subsequent year appropriations	<u>215,725</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>215,725</u>
Total assigned	<u>215,725</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>215,725</u>
Unassigned (deficit)	<u>4,542,196</u>	<u>-</u>	<u>(1,254,492)</u>	<u>-</u>	<u>3,287,704</u>
Total fund balances	<u>\$ 4,778,514</u>	<u>\$ 356,852</u>	<u>\$ (1,205,845)</u>	<u>\$ 900,333</u>	<u>\$ 4,829,854</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ONTARIO, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO YEARS

	<u>2014</u>	<u>2013</u>
<i>Traditional Plan:</i>		
City's proportion of the net pension liability	0.011831%	0.011831%
City's proportionate share of the net pension liability	\$ 1,426,951	\$ 1,394,721
City's covered-employee payroll	\$ 1,428,825	\$ 1,255,554
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	99.87%	111.08%
Plan fiduciary net position as a percentage of the total pension liability	86.45%	86.36%
<i>Combined Plan:</i>		
City's proportion of the net pension asset	0.016101%	0.016101%
City's proportionate share of the net pension asset	\$ 6,199	\$ 1,689
City's covered-employee payroll	\$ 58,858	\$ -
City's proportionate share of the net pension asset as a percentage of its covered-employee payroll	10.53%	0.00%
Plan fiduciary net position as a percentage of the total pension asset	114.83%	104.56%

Note: Information prior to 2013 was unavailable.

Amounts presented as of the City's measurement date which is the prior year.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ONTARIO, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO YEARS

	<u>2014</u>	<u>2013</u>
City's proportion of the net pension liability	0.05414130%	0.05414130%
City's proportionate share of the net pension liability	\$ 2,804,745	\$ 2,636,851
City's covered-employee payroll	\$ 1,185,121	\$ 1,163,180
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	236.66%	226.69%
Plan fiduciary net position as a percentage of the total pension liability	72.20%	73.00%

Note: Information prior to 2013 was unavailable.

Amounts presented as of the City's measurement date which is the prior year.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ONTARIO, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 176,354	\$ 171,459	\$ 163,222	\$ 107,308
Contributions in relation to the contractually required contribution	<u>(176,354)</u>	<u>(171,459)</u>	<u>(163,222)</u>	<u>(107,308)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,469,617	\$ 1,428,825	\$ 1,255,554	\$ 1,073,080
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%	10.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ 7,170	\$ 7,063	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>(7,170)</u>	<u>(7,063)</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 59,750	\$ 58,858	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%	7.95%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 139,796	\$ 125,405	\$ 125,560	\$ 112,257	\$ 221,871	\$ 213,098
<u>(139,796)</u>	<u>(125,405)</u>	<u>(125,560)</u>	<u>(112,257)</u>	<u>(221,871)</u>	<u>(213,098)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,397,960	\$ 1,406,411	\$ 1,545,354	\$ 1,603,671	\$ 2,657,138	\$ 2,316,283
10.00%	8.92%	8.13%	7.00%	8.35%	9.20%

\$ 442	\$ 539
<u>(442)</u>	<u>(539)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 5,560	\$ 5,564
7.95%	9.69%

CITY OF ONTARIO, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<i>Police:</i>				
Contractually required contribution	\$ 233,650	\$ 225,173	\$ 184,713	\$ 148,315
Contributions in relation to the contractually required contribution	<u>(233,650)</u>	<u>(225,173)</u>	<u>(184,713)</u>	<u>(148,315)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,229,737	\$ 1,185,121	\$ 1,162,936	\$ 1,163,255
Contributions as a percentage of covered-employee payroll	19.00%	19.00%	15.88%	12.75%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 140,294	\$ 139,907	\$ 141,930	\$ 148,472	\$ 196,361	\$ 176,023
<u>(140,294)</u>	<u>(139,907)</u>	<u>(141,930)</u>	<u>(148,472)</u>	<u>(196,361)</u>	<u>(176,023)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,100,345	\$ 1,097,310	\$ 1,113,176	\$ 1,164,486	\$ 1,540,086	\$ 1,498,068
12.75%	12.75%	12.75%	12.75%	12.75%	11.75%

CITY OF ONTARIO, OHIO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

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 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.