CITY OF ONTARIO, OHIO

Basic Financial Statements

December 31, 2018

PLATTENBURG
Certified Public Accountants

OHIO AUDITOR OF STATE
KEITH FABER

88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

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

We have reviewed the *Independent Auditor's Report* of the City of Ontario, Richland County, prepared by Plattenburg & Associates, Inc., for the audit period January 1, 2018 through December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

June 25, 2019

This page intentionally left blank.

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Ontario

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ontario (the City) as of and for the year ended December 31, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund , 35% Street Construction Fund, and Tax Increment Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

8260 NORTHCREEK DRIVE, SUITE 330 / CINCINNATI, OH 45236 • (513) 891-2722 • FAX (513) 891-2760
TWO PRESTIGE PLACE, SUITE 240 / DAYTON, OH 45342 • (937) 433-0400 • FAX (937) 433-0429
www.plattenburg.com

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended December 31, 2018, the City adopted the provisions of Government Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension. 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 pension information and other postemployment information to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2019, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
June 7, 2019

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, 2018. 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 2018 are as follows:

- The total net position of the City increased $1,661,885. Net position of governmental activities increased $1,892,577 or 11.08% from 2017's restated net position. Net position of business-type activities decreased $230,692 or 1.42% from 2017's restated net position.

- General revenues accounted for $6,840,276 or 82.13% of total governmental activities revenue. Program specific revenues accounted for $1,488,816 or 17.87% of total governmental activities revenue.

- The City had a special item of $1,922,770 as described in Note 2.T.

- The City had $8,354,095 in expenses related to governmental activities; $1,488,816 of these expenses was offset by program specific charges for services, grants or contributions. The general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of $6,840,276 were not adequate to provide the remaining expenses of the governmental activities of $6,865,279.

- The general fund had revenues and other financing sources of $4,887,783 in 2018. This represents a increase of $222,130 from 2017 revenues and other financing sources. The expenditures and other financing uses of the general fund, which totaled $4,627,044 in 2018, decreased $239,907 from 2017. Additionally, the general fund had a special item of $1,922,770, as described in Note 2.T, in 2018. The net increase in fund balance for the general fund was $2,183,509 or 43.12%.

- The 35% street construction fund had revenues and other financing sources of $1,328,368 in 2018. The expenditures of the 35% street construction fund totaled $1,131,039 in 2018. The net increase in fund balance for the 35% street construction fund was $197,329.

- The tax increment fund had revenues of $312,331 in 2018. The expenditures and other financing uses of the tax increment fund totaled $294,420 in 2018. The net increase in fund balance for the tax increment fund was $17,911.

- The capital improvement fund had revenues and other financing sources of $919,528 in 2018. The expenditures of the capital improvement fund totaled $1,108,499 in 2018. The net decrease in fund balance for the capital improvement fund was $188,971.

- Net position for the business-type activities, which are made up of the water and sewer enterprise funds, decreased in 2018 by $230,692.

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.

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 2018?" The statement of net position and the statement of activities answer this question. These statements include all *assets, deferred outflows, liabilities, deferred inflows, revenues and expenses (excluding fiduciary funds)* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

Governmental Funds

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

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

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and non-major funds. The City's major governmental funds are the general fund, the 35% street construction fund, the tax increment fund, and the capital improvement fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation.

Proprietary Funds

The City maintains proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations. Both of the City's enterprise funds are considered major funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its self-insurance programs for medical-related employee benefits.

Fiduciary Funds

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

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

Government-Wide Financial Analysis

The statement of net position provides the perspective of the City as a whole. The table below provides a summary of the City's net position at December 31, 2018 and December 31, 2017. The net position at December 31, 2017 has been restated as described in Note 3.

	Governmental Activities		Business-Type Activities		Total	
	2018	Restated 2017	2018	Restated 2017	2018	Restated 2017
Assets						
Current assets	$ 11,693,202	$ 8,967,905	$ 5,943,463	$ 5,687,222	$ 17,636,665	$ 14,655,127
Capital assets, net	19,842,477	20,057,335	14,288,477	14,888,988	34,130,954	34,946,323
Total assets	31,535,679	29,025,240	20,231,940	20,576,210	51,767,619	49,601,450
Deferred outflows of resources						
Unamortized deferred charges	121,510	132,641	-	-	121,510	132,641
Pension	989,412	1,408,660	98,473	227,059	1,087,885	1,635,719
OPEB	507,021	19,701	18,645	3,527	525,666	23,228
Total deferred outflows of resources	1,617,943	1,561,002	117,118	230,586	1,735,061	1,791,588
Liabilities						
Current liabilities	281,843	227,802	413,549	349,549	695,392	577,351
Long-term liabilies:						
Due within one year	376,250	400,124	240,867	238,667	617,117	638,791
Net pension liability	4,862,613	5,429,830	372,134	562,886	5,234,747	5,992,716
Net OPEB liability	4,151,261	3,436,279	252,495	245,461	4,403,756	3,681,740
Other amounts	3,049,714	3,326,782	2,957,909	3,186,800	6,007,623	6,513,582
Total liabilities	12,721,681	12,820,817	4,236,954	4,583,363	16,958,635	17,404,180
Deferred inflows of resources						
Property taxes and PILOTs	821,256	577,730	-	-	821,256	577,730
Pension	516,089	99,954	101,018	7,795	617,107	107,749
OPEB	114,278	-	26,140	-	140,418	-
Total deferred inflows of resources	1,451,623	677,684	127,158	7,795	1,578,781	685,479
Net Position						
Net investment in capital assets	16,998,048	16,905,744	11,209,621	11,569,537	28,207,669	28,475,281
Restricted	1,229,869	1,046,997	-	-	1,229,869	1,046,997
Unrestricted (deficit)	752,401	(865,000)	4,775,325	4,646,101	5,527,726	3,781,101
Total net position	$ 18,980,318	$ 17,087,741	$ 15,984,946	$ 16,215,638	$ 34,965,264	$ 33,303,379

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For 2018, the City adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

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

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

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

As a result of implementing GASB 75, the City is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2017, from $20,504,319 to $17,087,741 for governmental activities and $16,457,572 to $16,215,638 for business-type activities.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2018, the City's total assets and deferred outflows exceeded liabilities and deferred inflows by $34,965,264. At year-end, net positions were $18,980,318 and $15,984,946 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's net position. At year-end, capital assets represented 65.74% 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, 2018, were $16,998,048 and $11,209,621 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, 2018, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the City's net position, $1,229,869, 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 $752,401 may be used to meet the City's ongoing obligations to citizens and creditors.

THIS SPACE INTENTIONALLY LEFT BLANK

The table below shows the changes in net position for 2018 and 2017. The net position at December 31, 2017 has been restated as described in Note 3.

	Governmental Activities		Business-type Activities		Total	
	2018	Restated 2017	2018	Restated 2017	2018	Restated 2017
Revenues						
Program revenues:						
Charges for services and sales	$ 678,177	$ 768,911	$ 3,174,725	$ 3,070,124	$ 3,852,902	$ 3,839,035
Operating grants and contributions	434,481	461,029	-	-	434,481	461,029
Capital grants and contributions	376,158	-	-	-	376,158	-
Total program revenues	1,488,816	1,229,940	3,174,725	3,070,124	4,663,541	4,300,064
General revenues:						
Property taxes	402,576	416,177	-	-	402,576	416,177
Income taxes	5,341,893	5,005,013	-	-	5,341,893	5,005,013
Unrestricted grants	186,028	191,113	-	-	186,028	191,113
Payments in lieu of taxes	534,616	606,161	-	-	534,616	606,161
Interest	168,095	103,950	-	-	168,095	103,950
Decrease in fair market value of investments	(2,719)	(14,254)	-	-	(2,719)	(14,254)
Miscellaneous	209,787	72,764	35,552	4,717	245,339	77,481
Total general revenues	6,840,276	6,380,924	35,552	4,717	6,875,828	6,385,641
Total revenues	8,329,092	7,610,864	3,210,277	3,074,841	11,539,369	10,685,705
Expenses:						
General government	2,044,219	2,178,702	-	-	2,044,219	2,178,702
Security of persons and property	3,335,191	3,082,438	-	-	3,335,191	3,082,438
Public health and welfare	12,375	9,629	-	-	12,375	9,629
Transportation	2,613,717	2,647,680	-	-	2,613,717	2,647,680
Community environment	8,794	70,943	-	-	8,794	70,943
Leisure time activity	248,792	228,864	-	-	248,792	228,864
Interest and fiscal charges	91,007	92,846	-	-	91,007	92,846
Water	-	-	1,056,808	929,705	1,056,808	929,705
Sewer	-	-	2,389,351	2,099,204	2,389,351	2,099,204
Total expenses	8,354,095	8,311,102	3,446,159	3,028,909	11,800,254	11,340,011
Special item	1,922,770	-	-	-	1,922,770	-
Transfers	(5,190)	(3,136)	5,190	3,136	-	-
Change in net position	1,892,577	(703,374)	(230,692)	49,068	1,661,885	(654,306)
Net position at beginning of year (restated)	17,087,741	N/A	16,215,638	N/A	33,303,379	N/A
Net position at end of year	$ 18,980,318	$ 17,087,741	$ 15,984,946	$ 16,215,638	$ 34,965,264	$ 33,303,379

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of $23,228 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report OPEB expense of $634,255.

Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

	Governmental Activities	Business-Type Activities
Total 2018 program expenses under GASB 75	$ 8,354,095	$ 3,446,159
OPEB expense under GASB 75	(349,383)	(284,872)
2018 contractually required contributions	7,443	63
Adjusted 2018 program expenses	8,012,155	3,161,350
Total 2017 program expenses under GASB 45	8,311,102	3,028,909
Increase (decrease) in program expenses not related to OPEB	$ (298,947)	$ 132,441

Governmental Activities

Governmental activities net position increased $1,892,577 in 2018.

Total governmental expenses increased $42,993 from 2017 to 2018, which is attributed primarily to an increase in security of persons and property expenses for additional pension and OPEB cost.

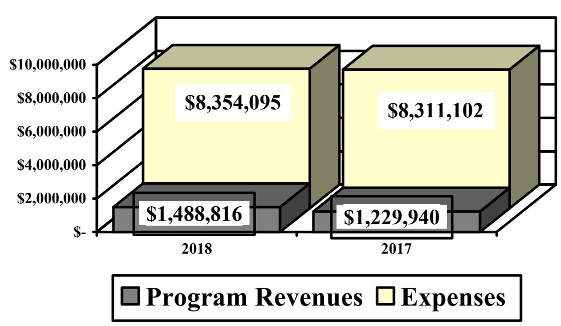
Security of persons and property, which primarily supports the operations of the police department accounted for $3,335,191 of the total expenses of the City. These expenses were partially funded by $192,802 in direct charges to users of the services. Transportation expenses totaled $2,613,717. Transportation expenses were partially funded by $434,481 in operating grants and contributions and $376,158 in capital grants and contributions.

The state and federal government contributed to the City $434,481 in operating grants and contributions. These revenues are restricted to a particular program or purpose. In 2018 all of the operating grants and contributions subsidized transportation programs.

General revenues totaled $6,840,276 and amounted to 82.13% of total governmental revenues. These revenues primarily consist of property and income tax revenue of $5,744,469. The other primary source of general revenues is payments in lieu of taxes making up $534,616. In 2018 there was a special item of $1,922,770 related to the Ontario commerce park as described in Note 2.T.

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

Governmental Activities - Program Revenues vs. Total Expenses



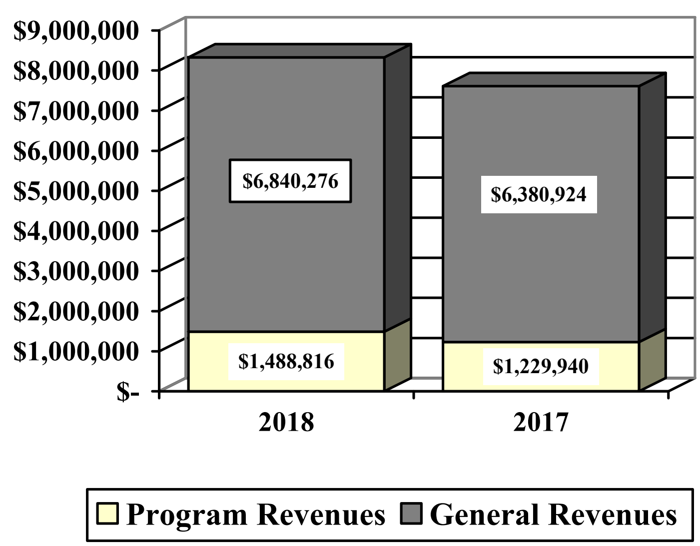
Governmental Activities

	Total Cost of Services 2018	Net Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2017
Program Expenses:				
General government	$ 2,044,219	$ 1,592,010	$ 2,178,702	$ 1,671,499
Security of persons and property	3,335,191	3,142,389	3,082,438	2,822,586
Public health and welfare	12,375	3,195	9,629	3,444
Transportation	2,613,717	1,803,078	2,647,680	2,209,341
Community environment	8,794	8,794	70,943	70,943
Leisure time activity	248,792	224,806	228,864	210,503
Interest and fiscal charges	91,007	91,007	92,846	92,846
Total Expenses	$ 8,354,095	$ 6,865,279	$ 8,311,102	$ 7,081,162

The dependence upon general revenues for governmental activities is apparent, with 81.88% of expenses supported through taxes and other general revenues.

The chart below illustrates the City's general revenues and program revenues for 2018 and 2017.

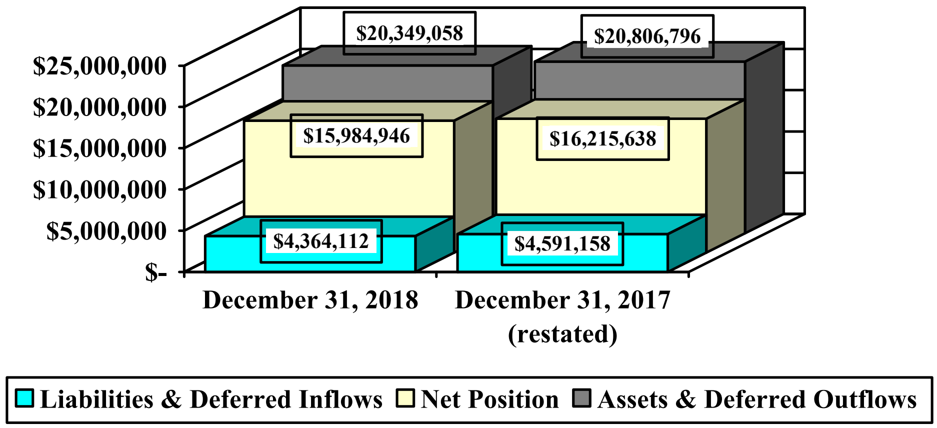
Governmental Activities - General and Program Revenues



Business-type Activities

Business-type activities include the water and sewer enterprise funds. These programs had program revenues of $3,174,725, general revenues of $35,552, transfers in of $5,190 and expenses of $3,446,159 for 2018. The graph on the following page shows the business-type activities assets, deferred outflows, liabilities, deferred inflows, and net position at year-end. The net position at December 31, 2017 has been restated as described in Note 3.

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 reported a combined fund balance of $9,727,227 which is $2,418,993 greater than last year's total of $7,308,234.

The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2018 for all major and nonmajor governmental funds.

	Fund Balances 12/31/18	Fund Balances 12/31/17	Change
Major funds:			
General	$ 7,246,930	$ 5,063,421	$ 2,183,509
35% Street Construction	961,586	764,257	197,329
Tax Increment	114,539	96,628	17,911
Capital Improvement	318,028	506,999	(188,971)
Other nonmajor governmental funds	1,086,144	876,929	209,215
Total	$ 9,727,227	$ 7,308,234	$ 2,418,993

General Fund

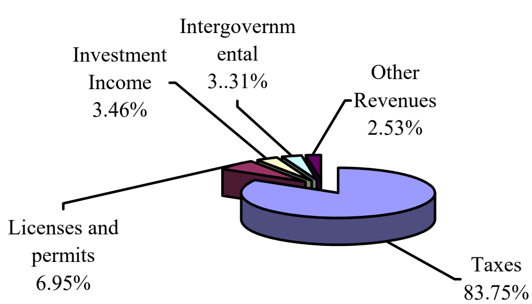
The City's general fund balance increased $2,183,509. The table that follows assists in illustrating the revenues of the general fund.

	2018 Amount	2017 Amount	Percentage Change
Revenues			
Taxes	$ 4,040,338	$ 3,880,177	4.13 %
Licenses, permits and fees	335,594	375,397	(10.60) %
Investment income	167,323	102,511	63.22 %
Increase (decrease) in fair market value of investments	(2,719)	(14,254)	(80.92) %
Intergovernmental	159,991	179,571	(10.90) %
Other	122,542	42,306	189.66 %
Total	$ 4,823,069	$ 4,565,708	5.64 %

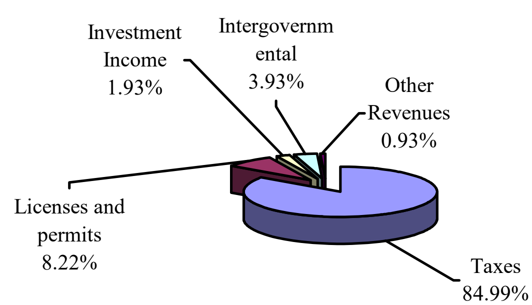
Tax revenue represents 83.75% of all general fund revenue. Intergovernmental revenue decreased due to a decrease in state shared revenues. Investment income increased 63.22% as a result of a fluctuation in interest rates and a greater investment in federal securities during 2018. The decrease in the fair market value of investments was a result of decreasing market values of the federal agency securities. The City intends to hold the federal agency securities to maturity. Other revenue increased $80,236 during 2018 due to an increase in various miscellaneous receipts.

The following charts illustrate the general fund revenues for 2018 and 2017.

Revenues – 2018



Revenues - 2017



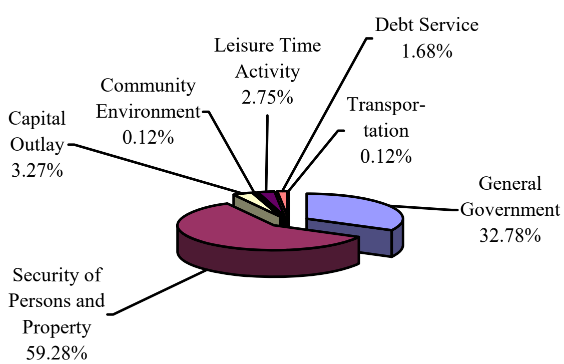
The table that follows assists in illustrating the expenditures of the general fund.

	2018 Amount	2017 Amount	Percentage Change
Expenditures			
General government	$ 1,392,830	$ 1,391,170	0.12 %
Security of persons and property	2,518,795	2,772,586	(9.15) %
Transportation	5,000	-	N/A
Community environment	5,182	65,095	(92.04) %
Leisure time activity	116,951	95,507	22.45 %
Capital outlay	138,866	161,860	(14.21) %
Debt service	71,360	30,398	134.75 %
Total	$ 4,248,984	$ 4,516,616	(5.93) %

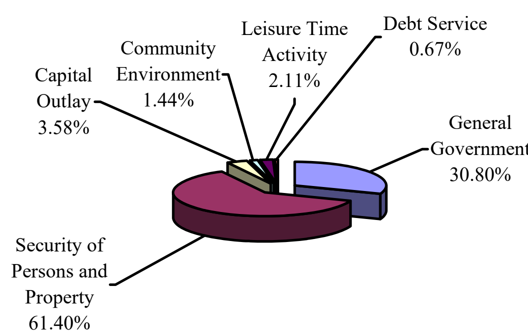
The largest expenditure line items are security of persons and property and general government. These two expenditures account for 92.06% of total general fund expenditures. Security of persons and property decreased 9.15% due to a decrease in police communications maintenance in 2018. Community environment decreased $59,913 primarily due to expenditures related to helping fund a substance abuse program for the Ontario Local School District in 2017.

The following charts illustrate the general fund expenditures for 2018 and 2017.

Expenditures - 2018



Expenditures - 2017



35% Street Construction Fund

The 35% street construction fund had revenues and other financing sources of $1,328,368 in 2018. The expenditures of the 35% street construction fund totaled $1,131,039 in 2018. The net increase in fund balance for the 35% street construction fund was $197,329.

Tax Increment Fund

The tax increment fund had revenues of $312,331 in 2018. The expenditures and other financing uses of the tax increment fund totaled $294,420 in 2018. The net increase in fund balance for the tax increment fund was $17,911.

Capital Improvement Fund

The capital improvement fund had revenues and other financing sources of $919,528 in 2018. The expenditures of the capital improvement fund were $1,108,499. The net decrease in fund balance for the capital improvement fund was $188,971.

Budgeting Highlights - General Fund

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

In the general fund, original budgeted revenues of $4,424,700 were the same as final budgeted revenues. Actual revenues of $4,786,180 were $361,480 more than final budgeted revenues. Original budgeted expenditures and other financing uses were $4,939,817 and final budgeted expenditures and other financing uses were $4,922,470. Actual expenditures and other financing uses of $4,634,971 were $287,499 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 2018, the City had $34,130,954 (net of accumulated depreciation) invested in land, easements, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. Of this total, $19,842,477 was reported in governmental activities and $14,288,477 was reported in business-type activities. The following table shows 2018 balances compared to 2017:

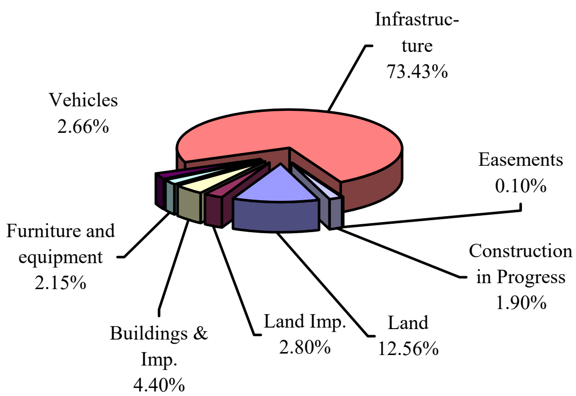
Capital Assets at December 31
(Net of Depreciation)

	Governmental Activities		Business - type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	$ 2,492,488	$ 2,492,488	$ 262,626	$ 262,626	$ 2,755,114	$ 2,755,114
Easements	19,705	19,705	-	-	19,705	19,705
Construction in progress	377,893	-	-	-	377,893	-
Land improvements	555,146	633,606	20,224	21,468	575,370	655,074
Buildings and improvements	873,915	953,500	3,057,735	3,179,805	3,931,650	4,133,305
Furniture and equipment	426,453	543,095	1,047,522	1,087,251	1,473,975	1,630,346
Vehicles	529,449	567,385	-	-	529,449	567,385
Infrastructure	14,567,428	14,847,556	9,900,370	10,337,838	24,467,798	25,185,394
Totals	$ 19,842,477	$ 20,057,335	$ 14,288,477	$ 14,888,988	$ 34,130,954	$ 34,946,323

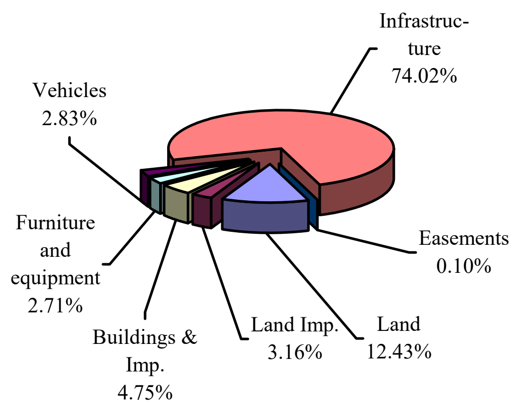
The City's largest governmental activities capital asset category is infrastructure which includes roads and bridges. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 73.43% of the City's total governmental capital assets.

The following graphs show the breakdown of governmental capital assets by category for 2018 and 2017.

Capital Assets - Governmental Activities 2018



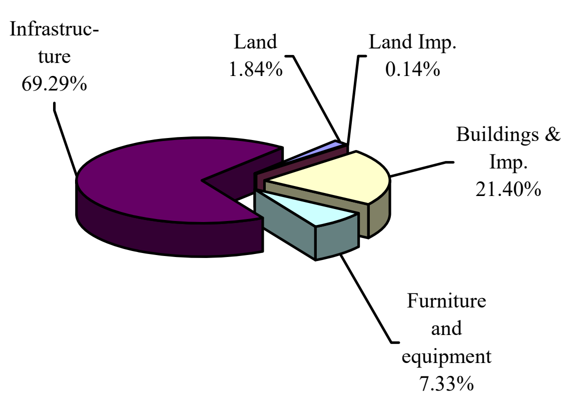
Capital Assets - Governmental Activities 2017



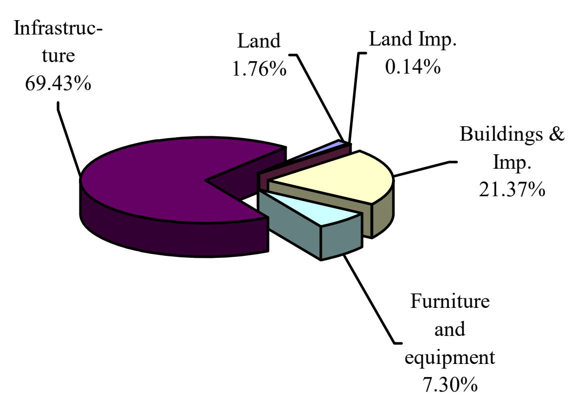
The City's largest business-type capital asset category is infrastructure that primarily includes water and sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 69.29% of the City's total business-type capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2018 and 2017.

Capital Assets - Business-type Activities 2018



Capital Assets - Business-type Activities 2017



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

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2018 and 2017:

	Governmental activities	
	2018	2017
General obligation bonds	$ 2,480,000	$ 2,660,000
Capital leases payable	130,897	277,165
Lease-purchase agreement	64,714	-
Total long-term obligations	$ 2,675,611	$ 2,937,165

	Business-type activities	
	2018	2017
OPWC loans	$ 834,937	$ 874,943
General obligation bonds	1,825,000	1,950,000
Capital leases payable	179,524	235,562
Lease-purchase agreement	21,571	-
Total long-term obligations	$ 2,861,032	$ 3,060,505

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

Economic Conditions and Outlook

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

In 2018, the City acquired the former General Motors complex, consisting of 267 acres, and is currently developing the site. This prime property, which has rail access as well as convenient access to major highways, offers opportunities and great potential for businesses. Ontario offers several economic development tools to attract business and industry. The Job Creation Tax Credit (JCTC) pursuant to Ohio law may be offered to entities who agree to make a capital investment to create and/or retain jobs. Additionally, the City actively promotes economic development by offering retention and expansion support and assistance for those businesses already located in the community. The Ohio Community Reinvestment Area program provides property tax exemptions for property owners who renovate existing or construct new buildings. These programs are designed to help offset the high cost of business start-up activities as well as assist existing businesses to grow and remain competitive in the long-term.

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

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

The City is staying motivated and energized for changes in the area. Construction on the Beer Road Industrial Park roadway is complete enabling FedEx to develop more than 31 acres and build a $10 million 165,000 square foot packaging and distribution center. The industrial park continues to develop. In cooperation with the Ontario Growth Corporation, the City works to attract new business. The Department of Zoning reported more than $6.6 million in new construction, alterations, and additions.

The Ohio State University branch has completed three of the five on-campus student housing units, "Buckeye Village". The complex is located on Lexington-Springmill Road north of Meijer's. OSU and North Central State College, which share the campus, relocated the main entrance for easier access to the retail area. This demonstrates the dedication both colleges have to our community and we look forward to continuing this partnership. The City recently extended the sidewalks approximately one mile to this "Campus District". The goal is to have a walkable community with a "town center" concept.

Ontario has a very promising future. Working hand-in-hand with the Ontario Growth Association and Make it Ontario - Ontario Growth Corporation, we believe that the City will see great progress. The addition of the new businesses and the development of the industrial parks 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, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mary Ann Hellinger, City Auditor, City of Ontario, 555 Stumbo Road, Ontario, Ohio 44906. www.ontarioohio.org https://youtu.be/yzSKgxq-gTs

CITY OF ONTARIO, OHIO

STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and investments	$ 7,228,672	$ 5,519,607	$ 12,748,279
Cash in segregated accounts	19,277	-	19,277
Receivables (net of allowance for uncollectibles)			
Income taxes	1,078,316	-	1,078,316
Real and other local taxes	361,646	-	361,646
Accounts	35,523	295,858	331,381
Special assessments	2,065	-	2,065
Accrued interest	28,808	-	28,808
Intergovernmental	181,100	-	181,100
Payment in lieu of taxes	494,107	-	494,107
Prepayments	99,106	5,045	104,151
Materials and supplies inventory	234,908	109,824	344,732
Net pension asset	15,779	4,254	20,033
Internal balance	(8,875)	8,875	-
Assets held for resale	1,922,770	-	1,922,770
Capital assets:			
Nondepreciable assets	2,890,086	262,626	3,152,712
Depreciable capital assets, net	16,952,391	14,025,851	30,978,242
Total capital assets, net	19,842,477	14,288,477	34,130,954
Total assets	31,535,679	20,231,940	51,767,619
Deferred outflows of resources:			
Unamortized deferred charges on debt refunding	121,510	-	121,510
Pension	989,412	98,473	1,087,885
OPEB	507,021	18,645	525,666
Total deferred outflows of resources	1,617,943	117,118	1,735,061
Liabilities:			
Accounts payable	42,332	19,725	62,057
Contracts payable	34,841	-	34,841
Accrued wages and benefits payable	86,192	14,314	100,506
Intergovernmental payable	49,705	373,850	423,555
Accrued interest payable	7,704	5,660	13,364
Claims payable	61,069	-	61,069
Long-term liabilities:			
Due within one year	376,250	240,867	617,117
Due in more than one year	3,049,714	2,957,909	6,007,623
Net pension liability	4,862,613	372,134	5,234,747
Net OPEB liability	4,151,261	252,495	4,403,756
Total liabilities	12,721,681	4,236,954	16,958,635
Deferred inflows of resources:			
Property taxes and PILOTs levied for the next fiscal year	821,256	-	821,256
Pension	516,089	101,018	617,107
OPEB	114,278	26,140	140,418
Total deferred inflows of resources	1,451,623	127,158	1,578,781
Net position:			
Net investment in capital assets	16,998,048	11,209,621	28,207,669
Restricted for:			
Debt service	131,435	-	131,435
Transportation improvement projects	867,423	-	867,423
Tax increment financing	114,539	-	114,539
Court computerization	11,100	-	11,100
Cemetery	35,695	-	35,695
Other purposes	69,677	-	69,677
Unrestricted	752,401	4,775,325	5,527,726
Total net position	$ 18,980,318	$ 15,984,946	$ 34,965,264

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ONTARIO, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

		Program Revenues		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government.	$ 2,044,219	$ 452,209	$ -	$ -
Security of persons and property . . .	3,335,191	192,802	-	-
Public health and welfare	12,375	9,180	-	-
Transportation.	2,613,717	-	434,481	376,158
Community environment	8,794	-	-	-
Leisure time activity.	248,792	23,986	-	-
Interest and fiscal charges.	91,007	-	-	-
Total governmental activities	8,354,095	678,177	434,481	376,158
Business-type activities:				
Water	1,056,808	847,294	-	-
Sewer	2,389,351	2,327,431	-	-
Total business-type activities	3,446,159	3,174,725	-	-
Total primary government	$ 11,800,254	$ 3,852,902	$ 434,481	$ 376,158

General revenues:
Property taxes levied for:
General purposes . . . .
Police pension . . . .
Capital outlay. . . . .
Income taxes levied for:
General purposes . . . .
Special revenue . . . .
Capital projects . . . .
Grants and entitlements not restricted
to specific programs . . . .
Payments in lieu of taxes . . . .
Investment earnings . . . .
Decrease in fair market value of investments . .
Miscellaneous . . . .

Total general revenues . . . .

Special items . . . .
Transfers . . . .

Total general revenues, special items,
and 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
$ (1,592,010)	$ -	$ (1,592,010)
(3,142,389)	-	(3,142,389)
(3,195)	-	(3,195)
(1,803,078)	-	(1,803,078)
(8,794)	-	(8,794)
(224,806)	-	(224,806)
(91,007)	-	(91,007)
(6,865,279)	-	(6,865,279)
-	(209,514)	(209,514)
-	(61,920)	(61,920)
-	(271,434)	(271,434)
(6,865,279)	(271,434)	(7,136,713)
342,051	-	342,051
15,888	-	15,888
44,637	-	44,637
3,669,336	-	3,669,336
1,231,858	-	1,231,858
440,699	-	440,699
186,028	-	186,028
534,616	-	534,616
168,095	-	168,095
(2,719)	-	(2,719)
209,787	35,552	245,339
6,840,276	35,552	6,875,828
1,922,770	-	1,922,770
(5,190)	5,190	-
8,757,856	40,742	8,798,598
1,892,577	(230,692)	1,661,885
17,087,741	16,215,638	33,303,379
$ 18,980,318	$ 15,984,946	$ 34,965,264

CITY OF ONTARIO, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	General	35% Street Construction	Tax Increment Fund	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets:						
Equity in pooled cash and investments	$ 4,942,731	$ 826,929	$ 114,539	$ 302,833	$ 902,854	$ 7,089,886
Cash in segregated accounts	-	-	-	-	19,277	19,277
Receivables (net of allowance for uncollectibles):						
Income taxes	754,821	251,607	-	71,888	-	1,078,316
Real and other local taxes	304,103	-	-	9,527	48,016	361,646
Accounts	35,523	-	-	-	-	35,523
Accrued interest	23,944	-	-	-	4,864	28,808
Special assessments	-	-	-	-	2,065	2,065
Intergovernmental	34,747	-	-	-	146,353	181,100
Payments in lieu of taxes	-	-	266,832	-	227,275	494,107
Prepayments	99,106	-	-	-	-	99,106
Materials and supplies inventory	15,421	55,542	-	-	163,945	234,908
Assets held for resale	1,922,770	-	-	-	-	1,922,770
Total assets	$ 8,133,166	$ 1,134,078	$ 381,371	$ 384,248	$ 1,514,649	$ 11,547,512
Liabilities:						
Accounts payable	$ 9,693	$ -	$ -	$ -	$ 14,643	$ 24,336
Contracts payable.	-	9,864	-	24,977	-	34,841
Accrued wages and benefits payable	72,609	13,085	-	-	498	86,192
Intergovernmental payable	31,649	5,192	-	-	12,864	49,705
Claims payable	1,929	-	-	-	-	1,929
Total liabilities	115,880	28,141	-	24,977	28,005	197,003
Deferred inflows of resources:						
Property taxes and PILOTs levied for the next fiscal year	282,538	-	266,832	-	271,886	821,256
Delinquent property tax revenue not available	19,103	-	-	-	3,016	22,119
Accrued interest not available	3,839	-	-	-	1,304	5,143
Special assessments revenue not available	-	-	-	-	2,065	2,065
Income tax revenue not available	433,053	144,351	-	41,243	-	618,647
Nonexchange transactions	31,823	-	-	-	122,229	154,052
Total deferred inflows of resources	770,356	144,351	266,832	41,243	400,500	1,623,282
Fund balances:						
Nonspendable	2,037,297	55,542	-	-	163,945	2,256,784
Restricted	-	-	114,539	-	922,156	1,036,695
Committed	-	906,044	-	318,028	43	1,224,115
Assigned	1,622,727	-	-	-	-	1,622,727
Unassigned	3,586,906	-	-	-	-	3,586,906
Total fund balances	7,246,930	961,586	114,539	318,028	1,086,144	9,727,227
Total liabilities, deferred inflows of resources and fund balances	$ 8,133,166	$ 1,134,078	$ 381,371	$ 384,248	$ 1,514,649	$ 11,547,512

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, 2018

Total governmental fund balances		$ 9,727,227
Amounts reported for governmental activities on the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		19,842,477
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Real and other local taxes receivable	$ 22,119	
Income taxes receivable	618,647	
Accrued interest receivable	5,143	
Special assessments receivable	2,065	
Intergovernmental receivable	154,052	
Total		802,026
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.		61,650
An internal balance is recorded in governmental activities to reflect underpayments to the internal service funds by the business-type activities.		(8,875)
Unamortized deferred amounts on refundings are not recognized in the governmental funds.		121,510
Unamortized bond discounts are not recognized in the governmental funds.		789
Unamortized bond premiums are not recognized in the governmental funds.		(320,990)
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	15,779	
Deferred outflows of resources	989,412	
Deferred inflows of resources	(516,089)	
Net pension liability	(4,862,613)	
Total		(4,373,511)
The net OPEB liability is not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred outflows of resources	507,021	
Deferred inflows of resources	(114,278)	
Net OPEB liability	(4,151,261)	
Total		(3,758,518)
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	(7,704)	
Compensated absences payable	(430,152)	
Capital lease payable	(130,897)	
Lease purchase agreement payable	(64,714)	
General obligation bonds payable	(2,480,000)	
Total		(3,113,467)
Net position of governmental activities		$ 18,980,318

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, 2018

	General	35% Street Construction	Tax Increment Fund	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:						
Income taxes	$ 3,697,468	$ 1,241,235	$ -	$ 443,378	$ -	$ 5,382,081
Real and other local taxes	342,870	-	-	44,637	16,249	403,756
Charges for services	-	-	-	-	33,166	33,166
Licenses, permits and fees	335,594	-	-	-	11,694	347,288
Fines and forfeitures	-	-	-	-	293,685	293,685
Intergovernmental	159,991	-	-	376,158	431,817	967,966
Special assessments	-	-	-	-	3,103	3,103
Payments in lieu of taxes	-	-	312,331	-	222,285	534,616
Investment income	167,323	-	-	-	27,026	194,349
Other	122,542	85,403	-	-	1,932	209,877
Decrease in fair market value of investments	(2,719)	-	-	-	-	(2,719)
Total revenues	4,823,069	1,326,638	312,331	864,173	1,040,957	8,367,168
Expenditures:						
Current:						
General government	1,392,830	-	155,170	-	392,937	1,940,937
Security of persons and property	2,518,795	-	-	-	284,175	2,802,970
Public health and welfare	-	-	-	-	12,375	12,375
Transportation	5,000	1,047,819	-	-	241,171	1,293,990
Community environment	5,182	-	-	-	-	5,182
Leisure time activity	116,951	-	-	-	47,292	164,243
Capital outlay	138,866	-	-	1,108,499	30,000	1,277,365
Debt service:						
Principal retirement	68,168	78,100	-	-	180,000	326,268
Interest and fiscal charges	3,192	5,120	-	-	98,827	107,139
Total expenditures	4,248,984	1,131,039	155,170	1,108,499	1,286,777	7,930,469
Excess (deficiency) of revenues over (under) expenditures	574,085	195,599	157,161	(244,326)	(245,820)	436,699
Other financing sources (uses):						
Transfers in	-	1,730	-	55,355	455,035	512,120
Transfers (out)	(378,060)	-	(139,250)	-	-	(517,310)
Lease purchase transaction	64,714	-	-	-	-	64,714
Total other financing sources (uses)	(313,346)	1,730	(139,250)	55,355	455,035	59,524
Special item	1,922,770	-	-	-	-	1,922,770
Net change in fund balances	2,183,509	197,329	17,911	(188,971)	209,215	2,418,993
Fund balances at beginning of year	5,063,421	764,257	96,628	506,999	876,929	7,308,234
Fund balances at end of year	$ 7,246,930	$ 961,586	$ 114,539	$ 318,028	$ 1,086,144	$ 9,727,227

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, 2018

Net change in fund balances - total governmental funds			$	2,418,993
Amounts reported for governmental activities in the statement of activities are different because:				
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense in the current period.				
Capital asset additions	$	1,167,572		
Current year depreciation		(1,382,430)		
Total				(214,858)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.				
Real and other local taxes		(1,180)		
Income taxes		(40,188)		
Investment income		15		
Special assessments		935		
Intergovernmental revenues		1,024		
Total				(39,394)
Lease purchase agreement 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.				(64,714)
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.				326,268
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in less interest being reported on the statement of activities:				
Change in accrued interest		397		
Amortization of bond premium		27,655		
Amortization of deferred amounts on refunding		(11,131)		
Amortization of discount on bond issuance		(789)		
Total				16,132
Contractually required pension/OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.				
Pension				456,483
OPEB				7,443
Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability and net OPEB liability are reported as pension/OPEB expense in the statement of activities.				
Pension				(715,561)
OPEB				(349,383)
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.				(24,779)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.				75,947
Change in net position of governmental activities			$	1,892,577

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, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	**Final**	**Actual**	**Positive (Negative)**
Revenues:				
Income taxes	$ 3,458,930	$ 3,458,930	$ 3,665,245	$ 206,315
Real and other local taxes	337,570	337,570	353,955	16,385
Licenses, permits and fees	291,200	291,200	251,112	(40,088)
Intergovernmental	114,500	114,500	159,955	45,455
Investment income	50,000	50,000	146,173	96,173
Other	172,500	172,500	209,740	37,240
Total revenues	4,424,700	4,424,700	4,786,180	361,480
Expenditures:				
Current:				
General government	1,601,465	1,595,467	1,424,015	171,452
Security of persons and property	2,788,779	2,778,335	2,607,441	170,894
Transportation	5,019	5,000	5,000	-
Community environment	7,565	7,537	6,124	1,413
Leisure time activity	143,669	143,131	131,061	12,070
Capital outlay	85,320	85,000	85,000	-
Total expenditures	4,631,817	4,614,470	4,258,641	355,829
Excess (deficiency) of revenues over (under) expenditures	(207,117)	(189,770)	527,539	717,309
Other financing uses:				
Transfers (out)	(308,000)	(308,000)	(376,330)	(68,330)
Total other financing uses	(308,000)	(308,000)	(376,330)	(68,330)
Net change in fund balances	(515,117)	(497,770)	151,209	648,979
Fund balance at beginning of year	4,800,283	4,800,283	4,800,283	-
Fund balance at end of year	$ 4,285,166	$ 4,302,513	$ 4,951,492	$ 648,979

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ONTARIO, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
35% STREET CONSTRUCTION FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	**Final**	**Actual**	**(Negative)**
Revenues:				
Income taxes	$ 1,175,000	$ 1,165,045	$ 1,230,494	$ 65,449
Other	1,000	80,860	85,403	4,543
Total revenues	1,176,000	1,245,905	1,315,897	69,992
Expenditures:				
Current:				
Transportation	1,235,777	1,239,813	1,129,325	110,488
Total expenditures	1,235,777	1,239,813	1,129,325	110,488
Excess (deficiency) of revenues over (under) expenditures	(59,777)	6,092	186,572	180,480
Other financing sources:				
Transfers in	1,000	1,636	1,730	94
Total other financing sources	1,000	1,636	1,730	94
Net change in fund balances	(58,777)	7,728	188,302	180,574
Fund balance at beginning of year	638,627	638,627	638,627	-
Fund balance at end of year	$ 579,850	$ 646,355	$ 826,929	$ 180,574

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ONTARIO, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
TAX INCREMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	**Final**	**Actual**	**(Negative)**
Revenues:				
Revenue in lieu of taxes	$ 383,000	$ 383,000	$ 312,331	$ (70,669)
Total revenues	383,000	383,000	312,331	(70,669)
Expenditures:				
Current:				
General government	229,000	229,000	155,170	73,830
Total expenditures	229,000	229,000	155,170	73,830
Excess of revenues over expenditures.	154,000	154,000	157,161	3,161
Other financing uses:				
Transfers (out).	(139,350)	(139,250)	(139,250)	-
Total other financing uses	(139,350)	(139,250)	(139,250)	-
Net change in fund balances	14,650	14,750	17,911	3,161
Fund balances at beginning of year	96,628	96,628	96,628	-
Fund balance at end of year	$ 111,278	$ 111,378	$ 114,539	$ 3,161

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ONTARIO, OHIO

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2018

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water	**Sewer**	**Total**	
Assets:				
Current assets:				
Equity in pooled cash and investments	$ 3,367,663	$ 2,151,944	$ 5,519,607	$ 138,786
Receivables (net of allowance for uncollectables)				
Accounts	71,804	224,054	295,858	-
Materials and supplies inventory	91,051	18,773	109,824	-
Prepayments	3,368	1,677	5,045	-
Total current assets	3,533,886	2,396,448	5,930,334	138,786
Noncurrent assets:				
Net pension asset	2,662	1,592	4,254	-
Capital assets:				
Land and construction in progress	262,626	-	262,626	-
Depreciable capital assets, net	4,864,001	9,161,850	14,025,851	-
Total capital assets, net	5,126,627	9,161,850	14,288,477	-
Total noncurrent assets	5,129,289	9,163,442	14,292,731	-
Total assets	8,663,175	11,559,890	20,223,065	138,786
Deferred outflows of resources:				
Pension	59,111	39,362	98,473	-
OPEB	11,666	6,979	18,645	-
Total deferred outflows of resources	70,777	46,341	117,118	-
Liabilities:				
Current liabilities:				
Accounts payable	10,516	9,209	19,725	17,996
Accrued wages and benefits payable	8,417	5,897	14,314	-
Intergovernmental payable	2,919	370,931	373,850	-
Accrued interest payable	4,217	1,443	5,660	-
Compensated absences payable - current	8,893	5,522	14,415	-
General obligation bonds payable	105,000	20,000	125,000	-
OPWC loans payable - current	1,838	38,167	40,005	-
Capital lease obligations payable	27,200	34,247	61,447	-
Claims payable	-	-	-	59,140
Total current liabilities	169,000	485,416	654,416	77,136
Long-term liabilities:				
Compensated absences payable	47,373	36,561	83,934	-
General obligation bonds payable	1,265,000	435,000	1,700,000	-
OPWC loans payable	919	794,013	794,932	-
Unamortized premium on bonds	174,217	65,178	239,395	-
Capital lease obligations payable	57,141	82,507	139,648	-
Net pension liability	232,855	139,279	372,134	-
Net OPEB liability	157,993	94,502	252,495	-
Total long-term liabilities	1,935,498	1,647,040	3,582,538	-
Total liabilities	2,104,498	2,132,456	4,236,954	77,136
Deferred inflows of resources:				
Pension	58,062	42,956	101,018	-
OPEB	12,879	13,261	26,140	-
Total deferred inflows of resources	70,941	56,217	127,158	-
Net position:				
Net investment in capital assets	3,495,313	7,714,308	11,209,621	-
Unrestricted	3,063,200	1,703,250	4,766,450	61,650
Total net position (deficit)	$ 6,558,513	$ 9,417,558	15,976,071	$ 61,650
Adjustment to reflect the consolidation of the internal service fund activities related to enterprise funds.			8,875	
Net position of business-type activities			$ 15,984,946	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ONTARIO, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water	Sewer	Total	
Operating revenues:				
Charges for services	$ 847,294	$ 2,327,431	$ 3,174,725	$ 915,997
Other	10,501	25,051	35,552	-
Total operating revenues	857,795	2,352,482	3,210,277	915,997
Operating expenses:				
Personal services	340,478	185,645	526,123	-
Contract services	160,239	1,719,250	1,879,489	225,345
Materials and supplies	191,635	107,398	299,033	-
Claims expense	-	-	-	603,426
Depreciation	324,314	362,985	687,299	-
Other	7,197	-	7,197	-
Total operating expenses	1,023,863	2,375,278	3,399,141	828,771
Operating income (loss)	(166,068)	(22,796)	(188,864)	87,226
Nonoperating revenues (expenses):				
Interest and fiscal charges	(41,353)	(18,262)	(59,615)	-
Interest income	-	-	-	1,318
Total nonoperating revenues (expenses)	(41,353)	(18,262)	(59,615)	1,318
Income (loss) before transfers	(207,421)	(41,058)	(248,479)	88,544
Transfers in	3,460	1,730	5,190	-
Change in net position	(203,961)	(39,328)	(243,289)	88,544
Net position (deficit) at beginning of year (restated)	6,762,474	9,456,886		(26,894)
Net position at end of year	$ 6,558,513	$ 9,417,558		$ 61,650
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			12,597	
Change in net position of business-type activities			$ (230,692)	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ONTARIO, OHIO

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water	Sewer	Total	
Cash flows from operating activities:				
Cash received from customers	$ 1,056,156	$ 2,851,148	$ 3,907,304	$ 915,997
Cash received from other operations	10,501	25,051	35,552	-
Cash payments for personal services	(319,637)	(167,824)	(487,461)	-
Cash payments for contract services	(147,525)	(1,665,452)	(1,812,977)	(207,349)
Cash payments for materials and supplies	(196,271)	(96,333)	(292,604)	-
Cash payments for other expenses	(7,197)	-	(7,197)	-
Cash payments for claims	-	-	-	(600,261)
Net cash provided by operating activities	396,027	946,590	1,342,617	108,387
Cash flows from noncapital financing activities:				
Cash received from transfers in	3,460	1,730	5,190	-
Net cash provided by noncapital financing activities.	3,460	1,730	5,190	-
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(22,950)	(42,267)	(65,217)	-
Principal retirement on OPWC loans	(1,838)	(38,168)	(40,006)	-
Principal retirement on bonds	(105,000)	(20,000)	(125,000)	-
Interest paid on bonds	(57,223)	(22,147)	(79,370)	-
Principal retirement on capital leases	(26,327)	(29,711)	(56,038)	-
Net cash used in capital and related financing activities	(213,338)	(152,293)	(365,631)	-
Cash flows from investing activities:				
Interest received	-	-	-	1,318
Net cash provided by investing activities	-	-	-	1,318
Net increase in cash and cash equivalents	186,149	796,027	982,176	109,705
Cash and investments at beginning of year	3,181,514	1,355,917	4,537,431	29,081
Cash and investments at end of year	$ 3,367,663	$ 2,151,944	$ 5,519,607	$ 138,786
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	$ (166,068)	$ (22,796)	$ (188,864)	$ 87,226
Adjustments:				
Depreciation.	324,314	362,985	687,299	-
Changes in assets, deferred outflows, liabilities and deferred inflows:				
(Increase) decease in materials and supplies inventory	(4,636)	11,065	6,429	-
Decrease in accounts receivable.	208,862	523,717	732,579	-
Decrease in prepayments	1,827	86	1,913	-
(Increase) in net pension asset	(1,534)	(855)	(2,389)	-
Decrease in deferred outflows - pension	73,558	55,028	128,586	-
(Increase) in deferred outflows - OPEB	(9,533)	(5,585)	(15,118)	-
Increase in accounts payable.	10,516	3,052	13,568	17,996
Increase (decrease) in accrued wages and benefits.	(97)	2,441	2,344	-
Increase (decrease) in intergovernmental payable	(1,720)	50,012	48,292	-
(Decrease) in compensated absences payable	(7,054)	(613)	(7,667)	-
(Decrease) in net pension liability.	(107,572)	(83,180)	(190,752)	-
Increase (decrease) in net OPEB liability.	9,541	(2,507)	7,034	-
Increase in deferred inflows - pension	52,744	40,479	93,223	-
Increase in deferred inflows - OPEB	12,879	13,261	26,140	-
Increase in claims payable.	-	-	-	3,165
Net cash provided by operating activities	$ 396,027	$ 946,590	$ 1,342,617	$ 108,387

Noncash transactions:
The sewer fund entered into a lease purchase agreement of $21,571 during 2018.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ONTARIO, OHIO

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
DECEMBER 31, 2018

	Agency
Assets:	
Equity in pooled cash and investments	$ 55,753
Total assets	$ 55,753
Liabilities:	
Deposits held and due to others	$ 55,753
Total liabilities	$ 55,753

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE CITY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

B. Basis of Presentation - Fund Accounting

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

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activities of the internal service funds are eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

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

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

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

C. Fund Accounting

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

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

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

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

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

Capital Improvement fund - This fund is used to account for the financial resources to be used for the acquisition or construction of various capital improvement projects.

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

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

Proprietary Funds - Proprietary fund reporting focuses on changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

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

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

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

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

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

D. Measurement Focus and Basis of Accounting

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

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

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

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

E. Basis of Accounting

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

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

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, See Notes 16 and 17 for deferred outflows of resources related the City’s net pension liability and net OPEB liability, respectively. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2018, but which were levied to finance 2019 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes, but is not limited to, income taxes, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the City, See Notes 16 and 17 for deferred inflows of resources related to the City's net pension liability and net OPEB liability, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position. In addition, deferred inflows of resources include a deferred gain on debt refunding.

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

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

F. Budgetary Process

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

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

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

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

G. Cash and Investments

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

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

During 2018, investments were limited to nonnegotiable certificates of deposits, federal agency securities, U.S. government money market mutual funds, commercial paper, U.S. Treasury notes and STAR Ohio. Except for nonparticipating investment contracts, investments are reported at fair market value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

During 2018, the City invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The City measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $100 million, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be distributed to specific funds. Interest revenue earned and credited to the general fund during 2018 amounted to $167,323, which includes $89,031 assigned from other funds of the City.

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

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

H. Inventory

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

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2018, 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.

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

J. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of $5,000. The City's infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers, streets, and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized for business-type activities.

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

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

Description	Estimated Lives
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, 2018 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.

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

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

L. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

M. Interfund Activity

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

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

N. Fund Balance

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

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

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

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

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

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

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

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

O. Debt Issuance Costs, Discounts and Premiums

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

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

P. Estimates

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

Q. Contributions of Capital

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

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

R. Net Position

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

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

S. Operating Revenues and Expenses

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

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. The City had one special item in 2018.

In a prior year, the City entered into an agreement with a Developer regarding a General Motors property. The Developer was to have 5 years to create 500 hundred jobs on the site. If the Developer did not meet that goal, then the City would receive $1,000,000, which had been placed into an escrow account by the Developer. Ultimately, the Developer did not achieve the job creation requirements. In order to avoid an expensive and lengthy lawsuit, the City accepted the property in lieu of the $1,000,000, which was released from escrow back to the Developer. The fair value of the property was $1,922,770. The City intends to develop the site and sell it off in segments to local businesses. As pieces of the property are sold off, the proceeds will be receipted into the general fund.

The City had no extraordinary items during 2018.

U. Pensions/Other Postemployment Benefits (OPEB)

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

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

V. Fair Value Measurements

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles/Restatement of Net Position

For fiscal year 2018, the City has implemented GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*", GASB Statement No. 85, "*Omnibus 2017*" and GASB Statement No. 86, "*Certain Debt Extinguishments*".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 effected the City's postemployment benefit plan disclosures, as presented in Note 17 to the basic financial statements, and added required supplementary information which is presented after the notes to the basic financial statements.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the City.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the City.

A net position restatement is required in order to implement GASB Statement No 75. The governmental activities and business-type activities at January 1, 2018 have been restated as follows:

	Governmental Activities	Business-Type Activities	Water Fund	Sewer Fund
Net position as previously reported	$ 20,504,319	$ 16,457,572	$ 6,908,793	$ 9,552,501
Deferred outflows - payments subsequent to measurement date	19,701	3,527	2,133	1,394
Net OPEB liability	(3,436,279)	(245,461)	(148,452)	(97,009)
Restated net position at January 1, 2018	$ 17,087,741	$ 16,215,638	$ 6,762,474	$ 9,456,886

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.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in items (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasury Asset Reserve of Ohio (STAR Ohio);

7. Certain banker’s acceptance and commercial paper notes for a period not to exceed two hundred seventy days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,

8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

1. Bonds of the State of Ohio;

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2018 was $19,277. These depository accounts are included in “deposits with financial institutions” below.

B. Deposits with Financial Institutions

At December 31, 2018, the carrying amount of all City deposits was $2,849,547 and the bank balance of all City deposits was $3,174,348. Of the bank balance, $769,277 was covered by the FDIC and $2,405,071 was exposed to custodial credit risk as discussed below.

Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the City’s and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the OPCS, a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

As of December 31, 2018, the City had the following investments and maturities:

		Investment Maturities				
Measurement/ Investment type	Measurement Amount	6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
Fair value:						
FHLMC	$ 946,059	$ -	$ -	$ -	$ 542,667	$ 403,392
FNMA	1,916,484	99,363	394,700	395,866	636,717	389,838
FFCB	494,015	-	-	-	-	494,015
FHLB	667,669	-	-	-	222,284	445,385
U.S. Government money market funds	11,196	11,196	-	-	-	-
Commercial paper	1,388,675	862,807	525,868	-	-	-
U.S. Treasury notes	669,219	-	-	-	-	669,219
Amortized cost:						
STAR Ohio	3,880,445	3,880,445	-	-	-	-
Total	$ 9,973,762	$ 4,853,811	$ 920,568	$ 395,866	$ 1,401,668	$ 2,401,849

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

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

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2018:

Measurement/ Investment type	Measurement Amount	% of Total
Fair value:		
FHLMC	$ 946,059	9.49
FNMA	1,916,484	19.22
FFCB	494,015	4.95
FHLB	667,669	6.69
U.S. Government money market fund	11,196	0.11
Commercial paper	1,388,675	13.92
U.S. Treasury notes	669,219	6.71
Amortized cost:		
STAR Ohio	3,880,445	38.91
Total	$ 9,973,762	100.00

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, 2018:

Cash and investments per note	
Carrying amount of deposits	$ 2,849,547
Investments	9,973,762
Total	$ 12,823,309
Cash and investments per statement of net position	
Governmental activities	$ 7,247,949
Business-type activities	5,519,607
Agency funds	55,753
Total	$ 12,823,309

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended December 31, 2018, consisted of the following as reported on the fund financial statements:

Transfers from the general fund to:	
35% street construction fund	$ 1,730
Capital improvement fund	55,355
Nonmajor governmental funds	315,785
Water fund	3,460
Sewer fund	1,730
Total transfers from general fund	$ 378,060
Transfers from the tax increment fund to:	
Nonmajor governmental funds	$ 139,250
Total transfers from the tax increment fund	$ 139,250

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The $139,250 transfer from the tax increment fund to the debt service fund (a nonmajor governmental fund) were for payments of the 2016 TIF project bonds principal and interest.

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

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. 2018 public utility property taxes became a lien December 31, 2017, are levied after October 1, 2018, and are collected in 2019 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

NOTE 6 - PROPERTY TAXES - (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Ontario. County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2018 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 2018 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, 2018 was $2.20 per $1,000 of assessed value. The assessed values of real and public utility property upon which 2018 property tax receipts were based are as follows:

Real Property	
Residential/Agricultural	$ 103,655,560
Commercial/Industrial/Mineral	68,920,510
Public Utility	
Real/Personal	6,229,750
Total Assessed Value	$ 178,805,820

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 2018, by City ordinance, income tax proceeds, after income tax department expenditures, are credited to the following: general fund, capital improvement fund, and the 35% street construction fund. On the modified accrual basis of accounting, total income tax revenue was $5,382,081 in 2018.

NOTE 8 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

B. Insurance

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

NOTE 9 - TAX INCREMENT FINANCING DISTRICT (TIF)

The City, pursuant to the Ohio Revised Code and City ordinances, has established five TIFs with the addition of the Campus District, Ontario Triangle Development, Lexington-Springmill/Ferguson Road and Beer Road Industrial Park TIF agreements during 2016. A TIF represents a geographic area wherein property values created after the commencement date of the TIF are exempt, in whole or in part, from property taxes. Owners of such property, however, must pay amounts equal to the property taxes, known as "payments in lieu of taxes (PILOT)", as though the TIF had not been established. These "PILOTS" are then dedicated to the payments for various public improvements within or adjacent to the TIF area. Property values existing before the commencement date of a TIF continue to be subjected to property taxes.

During 2018, the City received PILOT revenue of $534,616 in the tax increment fund and debt service fund (a nonmajor governmental fund). The TIFs have a longevity of the shorter period of 30 years or until the public improvements are paid for. The property tax exemption then ceases; PILOT's cease and property taxes then apply to the increased property values.

NOTE 10 - RECEIVABLES

Receivables at December 31, 2018, 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	$ 1,078,316
Real and other taxes	361,646
Accounts	35,523
Special assessments	2,065
Accrued interest	28,808
Intergovernmental	181,100
Payments in lieu of taxes	494,107
Business-type activities:	
Accounts	295,858

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.

NOTE 11 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018, was as follows:

Governmental activities:	Balance 1/1/2018	Additions	Disposals	Balance 12/31/2018
Capital assets, not being depreciated:				
Land	$ 2,492,488	$ -	$ -	$ 2,492,488
Easements	19,705	-	-	19,705
Construction in progress	-	377,893	-	377,893
Total capital assets, not being depreciated	2,512,193	377,893	-	2,890,086
Capital assets, being depreciated:				
Land improvements	2,749,496	-	-	2,749,496
Buildings and improvements	3,228,094	-	-	3,228,094
Furniture and equipment	3,719,404	-	-	3,719,404
Vehicles	1,987,197	41,866	-	2,029,063
Infrastructure	28,248,269	747,813	-	28,996,082
Total capital assets, being depreciated	39,932,460	789,679	-	40,722,139
Less: accumulated depreciation:				
Land improvements	(2,115,890)	(78,460)	-	(2,194,350)
Buildings and improvements	(2,274,594)	(79,585)	-	(2,354,179)
Furniture and equipment	(3,176,309)	(116,642)	-	(3,292,951)
Vehicles	(1,419,812)	(79,802)	-	(1,499,614)
Infrastructure	(13,400,713)	(1,027,941)	-	(14,428,654)
Total accumulated depreciation	(22,387,318)	(1,382,430)	-	(23,769,748)
Total capital assets, being depreciated, net	17,545,142	(592,751)	-	16,952,391
Governmental activities capital assets, net	$ 20,057,335	$ (214,858)	$ -	$ 19,842,477

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

Governmental activities:	
General government	$ 50,758
Security of persons and property	102,560
Transportation	1,146,726
Leisure time activity	82,386
Total depreciation expense - governmental activities	$ 1,382,430

NOTE 11 - CAPITAL ASSETS - (Continued)

Business-type activities:	Balance 1/1/2018	Additions	Disposals	Balance 12/31/2018
Capital assets, not being depreciated:				
Land	$ 262,626	$ -	$ -	$ 262,626
Total capital assets, not being depreciated	262,626	-	-	262,626
Capital assets, being depreciated:				
Land improvements	79,492	-	-	79,492
Buildings and improvements	4,752,755	-	-	4,752,755
Furniture and equipment	3,853,593	86,788	-	3,940,381
Infrastructure:				
Sewer lines	10,653,890	-	-	10,653,890
Water lines	6,965,429	-	-	6,965,429
Total capital assets, being depreciated	26,305,159	86,788	-	26,391,947
Less: accumulated depreciation:				
Land improvements	(58,024)	(1,244)	-	(59,268)
Buildings and improvements	(1,572,950)	(122,070)	-	(1,695,020)
Furniture and equipment	(2,766,342)	(126,517)	-	(2,892,859)
Infrastructure:				
Sewer lines	(4,054,964)	(228,908)	-	(4,283,872)
Water lines	(3,226,517)	(208,560)	-	(3,435,077)
Total accumulated depreciation	(11,678,797)	(687,299)	-	(12,366,096)
Total capital assets, being depreciated, net	14,626,362	(600,511)	-	14,025,851
Business-type activities capital assets, net	$ 14,888,988	$ (600,511)	$ -	$ 14,288,477

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

Business-type activities:	
Water	$ 324,314
Sewer	362,985
Total depreciation expense - business-type activities	$ 687,299

NOTE 12 - CAPITAL LEASES - LESSEE DISCLOSURE

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

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

General capital assets consisting of equipment and vehicles have been capitalized in the amount of $819,758. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2018 was $249,540 leaving a current book value of $570,218. A corresponding liability was recorded in the government-wide financial statements and proprietary fund statements. Principal and interest payments on the leases, totaled $68,168 and $3,192, respectively, in the general fund, $78,100 and $5,120 principal and interest paid out of the 35% street construction fund, $26,327 and $3,673 principal and interest paid out of the water fund and $29,711 and $4,147 principal and interest paid out of the sewer fund, respectively.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of December 31, 2018.

Year Ending December 31,	Total
2019	$ 173,535
2020	78,571
2021	74,495
Total future minimum lease payments	326,601
Less: amount representing interest	(16,180)
Present value of future minimum lease payments	$ 310,421

NOTE 13 - LEASE PURCHASE OBLIGATION - LESSEE DISCLOSURE

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

The following is a schedule of the future long-term minimum lease payments required under the lease purchase agreement and the present value of the minimum lease payments as of December 31, 2018:

Year Ending December 31,	Governmental Activities	Business-Type Activities	Total
2019	$ 10,647	$ 3,549	$ 14,196
2020	10,647	3,549	14,196
2021	10,647	3,549	14,196
2022	10,647	3,549	14,196
2023	10,647	3,549	14,196
2024-2025	21,294	7,098	28,392
Total Minimum Lease Payments	74,529	24,843	99,372
Less: Amount Representing Interest	(9,815)	(3,272)	(13,087)
Present Value of Net Minimum Lease Payments	$ 64,714	$ 21,571	$ 86,285

NOTE 14 - LONG-TERM OBLIGATIONS

A. During 2018, the following activity occurred in governmental and business-type activities long-term obligations. The long-term obligations at December 31, 2017 have been restated as described in Note 3.

Governmental activities:	Restated Balance 1/1/2018	Additions	Disposals	Balance 12/31/2018	Due within One Year
General obligation bonds:					
Walker lake road bonds, 2009	$ 180,000	$ -	$ (90,000)	$ 90,000	$ 90,000
Walker lake road refunding bonds, 2016	1,130,000	-	-	1,130,000	-
Urwin parkway improvement bonds, 2016	675,000	-	(30,000)	645,000	30,000
Ferguson road improvement bonds, 2016	455,000	-	(50,000)	405,000	55,000
Sidewalk improvement bonds	220,000	-	(10,000)	210,000	10,000
Total general obligation bonds	2,660,000	-	(180,000)	2,480,000	185,000
Capital lease payable	277,165	-	(146,268)	130,897	106,113
Lease-purchase agreement	-	64,714	-	64,714	10,647
Net pension liability	5,429,830	72,361	(639,578)	4,862,613	-
Net OPEB liability	3,436,279	714,982	-	4,151,261	-
Compensated absences	442,674	98,997	(111,519)	430,152	74,490
	$ 12,245,948	$ 951,054	$ (1,077,365)	12,119,637	$ 376,250
Unamortized premiums on bonds				320,990	
Unamortized discount on bonds				(789)	
Total governmental activities				$ 12,439,838	
Business-type activities:					
General obligation bonds:					
Water meter reading system improvement bonds, 2016	$ 670,000	$ -	$ (75,000)	$ 595,000	$ 75,000
Mabee road water tower improvement bonds, 2016	285,000	-	(10,000)	275,000	10,000
Waterline repair improvement bonds, 2016	520,000	-	(20,000)	500,000	20,000
Tappan road lift station improvement bonds, 2016	475,000	-	(20,000)	455,000	20,000
Total general obligation bonds	1,950,000	-	(125,000)	1,825,000	125,000
OPWC water treatment loan	4,595	-	(1,838)	2,757	1,838
OPWC sewer improvement loan	349,998	-	(16,667)	333,331	16,667
OPWC I/I reduction phase 2 loan	300,887	-	(13,373)	287,514	13,372
OPWC above ground equalization tank loan	219,463	-	(8,128)	211,335	8,128
Total OPWC loans	874,943	-	(40,006)	834,937	40,005
Capital lease payable	235,562	-	(56,038)	179,524	57,898
Lease purchase agreement	-	21,571	-	21,571	3,549
Net pension liability	562,886	-	(190,752)	372,134	-
Net OPEB liability	245,461	7,034	-	252,495	-
Compensated absences	106,016	(7,667)	-	98,349	14,415
	$ 3,974,868	$ 20,938	$ (411,796)	3,584,010	$ 240,867
Unamortized premiums on bonds				239,395	
Total business-type activities				$ 3,823,405	

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

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

Compensated absences for governmental activities will be paid from the fund from which the employee is paid which, for the City, is the general fund and the 35% street construction and maintenance fund.

The City's net pension liability and net OPEB liability are described in Notes 16 and 17.

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

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

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

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

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

During 2009, the City entered into a loan with the OPWC for the I/I reduction phase 2 project. This is an interest-free OPWC loan and has an outstanding balance of $287,514.

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, 2018 was $211,335.

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.

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

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, 2018 are as follows:

Year Ending December 31,	Governmental Activities			Business-Type Activities		
	General Obligation Bonds Payable			General Obligation Bonds Payable		
	Principal	Interest	Total	Principal	Interest	Total
2019	$ 185,000	$ 93,990	$ 278,990	$ 125,000	$ 69,050	$ 194,050
2020	195,000	87,900	282,900	130,000	65,300	195,300
2021	195,000	82,050	277,050	140,000	61,400	201,400
2022	195,000	76,200	271,200	145,000	57,200	202,200
2023	205,000	68,400	273,400	155,000	51,400	206,400
2024 - 2028	950,000	219,800	1,169,800	525,000	173,600	698,600
2029 - 2033	425,000	66,800	491,800	415,000	89,200	504,200
2034 - 2035	130,000	7,800	137,800	190,000	11,400	201,400
Total	$ 2,480,000	$ 702,940	$ 3,182,940	$ 1,825,000	$ 578,550	$ 2,403,550

	Business-type Activities				
Year Ending December 31,	OPWC Water Treatment Loan Principal	OPWC Sewer Improvement Loan Principal	OPWC Sewer I/I Reduction Phase 2 Principal	OPWC Sewer Equalization Tank Principal	Total OPWC Loans
2019	$ 1,838	$ 16,667	$ 13,372	$ 8,128	$ 40,005
2020	919	16,667	13,372	8,129	39,087
2021	-	16,667	13,373	8,128	38,168
2022	-	16,667	13,373	8,128	38,168
2023	-	16,667	13,373	8,129	38,169
2024 - 2028	-	83,335	66,864	40,641	190,840
2029 - 2033	-	83,330	66,864	40,642	190,836
2034 - 2038	-	83,331	66,864	40,642	190,837
2039 - 2043	-	-	20,059	40,640	60,699
2044	-	-	-	8,128	8,128
Total	$ 2,757	$ 333,331	$ 287,514	$ 211,335	$ 834,937

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

B. Legal Debt Margin

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the City's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2018, the City's overall legal debt margin was $16,431,685 and the unvoted debt margin was $9,971,394.

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 2018, the City contracted with the Ohio Plan for various types of insurance.

The coverage and deductible are as follows:

Type of Coverage	Deductible	Coverage
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	27,733,736
Special Property Coverage	1,000	1,889,908
Electronic Equipment/Media Coverage	1,000	229,671
Public Employee Dishonesty	100	100,000
Boiler and Machinery	1,000	27,733,736

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

B. Workers' Compensation

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

NOTE 15 - RISK MANAGEMENT - (Continued)

C. Dental and Vision Self-Insurance

The City operates a self-insurance plan for dental and vision benefits. The activity of the plan is recorded in the City's general fund. The claims liability of $1,929 reported on the financial statements at December 31, 2018 is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims cost, including estimates of costs relating to incurred but not reported claims, be reported.

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

Year	Beginning Balance	Current Year Claims	Claims Payments	Ending Balance
2018	$ 1,688	$ 35,268	$ (35,027)	$ 1,929
2017	1,548	33,255	(33,115)	1,688

D. Medical Self-Insurance

Medical insurance is offered to employees through a self-insurance internal service fund. The City is a member of the JHP Health Benefits Program, a risk and cost saving pool, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the City's behalf. The claims liability of $59,140 reported in the internal service fund at December 31, 2018 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

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

Fiscal Year	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2018	$ 55,975	$ 603,426	$ (600,261)	$ 59,140
2017	51,639	494,272	(489,936)	55,975

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.

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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/asset 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.

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):

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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.

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

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

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

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

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	State and Local
2018 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2018 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	0.0 %
Total Employer	14.0 %
Employee	10.0 %

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

The City's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was $231,725 for 2018. Of this amount, $17,954 is reported as intergovernmental payable.

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

Plan Description - City full-time police and firefighters 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.

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

	Police
2018 Statutory Maximum Contribution Rates	
Employer	19.50 %
Employee	12.25 %
2018 Actual Contribution Rates	
Employer:	
Pension	19.00 %
Post-employment Health Care Benefits	0.50 %
Total Employer	19.50 %
Employee	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OP&F was $273,963 for 2018. Of this amount, $23,106 is reported as intergovernmental payable.

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

The net pension liability and net pension asset for the OPERS Traditional Pension Plan, Combined Plan and Member-Directed Plan, respectively, were measured as of December 31, 2017, 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, 2017, and was determined by rolling forward the total pension liability as of January 1, 2017, to December 31, 2017. 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.

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	OPERS - Traditional	OPERS - Combined	OPERS - Member-Directed	OP&F	Total
Proportion of the net pension liability/asset prior measurement date	0.01137400%	0.01534900%	0.00316300%	0.05383500%	
Proportion of the net pension liability/asset current measurement date	0.01117100%	0.01465000%	0.00258600%	0.05673700%	
Change in proportionate share	-0.00020300%	-0.00069900%	-0.00057700%	0.00290200%	
Proportionate share of the net pension liability	$ 1,752,512	$ -	$ -	$ 3,482,235	$ 5,234,747
Proportionate share of the net pension asset	-	(19,943)	(90)	-	(20,033)
Pension expense	351,345	3,220	(29)	438,898	793,434

THIS SPACE IS INTENTIONALLY LEFT BLANK

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS - Traditional	OPERS - Combined	OPERS - Member-Directed	OP&F	Total
Deferred outflows of resources					
Differences between expected and actual experience	$ 1,789	$ -	$ 176	$ 52,845	$ 54,810
Changes of assumptions	209,435	1,744	12	151,738	362,929
Changes in employer's proportionate percentage/ difference between employer contributions	4,006	-	-	160,452	164,458
City contributions subsequent to the measurement date	222,190	8,794	741	273,963	505,688
Total deferred outflows of resources	$ 437,420	$ 10,538	$ 929	$ 638,998	$ 1,087,885
Deferred inflows of resources					
Differences between expected and actual experience	$ 34,538	$ 5,940	$ -	$ 6,299	$ 46,777
Net difference between projected and actual earnings on pension plan investments	376,243	3,147	24	120,455	499,869
Changes in employer's proportionate percentage/ difference between employer contributions	34,169	-	-	36,292	70,461
Total deferred inflows of resources	$ 444,950	$ 9,087	$ 24	$ 163,046	$ 617,107

$505,688 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, 2019.

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:

	OPERS - Traditional	OPERS - Combined	OPERS - Member-Directed	OP&F	Total
Year Ending December 31:					
2019	$ 137,165	$ (1,001)	$ 18	$ 111,266	$ 247,448
2020	(46,605)	(1,087)	19	79,599	31,926
2021	(165,675)	(1,792)	18	(44,995)	(212,444)
2022	(154,605)	(1,719)	17	(25,399)	(181,706)
2023	-	(613)	24	65,576	64,987
Thereafter	-	(1,131)	68	15,942	14,879
Total	$ (229,720)	$ (7,343)	$ 164	$ 201,989	$ (34,910)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67.

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

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

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

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 16.82% for 2017.

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 2017 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 %	2.20 %
Domestic equities	19.00	6.37
Real estate	10.00	5.26
Private equity	10.00	8.97
International equities	20.00	7.88
Other investments	18.00	5.26
Total	100.00 %	5.66 %

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

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 7.50%, as well as what the City's proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (6.50%) or one-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	$ 3,112,017	$ 1,752,512	$ 619,097
Combined Plan	(10,841)	(19,943)	(26,224)
Member-Directed Plan	(52)	(90)	(129)

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2017 is based on the results of an actuarial valuation date of January 1, 2017, 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. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2017, are presented below. The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the investment rate of return from 8.25% to 8.00%, (b) projected salary increases decreased from 4.25% - 11.00% to 3.75% - 10.50%, (c) payroll increases decreased from 3.75% to 3.25%, (d) inflation assumptions decreased from 3.25% to 2.75% and (e) Cost of Living Adjustments (COLAs) decreased from 2.60% to 2.20%.

Valuation date	January 1, 2017
Actuarial cost method	Entry age normal
Investment rate of return	8.00%
Projected salary increases	3.75% - 10.50%
Payroll increases	3.25%
Inflation assumptions	2.75%
Cost of living adjustments	2.20% and 3.00% simple

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

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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, 2017 are summarized below:

Asset Class	Target Allocation	10 Year Expected Real Rate of Return **	30 Year Expected Real Rate of Return **
Cash and Cash Equivalents	- %		
Domestic Equity	16.00	4.22 %	5.39 %
Non-US Equity	16.00	4.41	5.59
Private Markets	8.00	6.67	8.08
Core Fixed Income *	23.00	1.57	2.71
High Yield Fixed Income	7.00	2.94	4.71
Private Credit	5.00	6.93	7.26
Global Inflation Protected Securities *	17.00	0.98	2.52
Master Limited Partnerships	8.00	7.50	7.93
Real Assets	8.00	6.88	7.24
Private Real Estate	12.00	5.58	6.34
Total	120.00 %		

Note: assumptions are geometric.
* levered 2x
** numbers include inflation

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return and creating a more risk-balanced portfolio based on the relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.20 times due to the application of leverage in certain fixed income asset classes.

Discount Rate - The total pension liability was calculated using the discount rate of 8.00%. A discount rate of 8.25% was used in the prior measurement period. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.00%. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	$ 4,827,250	$ 3,482,235	$ 2,385,199

NOTE 17 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

For 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions” was effective. This GASB pronouncement had no effect on beginning net position as reported January 1, 2018, as the net OPEB liability is not reported in the accompanying financial statements. The net OPEB liability has been disclosed below.

OPEB is a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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

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

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent.

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

The City's contractually required contribution was $296 for 2018. Of this amount, $23 is reported as intergovernmental payable.

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

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 75.

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

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

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 19.5 percent and 24 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2018, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

The City's contractually required contribution to OP&F was $7,210 for 2018. Of this amount, $608 is reported as intergovernmental payable.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2017, and was determined by rolling forward the total OPEB liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS	OP&F	Total
Proportion of the net OPEB liability prior measurement date	0.01115100%	0.05383500%	
Proportion of the net OPEB liability current measurement date	0.01095000%	0.05673700%	
Change in proportionate share	-0.00020100%	0.00290200%	
Proportionate share of the net OPEB liability	$ 1,189,089	$ 3,214,667	$ 4,403,756
OPEB expense	94,497	273,005	367,502

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS	OP&F	Total
Deferred outflows of resources			
Differences between expected and actual experience	$ 926	$ -	$ 926
Changes of assumptions	86,579	313,680	400,259
Changes in employer's proportionate percentage/ difference between employer contributions	-	116,975	116,975
City contributions subsequent to the measurement date	296	7,210	7,506
Total deferred outflows of resources	$ 87,801	$ 437,865	$ 525,666
Deferred inflows of resources			
Differences between expected and actual experience	$ -	$ 16,214	$ 16,214
Net difference between projected and actual earnings on pension plan investments	88,579	21,160	109,739
Changes in employer's proportionate percentage/ difference between employer contributions	14,465	-	14,465
Total deferred inflows of resources	$ 103,044	$ 37,374	$ 140,418

$7,506 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2019.

NOTE 17 - DEFINED BENEFIT OPEB 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:

	OPERS	OP&F	Total
Year Ending December 31:			
2019	$ 12,776	$ 55,302	$ 68,078
2020	12,776	55,302	68,078
2021	(18,947)	55,302	36,355
2022	(22,144)	55,302	33,158
2023	-	60,592	60,592
Thereafter	-	111,481	111,481
Total	$ (15,539)	$ 393,281	$ 377,742

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 and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.85 percent
Prior Measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

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

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 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	34.00 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	100.00 %	4.98 %

Discount Rate A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
City's proportionate share of the net OPEB liability	$ 1,579,757	$ 1,189,089	$ 873,044

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	$ 1,137,705	$ 1,189,089	$ 1,242,168

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single discount rate:	
Currrent measurement date	3.24 percent
Prior measurement date	3.79 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

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

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

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

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

The most recent experience study was completed for the five-year period ended December 31, 2016, the prior experience study was completed December 31, 2011.

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2017, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	- %	0.00 %
Domestic Equity	16.00	5.21
Non-US Equity	16.00	5.40
Core Fixed Income*	20.00	2.37
Global Inflation Protected Securities*	20.00	2.33
High Yield	15.00	4.48
Real Estate	12.00	5.65
Private Markets	8.00	7.99
Timber	5.00	6.87
Master Limited Partnerships	8.00	7.36
Total	120.00 %	

Note: Assumptions are geometric.
*levered 2x

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

Discount Rate - The total OPEB liability was calculated using the discount rate of 3.24 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 3.16 percent at December 31, 2017 and 3.71 percent at December 31, 2016, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.24 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2025. The long-term expected rate of return on health care investments was applied to projected costs through 2025, and the municipal bond rate was applied to all health care costs after that date.

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.24 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.24 percent), or one percentage point higher (4.24 percent) than the current rate.

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
City's proportionate share of the net OPEB liability	$ 4,018,337	$ 3,214,667	$ 2,596,228

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Net OPEB liability is sensitive to changes in the health care cost trend rate. The trend rate is the annual rate at which the cost of covered medical services is assumed to increase from the current year to the next year. Beginning in 2017, the per-capita costs are assumed to change by the following percentages each year:

Year	Non-Medicare	Non-AARP	AARP	Rx Drug	Medicare Part B
2017	-0.47%	-2.50%	4.50%	-0.47%	5.20%
2018	7.00%	7.00%	4.50%	7.00%	5.10%
2019	6.50%	6.50%	4.50%	6.50%	5.00%
2020	6.00%	6.00%	4.50%	6.00%	5.00%
2021	5.50%	5.50%	4.50%	5.50%	5.00%
2022	5.00%	5.00%	4.50%	5.00%	5.00%
2023 and Later	4.50%	4.50%	4.50%	4.50%	5.00%

To illustrate the potential impact, the following table presents the net OPEB liability calculated using the current healthcare cost trend current rates as outlined in the table above, a one percent decrease in the trend rates and a one percent increase in the trend rates.

	1% Decrease	Current Health Care Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	$ 2,497,189	$ 3,214,667	$ 4,181,518

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.

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

(a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

(b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

(c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,

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

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

Net Change in Fund Balance

	General fund	35% Street Construction fund	Tax Increment fund
Budget basis	$ 151,209	$ 188,302	$ 17,911
Net adjustment for revenue accruals	36,889	10,741	-
Net adjustment for expenditure accruals	9,657	(1,714)	-
Adjustment for financing sources (uses)	62,984	-	-
Adjustment for special items	1,922,770	-	-
GAAP basis	$ 2,183,509	$ 197,329	$ 17,911

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, 2018.

B. Litigation

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

NOTE 20 - FUND BALANCE

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

Fund balance	General	35% Street Construction	Tax Increment	Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:						
Materials and supplies inventory	$ 15,421	$ 55,542	$ -	$ -	$ 163,945	$ 234,908
Prepaids	99,106	-	-	-	-	99,106
Assets held for resale	1,922,770	-	-	-	-	1,922,770
Total nonspendable	2,037,297	55,542	-	-	163,945	2,256,784
Restricted:						
Debt service	-	-	-	-	137,074	137,074
Transportation improvement projects	-	-	-	-	582,505	582,505
Mayor's court programs	-	-	-	-	30,377	30,377
Cemetery	-	-	-	-	35,695	35,695
Police programs	-	-	-	-	92,663	92,663
Tax increment financing	-	-	114,539	-	-	114,539
Other purposes	-	-	-	-	43,842	43,842
Total restricted	-	-	114,539	-	922,156	1,036,695
Committed:						
Capital outlays	-	-	-	318,028	43	318,071
Transportation improvement projects	-	906,044	-	-	-	906,044
Total committed	-	906,044	-	318,028	43	1,224,115
Assigned:						
Subsequent year appropriations	1,622,727	-	-	-	-	1,622,727
Total assigned	1,622,727	-	-	-	-	1,622,727
Unassigned	3,586,906	-	-	-	-	3,586,906
Total fund balances	$ 7,246,930	$ 961,586	$ 114,539	$ 318,028	$ 1,086,144	$ 9,727,227

NOTE 21 - TAX ABATEMENTS

As of December 31, 2018, the City provides tax abatements through an income tax credit agreement and Community Reinvestment Area (CRA) programs. This program relates to the abatement of property taxes.

CRA - Under the authority of Ohio Revised Code (ORC) Section 3735.67, the CRA program is an economic development tool administered by municipal and county governments that provides real property tax exemptions for property owners who renovate existing or construct new buildings. CRA's are areas of land in which property owners can receive tax incentives for investing in real property improvements. Under the CRA program, local governments petition to the Ohio Development Services Agency (ODSA) for confirmation of a geographical area in which investment in housing is desired. Once an area is confirmed by the ODSA, local governments may offer real property tax exemptions to taxpayers that invest in that area. Property owners in the CRA can receive temporary tax abatements for renovation of existing structures and new construction in these areas. Property owners apply to the local legislative authority for approval to renovate or construct in the CRA. Upon approval and certification of completion, the amount of the abatement is deducted from the individual or entity's property tax bill. As of December 31, 2018, there were no participants in the City's CRA programs.

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

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

The City has entered into an agreement to abate income taxes through this program. During 2018, the City's income tax revenues were reduced as a result of this agreement as follows:

Tax Abatement Program	City Taxes Abated
Income tax abatement	$ 2,720

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ONTARIO, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE YEARS

	2018	2017	2016	2015	2014
Traditional Plan:					
City's proportion of the net pension liability	0.011171%	0.011374%	0.011585%	0.011831%	0.011831%
City's proportionate share of the net pension liability	$ 1,752,513	$ 2,582,842	$ 2,006,668	$ 1,426,951	$ 1,394,721
City's covered payroll	$ 1,501,631	$ 1,489,417	$ 1,469,617	$ 1,428,825	$ 1,255,554
City's proportionate share of the net pension liability as a percentage of its covered payroll	116.71%	173.41%	136.54%	99.87%	111.08%
Plan fiduciary net position as a percentage of the total pension liability	84.66%	77.25%	81.08%	86.45%	86.36%
Combined Plan:					
City's proportion of the net pension asset	0.014650%	0.015349%	0.016420%	0.016101%	0.016101%
City's proportionate share of the net pension asset	$ 19,943	$ 8,543	$ 7,990	$ 6,199	$ 1,689
City's covered payroll	$ 60,000	$ 59,750	$ 59,750	$ 58,858	$ -
City's proportionate share of the net pension asset as a percentage of its covered payroll	33.24%	14.30%	13.37%	10.53%	0.00%
Plan fiduciary net position as a percentage of the total pension asset	137.28%	116.55%	116.90%	114.83%	104.56%
Member Directed Plan:					
City's proportion of the net pension asset	0.002586%	0.003163%	0.002453%	n/a	n/a
City's proportionate share of the net pension asset	$ 90	$ 13	$ 9	n/a	n/a
City's covered payroll	$ 14,170	$ 16,421	$ 17,253	n/a	n/a
City's proportionate share of the net pension asset as a percentage of its covered payroll	0.64%	0.08%	0.05%	n/a	n/a
Plan fiduciary net position as a percentage of the total pension asset	124.46%	103.40%	103.91%	n/a	n/a

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ONTARIO, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE YEARS

	2018	2017	2016	2015	2014
City's proportion of the net pension liability	0.05673700%	0.05383500%	0.05478600%	0.05414130%	0.05414130%
City's proportionate share of the net pension liability	$ 3,482,235	$ 3,409,874	$ 3,524,435	$ 2,804,745	$ 2,636,851
City's covered payroll	$ 1,408,905	$ 1,279,863	$ 1,229,737	$ 1,185,121	$ 1,163,180
City's proportionate share of the net pension liability as a percentage of its covered payroll	247.16%	266.42%	286.60%	236.66%	226.69%
Plan fiduciary net position as a percentage of the total pension liability	70.91%	68.36%	66.77%	72.20%	73.00%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ONTARIO, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	2018	2017	2016	2015
Traditional Plan:				
Contractually required contribution	$ 222,190	$ 195,212	$ 178,730	$ 176,354
Contributions in relation to the contractually required contribution	(222,190)	(195,212)	(178,730)	(176,354)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
City's covered payroll	$ 1,587,071	$ 1,501,631	$ 1,489,417	$ 1,469,617
Contributions as a percentage of covered payroll	14.00%	13.00%	12.00%	12.00%
Combined Plan:				
Contractually required contribution	$ 8,794	$ 7,800	$ 7,170	$ 7,170
Contributions in relation to the contractually required contribution	(8,794)	(7,800)	(7,170)	(7,170)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
City's covered payroll	$ 62,814	$ 60,000	$ 59,750	$ 59,750
Contributions as a percentage of covered payroll	14.00%	13.00%	12.00%	12.00%
Member Directed Plan:				
Contractually required contribution	$ 741	$ 1,417	$ 1,560	$ 1,639
Contributions in relation to the contractually required contribution	(741)	(1,417)	(1,560)	(1,639)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
City's covered payroll	$ 7,410	$ 14,170	$ 13,000	$ 13,658
Contributions as a percentage of covered payroll	10.00%	10.00%	12.00%	12.00%

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2014		2013		2012		2011		2010		2009	
$	171,459	$	163,222	$	107,308	$	139,796	$	125,405	$	125,560
	(171,459)		(163,222)		(107,308)		(139,796)		(125,405)		(125,560)
$	-	$	-	$	-	$	-	$	-	$	-
$	1,428,825	$	1,255,554	$	1,073,080	$	1,397,960	$	1,405,886	$	1,544,403
	12.00%		13.00%		10.00%		10.00%		8.92%		8.13%
$	7,063	$	-	$	-	$	442	$	539		
	(7,063)		-		-		(442)		(539)		
$	-	$	-	$	-	$	-	$	-		
$	58,858	$	-	$	-	$	5,560	$	5,562		
	12.00%		13.00%		7.95%		7.95%		9.69%		

CITY OF ONTARIO, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	2018	2017	2016	2015
Police:				
Contractually required contribution	$ 273,963	$ 267,692	$ 243,174	$ 233,650
Contributions in relation to the contractually required contribution	(273,963)	(267,692)	(243,174)	(233,650)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
City's covered payroll	$ 1,441,911	$ 1,408,905	$ 1,279,863	$ 1,229,737
Contributions as a percentage of covered payroll	19.00%	19.00%	19.00%	19.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

	2014	2013	2012	2011	2010	2009
	$ 225,173	$ 184,713	$ 148,315	$ 140,294	$ 139,907	$ 141,930
	(225,173)	(184,713)	(148,315)	(140,294)	(139,907)	(141,930)
	$ -	$ -	$ -	$ -	$ -	$ -
	$ 1,185,121	$ 1,162,936	$ 1,163,255	$ 1,100,345	$ 1,097,310	$ 1,113,176
	19.00%	15.88%	12.75%	12.75%	12.75%	12.75%

CITY OF ONTARIO, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO YEARS

	2018	**2017**
City's proportion of the net OPEB liability	0.010950%	0.011151%
City's proportionate share of the net OPEB liability	$ 1,189,089	$ 1,126,314
City's covered payroll	$ 1,575,801	$ 1,565,588
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	75.46%	71.94%
Plan fiduciary net position as a percentage of the total OPEB liability	54.14%	54.05%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ONTARIO, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO YEARS

	2018	2017
City's proportion of the net OPEB liability	0.05673700%	0.05383500%
City's proportionate share of the net OPEB liability	$ 3,214,667	$ 2,555,426
City's covered payroll	$ 1,408,905	$ 1,279,863
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	228.17%	199.66%
Plan fiduciary net position as a percentage of the total OPEB liability	14.13%	15.96%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ONTARIO, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	2018	2017	2016	2015
Contractually required contribution	$ 296	$ 16,183	$ 31,722	$ 30,587
Contributions in relation to the contractually required contribution	(296)	(16,183)	(31,722)	(30,587)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
City's covered payroll	$ 1,657,295	$ 1,575,801	$ 1,562,167	$ 1,543,025
Contributions as a percentage of covered payroll	0.02%	1.03%	2.03%	1.98%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2014	2013	2012	2011	2010	2009
$ 14,505	$ 12,556	$ 81,648	$ 56,255	$ 71,733	$ 92,647
(14,505)	(12,556)	(81,648)	(56,255)	(71,733)	(92,647)
$ -	$ -	$ -	$ -	$ -	$ -
$ 1,487,683	$ 1,255,554	$ 1,073,080	$ 1,403,520	$ 1,411,448	$ 1,544,403
0.98%	1.00%	7.61%	4.01%	5.08%	6.00%

CITY OF ONTARIO, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	2018	2017	2016	2015
Police:				
Contractually required contribution	$ 7,210	$ 7,045	$ 6,399	$ 6,315
Contributions in relation to the contractually required contribution	(7,210)	(7,045)	(6,399)	(6,315)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
City's covered payroll	$ 1,441,911	$ 1,408,905	$ 1,279,863	$ 1,229,737
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2014		2013		2012		2011		2010		2009	
$	60,021	$	41,020	$	78,519	$	74,273	$	74,069	$	75,140
	(60,021)		(41,020)		(78,519)		(74,273)		(74,069)		(75,140)
$	-	$	-	$	-	$	-	$	-	$	-
$	1,185,121	$	1,162,936	$	1,163,255	$	1,100,345	$	1,097,310	$	1,113,176
	0.50%		3.62%		6.75%		6.75%		6.75%		6.75%

PENSION

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2018.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. There were no changes in assumptions for 2018.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2018.

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

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2017-2018.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017. For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 4.23% down to 3.85%.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2017-2018.

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

CITY OF ONTARIO, OHIO

Yellow Book Report

December 31, 2018

PLATTENBURG
Certified Public Accountants

This page intentionally left blank.

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

Honorable Mayor and City Council
City of Ontario

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ontario (the City), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 7, 2019, wherein we noted the City adopted GASB No. 75 as disclosed in Note 3.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

8260 NORTHCREEK DRIVE, SUITE 330 / CINCINNATI, OH 45236 • (513) 891-2722 • FAX (513) 891-2760
TWO PRESTIGE PLACE, SUITE 240 / DAYTON, OH 45342 • (937) 433-0400 • FAX (937) 433-0429
www.plattenburg.com

Purpose of this Report

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

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
June 7, 2019

OHIO AUDITOR OF STATE
KEITH FABER

CITY OF ONTARIO

RICHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 9, 2019

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