

City of Circleville  
Pickaway County, Ohio

*Basic Financial Statements*

For the Year Ended  
December 31, 2017

**CITY OF CIRCLEVILLE  
PICKAWAY COUNTY, OHIO**

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May 15, 2018

Mayor and Members of Council  
City of Circleville  
130 South Court Street  
Circleville, Ohio 43113

Management is responsible for the accompanying basic financial statements of City of Circleville, as of and for the year ended December 31, 2017 and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The management's discussion and analysis and the pension schedules on pages 5 – 14 and 73 - 75, respectively, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. This information is the representation of management. The information was subject to our compilation engagement; however, we have not audited or reviewed the information and, accordingly, do not express an opinion, a conclusion, nor provide any assurance on such information.

*Rea & Associates, Inc.*

New Philadelphia, Ohio

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**City of Circleville**  
**Pickaway County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2017*  
*(Unaudited)*

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The discussion and analysis of the City of Circleville's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2017. The intent of this discussion and analysis is to look at the City's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

***Financial Highlights***

Key financial highlights for 2017 are as follows:

- In total, net position increased \$914,464, which represents a 2 percent increase from 2016. Net position of governmental activities decreased \$420,461. Net position of business-type activities increased \$1,334,925.
- Total capital assets increased \$2,591,343 during 2017. Capital assets of governmental activities increased \$876,870 and capital assets of business-type activities increased \$1,714,473 due to donated assets and additional construction on the wastewater influent pump project that began in 2016.
- Outstanding debt increased from \$7,269,432 to \$8,009,741 due to refunded debt that paid off a short term note and a new capital facilities bond issued in 2017, offset by principal payments made during the year.

***Using this Annual Financial Report***

This report is designed to allow the reader to look at the financial activities of the City of Circleville as a whole and is intended to allow the reader to obtain a summary view or a more detailed view of the City's operations, as they prefer.

The Statement of Net Position and the Statement of Activities provide information from a summary perspective showing the effects of the operations for the year 2017 and how they affected the operations of the City as a whole.

***Reporting the City of Circleville as a Whole***

*Statement of Net Position and the Statement of Activities*

The *Statement of Net Position and Statement of Activities* provide information about the activities of the whole City, 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. In the case of the City of Circleville, the general fund is by far the most significant fund. Business-type funds consist of the waterworks operating and sanitary sewer operating funds.

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A question typically asked about the City's finances "How did we do financially during 2017?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets and deferred outflows of resources and liabilities and deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting method used by most private-sector companies. This basis of accounting takes 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 net 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 which restrict revenue growth, facility conditions, 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 general government, security of persons and property, public health, community and economic development, leisure time activities and transportation.
- **Business-Type Activities** - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's water and sewer operations are reported as business activities.

***Reporting the City of Circleville'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 safeguarded for specific activities or objectives. The City uses many funds to account for financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are the general fund, income tax fund, safety forces tax fund, safety forces .1% income tax fund, general obligation bond retirement fund, capital improvement fund and the capital improvement .4% income tax fund.

***Governmental Funds*** Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance future services. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.



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**Proprietary Funds** Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

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

**The City of Circleville as a Whole**

Recall that the Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net position for 2017 compared to 2016:

**Table 1**  
**Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Assets</b>						
Current and Other Assets	\$ 9,079,390	\$ 8,699,949	\$ 6,604,644	\$ 5,866,432	\$15,684,034	\$14,566,381
Capital Assets	26,587,152	25,710,282	22,734,794	21,020,321	49,321,946	46,730,603
<i>Total Assets</i>	<u>35,666,542</u>	<u>34,410,231</u>	<u>29,339,438</u>	<u>26,886,753</u>	<u>65,005,980</u>	<u>61,296,984</u>
<b>Deferred Outflows of Resources</b>						
Deferred Charges on Refunding	11,638	15,517	0	0	11,638	15,517
Pension	3,141,048	3,457,739	881,611	779,152	4,022,659	4,236,891
<i>Total Deferred Outflows of Resources</i>	<u>3,152,686</u>	<u>3,473,256</u>	<u>881,611</u>	<u>779,152</u>	<u>4,034,297</u>	<u>4,252,408</u>
<b>Liabilities</b>						
Current and Other Liabilities	516,414	3,812,424	415,584	244,551	931,998	4,056,975
Long-Term Liabilities						
Due within One Year	796,434	631,969	192,378	330,586	988,812	962,555
Due in More Than One Year:						
Net Pension Liability	10,954,326	10,051,380	1,882,452	1,379,861	12,836,778	11,431,241
Other Amounts	5,048,822	1,401,236	2,875,989	2,215,540	7,924,811	3,616,776
<i>Total Liabilities</i>	<u>17,315,996</u>	<u>15,897,009</u>	<u>5,366,403</u>	<u>4,170,538</u>	<u>22,682,399</u>	<u>20,067,547</u>
<b>Deferred Inflows of Resources</b>						
Deferred Charges on Refunding	0	0	39,811	0	39,811	0
Property Taxes	731,126	760,846	0	0	731,126	760,846
Pension	37,979	71,044	11,204	26,661	49,183	97,705
<i>Deferred Inflows of Resources</i>	<u>769,105</u>	<u>831,890</u>	<u>51,015</u>	<u>26,661</u>	<u>820,120</u>	<u>858,551</u>
<b>Net Position</b>						
Net Investment in						
Capital Assets	21,798,044	21,464,104	19,702,453	18,620,625	41,500,497	40,084,729
Restricted	3,862,459	3,667,540	0	0	3,862,459	3,667,540
Unrestricted	(4,926,376)	(3,977,056)	5,101,178	4,848,081	174,802	871,025
<i>Total Net Position</i>	<u>\$20,734,127</u>	<u>\$21,154,588</u>	<u>\$24,803,631</u>	<u>\$23,468,706</u>	<u>\$45,537,758</u>	<u>\$44,623,294</u>

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

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

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

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

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

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

At year end, capital assets represented 76 percent of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, machinery and equipment, vehicles and infrastructure.

Net investment in capital assets was \$41,500,497 at December 31, 2017, with \$21,798,044 in governmental activities and \$19,702,453 in business-type activities. 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.

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A portion of the City's net position, \$3,862,459, or 8 percent, represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position of \$174,802 may be used to meet the government's ongoing obligations to citizens and creditors.

The increase in current and other assets for the governmental activities was caused by an increase in cash and investments due to the completion of the Connector project at the beginning of 2017 and no major projects for the rest of 2017. The increase in business-type current and other assets was also caused by an increase in cash and investments due to increase in normal day to day operations.

Business-type capital assets also increased due to additional construction on the wastewater influent pump project that began in 2016, coupled with the large donations of capital assets.

The decrease in governmental current and other liabilities and large increase in governmental long term liabilities for other amounts was caused by the refunding of the City's Capital Facilities bond which paid off a short term note. Long term liabilities of the business-type activities increased due to changes in net pension liability and additional OPWC loan proceeds received for the wastewater influent pump project.

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In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2017 and 2016.

**Table 2**  
**Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenues</b>						
<i>Program Revenues:</i>						
Charges for Services and Sales	\$ 2,023,015	\$ 1,985,216	\$ 4,492,759	\$ 4,301,041	\$ 6,515,774	\$ 6,286,257
Operating Grants, Contributions and Interest	1,194,259	1,134,122	0	0	1,194,259	1,134,122
Capital Grants and Contributions	808,449	531,921	932,407	0	1,740,856	531,921
<i>General Revenues:</i>						
Property Taxes	857,216	825,407	0	0	857,216	825,407
Income Taxes	6,724,407	6,840,024	0	0	6,724,407	6,840,024
Other Taxes	164,407	133,247	0	0	164,407	133,247
Grants and Entitlements	505,532	421,930	0	0	505,532	421,930
Unrestricted Contributions	1,131	9,029	0	0	1,131	9,029
Investment Earnings	93,109	84,251	0	0	93,109	84,251
Miscellaneous	349,550	295,179	44,782	27,087	394,332	322,266
<b>Total Revenues</b>	<b>12,721,075</b>	<b>12,260,326</b>	<b>5,469,948</b>	<b>4,328,128</b>	<b>18,191,023</b>	<b>16,588,454</b>
<b>Program Expenses</b>						
General Government	3,573,712	3,353,694	0	0	3,573,712	3,353,694
Security of Persons and Property	5,954,299	5,532,486	0	0	5,954,299	5,532,486
Public Health	184,428	184,641	0	0	184,428	184,641
Leisure Time Services	240,489	246,216	0	0	240,489	246,216
Community Development	106,015	659,151	0	0	106,015	659,151
Transportation	2,674,348	2,467,982	0	0	2,674,348	2,467,982
Interest and Fiscal Charges	143,579	108,272	0	0	143,579	108,272
<i>Enterprise Operations:</i>						
Waterworks Operating	0	0	1,981,449	1,830,579	1,981,449	1,830,579
Sanitary Sewer Operating	0	0	2,418,240	2,262,523	2,418,240	2,262,523
<b>Total Program Expenses</b>	<b>12,876,870</b>	<b>12,552,442</b>	<b>4,399,689</b>	<b>4,093,102</b>	<b>17,276,559</b>	<b>16,645,544</b>
Transfers	(264,666)	0	264,666	0	0	0
<b>Change in Net Position</b>	<b>(420,461)</b>	<b>(292,116)</b>	<b>1,334,925</b>	<b>235,026</b>	<b>914,464</b>	<b>(57,090)</b>
<i>Net Position Beginning of Year</i>	<i>21,154,588</i>	<i>21,446,704</i>	<i>23,468,706</i>	<i>23,233,680</i>	<i>44,623,294</i>	<i>44,680,384</i>
<i>Net Position End of Year</i>	<i>\$20,734,127</i>	<i>\$21,154,588</i>	<i>\$24,803,631</i>	<i>\$23,468,706</i>	<i>\$45,537,758</i>	<i>\$44,623,294</i>

**Governmental Activities**

The funding for the governmental activities comes from several different sources, the most significant being the municipal income tax. Other prominent sources are property taxes, grants and entitlements, charges for services and sales and investment interest.

General revenues include grants and entitlements, such as local government funds. With the combination of property tax, income tax and intergovernmental funding all expenses in the governmental activities are funded. The City monitors its sources of revenues very closely for fluctuations.

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The City saw an increase in capital grants and contributions due to the donation of capital assets for Progress Parkway.

Police and fire represent the largest expense of the Governmental Activities. Security of Persons and Property expense of \$5,954,299 represents 46 percent of the total governmental activities expenses. The police and fire departments operate out of the general fund, the safety forces tax fund and the safety forces .1% income tax fund.

The City's Street Maintenance and Repair Department provides the City and its citizens many services that include public road salting, leaf and debris pickup, paint striping and alley profiling. Transportation expenses totaled \$2,674,348, or 21 percent of total governmental activities expenses, during 2017.

The City also maintains a park (leisure time services) within the City. The park had expenses of \$240,489 in 2017 equaling 2 percent of the total governmental services expenses. All other governmental operations had expenses of \$4,007,734, which represents 31 percent of the City's total expenses.

Community development expenses saw a decrease, which was primarily caused by a decrease in rental housing assistance and property rehabilitation expenses.

### **Business-Type Activities**

Business-type activities include water and sewer operations, which had an increase in net position of \$1,334,925. The revenues are generated primarily from charges for services and sales. In 2017, charges for services and sales of \$4,492,759 accounted for 82 percent of the business type revenues. The total expenses for the utilities were \$4,399,689.

### ***The City's Funds***

#### ***Governmental Funds***

Information about the City's governmental funds begins on page 17. These funds are accounted for using the modified accrual method of accounting. The funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly revenues.

The general fund's net change in fund balance for 2017 was an increase of \$131,955 from normal operations.

The fund balance of the income tax fund increased by \$8,568.

The safety forces tax fund's net change in fund balance for 2017 was an increase of \$784.

The safety forces .1% income tax fund's net change in fund balance for 2017 was a decrease of \$112,511, as expenditures exceeded income tax revenues.

The general obligation bond retirement fund balance increased \$155,273 due to the timing of revenues and debt service payments. The City also refunded bonds in 2017 that were offset by a transfer out to the capital improvement fund.

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The capital improvement fund increased \$3,383,138 due to a decrease in expenses for the construction of the Connector during 2017 and the transfer of debt proceeds used to retire the short term capital facilities bond.

The capital improvement .4% income tax fund's net change in fund balance for 2017 was an increase of \$138,793, as income tax revenues exceeded expenditures.

***Proprietary Funds***

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

Unrestricted net position of the waterworks operating fund at the end of the year amounted to \$2,337,435 which is a decrease of \$48,106. The unrestricted net position of the sanitary sewer operating fund was \$2,763,743, which is an increase of \$301,203. Other factors concerning the finances of these two funds have already been addressed in the discussion of the business-type activities.

***General Fund Budgeting Highlights***

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During the course of 2017, the City amended its general fund budget on various occasions. All recommendations for appropriation changes come to Council from the City Auditor. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

For the general fund, the actual budget basis revenue was \$5,162,090, representing an increase of \$125,142 over the final budget estimate of \$5,036,948.

Final expenditure appropriations of \$5,444,366 were \$373,666 higher than the actual expenditures of \$5,070,700, as cost savings were recognized in all departments throughout the year.

There were no significant variances to discuss within other financing sources and uses.

***Capital Assets and Debt Administration***

**Capital Assets**

At the end of year 2017, the City had \$49,321,946 invested in capital assets. A total of \$26,587,152 of this was for governmental activities and \$22,734,794 being attributable to business-type activities. See Note 8 for additional details. Table 3 shows 2017 balances compared with 2016.

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**Table 3**  
**Capital Assets at December 31**  
**(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 1,773,698	\$ 1,156,910	\$ 149,180	\$ 149,180	\$ 1,922,878	\$ 1,306,090
Infrastructure	18,484,977	16,302,558	16,587,306	15,750,257	35,072,283	32,052,815
Land Improvements	235,626	267,376	14,572	15,467	250,198	282,843
Buildings and Improvements	4,242,598	4,424,385	4,083,035	4,339,221	8,325,633	8,763,606
Machinery and Equipment	1,317,080	1,023,650	544,080	346,200	1,861,160	1,369,850
Vehicles	420,584	420,478	262,546	286,187	683,130	706,665
Construction in Progress	112,589	2,114,925	1,094,075	133,809	1,206,664	2,248,734
<i>Total</i>	<u>\$ 26,587,152</u>	<u>\$ 25,710,282</u>	<u>\$ 22,734,794</u>	<u>\$ 21,020,321</u>	<u>\$ 49,321,946</u>	<u>\$ 46,730,603</u>

**Debt**

The outstanding debt for the City as of December 31, 2017 was \$8,009,741. See Note 9, 10 and 11 for additional details. Table 4 summarizes outstanding debt.

**Table 4**  
**Outstanding Debt, at December 31**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	\$ 4,572,000	\$ 1,305,000	\$ 1,850,000	\$ 2,070,000	\$ 6,422,000	\$ 3,375,000
OWDA Loans	0	0	64,899	128,019	64,899	128,019
OPWC Loans	0	0	893,839	89,594	893,839	89,594
Bond Anticipation Notes	0	3,359,000	0	0	0	3,359,000
Capital Leases	589,177	219,475	39,826	98,344	629,003	317,819
<i>Total</i>	<u>\$ 5,161,177</u>	<u>\$ 4,883,475</u>	<u>\$ 2,848,564</u>	<u>\$ 2,385,957</u>	<u>\$ 8,009,741</u>	<u>\$ 7,269,432</u>

**Current Issues**

On a cash basis, the City of Circleville's municipal income tax base increased in 2017 by .12 percent. The municipal income tax held steady in 2017 in light of the loss of a top 10 employer. The 2.0 percent tax is distributed in the following manner: general operations 1.0 percent, .4 percent capital improvements, .6 percent safety forces operations. Municipal Income tax provides 52.64 percent of the operating revenues for general fund operations. The .6 percent municipal tax provides 39.79 percent of the revenues required to fund safety forces expenditures. A voter approved .4 percent capital improvement tax increase allowed the City to complete \$1.1 million in street improvements and \$28,000 in park enhancements. The overall employment base is expected to remain steady but wages will see a decline as manufacturing jobs are replaced by lower service sector wages. The City continues to struggle in its effort to replace historical local revenues – local government funds, personal property tax, and inheritance tax abolished by the Ohio Legislature.

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*(Unaudited)*

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In 2017 the City received over \$1.2 million in grant dollars. The utility department utilized \$807,000 for wastewater treatment plant upgrades, the fire department received \$128,000 from FEMA for turnout gear and a vehicle, Municipal Court acquired \$235,000 for software and probation services. Community needs were served with a housing grant for \$96,000. The availability of grant dollars has allowed the City to accomplish projects and acquire equipment beyond its current financial capabilities.

The City of Circleville entered into a joint economic development agreement (JEDD) with Pickaway Township in 2016. The City of Circleville/Pickaway Township JEDD will bring over 300 new jobs to the area. In the initial year of collections the City realized over \$11,000 in revenues generated by the JEDD during the construction phase. It is anticipated that the new employment opportunities will spur growth in local residency and the reciprocal financial affect generated by an increase in population.

***Contacting the City's Finance Department***

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 any questions about this report or need additional financial information, contact Gayle Spangler, City Auditor, City of Circleville, 133 South Court Street, Circleville, Ohio 43113.



**City of Circleville**  
**Pickaway County, Ohio**  
*Statement of Net Position*  
*December 31, 2017*

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Investments	\$ 5,006,508	\$ 5,890,125	\$ 10,896,633
Cash and Investments in Segregated Accounts	1,578		1,578
Cash and Investments with Fiscal Agents	34,831	0	34,831
Cash and Investments with Escrow Agents	35,889	0	35,889
Accounts Receivable	157,311	661,318	818,629
Accrued Interest Receivable	19,305	0	19,305
Intergovernmental Receivable	961,028	0	961,028
Property Taxes Receivable	764,781	0	764,781
Income Taxes Receivable	1,925,588	0	1,925,588
Prepaid Items	64,118	33,198	97,316
Materials and Supplies Inventory	108,453	20,003	128,456
Non-Depreciable Capital Assets	1,886,287	1,243,255	3,129,542
Depreciable Capital Assets, Net	24,700,865	21,491,539	46,192,404
<i>Total Assets</i>	<u>35,666,542</u>	<u>29,339,438</u>	<u>65,005,980</u>
<b>Deferred Outflows of Resources</b>			
Deferred Charges on Refunding	11,638	0	11,638
Pension	3,141,048	881,611	4,022,659
<i>Total Deferred Outflows of Resources</i>	<u>3,152,686</u>	<u>881,611</u>	<u>4,034,297</u>
<b>Liabilities</b>			
Accounts Payable	154,595	74,547	229,142
Accrued Wages	172,047	47,031	219,078
Contracts Payable	0	147,902	147,902
Retainage Payable	0	35,875	35,875
Intergovernmental Payable	143,429	33,679	177,108
Matured Interest Payable	14,831	0	14,831
Matured Bonds Payable	20,000	0	20,000
Refundable Deposits	0	72,752	72,752
Accrued Interest Payable	11,512	3,798	15,310
Long-Term Liabilities:			
Due Within One Year	796,434	192,378	988,812
Net Pension Liability (See Note 12)	10,954,326	1,882,452	12,836,778
Other Amounts Due in More Than One Year	5,048,822	2,875,989	7,924,811
<i>Total Liabilities</i>	<u>17,315,996</u>	<u>5,366,403</u>	<u>22,682,399</u>
<b>Deferred Inflows of Resources</b>			
Deferred Charges on Refunding	0	39,811	39,811
Property Taxes Levied for the Next Year	731,126	0	731,126
Pension	37,979	11,204	49,183
<i>Total Deferred Inflows of Resources</i>	<u>769,105</u>	<u>51,015</u>	<u>820,120</u>
<b>Net Position</b>			
Net Investment in Capital Assets	21,798,044	19,702,453	41,500,497
Restricted for:			
Capital Outlay	1,550,328	0	1,550,328
Safety Services	465,059	0	465,059
Streets	452,506	0	452,506
Community Development	15,297	0	15,297
Other Purposes	1,379,269	0	1,379,269
Unrestricted	(4,926,376)	5,101,178	174,802
<i>Total Net Position</i>	<u>\$ 20,734,127</u>	<u>\$ 24,803,631</u>	<u>\$ 45,537,758</u>

See accompanying notes and accountant's compilation report.

**City of Circleville**  
**Pickaway County, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2017

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General Government	\$ 3,573,712	\$ 1,342,927	\$ 296,728	\$ 0	\$ (1,934,057)	\$ 0	\$ (1,934,057)
Security of Persons and Property	5,954,299	650,008	258,149	8,248	(5,037,894)	0	(5,037,894)
Public Health	184,428	0	0	0	(184,428)	0	(184,428)
Leisure Time Services	240,489	19,920	16,821	0	(203,748)	0	(203,748)
Community Development	106,015	0	37	0	(105,978)	0	(105,978)
Transportation	2,674,348	10,160	622,524	800,201	(1,241,463)	0	(1,241,463)
Interest and Fiscal Charges	143,579	0	0	0	(143,579)	0	(143,579)
<i>Total Governmental Activities</i>	<u>12,876,870</u>	<u>2,023,015</u>	<u>1,194,259</u>	<u>808,449</u>	<u>(8,851,147)</u>	<u>0</u>	<u>(8,851,147)</u>
<b>Business-Type Activities</b>							
Waterworks Operating	1,981,449	1,926,430	0	319,086	0	264,067	264,067
Sanitary Sewer Operating	2,418,240	2,566,329	0	613,321	0	761,410	761,410
<i>Total Business-Type Activities</i>	<u>4,399,689</u>	<u>4,492,759</u>	<u>0</u>	<u>932,407</u>	<u>0</u>	<u>1,025,477</u>	<u>1,025,477</u>
<i>Total Primary Government</i>	<u>\$ 17,276,559</u>	<u>\$ 6,515,774</u>	<u>\$ 1,194,259</u>	<u>\$ 1,740,856</u>	<u>(8,851,147)</u>	<u>1,025,477</u>	<u>(7,825,670)</u>
<b>General Revenues:</b>							
Property Taxes Levied for:							
General Purposes					742,248	0	742,248
Police, Fire and Community Operations					114,968	0	114,968
Income Taxes Levied for:							
General Purposes					2,871,210	0	2,871,210
Police, Fire and Community Operations					1,988,860	0	1,988,860
Capital Projects					1,444,317	0	1,444,317
Debt Service					420,020	0	420,020
Other Taxes					164,407	0	164,407
Grants and Entitlements not Restricted to Specific Programs					505,532	0	505,532
Unrestricted Contributions					1,131	0	1,131
Investment Earnings					93,109	0	93,109
Miscellaneous					349,550	44,782	394,332
<i>Total General Revenues</i>					<u>8,695,352</u>	<u>44,782</u>	<u>8,740,134</u>
Transfers					(264,666)	264,666	0
<i>Change in Net Position</i>					<u>(420,461)</u>	<u>1,334,925</u>	<u>914,464</u>
<i>Net Position Beginning of Year</i>					<u>21,154,588</u>	<u>23,468,706</u>	<u>44,623,294</u>
<i>Net Position End of Year</i>					<u>\$ 20,734,127</u>	<u>\$ 24,803,631</u>	<u>\$ 45,537,758</u>

See accompanying notes and accountant's compilation report.

**City of Circleville**  
**Pickaway County, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*December 31, 2017*

	General	Income Tax Fund	Safety Forces Tax Fund	Safety Forces .1% Income Tax Fund	General Obligation Bond Retirement Fund
<b>Assets</b>					
Equity in Pooled Cash and Investments	\$ 700,018	\$ 15,832	\$ 383,872	\$ 25,726	\$ 202,255
Cash and Investments in Segregated Accounts	1,578	0	0	0	0
Cash and Investments with Fiscal Agents	0	0	0	0	34,831
Cash and Investments with Escrow Agents	0	0	0	0	0
Accounts Receivable	127,440	0	0	0	0
Accrued Interest Receivable	19,305	0	0	0	0
Intergovernmental Receivable	246,006	0	8,440	0	0
Property Taxes Receivable	645,707	0	0	0	0
Income Taxes Receivable	761,240	59,885	481,494	88,881	123,575
Prepaid Items	38,331	0	25,787	0	0
Materials and Supplies Inventory	29,416	0	0	0	0
<i>Total Assets</i>	<u>\$ 2,569,041</u>	<u>\$ 75,717</u>	<u>\$ 899,593</u>	<u>\$ 114,607</u>	<u>\$ 360,661</u>
<b>Liabilities</b>					
Accounts Payable	\$ 13,437	\$ 485	\$ 112,040	\$ 0	\$ 0
Accrued Wages	148,118	731	4,055	0	0
Intergovernmental Payable	52,941	113	30,451	47,724	0
Matured Interest Payable	0	0	0	0	14,831
Matured Bonds Payable	0	0	0	0	20,000
<i>Total Liabilities</i>	<u>214,496</u>	<u>1,329</u>	<u>146,546</u>	<u>47,724</u>	<u>34,831</u>
<b>Deferred Inflows of Resources</b>					
Property Taxes Levied for the Next Year	617,292	0	0	0	0
Unavailable Revenue	865,239	42,490	342,124	62,170	90,421
<i>Total Deferred Inflows of Resources</i>	<u>1,482,531</u>	<u>42,490</u>	<u>342,124</u>	<u>62,170</u>	<u>90,421</u>
<b>Fund Balances</b>					
Nonspendable	67,747	0	25,787	0	0
Restricted	0	0	0	4,713	0
Committed	42,825	31,898	385,136	0	235,409
Assigned	328,990	0	0	0	0
Unassigned	432,452	0	0	0	0
<i>Total Fund Balances</i>	<u>872,014</u>	<u>31,898</u>	<u>410,923</u>	<u>4,713</u>	<u>235,409</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 2,569,041</u>	<u>\$ 75,717</u>	<u>\$ 899,593</u>	<u>\$ 114,607</u>	<u>\$ 360,661</u>

See accompanying notes and accountant's compilation report.

Capital Improvement Fund	Capital Improvement .4% Income Tax Fund	All Other Governmental Funds	Total Governmental Funds
\$ 823,790	\$ 1,206,547	\$ 1,648,468	\$ 5,006,508
0	0	0	1,578
0	0	0	34,831
35,889	0	0	35,889
0	0	29,871	157,311
0	0	0	19,305
0	0	706,582	961,028
0	0	119,074	764,781
54,988	355,525	0	1,925,588
0	0	0	64,118
0	0	79,037	108,453
<u>\$ 914,667</u>	<u>\$ 1,562,072</u>	<u>\$ 2,583,032</u>	<u>\$ 9,079,390</u>
\$ 0	\$ 12,381	\$ 16,252	\$ 154,595
0	0	19,143	172,047
0	0	12,200	143,429
0	0	0	14,831
0	0	0	20,000
<u>0</u>	<u>12,381</u>	<u>47,595</u>	<u>504,902</u>
0	0	113,834	731,126
36,066	248,680	695,642	2,382,832
<u>36,066</u>	<u>248,680</u>	<u>809,476</u>	<u>3,113,958</u>
0	0	79,037	172,571
0	1,301,011	1,571,201	2,876,925
878,601	0	75,723	1,649,592
0	0	0	328,990
0	0	0	432,452
<u>878,601</u>	<u>1,301,011</u>	<u>1,725,961</u>	<u>5,460,530</u>
<u>\$ 914,667</u>	<u>\$ 1,562,072</u>	<u>\$ 2,583,032</u>	<u>\$ 9,079,390</u>

**City of Circleville**  
**Pickaway County, Ohio**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Position of Governmental Activities*  
*December 31, 2017*

<b>Total Governmental Fund Balances</b>		\$ 5,460,530
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		26,587,152
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Delinquent Property Taxes	\$ 24,639	
Income Tax	1,361,184	
Intergovernmental	850,721	
Charges for Services	146,288	2,382,832
Accrued interest payable is not due and payable in the current period and therefore not reported in the funds.		(11,512)
Unamortized gain/loss on refunding represents deferred outflows, which do not provide current financial resources and, therefore, are not reported in the funds.		11,638
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred Outflows - Pension	3,141,048	
Deferred Inflows - Pension	(37,979)	
Net Pension Liability	(10,954,326)	(7,851,257)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(4,572,000)	
Bond Premium	(223,410)	
Capital Leases	(589,177)	
Compensated Absences	(460,669)	(5,845,256)
<i>Net Position of Governmental Activities</i>		\$ 20,734,127

See accompanying notes and accountant's compilation report.

**City of Circleville**  
**Pickaway County, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2017*

	General	Income Tax Fund	Safety Forces Tax Fund	Safety Forces .1% Income Tax Fund	General Obligation Bond Retirement Fund
<b>Revenues</b>					
Property Taxes	\$ 714,826	\$ 0	\$ 0	\$ 0	\$ 0
Income Taxes	2,670,426	263,147	1,715,413	320,910	452,990
Other Local Taxes	164,407	0	0	0	0
Charges for Services	342,382	0	523,142	0	0
Licenses and Permits	101,028	0	0	0	0
Fines and Forfeitures	515,539	0	0	0	0
Intergovernmental	538,673	0	9,440	0	0
Interest	92,161	0	0	0	948
Contributions and Donations	1,131	0	575	0	0
Other	77,253	4,222	61,284	0	177,039
<i>Total Revenues</i>	<u>5,217,826</u>	<u>267,369</u>	<u>2,309,854</u>	<u>320,910</u>	<u>630,977</u>
<b>Expenditures</b>					
Current:					
General Government	2,392,274	258,801	0	0	0
Security of Persons and Property	2,092,737	0	2,309,070	433,421	0
Public Health	184,428	0	0	0	0
Leisure Time Services	131,547	0	0	0	0
Community Development	9,247	0	0	0	0
Transportation	273,313	0	0	0	0
Capital Outlay	0	0	0	0	0
Debt Service:					
Principal Retirement	2,045	0	0	0	270,000
Interest and Fiscal Charges	280	0	0	0	106,300
<i>Total Expenditures</i>	<u>5,085,871</u>	<u>258,801</u>	<u>2,309,070</u>	<u>433,421</u>	<u>376,300</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>131,955</u>	<u>8,568</u>	<u>784</u>	<u>(112,511)</u>	<u>254,677</u>
<b>Other Financing Sources (Uses)</b>					
Inception of Capital Lease	0	0	0	0	0
General Obligation Bonds Issued	0	0	0	0	3,170,000
Premium on Debt Issuance	0	0	0	0	229,715
Payment to Refunded Bond Escrow Agent	0	0	0	0	(220,590)
Transfers In	0	0	0	0	0
Transfers Out	0	0	0	0	(3,278,529)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(99,404)</u>
<i>Net Change in Fund Balance</i>	131,955	8,568	784	(112,511)	155,273
<i>Fund Balance (Deficit) Beginning of Year</i>	<u>740,059</u>	<u>23,330</u>	<u>410,139</u>	<u>117,224</u>	<u>80,136</u>
<i>Fund Balance (Deficit) End of Year</i>	<u>\$ 872,014</u>	<u>\$ 31,898</u>	<u>\$ 410,923</u>	<u>\$ 4,713</u>	<u>\$ 235,409</u>

See accompanying notes and accountant's compilation report.

Capital Improvement Fund	Capital Improvement .4% Income Tax Fund	All Other Governmental Funds	Total Governmental Funds
\$ 0	\$ 0	\$ 118,182	\$ 833,008
173,406	1,283,638	0	6,879,930
0	0	0	164,407
0	0	29,703	895,227
0	0	70,236	171,264
0	0	461,007	976,546
360,149	0	987,697	1,895,959
0	0	1,720	94,829
0	0	15,603	17,309
17,290	462	27,465	365,015
<u>550,845</u>	<u>1,284,100</u>	<u>1,711,613</u>	<u>12,293,494</u>
25,439	0	517,711	3,194,225
0	0	297,013	5,132,241
0	0	0	184,428
0	28,563	3,629	163,739
0	0	95,713	104,960
0	1,116,744	740,838	2,130,895
1,353,540	0	0	1,353,540
68,783	0	36,000	376,828
67,004	0	862	174,446
<u>1,514,766</u>	<u>1,145,307</u>	<u>1,691,766</u>	<u>12,815,302</u>
<u>(963,921)</u>	<u>138,793</u>	<u>19,847</u>	<u>(521,808)</u>
476,530	0	0	476,530
592,000	0	0	3,762,000
0	0	0	229,715
0	0	0	(220,590)
3,278,529	0	0	3,278,529
0	0	0	(3,278,529)
<u>4,347,059</u>	<u>0</u>	<u>0</u>	<u>4,247,655</u>
3,383,138	138,793	19,847	3,725,847
<u>(2,504,537)</u>	<u>1,162,218</u>	<u>1,706,114</u>	<u>1,734,683</u>
<u>\$ 878,601</u>	<u>\$ 1,301,011</u>	<u>\$ 1,725,961</u>	<u>\$ 5,460,530</u>

**City of Circleville**  
**Pickaway County, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2017*

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**Net Change in Fund Balances - Total Governmental Funds** \$ 3,725,847

*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.

Capital Asset Additions	\$ 2,794,187	
Current Year Depreciation	(1,497,339)	1,296,848

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (419,978)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent Property Taxes	(21,899)	
Income Tax	(155,522)	
Intergovernmental	185,547	
Charges for Services	(20,597)	(12,471)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

General Obligation Bonds	270,000	
Capital Lease	106,828	
Payment to Refunded Bond Escrow Agent	220,590	597,418

Debt proceeds issued in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues.

General Obligation Bonds		(3,762,000)
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Premiums on bonds and gain/loss on refunding related to the issuance of bonds are amortized over the life of the issuance in the statement of activities.

Premiums on Bonds	(229,715)	
Deferred Charges on Refunding	14,425	(215,290)

In the statement of activities, interest is accrued on outstanding bonds, and bond premium and the gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, all interest expenditure is reported when bonds are issued.

Accrued Interest Payable	(8,205)	
Amortization of Premium on Bonds	28,527	
Amortization of Deferred Charges on Refunding	(3,879)	16,443

Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 762,113

Except for amount reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (1,948,685)

Inception of capital lease in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues. (476,530)

Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences		15,824
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*Change in Net Position of Governmental Activities* \$ (420,461)

See accompanying notes and accountant's compilation report.



**City of Circleville**  
**Pickaway County, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
**General Fund**  
*For the Year Ended December 31, 2017*

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$ 718,800	\$ 718,800	\$ 707,214	\$ (11,586)
Income Taxes	2,619,888	2,619,888	2,652,425	32,537
Other Local Taxes	125,000	140,000	164,407	24,407
Charges for Services	364,264	364,264	343,477	(20,787)
Licenses and Permits	105,206	105,206	101,028	(4,178)
Fines and Forfeitures	480,000	480,000	514,350	34,350
Intergovernmental	468,650	519,650	522,199	2,549
Interest	85,640	85,640	89,629	3,989
Contributions and Donations	0	0	1,131	1,131
Other	3,500	3,500	66,230	62,730
<i>Total Revenues</i>	<u>4,970,948</u>	<u>5,036,948</u>	<u>5,162,090</u>	<u>125,142</u>
<b>Expenditures</b>				
Current:				
General Government	2,568,767	2,609,192	2,384,741	224,451
Security of Persons and Property				
Police	1,447,244	1,393,644	1,351,417	42,227
Fire	713,315	691,610	657,967	33,643
Other	96,808	84,308	81,440	2,868
Public Health	183,664	185,664	184,428	1,236
Leisure Time Services				
Parks and Recreation	90,880	91,880	91,879	1
Other	28,000	43,000	41,680	1,320
Community Development	31,300	31,300	9,124	22,176
Transportation	332,896	313,768	268,024	45,744
<i>Total Expenditures</i>	<u>5,492,874</u>	<u>5,444,366</u>	<u>5,070,700</u>	<u>373,666</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(521,926)</u>	<u>(407,418)</u>	<u>91,390</u>	<u>498,808</u>
<b>Other Financing Uses</b>				
Transfers Out	(40,000)	(40,000)	(40,000)	0
<i>Net Change in Fund Balance</i>	(561,926)	(447,418)	51,390	498,808
<i>Fund Balance Beginning of Year</i>	<u>598,915</u>	<u>598,915</u>	<u>598,915</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 36,989</u>	<u>\$ 151,497</u>	<u>\$ 650,305</u>	<u>\$ 498,808</u>

See accompanying notes and accountant's compilation report.

**City of Circleville**  
**Pickaway County, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Income Tax Fund*  
*For the Year Ended December 31, 2017*

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>Revenues</b>				
Income Taxes	\$ 230,985	\$ 263,985	\$ 262,665	\$ (1,320)
Other	0	3,484	4,222	738
<i>Total Revenues</i>	230,985	267,469	266,887	(582)
<b>Expenditures</b>				
Current:				
General Government	230,985	274,469	258,639	15,830
<i>Net Change in Fund Balance</i>	0	(7,000)	8,248	15,248
<i>Fund Balance Beginning of Year</i>	7,584	7,584	7,584	0
<i>Fund Balance End of Year</i>	\$ 7,584	\$ 584	\$ 15,832	\$ 15,248

See accompanying notes and accountant's compilation report.

**City of Circleville**  
**Pickaway County, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Safety Forces Tax Fund*  
*For the Year Ended December 31, 2017*

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>Revenues</b>				
Income Taxes	\$ 1,617,214	\$ 1,617,214	\$ 1,707,557	\$ 90,343
Charges for Services	406,000	406,000	523,142	117,142
Intergovernmental	0	6,720	6,720	0
Contributions and Donations	0	0	575	575
Other	5,000	5,000	61,284	56,284
<i>Total Revenues</i>	<u>2,028,214</u>	<u>2,034,934</u>	<u>2,299,278</u>	<u>264,344</u>
<b>Expenditures</b>				
Current:				
Security of Persons and Property				
Police	1,454,134	1,275,296	1,233,163	42,133
Fire	1,150,721	1,035,596	965,851	69,745
Other	25,974	23,024	17,071	5,953
<i>Total Expenditures</i>	<u>2,630,829</u>	<u>2,333,916</u>	<u>2,216,085</u>	<u>117,831</u>
<i>Net Change in Fund Balance</i>	(602,615)	(298,982)	83,193	382,175
<i>Fund Balance Beginning of Year</i>	<u>300,679</u>	<u>300,679</u>	<u>300,679</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ (301,936)</u>	<u>\$ 1,697</u>	<u>\$ 383,872</u>	<u>\$ 382,175</u>

See accompanying notes and accountant's compilation report.

**City of Circleville**  
**Pickaway County, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Safety Forces .1% Income Tax Fund*  
*For the Year Ended December 31, 2017*

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>Revenues</b>				
Income Taxes	\$ 323,442	\$ 323,442	\$ 318,522	\$ (4,920)
<b>Expenditures</b>				
Current:				
Security of Persons and Property				
Police	140,000	194,558	193,113	1,445
Fire	160,000	240,367	230,709	9,658
<i>Total Expenditures</i>	<u>300,000</u>	<u>434,925</u>	<u>423,822</u>	<u>11,103</u>
<i>Net Change in Fund Balance</i>	23,442	(111,483)	(105,300)	6,183
<i>Fund Balance Beginning of Year</i>	<u>131,026</u>	<u>131,026</u>	<u>131,026</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 154,468</u>	<u>\$ 19,543</u>	<u>\$ 25,726</u>	<u>\$ 6,183</u>

See accompanying notes and accountant's compilation report.

**City of Circleville**  
**Pickaway County, Ohio**  
*Statement of Fund Net Position*  
*Proprietary Funds*  
*December 31, 2017*

	Enterprise Funds		
	Waterworks Operating	Sanitary Sewer Operating	Total
<b>Assets</b>			
<i>Current Assets:</i>			
Equity in Pooled Cash and Investments	\$ 2,658,818	\$ 3,158,555	\$ 5,817,373
Accounts Receivable	272,777	388,541	661,318
Prepaid Items	19,869	13,329	33,198
Materials and Supplies Inventory	5,827	14,176	20,003
<i>Total Current Assets</i>	<u>2,957,291</u>	<u>3,574,601</u>	<u>6,531,892</u>
<i>Non-Current Assets:</i>			
<i>Restricted Assets:</i>			
Equity in Pooled Cash and Investments	36,376	36,376	72,752
Non-Depreciable Capital Assets	57,125	1,186,130	1,243,255
Depreciable Capital Assets, Net	9,047,893	12,443,646	21,491,539
<i>Total Non-Current Assets</i>	<u>9,141,394</u>	<u>13,666,152</u>	<u>22,807,546</u>
<i>Total Assets</i>	<u>12,098,685</u>	<u>17,240,753</u>	<u>29,339,438</u>
<b>Deferred Outflows of Resources</b>			
Pension	368,569	513,042	881,611
<b>Liabilities</b>			
<i>Current Liabilities:</i>			
Accounts Payable	20,988	53,559	74,547
Accrued Wages	20,164	26,867	47,031
Contracts Payable	0	147,902	147,902
Retainage Payable	0	35,875	35,875
Intergovernmental Payable	11,649	22,030	33,679
Accrued Interest Payable	1,608	2,190	3,798
Compensated Absences Payable	31,505	31,306	62,811
Capital Leases Payable	19,913	19,913	39,826
OPWC Loans Payable	0	4,842	4,842
OWDA Loans Payable	64,899	0	64,899
General Obligation Bonds Payable	10,000	10,000	20,000
Refundable Deposits	36,376	36,376	72,752
<i>Total Current Liabilities</i>	<u>217,102</u>	<u>390,860</u>	<u>607,962</u>
<i>Long-Term Liabilities:</i>			
Compensated Absences Payable - Net of Current Portion	40,006	41,995	82,001
OPWC Loans Payable - Net of Current Portion	0	888,997	888,997
General Obligation Bonds Payable - Net of Current Portion	806,651	1,098,340	1,904,991
Net Pension Liability (See Note 12)	806,765	1,075,687	1,882,452
<i>Total Long-Term Liabilities</i>	<u>1,653,422</u>	<u>3,105,019</u>	<u>4,758,441</u>
<i>Total Liabilities</i>	<u>1,870,524</u>	<u>3,495,879</u>	<u>5,366,403</u>
<b>Deferred Inflows of Resources</b>			
Deferred Charges on Refunding	19,287	20,524	39,811
Pension	4,802	6,402	11,204
<i>Total Deferred Inflows of Resources</i>	<u>24,089</u>	<u>26,926</u>	<u>51,015</u>
<b>Net Position</b>			
Net Investment in Capital Assets	8,235,206	11,467,247	19,702,453
Unrestricted	2,337,435	2,763,743	5,101,178
<i>Total Net Position</i>	<u>\$ 10,572,641</u>	<u>\$ 14,230,990</u>	<u>\$ 24,803,631</u>

See accompanying notes and accountant's compilation report.

**City of Circleville**  
**Pickaway County, Ohio**  
*Statement of Revenues, Expenses and Changes in Fund Net Position*  
*Proprietary Funds*  
*For the Year Ended December 31, 2017*

	Enterprise Funds		
	Waterworks Operating	Sanitary Sewer Operating	Totals
<b>Operating Revenues</b>			
Charges for Services	\$ 1,926,430	\$ 2,566,329	\$ 4,492,759
<b>Operating Expenses</b>			
Personal Services	524,218	665,152	1,189,370
Fringe Benefits	366,644	574,869	941,513
Contractual Services	585,612	537,573	1,123,185
Materials and Supplies	135,556	86,119	221,675
Depreciation	327,142	438,723	765,865
Other	2,659	7,754	10,413
<i>Total Operating Expenses</i>	<u>1,941,831</u>	<u>2,310,190</u>	<u>4,252,021</u>
<i>Operating Income</i>	<u>(15,401)</u>	<u>256,139</u>	<u>240,738</u>
<b>Non-Operating Revenues (Expense)</b>			
Capital Grants	264,666	0	264,666
Loss on Disposal of Capital Assets	0	(58,800)	(58,800)
Other Non-Operating Revenues	22,625	22,157	44,782
Interest and Fiscal Charges	(39,618)	(49,250)	(88,868)
<i>Total Non-Operating Revenues (Expense)</i>	<u>247,673</u>	<u>(85,893)</u>	<u>161,780</u>
Capital Contributions	<u>319,086</u>	<u>613,321</u>	<u>932,407</u>
<i>Change in Net Position</i>	551,358	783,567	1,334,925
<i>Net Position Beginning of Year</i>	<u>10,021,283</u>	<u>13,447,423</u>	<u>23,468,706</u>
<i>Net Position End of Year</i>	<u>\$ 10,572,641</u>	<u>\$ 14,230,990</u>	<u>\$ 24,803,631</u>

See accompanying notes and accountant's compilation report.

**City of Circleville**  
**Pickaway County, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Year Ended December 31, 2017

	Enterprise Funds		
	Waterworks Operating	Sanitary Sewer Operating	Totals
<b>Cash Flows from Operating Activities</b>			
Cash Received from Customers	\$ 1,926,629	\$ 2,572,583	\$ 4,499,212
Cash Payments to Suppliers for Goods and Services	(82,282)	(90,868)	(173,150)
Cash Payments to Employees for Services and Benefits	(715,516)	(1,023,777)	(1,739,293)
Cash Payments for Contractual Services	(604,254)	(525,862)	(1,130,116)
Other Cash Payments	(2,632)	(7,347)	(9,979)
<i>Net Cash Provided by Operating Activities</i>	<u>521,945</u>	<u>924,729</u>	<u>1,446,674</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Other Non-Operating Receipts	22,625	22,157	44,782
<b>Cash Flows from Capital and Related Financing Activities</b>			
Proceeds of General Obligation Bonds	785,000	1,065,000	1,850,000
Proceeds of OPWC Loans	0	806,666	806,666
Acquisition of Capital Assets	(150,475)	(1,021,552)	(1,172,027)
Premium on Debt Issuance	35,168	48,156	83,324
Payment to Refunded Bond Escrow Agent	(803,570)	(1,087,195)	(1,890,765)
Bond Issuance Costs	(16,815)	(22,820)	(39,635)
Principal Payments on Debt	(152,379)	(106,680)	(259,059)
Interest Payments on Debt	(30,012)	(35,567)	(65,579)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(333,083)</u>	<u>(353,992)</u>	<u>(687,075)</u>
<i>Net Increase in Cash and Cash Investments</i>	211,487	592,894	804,381
<i>Cash and Investments Beginning of Year</i>	2,483,707	2,602,037	5,085,744
<i>Cash and Investments End of Year</i>	<u>\$ 2,695,194</u>	<u>\$ 3,194,931</u>	<u>\$ 5,890,125</u>
<b>Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities</b>			
Operating Income (Loss)	\$ (15,401)	\$ 256,139	\$ 240,738
Adjustments:			
Depreciation	327,142	438,723	765,865
(Increase) Decrease in Assets and Deferred Outflows:			
Accounts Receivable	2,682	8,737	11,419
Prepaid Items	(3,840)	12,413	8,573
Materials and Supplies Inventory	53,602	(7,425)	46,177
Deferred Outflows - Pension	(21,410)	(81,049)	(102,459)
Increase (Decrease) in Liabilities and Deferred Inflows:			
Accounts Payable	(9,962)	11,246	1,284
Accrued Wages	184	828	1,012
Refundable Deposits	(2,483)	(2,483)	(4,966)
Compensated Absences Payable	5,858	(21,215)	(15,357)
Intergovernmental Payable	695	6,559	7,254
Deferred Inflows - Pension	(7,077)	(8,380)	(15,457)
Net Pension Liability	191,955	310,636	502,591
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 521,945</u>	<u>\$ 924,729</u>	<u>\$ 1,446,674</u>

**Noncash Capital Financing Activities:**

The City purchased \$183,777 and \$13,739 of capital assets on account in 2017 and 2016, respectively.

Governmental Activities transferred \$264,666 of capital assets to the Water fund during 2017.

Developers donated assets in the amount of \$319,086 and \$613,321 to the water and sewer funds, respectively.

See accompanying notes and accountant's compilation report.

**City of Circleville**  
**Pickaway County, Ohio**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*December 31, 2017*

	Private Purpose Trust	Agency Funds
<b>Assets</b>		
Equity in Pooled Cash and Investments	\$ 512	\$ 25,286
Cash and Investments in Segregated Accounts	10,000	65,344
<i>Total Assets</i>	10,512	\$ 90,630
<b>Liabilities</b>		
Intergovernmental Payable	0	\$ 3,910
Accounts Payable	0	330
Undistributed Monies	0	86,390
<i>Total Liabilities</i>	0	\$ 90,630
<b>Net Position</b>		
Held in Trust for Private Purposes	\$ 10,512	

See accompanying notes and accountant's compilation report.



**City of Circleville**  
**Pickaway County, Ohio**  
*Statement of Changes in Fiduciary Net Position*  
*Fiduciary Fund*  
*For the Year Ended December 31, 2017*

	Private Purpose Trust
<b>Additions</b>	
Interest	\$ 135
<i>Change in Net Position</i>	135
<i>Net Position Beginning of Year</i>	10,377
<i>Net Position End of Year</i>	\$ 10,512

See accompanying notes and accountant's compilation report.

**City of Circleville**  
**Pickaway County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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**NOTE 1: DESCRIPTION OF THE CITY AND REPORTING ENTITY**

The City of Circleville (the “City”) is a non-chartered municipal corporation operating under the laws of the State of Ohio. The community was established in 1810 as part of Circleville Township; it became a Village in 1811 before becoming a City in 1814. The municipal government is known as a Council/Mayor form of government. Legislative power is vested in an eight-member Council: four members elected by wards, three elected at large, and an elected President, who only votes in the case of a tie. The Mayor is the chief executive officer and the head of the administrative agencies of the City. He/she appoints all department heads and employees, with the exception of the following: the elected City Auditor, who appoints the Deputy Auditor, the elected Director of Law who appoints the Assistant Law Director, and the elected Treasurer.

*Reporting Entity*

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading.

The primary government of the City consists of all funds, departments and activities which are not legally separate from the City. They comprise the City’s legal entity which provides various services including public safety, planning, zoning, street maintenance and repair, parks and recreation, community development, public health and welfare, and water and sewer treatment. Administrative staff provides support (i.e., payroll processing, accounts payable, revenue collection) to the service providers. The operation and control of these activities is provided by the City Council through the budgetary process and by the Mayor through administrative and managerial requirements and procedures.

The City is associated with two organizations which are defined as a jointly governed organization. The Pickaway Progress Partnership and the Joint Economic Development District are presented in Note 18 to the Basic Financial Statements.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization’s governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization’s resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the organization’s budget, the issuance of its debt or the levying of its taxes. The City has no component units.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The 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 reporting principles. The more significant of the City’s accounting policies are described below.

**City of Circleville**  
**Pickaway County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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***A. Basis of Presentation***

The City's basic 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. These statements distinguish between those activities of the City that are governmental and those that are considered business-type.

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 activity 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 governmental program or business segment 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 and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

***B. 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 utilized by the City: governmental, proprietary and fiduciary.

***Governmental Funds*** Governmental funds are those through which most governmental functions 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 liabilities and deferred inflows is reported as fund balance. The following are the City's major governmental funds:

**City of Circleville**  
**Pickaway County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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**General Fund** – This fund accounts for and reports all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Income Tax Fund** – This fund accounts for and reports the direct administration of the one and one-half percent income tax levied and collected by the City. The unvoted tax is committed to provide for the municipal operations, maintenance of equipment, extension, enlargement and improvement of municipal services and facilities, debt service, and capital improvements of the City. The voted tax is restricted for safety and capital improvement purposes.

**Safety Forces Tax Fund** – This fund accounts for and reports the one-half percent unvoted income tax and charges for services committed for safety purposes.

**Safety Forces .1% Income Tax Fund** – This fund accounts for and reports the one-tenth percent voted income tax of the May 2014 tax levy and is restricted for safety purposes.

**General Obligation Bond Retirement Fund** – This fund accounts for and reports the resources that are committed for payment of principal and interest and fiscal charges on general obligation debt.

**Capital Improvement Fund** – This fund accounts for and reports the portion of the unvoted income tax which is committed for capital projects as approved by Council. This fund also accounts for any monies such as bond issuance proceeds restricted for capital projects.

**Capital Improvement .4% Income Tax Fund** – This fund accounts for and reports the portion of the voted income tax which is restricted for capital projects as approved by Council.

The other governmental funds of the City account for grants and other resources to which the City is bound to observe constraints imposed upon the use of the resources.

**Proprietary Funds** Proprietary funds focus on the determination of operating income, changes in net position, and cash flows. The City's proprietary funds are enterprise funds:

**Enterprise Funds** 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.

**Waterworks Operating Fund** – This fund is used to account for the provision of water service to the residents and businesses of the City.

**Sanitary Sewer Operating Fund** – This fund is used to account for the provision of sanitary sewer service to the residents and businesses of the City.

**City of Circleville**  
**Pickaway County, Ohio**

*Notes To The Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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***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. The three types of trust funds are used to report resources held and administered by the City when it is acting in a fiduciary capacity for individuals, private organizations, or other governments. These funds are distinguished by the existence of a trust agreement that affects the degree of management involvement and the length of time that the resources are held. The City has one private purpose trust fund which is used to account for the money set aside to be donated to charities as authorized in the will of Josie Renick. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City has five agency funds which are used to account for monies held for individuals and organizations for fines and forfeitures, deposits held to ensure compliance with building codes, and inspection fees received from contractors who perform work with individuals or private organizations which requires them to open pavement surfaces. Once the work is completed and the street has been properly restored, the fees are returned to the contractors

***C. Measurement Focus***

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

The private purpose trust fund is reported using the economic resources measurement focus.

The agency fund is not reported using the economic resources measurement focus.

**City of Circleville**  
**Pickaway County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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***D. 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 and the financial statements of the enterprise and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified 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 of resources, and in the presentation of expenses versus expenditures.

***Revenues - Exchange and Non-Exchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is 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. “Measurable” means that the amount of the transaction can be determined and “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 31 days of year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 7). 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 the 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 tax, interest on investments, intergovernmental revenues (including motor vehicle license tax, gasoline tax, and local government assistance), and grants.

***Deferred Inflows of Resources and Deferred Outflows of Resources*** - In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension. 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. The deferred outflows of resources related to pension are explained in Note 12.

**City of Circleville**  
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In addition to liabilities, the statements of financial position 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 until that time. For the City, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2017, but which were levied to finance 2018 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and 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 delinquent property taxes, income taxes, intergovernmental grants and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 12).

***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.

***E. Cash and Investments***

To improve cash management, all cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through City records. Each share of the pool is presented on the financial statements in the account "Equity in Pooled Cash and Investments."

Cash and cash equivalents that are held separately within departments of the City and not held with the City Treasurer are recorded as "Cash and Investments in Segregated Accounts." The City also utilizes a financial institution to service bonded debt as principal and interest payments come due. This balance is presented as "Cash and Investments with Fiscal Agents."

During the year, investments were limited to money market mutual funds, Federal Home Loan Bank Bonds, Federal home Loan Mortgage, and negotiable certificates of deposit.

Interest income is distributed to the funds according to Ohio constitutional and statutory requirements. Interest revenue credited to the general fund during 2017 amounted to \$92,161, which includes \$86,329 assigned from other funds.

Investments with an original maturity of three months or less at the time of are reported as investments on the financial statements.

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***F. Materials and Supplies 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.

***G. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2017, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

***H. Restricted Assets***

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the assets. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Customer deposits have been restricted in the enterprise funds because the deposit remains the property of the customer. The restricted asset account is balanced by a customer deposit payable liability account.

***I. Capital Assets***

General capital assets are capital assets that are associated with and generally rise from governmental activities. These assets generally result from expenditures in 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 used by the enterprise funds are reported in both the business-type activities column of the government-wide statement of net position and in the respective funds.

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and reductions during the year. Donated capital assets are recorded at their acquisition values on the date donated. The City maintains a capitalization threshold of \$5,000. 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 expensed.

All reported capital assets, except land and construction in progress, are depreciated. 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 replacements. Depreciation is computed using the straight-line method over the following useful lives:



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Description	Estimated Lives
Land Improvements	10 - 25 years
Buildings and Improvements	20 - 50 years
Machinery and Equipment	7 - 20 years
Vehicles	5 - 20 years
Infrastructure	10 - 75 years

The City's infrastructure consists of streets, curbs and gutters, sidewalks, street lighting, storm sewers, and water and sewer lines. In the initial capitalization of general infrastructure assets, the City chose to include all such items regardless of their acquisition date.

***J. Compensated Absences***

Vacation benefits 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. The City records a liability for all accumulated unused vacation time when earned for all employees after one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the City's past experience of making termination payments.

***K. Accrued Liabilities and Long-term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide 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, and are reported as obligations of the funds. However, claims and judgments, compensated absences and net pension liability 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. Bonds are recognized as a liability on the fund financial statements when due.

***L. Pensions***

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

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***M. Unamortized Bond Premium***

Bond premiums are presented as an increase to the face amount of the bonds payable. On the governmental fund financial statements, premiums are recorded when received/paid.

***N. Net Position***

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At December 31, 2017, there was no net position restricted by enabling legislation.

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

***O. Fund Balance***

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

*Nonspendable* – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. The nonspendable fund balances for the City include prepaid items and inventory.

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

*Committed* – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of City Council. Those committed amounts cannot be used for any other purpose unless Council removes or changes the specified use by taking the same type of action (resolution) 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.

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*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 or 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 the City. The City Council has by resolution authorized the City Auditor to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

*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 used only to report a deficit 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 either restricted or unrestricted (committed, assigned and unassigned) amounts are 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.

***P. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise funds. For the City, these revenues are charges for services for water and utility services. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund. All revenues and expenses not meeting these definitions are reported as non-operating.

***Q. Internal Activity***

Transfers between governmental activities are eliminated on the government wide financial statements. Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

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***R. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2017.

***S. Estimates***

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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.

***T. Budgetary Process***

All funds, other than 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 ordinance, 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 sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the personal services and all other object level within each department. Any budgetary modifications at this level may only be made by ordinance of City Council. Any budgetary modifications at this level may only be made by ordinance of 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 final budgeted amounts represent estimates from the amended certificate in effect at the time 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 ordinance 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; including all supplemental appropriations.

***U. 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, grants or outside contributions of resources restricted to capital acquisition and construction.

**City of Circleville**  
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***V. Implementation of New Accounting Principles***

For the year ended December 31, 2017, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*, GASB Statement No. 81, *Irrevocable Split-Interest Agreements* and GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*.

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

GASB Statement No. 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, it requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement also requires that a government recognize revenue when the resources become applicable to the reporting period. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the City.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the City's 2017 financial statements; however, there was no effect on beginning net position/fund balance.

**NOTE 3: BUDGETARY BASIS OF ACCOUNTING**

While the City is 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, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the general and major special revenue funds is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues and other financing sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a restricted, committed, or assigned fund balance (GAAP).
4. Some funds are included in the general fund, (GAAP basis), but have separate legally adopted budgets (budget basis).

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The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund and the major special revenue funds.

	General	Income Tax	Safety Forces Tax	Safety Forces .1% Income Tax
GAAP Basis	\$ 131,955	\$ 8,568	\$ 784	\$ (112,511)
Net Adjustment for Revenue Accruals	(55,279)	(482)	(10,576)	(2,388)
Net Adjustment for Expenditure Accruals	15,171	162	92,985	9,599
Funds Budgeted Elsewhere *	(40,457)	0	0	0
Budget Basis	<u>\$ 51,390</u>	<u>\$ 8,248</u>	<u>\$ 83,193</u>	<u>\$ (105,300)</u>

\* As part of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the sick leave fund.

**NOTE 4: DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the City into two categories, active and inactive.

Active monies 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 monies are public deposits that 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.

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, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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Interim monies to 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 or 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. Time certificates of deposit or savings or deposit accounts, including but not limited to passbook accounts;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section 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 Treasurer's investment pool (STAR Ohio); and
7. Certain banker's acceptances and commercial paper notes in an amount not to exceed 40 percent of the interim monies available for investment at any one time.

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

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

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. Investments may only be made through specified dealers and institutions.

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**Investments**

*Investments:* As of December 31, 2017, the City had the following investments:

Rating	Investment	Measurement Amount	Investment Maturities in Months			% of Investments
			0-12	13-36	Over 36	
	Net Asset Value (NAV):					
AAAm	Federated Government Obligation Fund	\$ 29,968	\$ 29,968	\$ 0	\$ 0	0.50%
	Fair Value:					
N/A	Negotiable Certificates of Deposit	2,458,448	597,321	1,115,277	745,850	41.29%
AAA	Federal Home Loan Bank Bonds	2,134,284	0	0	2,134,284	35.84%
AA+	Federal Home Loan Mortgage	1,331,895	0	0	1,331,895	22.37%
	Total	<u>\$ 5,954,595</u>	<u>\$ 627,289</u>	<u>\$ 1,115,277</u>	<u>\$ 4,212,029</u>	<u>100.00%</u>

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. The above table identifies the City's recurring fair value measurements as of December 31, 2017. The City's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored which could require the need to acquire further market data (Level 2 inputs).

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses caused by rising interest rates, the City's investment policy requires that, to the extent possible, investments will match anticipated cash flow requirements. The investment portfolio should be diversified in order to avoid incurring potential losses regarding individual securities, which may not be held to maturity, whether by erosion of market value or change in market conditions. Unless matched to a specific obligation or debt of the City, the City will not directly invest in securities maturing more than six years from the date of investment.

*Credit Risk:* The City's investment policy limits investments to those authorized by State statute which restricts investments to those that are highly rated or backed by the enterprises of the United States Government.



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*Concentration of Credit Risk:* The City's investment policy limits the City's investments to the following: no more than 50 percent of the investment portfolio, excluding working cash, shall be deposited in any one financial institution; 100 percent of the investment portfolio may be invested in securities guaranteed by the United States, or those securities for which the full faith of the United States is pledged for the payment of principal and interest; 100 percent of the investment portfolio may be invested in Time Certificates of Deposits, Savings, or Deposit Accounts which have been fully collateralized; no more than 50 percent of the total investment portfolio may be invested in bonds and other obligations of this State; no more than 50 percent of the total investment portfolio may be invested in securities issued by any federal government agency or instrumentality; and no more than 25 percent of the total investment portfolio may be invested in no-load money market mutual funds consisting exclusively of government securities or repurchase agreements secured by government securities. The percentage that each investment represents of the total investments is listed in the table above.

**NOTE 5: RECEIVABLES**

Receivables at December 31, 2017, consisted of accrued interest, accounts for weed and litter assessments, billed charges for utilities, intergovernmental receivables arising from grants, entitlements or shared revenues and taxes. All receivables are considered fully collectible, including water and sewer charges receivable which, if delinquent, may be certified and collected as a special assessment, subject to foreclosure for nonpayment. Property taxes and income taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

**NOTE 6: MUNICIPAL INCOME TAX**

The City levies and collects a one percent unvoted income tax and a one percent voted income tax 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 50 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. The City utilized the Regional Income Tax Agency (RITA) for the collection of income taxes.

Income tax proceeds are to be used to pay the cost of administering the tax, General Fund operations, capital improvements, debt service and other governmental functions when needed, as determined by Council. In 2017, the proceeds were allocated to the General Fund, the Income Tax Fund, the Safety Forces Tax Fund, the Safety Forces .1% Tax Fund, the General Obligation Bond Retirement Fund, the Capital Improvement .4% Tax Fund and the Capital Improvement Fund.

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**NOTE 7: PROPERTY TAX**

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2017 for real and public utility property taxes represents collections of the 2016 taxes.

2017 real property taxes were levied after October 1, 2017 on the assessed value as of January 1, 2017, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2017 real property taxes are collected in and intended to finance 2018.

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 tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2017 public utility property taxes which became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2017, was \$4.00 per \$1,000 of assessed valuation. The assessed values of real property and public utility tangible property upon which 2017 property tax receipts were based are as follows:

Category	Assessed Value
<i>Real Property</i>	
Agricultural/Residential	\$ 154,262,140
Commerical/Industrial/Mineral	50,524,440
Public Utility Real	70,220
<i>Tangible Personal Property</i>	
Public Utility	4,385,570
Total Assessed Value	\$ 209,242,370

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2017, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2017 operations is offset to deferred inflows of resources – property taxes levied for the next year. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

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**NOTE 8: CAPITAL ASSETS**

A summary of changes in capital assets during 2017 follows:

	Balance 12/31/2016	Additions	Transfers	Deletions	Balance 12/31/2017
<b>Governmental Activities:</b>					
<i>Capital Assets Not Being Depreciated:</i>					
Land	\$ 1,156,910	\$ 616,788	\$ 0	\$ 0	\$ 1,773,698
Construction in Progress	2,114,925	291,842	(264,666)	(2,029,512)	112,589
<i>Total Capital Assets, Not Being Depreciated</i>	<u>3,271,835</u>	<u>908,630</u>	<u>(264,666)</u>	<u>(2,029,512)</u>	<u>1,886,287</u>
<i>Capital Assets, Being Depreciated:</i>					
Land Improvements	1,309,652	0	0	(218,351)	1,091,301
Buildings and Improvements	8,563,427	20,197	0	(53,500)	8,530,124
Machinery and Equipment	2,609,611	506,321	0	0	3,115,932
Vehicles	2,124,770	90,530	0	0	2,215,300
Infrastructure	38,995,626	3,298,021	0	(443,602)	41,850,045
<i>Total Capital Assets, Being Depreciated</i>	<u>53,603,086</u>	<u>3,915,069</u>	<u>0</u>	<u>(715,453)</u>	<u>56,802,702</u>
<i>Less Accumulated Depreciation:</i>					
Land Improvements	(1,042,276)	(31,750)	0	218,351	(855,675)
Buildings and Improvements	(4,139,042)	(184,524)	0	36,040	(4,287,526)
Machinery and Equipment	(1,585,961)	(212,891)	0	0	(1,798,852)
Vehicles	(1,704,292)	(90,424)	0	0	(1,794,716)
Infrastructure	(22,693,068)	(977,750)	0	305,750	(23,365,068)
<i>Total Accumulated Depreciation</i>	<u>(31,164,639)</u>	<u>(1,497,339)</u>	<u>0</u>	<u>560,141</u>	<u>(32,101,837)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>22,438,447</u>	<u>2,417,730</u>	<u>0</u>	<u>(155,312)</u>	<u>24,700,865</u>
<i>Total Governmental Activities Capital Assets, Net</i>	<u>\$ 25,710,282</u>	<u>\$ 3,326,360</u>	<u>\$ (264,666)</u>	<u>\$ (2,184,824)</u>	<u>\$ 26,587,152</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 135,169
Security of Persons and Property	252,287
Transportation	1,023,111
Community Development	1,055
Leisure Time Services	85,717
<b>Total Depreciation Expense</b>	<u><u>\$ 1,497,339</u></u>

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	Balance 12/31/2016	Additions	Transfers	Deletions	Balance 12/31/2017
<b>Business-Type Activities:</b>					
<i>Capital Assets Not Being Depreciated:</i>					
Land	\$ 149,180	\$ 0	\$ 0	\$ 0	\$ 149,180
Construction in Progress	133,809	1,000,588	264,666	(304,988)	1,094,075
<i>Total Capital Assets, Not Being Depreciated</i>	<u>282,989</u>	<u>1,000,588</u>	<u>264,666</u>	<u>(304,988)</u>	<u>1,243,255</u>
<i>Capital Assets, Being Depreciated:</i>					
Land Improvements	340,653	0	0	0	340,653
Buildings and Improvements	14,247,077	124,505	0	(290,909)	14,080,673
Machinery and Equipment	941,621	259,504	0	(18,131)	1,182,994
Vehicles	527,788	0	0	0	527,788
Infrastructure	23,307,114	1,194,863	0	(213)	24,501,764
<i>Total Capital Assets, Being Depreciated</i>	<u>39,364,253</u>	<u>1,578,872</u>	<u>0</u>	<u>(309,253)</u>	<u>40,633,872</u>
<i>Less Accumulated Depreciation:</i>					
Land Improvements	(325,186)	(895)	0	0	(326,081)
Buildings and Improvements	(9,907,856)	(321,891)	0	232,109	(9,997,638)
Machinery and Equipment	(595,421)	(61,624)	0	18,131	(638,914)
Vehicles	(241,601)	(23,641)	0	0	(265,242)
Infrastructure	(7,556,857)	(357,814)	0	213	(7,914,458)
<i>Total Accumulated Depreciation</i>	<u>(18,626,921)</u>	<u>(765,865)</u>	<u>0</u>	<u>250,453</u>	<u>(19,142,333)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>20,737,332</u>	<u>813,007</u>	<u>0</u>	<u>(58,800)</u>	<u>21,491,539</u>
<i>Total Business-Type Activities Capital Assets, Net</i>	<u>\$ 21,020,321</u>	<u>\$ 1,813,595</u>	<u>\$ 264,666</u>	<u>\$ (363,788)</u>	<u>\$ 22,734,794</u>

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**City of Circleville**  
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**NOTE 9: LONG-TERM OBLIGATIONS**

Changes in long-term obligations of the City during the year ended December 31, 2017, were as follows:

	Balance 12/31/2016	Additions	(Reductions)	Balance 12/31/2017	Due in One Year
<b>Governmental Activities:</b>					
<i>General Obligation Bonds</i>					
2008 - Various Purpose Bonds \$355,000					
Term Bonds 4.125% - 4.50%	\$ 210,000	\$ 0	\$ (210,000)	\$ 0	\$ 0
Serial Bonds 3.00% - 4.25%	30,000	0	(30,000)	0	0
Premium on Bonds Issues	10,014	0	(10,014)	0	0
2011 - Various Purpose Refunding Bonds \$2,475,000					
Serial Bonds 2.00% - 3.00%	1,065,000	0	(255,000)	810,000	265,000
Premium on Bonds Issues	22,222	0	(5,555)	16,667	0
2017 - Various Purpose Refunding Bonds \$2,955,000					
Term Bonds 4.00%	0	1,565,000	0	1,565,000	0
Serial Bonds 2.00% - 2.25%	0	1,390,000	0	1,390,000	115,000
Premium on Bonds Issues	0	229,715	(22,972)	206,743	0
2017 - Various Purpose Refunding Bonds \$215,000					
Serial Bonds 2.00% - 2.25%	0	215,000	0	215,000	0
2017 - Capital Facilities Bonds \$592,000					
Serial Bonds 2.00% - 4.25%	0	592,000	0	592,000	0
Compensated Absences	476,494	188,916	(204,741)	460,669	239,638
Capital Leases	219,475	476,530	(106,828)	589,177	176,796
Net Pension Liability - OPERS and OPF	10,051,380	902,946	0	10,954,326	0
<i>Total Governmental Activities</i>	<u>\$ 12,084,585</u>	<u>\$ 5,560,107</u>	<u>\$ (845,110)</u>	<u>\$ 16,799,582</u>	<u>\$ 796,434</u>
<b>Business-Type Activities:</b>					
<i>General Obligation Bonds</i>					
2008 - Various Purpose Bonds \$3,005,000					
Term Bonds 4.125% - 4.50%	\$ 1,800,000	\$ 0	\$ (1,800,000)	\$ 0	\$ 0
Serial Bonds 3.00% - 4.25%	270,000	0	(270,000)	0	0
2017 - Various Purpose Refunding Bonds \$1,850,000					
Serial Bonds 2.00% - 4.00%	0	1,850,000	0	1,850,000	20,000
Premium on Bonds Issues	0	83,324	(8,333)	74,991	0
OWDA Water Treatment Plant Loan - 2.80%	128,019	0	(63,120)	64,899	64,899
OPWC Force Lift Station Loan	89,594	0	(2,421)	87,173	4,842
OPWC WWTP Influent Pump Loan	0	806,666	0	806,666	0
Compensated Absences	160,169	45,181	(60,538)	144,812	62,811
Capital Leases	98,344	0	(58,518)	39,826	39,826
Net Pension Liability - OPERS	1,379,861	502,591	0	1,882,452	0
<i>Total Business-Type Activities</i>	<u>\$ 3,925,987</u>	<u>\$ 3,287,762</u>	<u>\$ (2,262,930)</u>	<u>\$ 4,950,819</u>	<u>\$ 192,378</u>

**City of Circleville**  
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***General Obligation Bonds***

**2008 Various Purpose Bonds**

On June 30, 2008, the City of Circleville issued \$3,360,000 in general obligation bonds for various purposes including the retirement of bond anticipation notes issued to pay the costs of restoring, updating and otherwise improving City Hall, improving and extending the municipal water system by constructing and installing water lines, and improving and extending the municipal sewer system by constructing and installing sanitary sewers. The bonds were issued for a 20 year period with final maturity on December 1, 2028. \$355,000 was issued as governmental activities general obligation bonds and \$3,005,000 was issued as business-type activities general obligation bonds. All are direct obligations and pledge the full faith and credit of the City for repayment. Bond payments relating to the governmental activities general obligation bonds are paid with income taxes from the general obligation bond retirement fund. Bond payments relating to the business-type activities general obligation bonds are paid from revenues from the operations of the water and sewer systems.

The term bonds, issued at \$2,010,000 maturing on December 1, 2028, were subject to mandatory sinking fund redemption at a redemption price of 100 percent. The 2008 term bonds were refunded in 2017.

The serial bonds, issued at \$1,350,000 with a maturity date of December 1, 2018, were subject to optional redemption, in whole or in part, on any date at the option of the issuer on or after December 1, 2019, at the redemption price of 100 percent. The 2008 serial bonds were refunded in 2017.

**2011 Various Purpose Refunding Bonds**

On August 30, 2011, the City issued \$2,475,000 in general obligation bonds for the purpose of financing a current refunding of the remaining balances on the Capital Facilities Improvement Safety Services Building Bonds and the Capital Facilities Improvement City Services Building Bonds. The difference between the amount of the refunding bond issue and the total of the outstanding principal on the debt issue refunded was used to pay for issuance costs, interest due at the time of refunding, and the amount paid to the escrow agent above the principal outstanding. The refunding resulted in a difference of \$38,791 between the net carrying amount of the old bonded debt and the acquisition price. This difference, reported in the accompanying financial statements as deferred outflows of resources – deferred charges on refunding, is being amortized to interest expense over the life of the bonds using the straight-line method.

The 2011 Various Purpose Refunding Bonds will be retired from the general obligation bond retirement fund.

**2012 Ohio Water Development Authority Loan**

During 2012, the City was awarded a loan from OWDA for improvements to the water treatment plant. The total amount of this loan was \$418,585. The loan was issued at a rate of 2.80 percent and will mature on December 31, 2018. This loan will be paid from the waterworks operating fund.

**City of Circleville**  
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2015 Ohio Public Works Commission Loan

During 2015, the City received an interest free twenty year loan from the Ohio Public Works Commission in the amount of \$96,858 for the Force Main/Lift Station Project. Semi-annual payments are made to OPWC with the final payment due July 1, 2035.

During 2017, the City received a loan from the Ohio Public Works Commission in the amount of \$1,151,000 for the Wastewater Treatment Plant Influent Pump Project. As of December 31, 2017, \$806,666 has been drawn down. There is no amortization schedule available at this time. Therefore, it has not been included in the amortization schedule below.

2017 Various Purpose Refunding Bonds

On September 6, 2017, the City issued \$5,020,000 in general obligation bonds for the purpose of financing an advance refunding of the remaining balances on the 2008 Various Purpose Bonds and to finance a current refunding for the 2016 Capital Facilities Bond Anticipation Note for the Connector. The difference between the amount of the refunding bond issue and the total of the outstanding principal on the debt issue refunded was used to pay for issuance costs, interest due at the time of refunding, and the amount paid to the escrow agent above the principal outstanding.

The bonds were issued for a 20 year period with final maturity on December 1, 2037. \$3,170,000 was issued as governmental activities general obligation bonds and \$1,850,000 was issued as business-type activities general obligation bonds. All are direct obligations and pledge the full faith and credit of the City for repayment. Bond payments relating to the governmental activities general obligation bonds are paid with income taxes from the general obligation bond retirement fund. Bond payments relating to the business-type activities general obligation bonds are paid from revenues from the operations of the water and sewer systems.

The term bonds, issued at \$1,565,000 maturing on December 1, 2037, are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1, in the years and in the respective principal amounts as follows:

	<u>Principal</u>
2029	\$ 150,000
2030	155,000
2031	160,000
2032	165,000
2033	175,000
2034	180,000
2035	185,000
2036	195,000
2037	<u>200,000</u>
Total	<u>\$ 1,565,000</u>

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The serial bonds, issued at \$3,240,000 with a maturity on or after December 1, 2027, are subject to optional redemption, in whole or in part, on any date at the option of the issuer on or after December 1, 2026, at the redemption price of 100 percent. The issuance resulted in a difference between the cash flows required to service the old debt and the cash flows required to service the new debt of \$357,596. The issuance resulted in an economic gain of \$404,076.

2017 Capital Facilities Bonds

On May 31, 2017, the City issued \$592,000 in Capital Facilities Term Bonds issued for the purpose of remodeling the City building, which includes police and municipal court operations. The bonds bear an interest rate of 2.09 percent and mature on December 1, 2022. The 2017 Capital Facilities Term Bonds will be retired from the legal computer and maintenance fund.

The City is required to make mandatory sinking fund deposits (consisting of cash and/or U.S. Treasury obligations) on December 1, in the following years and in the following amounts:

December 1 of Year	Amount Due
2018	\$ 112,000
2019	115,000
2020	118,000
2021	122,000
2022	125,000
	<u>\$ 592,000</u>

Annual debt service requirements to maturity for general long-term obligations are:

	Governmental Activities					
	General Obligation Bonds					
	Serial Bonds		Term Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 380,000	\$ 132,911	\$ 0	\$ 0	\$ 380,000	\$ 132,911
2019	405,000	120,320	0	0	405,000	120,320
2020	415,000	107,516	0	0	415,000	107,516
2021	140,000	94,400	0	0	140,000	94,400
2022	737,000	89,450	0	0	737,000	89,450
2023-2027	765,000	395,650	0	0	765,000	395,650
2028-2032	165,000	68,200	630,000	213,600	795,000	281,800
2033-2037	0	0	935,000	114,800	935,000	114,800
Totals	<u>\$ 3,007,000</u>	<u>\$ 1,008,447</u>	<u>\$ 1,565,000</u>	<u>\$ 328,400</u>	<u>\$ 4,572,000</u>	<u>\$ 1,336,847</u>



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Annual debt service requirements to maturity for general obligation bonds and OWDA loan for business-type activities are:

	Business-Type Activities									
	Waterworks Operating				Sewer Operating				Total	Total
	General Obligation Bonds		OWDA Loan		General Obligation Bonds		OPWC	Principal		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal			
2018	\$ 10,000	\$ 19,300	\$ 64,899	\$ 1,366	\$ 10,000	\$ 26,275	\$ 4,842	\$ 89,741	\$ 46,941	
2019	75,000	19,100	0	0	95,000	26,275	4,843	174,843	45,375	
2020	70,000	17,600	0	0	100,000	24,175	4,843	174,843	41,775	
2021	75,000	16,200	0	0	95,000	22,175	4,843	174,843	38,375	
2022	75,000	14,700	0	0	100,000	20,275	4,843	179,843	34,975	
2023-2027	395,000	50,500	0	0	545,000	69,800	24,215	964,215	120,300	
2028-2032	85,000	3,400	0	0	120,000	4,800	24,215	229,215	8,200	
2033-2035	0	0	0	0	0	0	14,529	14,529	0	
Totals	<u>\$ 785,000</u>	<u>\$ 140,800</u>	<u>\$ 64,899</u>	<u>\$ 1,366</u>	<u>\$ 1,065,000</u>	<u>\$ 193,775</u>	<u>\$ 87,173</u>	<u>\$ 2,002,072</u>	<u>\$ 335,941</u>	

Compensated absences will be paid from the general fund, income tax fund, street construction and maintenance fund, city permissive motor vehicle fund, safety forces tax fund, municipal probation fund, waterworks operating fund and sewer operating fund. Capital leases will be paid from the general fund, street construction fund, legal research and computer maintenance fund, capital improvement fund, waterworks operating fund, and sanitary sewer operating fund. The City pays obligations related to employee compensation from the fund benefitting from their service, which are primarily the general, waterworks operating and sanitary sewer operating funds.

**Conduit Debt**

During 2014, the City issued revenue bonds in the aggregate principal amount of \$24,000,000 for Berger Health System. The proceeds were used to retire prior obligations and to fund future capital purchases. The bonds are to be repaid by the recipient of the proceeds and do not represent an obligation of the City. There has not been, and currently is not any condition of default under the bonds or the related financing documents. The City is not obligated in any way to pay debt charges on the bonds from any of its funds, and therefore they have been excluded entirely from the City's debt presentation. Neither is the full faith and credit or taxing power of the City pledged to make repayment. The balance outstanding as of December 31, 2017, is \$20,715,000.

**NOTE 10: SHORT-TERM OBLIGATIONS**

The City has the following short-term obligations outstanding at December 31, 2017:

	Balance 12/31/2016	Issued	Retired	Balance 12/31/2017
<i>Bond Anticipation Notes:</i>				
2016 - Capital Facilities Bond Anticipation Notes				
\$3,359,000, 1.50%	<u>\$ 3,359,000</u>	<u>\$ 0</u>	<u>\$ 3,359,000</u>	<u>\$ 0</u>

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Bond anticipation notes are generally issues in anticipation of long-term bonding financing and will be refinanced annually until such bonds are issued. They are backed by the full faith and credit of the City and mature within one year.

On September 8, 2016, the City issued a Capital Facilities Bond Anticipation Note in the amount of \$3,359,000 to retire the 2015 Capital Facilities Bond Anticipation Note and to pay for the Connector project. The note was issued for the purpose of paying the costs of roadway improvements for the City. Proceeds from the 2017 General Obligation bonds were used to retire this note as of September 6, 2017.

**NOTE 11: CAPITAL LEASES – LESSEE DISCLOSURE**

In 2017 and in prior years, the City has entered into capitalized leases for copiers, radios, and rescue equipment, an ambulance, vehicles and a telephone system. The leases meet the criteria of a capital lease and have been recorded as capital assets on the government-wide statements. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reported as general government for the general fund expenditures on the budgetary statements.

Capital assets acquired by lease were initially capitalized in the amount of \$949,544 for governmental activities and \$273,241 for business-type activities, which is equal to the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation was \$239,858 as of December 31, 2017, leaving a current book value of \$709,686. Corresponding liabilities were recorded on the Statement of Net Position for governmental activities. Principal payments in 2017 totaled \$106,828 in the governmental funds and \$58,518 in the business-type activities.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2017:

		Governmental Activities	Business-Type Activities
Year ending December 31,	2018	\$ 194,644	\$ 40,196
	2019	150,670	0
	2020	114,656	0
	2021	85,136	0
	2022	85,137	0
Minimum lease payments		630,243	40,196
Less: amount representing interest		(41,066)	(370)
Present value of net minimum lease payments		\$ 589,177	\$ 39,826

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**NOTE 12: DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

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

The net pension liability 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 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.

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

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

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

Plan Description - City employees, other than full-time police 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 plan; therefore, the following disclosure focuses on the traditional pension plan.

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OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the traditional 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 plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

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

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

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 who retired prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index (CPI), capped at 3 percent.

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

	State and Local
<b>2017 Statutory Maximum Contribution Rates</b>	
Employer	14.00 %
Employee	10.00 %
<b>2017 Actual Contribution Rates</b>	
Employer:	
Pension	13.00 %
Post-Employment Health Care Benefits	1.00 %
Total Employer	14.00 %
Employee	10.00 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contribution was \$400,843 for 2017. Of this amount, \$83,030 is reported as an intergovernmental payable.

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

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

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

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

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

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

Members 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-W) 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 - Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
<b>2017 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 <b>2017 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-Employment Health Care Benefits	0.50 %	0.50 %
Total Employer	19.50 %	24.00 %
 Employee	 12.25 %	 12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$501,565 for 2017. Of this amount, \$76,067 is reported as an intergovernmental payable.

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

The net pension liability for OPERS was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS	OPF	Total
Proportion of the Net Pension Liability:			
Current Measurement Period	0.02368489%	0.11775300%	
Prior Measurement Period	0.02293600%	0.11593900%	
Change in Proportion	<u>0.00074889%</u>	<u>0.00181400%</u>	
Proportionate Share of the Net			
Pension Liability	\$ 5,378,435	\$ 7,458,343	\$ 12,836,778
Pension Expense	\$ 1,497,913	\$ 975,742	\$ 2,473,655

Other than contributions made subsequent to the measurement date and differences between projected and actual earnings on investments; deferred inflows/outflows of resources are recognized in pension expense beginning in the current period, using a straight line method over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions, determined as of the beginning of the measurement period. Net deferred inflows/outflows of resources pertaining to the differences between projected and actual investment earnings are similarly recognized over a closed five year period. At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	OPF	Total
<b>Deferred Outflows of Resources</b>			
Net Difference between Projected and Actual			
Earnings on Pension Plan Investments	\$ 800,973	\$ 733,152	\$ 1,534,125
Differences between Expected and			
Actual Experience	7,290	2,110	9,400
Changes of Assumptions	853,084	0	853,084
Changes in Proportionate Share	444,902	278,740	723,642
City Contributions Subsequent			
to the Measurement Date	400,843	501,565	902,408
Total Deferred Outflows of Resources	<u>\$ 2,507,092</u>	<u>\$ 1,515,567</u>	<u>\$ 4,022,659</u>
<b>Deferred Inflows of Resources</b>			
Differences between Expected and			
Actual Experience	<u>\$ 32,010</u>	<u>\$ 17,173</u>	<u>\$ 49,183</u>

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\$902,408 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 in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS	OPF	Total
2018	\$ 1,029,290	\$ 340,237	\$ 1,369,527
2019	781,096	340,238	1,121,334
2020	287,330	274,510	561,840
2021	(23,477)	15,571	(7,906)
2022	0	24,628	24,628
Thereafter	0	1,645	1,645
	<u>\$ 2,074,239</u>	<u>\$ 996,829</u>	<u>\$ 3,071,068</u>

***Actuarial Assumptions - OPERS***

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the Board's actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0 percent down to 7.5 percent, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

<u>Actuarial Information</u>	<u>Traditional Pension Plan</u>
Actuarial Cost Method	Individual Entry Age
Investment Rate of Return	7.50 percent
Wage Inflation	3.25 percent
Projected Salary Increases, including wage inflation	3.25 percent to 10.75 percent (includes wage inflation at 3.25 percent)
Cost-of-Living Adjustments	Pre-1/7/2013 Retirees: 3.00 percent Simple Post-1/7/2013 Retirees: 3.00 percent Simple through 2018, then 2.15 percent Simple



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

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

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

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

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The following table displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other Investments	18.00	4.92
Total	<u>100.00 %</u>	<u>5.66 %</u>

**Discount Rate** The discount rate used to measure the total pension liability was 7.50 percent, post-experience study results. 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 was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
City's proportionate share of the net pension liability:	\$ 8,216,761	\$ 5,378,435	\$ 3,013,191

**Actuarial Assumptions – OPF**

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

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

Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11.00 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent plus productivity increase rate of 0.5 percent
Cost-of-Living Adjustments	3.00 percent simple; 2.60 percent simple for increases based on lesser of the increase in CPI and 3.00 percent

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

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

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 OPF's Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2016, are summarized as follows:

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

Note: Assumptions are geometric.

\* levered 2x

\*\* Numbers are net of expected inflation

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

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

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability:	\$ 9,933,648	\$ 7,458,343	\$ 5,360,514

***Changes between Measurement Date and Report Date***

In October 2017, the OPF Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of January 1, 2017. The most significant change is a reduction in the discount rate from 8.25 percent to 8.00 percent. Although the exact amount of these changes is not known, it has the potential to impact to the City's net pension liability.

**Note 13 – POST-EMPLOYMENT BENEFITS**

***Ohio Public Employees Retirement System***

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional 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.

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

In order to qualify for health care coverage, age-and-service retirees under the traditional and combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. 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.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund post-employment health care through contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, 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 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 2017 was 4 percent.

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Substantially all of the City's contributions allocated to fund post-employment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contributions for the years ended December 31, 2017, 2016, and 2015 were \$30,834, \$61,215, and \$59,827 respectively. For 2017, 79 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2016 and 2015.

***Ohio Police and Fire Pension Fund***

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OPF. OPF provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OPF provides access to post-retirement 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 OPF meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement 45.

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

OPF issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OPF, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OPF's website at [www.op-f.org](http://www.op-f.org).

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF (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 24.0 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24.0 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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

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. The portion of employer contributions allocated to health care was 0.5 percent of covered payroll from January 1, 2017 thru December 31, 2017. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OPF, which were allocated to fund post-employment health care benefits for the years ending December 31, 2017, 2016, and 2015 were \$11,989, \$12,730 and \$11,845, respectively. 84 percent has been contributed for police and 85 percent has been contributed for firefighters for 2017. The full amount has been contributed for 2016 and 2015.

**NOTE 14: RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains comprehensive insurance coverage with private carriers for real property, building contents, vehicles, general liability insurance, crime and police professional liability insurance. The City also carries public officials and employment practices liability insurance. Settlements have not exceeded coverage in any of the last three years. The City has taken steps to counter the increase in the number of lawsuits filed in the areas of law enforcement. The City's deductible is between \$5,000 and \$25,000 for each claim filed under affected liability coverage. The City has instituted policies and procedures as recommended by the City's liability insurance carrier to prevent further lawsuits. In addition, advanced risk management training has been incorporated into the training cycle for the City's personnel. There has not been a significant reduction of coverage from the prior year and settled claims have not exceeded commercial coverage in any of the last three years.

The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated on accident history and administrative costs.

**NOTE 15: OTHER EMPLOYEE BENEFITS**

***A. Compensated Absences***

Vacation leave is earned at rates which vary depending upon length of service and standard work week. Current policy credits vacation leave on the employee's anniversary date; thereafter, vacation leave accrues on a pro-rated basis each pay period depending upon length of service. A maximum of three years' accrual may be carried into the next calendar year. City employees are paid for earned, unused vacation leave at the time of termination of employment.

Sick leave is earned at the rate of four and six-tenths hours for every 80 hours worked and can be accumulated without limit. Upon retirement from the City, accumulated, unused sick leave is paid up to a maximum number of hours, depending on length of service, union contract guidelines, and/or City ordinance specifications.

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***B. Insurance Benefits***

For the year, the City’s health insurance was provided by United Healthcare; vision insurance was provided by Superior Vision Plan; dental insurance was provided by Delta Dental; and life and accident insurance was provided by Hartford Life and Colonial Life and Accident Insurance Company.

***C. Deferred Compensation***

City employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

**NOTE 16: SIGNIFICANT COMMITMENTS**

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year-end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

Fund	Amount
<i>Governmental Funds</i>	
Capital Improvement .4%	179,226
Capital Improvement	515,893
	\$ 695,119

**CONTINGENCIES**

***A. Litigation***

The City is party to various legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The City’s management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

***B. Grants***

The City received financial assistance from 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 adverse effect on the overall financial position of the City at December 31, 2017.



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**NOTE 18: JOINTLY GOVERNED ORGANIZATIONS**

The Pickaway Progress Partnership (P<sup>3</sup>) was created as a not-for-profit corporation under Section 1724.01 et. seq., Ohio Revised Code. P<sup>3</sup> is governed by a 15 member Board of Trustees, three of which are elected or appointed officials of the City, three are appointed by Pickaway County, one is a representative of the North Gate Alliance Cooperative Economic Development Agreement, and eight are volunteer citizens. P<sup>3</sup> is the economic development agent for Pickaway County and its municipalities. P<sup>3</sup> has three main objectives: promote and market the advantages of locating business in the County; promote a stronger business environment by facilitating retention and expansion efforts of local employers; and deliver a seamless network of economic development services and value-added programs to existing businesses, local government, and prospective companies throughout Pickaway County. Because P<sup>3</sup> is subject to joint control and the participants have no equity interest in P<sup>3</sup>, P<sup>3</sup> is a jointly governed organization of the City. The City contributed \$42,900 in support payments and provided office facilities to P<sup>3</sup> during the year.

In 2016, the City and Pickaway Township entered into a contract to create and provide for the operation of the City of Circleville-Pickaway Township Joint Economic Development District (JEDD). The JEDD is a not for profit Community Improvement Corporation formed under Sections 715.72 through 715.81 of the Ohio Revised Code. The JEDD was designated as the economic development agent for the City of Circleville and Pickaway Township. The purpose of the JEDD is to facilitate economic development to create or preserve jobs and employment opportunities and to improve the economic welfare of the people in the State, the Township, the City and the JEDD. The JEDD is administered by a Board of locally appointed officials and local business leaders. The JEDD is not dependent upon the City of Circleville for its existence.

**NOTE 19: INTERFUND TRANSFER**

The bond retirement fund transferred \$3,278,529 to the capital improvement. This transfer was made for financial statement purposes only to accurately report the repayment of the capital facilities bond from the fund that received the bond proceeds.

**NOTE 20: FUND BALANCE**

Fund balance can be 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 the resources in governmental funds.

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The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

	General Fund	Income Tax Fund	Safety Forces Tax Fund	Safety Forces .1% Income Tax Fund	General Obligation Bond Retirement Fund	Capital Improvement Fund	Capital Improvement .4% Income Tax Fund	Other Governmental Funds	Total
Nonspendable for:									
Inventory	\$ 29,416	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 79,037	\$ 108,453
Prepaid Items	38,331	0	25,787	0	0	0	0	0	64,118
Total Nonspendable	<u>67,747</u>	<u>0</u>	<u>25,787</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>79,037</u>	<u>172,571</u>
Restricted for:									
Road Improvements	0	0	0	0	0	0	0	175,652	175,652
Safety Forces	0	0	0	4,713	0	0	0	119,705	124,418
Legal Computer Maintenance	0	0	0	0	0	0	0	956,132	956,132
Municipal Court	0	0	0	0	0	0	0	253,300	253,300
Leisure Time Services	0	0	0	0	0	0	0	48,649	48,649
Community Development	0	0	0	0	0	0	0	15,297	15,297
Capital Improvements	0	0	0	0	0	0	1,301,011	637	1,301,648
Other Purposes	0	0	0	0	0	0	0	1,829	1,829
Total Restricted	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,713</u>	<u>0</u>	<u>0</u>	<u>1,301,011</u>	<u>1,571,201</u>	<u>2,876,925</u>
Committed for:									
Future Severance Payments	42,825	0	0	0	0	0	0	0	42,825
Income Tax Administration	0	31,898	0	0	0	0	0	0	31,898
Safety Forces	0	0	385,136	0	0	0	0	0	385,136
Debt Service Payments	0	0	0	0	235,409	0	0	0	235,409
Capital Improvements	0	0	0	0	0	878,601	0	0	878,601
Cable Franchise Operations	0	0	0	0	0	0	0	75,723	75,723
Total Committed	<u>42,825</u>	<u>31,898</u>	<u>385,136</u>	<u>0</u>	<u>235,409</u>	<u>878,601</u>	<u>0</u>	<u>75,723</u>	<u>1,649,592</u>
Assigned:									
Subsequent Year Appropriations	328,990	0	0	0	0	0	0	0	328,990
Unassigned	432,452	0	0	0	0	0	0	0	432,452
Total Fund Balance	<u>\$ 872,014</u>	<u>\$ 31,898</u>	<u>\$ 410,923</u>	<u>\$ 4,713</u>	<u>\$ 235,409</u>	<u>\$ 878,601</u>	<u>\$ 1,301,011</u>	<u>\$ 1,725,961</u>	<u>\$ 5,460,530</u>

**City of Circleville**  
**Pickaway County, Ohio**  
*Required Supplementary Information*  
*Schedule of the City's Proportionate Share of the Net Pension Liability*  
*Last Four Years (1)*

	2017	2016	2015	2014
<b>Ohio Public Employees' Retirement System (OPERS)</b>				
City's Proportion of the Net Pension Liability	0.0236849%	0.0229360%	0.0140360%	0.0140360%
City's Proportionate Share of the Net Pension Liability	\$ 5,378,435	\$ 3,972,804	\$ 1,692,898	\$ 1,654,662
City's Covered Payroll	\$ 3,060,733	\$ 2,855,692	\$ 2,699,592	\$ 3,047,154
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	175.72%	139.12%	62.71%	54.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.25%	81.08%	86.45%	86.36%
<b>Ohio Police and Fire Pension Fund (OPF)</b>				
City's Proportion of the Net Pension Liability	0.1177530%	0.1159390%	0.1100746%	0.1100746%
City's Proportionate Share of the Net Pension Liability	\$ 7,458,343	\$ 7,458,437	\$ 5,702,323	\$ 5,360,978
City's Covered Payroll	\$ 2,546,021	\$ 2,368,955	\$ 2,125,829	\$ 1,719,308
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	292.94%	314.84%	268.24%	311.81%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.36%	66.77%	72.20%	73.00%

(1) Information prior to 2014 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

**Notes:**

**Ohio Public Employees' Retirement System (OPERS)**

*Changes of Benefit Terms:* None.

*Changes of Assumptions:* Amounts reported in 2017 reflect an adjustment of the rates of withdrawal, disability, retirement and mortality to more closely reflect actual experience. The expectation of retired life mortality was based on RP-2014 Healthy Annuitant mortality table and RP-2014 Disabled mortality table. The following reductions were also made to the actuarial assumptions:

- Discount rate from 8.00% to 7.50%
- Wage inflation rate from 3.75% to 3.25%
- Price inflation from 3.00% to 2.50%

**City of Circleville**  
**Pickaway County, Ohio**  
*Required Supplementary Information*  
*Schedule of City Contributions*  
*Last Ten Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b><i>Ohio Public Employees' Retirement System (OPERS)</i></b>				
Contractually Required Contribution	\$ 400,843	\$ 367,288	\$ 342,683	\$ 323,951
Contributions in Relation to the Contractually Required Contribution	<u>(400,843)</u>	<u>(367,288)</u>	<u>(342,683)</u>	<u>(323,951)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's Covered Payroll	\$ 3,083,407	\$ 3,060,733	\$ 2,855,692	\$ 2,699,592
Contributions as a Percentage of Covered Payroll	13.00%	12.00%	12.00%	12.00%
<b><i>Ohio Police and Fire Pension Fund (OPF)</i></b>				
Contractually Required Contribution	\$ 501,565	\$ 535,917	\$ 496,912	\$ 560,655
Contributions in Relation to the Contractually Required Contribution	<u>(501,565)</u>	<u>(535,917)</u>	<u>(496,912)</u>	<u>(560,655)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's Covered Payroll	\$ 2,397,883	\$ 2,546,021	\$ 2,368,955	\$ 2,125,829
Contributions as a Percentage of Covered Payroll	20.92%	21.05%	20.98%	26.37%

(n/a) Information prior to 2013 is not available.

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 396,130	n/a	n/a	n/a	n/a	n/a
<u>(396,130)</u>	n/a	n/a	n/a	n/a	n/a
<u>\$ 0</u>	n/a	n/a	n/a	n/a	n/a
\$ 3,047,154	n/a	n/a	n/a	n/a	n/a
13.00%	n/a	n/a	n/a	n/a	n/a
\$ 303,447	\$ 291,995	\$ 304,382	\$ 315,822	\$ 334,051	\$ 319,274
<u>(303,447)</u>	<u>(291,995)</u>	<u>(304,382)</u>	<u>(315,822)</u>	<u>(334,051)</u>	<u>(319,274)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 1,719,308	\$ 1,978,008	\$ 2,087,590	\$ 2,167,251	\$ 2,311,316	\$ 2,181,458
17.65%	14.76%	14.58%	14.57%	14.45%	14.64%