

City of Circleville  
Pickaway County, Ohio

*Basic Financial Statements*

For the Year Ended  
December 31, 2018

**CITY OF CIRCLEVILLE**  
**PICKAWAY COUNTY, OHIO**  
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May 17, 2019

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, 2018 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 and other postemployment benefits information 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, 2018*  
*(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, 2018. 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 2018 are as follows:

- In total, net position decreased \$1,631,885, which represents a 5 percent decrease from 2017. Net position of governmental activities decreased \$1,749,341. Net position of business-type activities increased \$117,456.
- Total capital assets increased \$183,165 during 2018. Capital assets of governmental activities increased \$631,189 and capital assets of business-type activities decreased \$448,024.
- Outstanding debt decreased from \$8,009,741 to \$7,622,307.
- The City implemented GASB 75, which reduced beginning net position as previously reported by \$7,114,841 and \$827,809 for governmental and business-type activities, respectively.

***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 2018 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 2018?" 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 waterworks operating and sanitary 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, safety forces tax 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 2018 compared to 2017:

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

	Governmental Activities			Business-Type Activities		
	2018	Restated 2017	Change	2018	Restated 2017	Change
<b>Assets</b>						
Current and Other Assets	\$ 7,560,059	\$ 9,079,390	\$ (1,519,331)	\$ 7,011,823	\$ 6,604,644	\$ 407,179
Capital Assets	27,218,341	26,587,152	631,189	22,286,770	22,734,794	(448,024)
<i>Total Assets</i>	34,778,400	35,666,542	(888,142)	29,298,593	29,339,438	(40,845)
<b>Deferred Outflows of Resources</b>						
Deferred Charges	7,759	11,638	(3,879)	72,612	0	72,612
Pension & OPEB	2,576,641	3,173,079	(596,438)	390,098	892,403	(502,305)
<i>Total Deferred Outflows of Resources</i>	2,584,400	3,184,717	(600,317)	462,710	892,403	(429,693)
<b>Liabilities</b>						
Current and Other Liabilities	548,625	516,414	32,211	250,132	415,584	(165,452)
Long-Term Liabilities:						
Due within One Year	1,000,551	796,434	204,117	289,684	192,378	97,306
Due in More Than One Year:						
Net Pension Liability	9,112,406	10,954,326	(1,841,920)	1,207,933	1,882,452	(674,519)
Net OPEB Liability	7,833,248	7,146,872	686,376	829,949	838,601	(8,652)
Other Amounts	4,432,251	5,048,822	(616,571)	2,705,627	2,875,989	(170,362)
<i>Total Liabilities</i>	22,927,081	24,462,868	(1,535,787)	5,283,325	6,205,004	(921,679)
<b>Deferred Inflows of Resources</b>						
Property Taxes	724,178	731,126	(6,948)	0	0	0
Deferred Charges on Refunding	0	0	0	0	39,811	(39,811)
Pension & OPEB	1,841,596	37,979	1,803,617	451,836	11,204	440,632
<i>Total Deferred Inflows of Resources</i>	2,565,774	769,105	1,796,669	451,836	51,015	400,821
<b>Net Position</b>						
Net Investment in Capital Assets	22,296,437	21,798,044	498,393	19,464,612	19,702,453	(237,841)
Restricted	4,146,468	4,930,844	(784,376)	0	0	0
Unrestricted	(14,572,960)	(13,109,602)	(1,463,358)	4,628,666	4,273,369	355,297
<i>Total Net Position</i>	\$11,869,945	\$13,619,286	\$ (1,749,341)	\$24,093,278	\$23,975,822	\$ 117,456

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

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

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

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

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

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

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

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

As a result of implementing GASB 75, the City is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2017, from \$20,734,127 to \$13,619,286 for governmental activities and from \$24,803,631 to \$23,975,822 for business-type activities.

At year end, capital assets represented 77 percent of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, machinery and equipment, vehicles and infrastructure. Capital assets, net of related debt were \$41,761,049 at December 31, 2018, with \$22,296,437 in governmental activities and \$19,464,612 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.

A portion of the City's net position, \$4,146,468 represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position is a deficit balance of \$9,944,294.

The decrease in cash and investments for governmental activities was primarily due to expenditures exceeded income tax revenues. The municipal income tax base declined in 2018 as further discussed in current issues.

The decrease in intergovernmental receivable for governmental activities was primarily due to the City receiving a FEMA grant for fire equipment in the prior year for \$265,881 which was fully expended in 2018.

Business-type non-depreciable capital assets decreased \$956,996 due to the completion of 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 2018 and 2017.

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

	Governmental Activities			Business-Type Activities		
	2018	2017	Change	2018	2017	Change
<b>Revenues</b>						
<i>Program Revenues:</i>						
Charges for Services	\$ 1,890,169	\$ 2,023,015	\$ (132,846)	\$ 4,419,492	\$ 4,492,759	\$ (73,267)
Operating Grants	773,631	1,194,259	(420,628)	0	0	0
Capital Grants	210,210	808,449	(598,239)	0	932,407	(932,407)
<i>General Revenues:</i>						
Property Taxes	863,324	857,216	6,108	0	0	0
Income Taxes	6,801,864	6,724,407	77,457	0	0	0
Grants and Entitlements	504,720	505,532	(812)	0	0	0
Unrestricted Donations	0	1,131	(1,131)	0	0	0
Other Taxes	277,493	164,407	113,086	0	0	0
Insurance Recoveries	40,505	0	40,505	0	0	0
Investment Earnings	140,666	93,109	47,557	0	0	0
Other	214,163	349,550	(135,387)	56,194	44,782	11,412
<i>Total Revenues</i>	<u>11,716,745</u>	<u>12,721,075</u>	<u>(1,004,330)</u>	<u>4,475,686</u>	<u>5,469,948</u>	<u>(994,262)</u>
<b>Program Expenses</b>						
General Government	3,886,047	3,573,712	312,335	0	0	0
Security of Persons and Property	6,451,577	5,954,299	497,278	0	0	0
Public Health	165,829	184,428	(18,599)	0	0	0
Leisure Time Services	247,173	240,489	6,684	0	0	0
Community Development	13,341	106,015	(92,674)	0	0	0
Transportation	2,607,690	2,674,348	(66,658)	0	0	0
Interest and Fiscal Charges	143,691	143,579	112	0	0	0
<i>Enterprise Operations:</i>						
Waterworks Operating	0	0	0	1,891,513	1,981,449	(89,936)
Sanitary Sewer Operating	0	0	0	2,417,455	2,418,240	(785)
<i>Total Program Expenses</i>	<u>13,515,348</u>	<u>12,876,870</u>	<u>638,478</u>	<u>4,308,968</u>	<u>4,399,689</u>	<u>(90,721)</u>
<i>Increase (Decrease) in Net Position</i>	(1,798,603)	(155,795)	(1,642,808)	166,718	1,070,259	(903,541)
Transfers	49,262	(264,666)	313,928	(49,262)	264,666	(313,928)
<i>Change in Net Position</i>	(1,749,341)	(420,461)	(1,328,880)	117,456	1,334,925	(1,217,469)
<i>Net Position Beginning of Year-Restated</i>	13,619,286	21,154,588	(7,535,302)	23,975,822	23,468,706	507,116
<i>Restatement - See Note 2</i>	0	(7,114,841)	7,114,841	0	(827,809)	827,809
<i>Net Position End of Year</i>	<u>\$ 11,869,945</u>	<u>\$ 13,619,286</u>	<u>\$ (1,749,341)</u>	<u>\$ 24,093,278</u>	<u>\$ 23,975,822</u>	<u>\$ 117,456</u>

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The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$10,792 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report OPEB expense of \$615,432. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

	Governmental Activities	Business-Type Activities
Total 2018 Expenses under GASB 75	\$ 13,515,348	\$ 4,308,968
OPEB Expense under GASB 75	(567,447)	(47,985)
2018 Contractually Required Contributions	13,033	0
Adjusted 2018 Expenses	12,960,934	4,260,983
Total 2017 Expenses under GASB 45	12,876,870	4,399,689
Increase/(Decrease) in Expenses not Related to OPEB	\$ 84,064	\$ (138,706)

The City's overall net position decreased \$1,631,885 from the prior year. The reasons for this overall decrease are discussed in the following sections for governmental activities and business-type activities.

**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.

The City saw a decrease in capital grants and contributions primarily due to significant donated assets in 2017, coupled with a decrease in operating grants during 2018 due to the completion of the Justice Reinvestment grant during 2017.

Police and fire represent the largest expense of the Governmental Activities. 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.

The City also maintains a park (leisure time services) within the City.

**Business-Type Activities**

Business-type activities include waterworks and sanitary sewer operations. The revenues are generated primarily from charges for services and sales. In 2018, charges for services and sales accounted for 99 percent of the business type revenues.

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The City's business-type activities saw a decrease in capital grants and contributions due to significant donated assets in 2017.

***The City's Funds***

***Governmental Funds***

As noted earlier, the City's governmental funds are accounted for using the modified accrual method of accounting. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of the fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

The general fund's net change in fund balance for 2018 was a decrease of \$120,055 from normal operations.

The safety forces tax fund's net change in fund balance for 2018 was a decrease of \$251,643 due to the decrease in income tax revenues.

The capital improvement .4% income tax fund's net change in fund balance for 2018 was a decrease of \$5,651.

***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 \$2,101,339 and the sanitary sewer operating fund was \$2,527,327. The change in net position for these funds was growth of \$8,762 and \$108,694, respectively. 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 2018, 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.

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**Original Budget Compared to Final Budget** During the year there was no need for any significant amendments to increase either the original estimated revenues or original budgeted appropriations. However, there was a need to make an amendment to reallocate appropriations among departments when it became clearer which departments would actually be charged for certain employee benefits such as pensions and other postemployment benefits. Generally, the movement of the appropriations between departments was not significant.

**Final Budget Compared to Actual Results** There were no significant differences between estimated revenues and actual revenues. Appropriations also had no significant differences between estimated expenditures and actual expenditures. The exception would be for general government expenditures were lower than the estimated amount.

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

**Capital Assets and Debt Administration**

**Capital Assets**

Table 3 shows 2018 balances compared with 2017. See Note 8 for additional details.

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 1,773,698	\$ 1,773,698	\$ 149,180	\$ 149,180	\$ 1,922,878	\$ 1,922,878
Construction in Progress	133,598	112,589	137,079	1,094,075	270,677	1,206,664
Land Improvements	203,876	235,626	13,678	14,572	217,554	250,198
Buildings and Improvements	4,431,822	4,242,598	4,807,664	4,083,035	9,239,486	8,325,633
Machinery and Equipment	1,540,874	1,317,080	581,409	544,080	2,122,283	1,861,160
Vehicles	587,790	420,584	296,656	262,546	884,446	683,130
Infrastructure	18,546,683	18,484,977	16,301,104	16,587,306	34,847,787	35,072,283
<b>Total</b>	<b>\$ 27,218,341</b>	<b>\$ 26,587,152</b>	<b>\$ 22,286,770</b>	<b>\$ 22,734,794</b>	<b>\$ 49,505,111</b>	<b>\$ 49,321,946</b>

**Debt**

Table 4 summarizes outstanding debt. See Note 9 and 10 for additional details.

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	\$ 4,080,000	\$ 4,572,000	\$ 1,830,000	\$ 1,850,000	\$ 5,910,000	\$ 6,422,000
OPWC Loans	0	0	879,359	893,839	879,359	893,839
OWDA Loans	0	0	80,547	64,899	80,547	64,899
Capital Leases	752,401	589,177	0	39,826	752,401	629,003
<b>Total</b>	<b>\$ 4,832,401</b>	<b>\$ 5,161,177</b>	<b>\$ 2,789,906</b>	<b>\$ 2,848,564</b>	<b>\$ 7,622,307</b>	<b>\$ 8,009,741</b>

**City of Circleville**  
**Pickaway County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2018*  
*(Unaudited)*

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***Current Issues***

On a cash basis, the City of Circleville's municipal income tax base decreased in 2018 by 2.17 percent. The municipal income tax declined in 2018 with 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 48.17 percent of the operating revenues for general fund operations. The .6 percent municipal income tax provides 35.81 percent of the revenues required to fund safety forces expenditures. A voter approved .4 percent capital improvement tax increase allowed the City to complete \$1.14 million in street improvements and \$27,000 in park enhancements. The overall employment base has stabilized but wages will see a decline as manufacturing jobs are replaced by lower service sector wages. The City's cash balance as a percent of operating revenues continues to weaken. The debt burden for the City continues to remain small.

In 2018 the City received over \$557,871 in grant dollars. The fire department received \$280,750 from FEMA for defibrillators/CPR equipment and a vehicle, the Municipal Court acquired \$62,243 for probation services, the Service Department received \$209,878 for street infrastructure upgrades and the Park and Recreation Department received \$5,000 for park upgrades. The availability of grant dollars has allowed the City to accomplish projects and acquire equipment beyond its current financial capabilities. The utility department began the initial design stages of an upgrade to the wastewater treatment plant aeration system with proceeds from an OWDA loan totaling \$1.3 million.

The City of Circleville entered into a joint economic development agreement (JEDD) with Pickaway Township in 2016. The City of Circleville/Pickaway Township JEDD has created over 300 new jobs in the area. The City received 7 percent of the municipal income tax generated from the JEDD tallying \$29,617. The JEDD area has the potential to double in workforce with the proposed second phase of the plan.

With the completion of the US 23 connector and the extension of South Court Street retail development has increased. A new strip mall is under construction on South Court Street. Active development plans are underway in the area with the potential of bring additional retail establishments.

***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, 2018*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Investments	\$ 3,674,292	\$ 6,215,435	\$ 9,889,727
Cash and Investments in Segregated Accounts	1,593	31,012	32,605
Cash and Investments with Fiscal Agents	34,868	0	34,868
Accounts Receivable	110,902	636,623	747,525
Accrued Interest Receivable	23,582	0	23,582
Intergovernmental Receivable	635,492	0	635,492
Property Taxes Receivable	757,106	0	757,106
Income Taxes Receivable	2,055,701	0	2,055,701
Prepaid Items	55,469	18,965	74,434
Materials and Supplies Inventory	170,760	109,788	280,548
Payments in Lieu of Taxes Receivable	40,294	0	40,294
Restricted Assets:			
Equity in Pooled Cash and Investments	0	67,136	67,136
Non-Depreciable Capital Assets	1,907,296	286,259	2,193,555
Depreciable Capital Assets, Net	25,311,045	22,000,511	47,311,556
<i>Total Assets</i>	<u>34,778,400</u>	<u>29,365,729</u>	<u>64,144,129</u>
<b>Deferred Outflows of Resources</b>			
Deferred Charges on Refunding	7,759	72,612	80,371
Pension	1,832,987	329,022	2,162,009
OPEB	743,654	61,076	804,730
<i>Total Deferred Outflows of Resources</i>	<u>2,584,400</u>	<u>462,710</u>	<u>3,047,110</u>
<b>Liabilities</b>			
Accounts Payable	137,010	47,860	184,870
Accrued Wages	205,369	53,971	259,340
Contracts Payable	1,713	32,252	33,965
Intergovernmental Payable	159,238	31,959	191,197
Matured Interest Payable	14,831	0	14,831
Matured Bonds Payable	20,000	0	20,000
Accrued Interest Payable	10,464	3,765	14,229
Matured Compensated Absences Payable	0	13,189	13,189
Refundable Deposits	0	67,136	67,136
Long-Term Liabilities:			
Due Within One Year	1,000,551	289,684	1,290,235
Due In More Than One Year:			
Net Pension Liability	9,112,406	1,207,933	10,320,339
Net OPEB Liability	7,833,248	829,949	8,663,197
Other Amounts Due in More Than One Year	4,432,251	2,705,627	7,137,878
<i>Total Liabilities</i>	<u>22,927,081</u>	<u>5,283,325</u>	<u>28,210,406</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes Levied for the Next Year	724,178	0	724,178
Pension	1,261,935	344,915	1,606,850
OPEB	579,661	106,921	686,582
<i>Total Deferred Inflows of Resources</i>	<u>2,565,774</u>	<u>451,836</u>	<u>3,017,610</u>
<b>Net Position</b>			
Net Investment in Capital Assets	22,296,437	19,464,612	41,761,049
Restricted for:			
Capital Projects	1,570,067	0	1,570,067
Debt Service	177,076	0	177,076
Safety Services	731,922	0	731,922
Streets	535,449	0	535,449
Community Development	22,374	0	22,374
Other Purposes	1,109,580	0	1,109,580
Unrestricted	(14,572,960)	4,628,666	(9,944,294)
<i>Total Net Position</i>	<u>\$ 11,869,945</u>	<u>\$ 24,093,278</u>	<u>\$ 35,963,223</u>

See accompanying notes and accountant's compilation report.

**City of Circleville**  
**Pickaway County, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2018

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General Government	\$ 3,886,047	\$ 1,303,094	\$ 1,117	\$ 0	\$ (2,581,836)	\$ 0	\$ (2,581,836)
Security of Persons and Property	6,451,577	511,257	137,720	0	(5,802,600)	0	(5,802,600)
Public Health	165,829	0	0	0	(165,829)	0	(165,829)
Leisure Time Services	247,173	20,385	13,488	0	(213,300)	0	(213,300)
Community Development	13,341	13,390	42	0	91	0	91
Transportation	2,607,690	42,043	621,264	210,210	(1,734,173)	0	(1,734,173)
Interest and Fiscal Charges	143,691	0	0	0	(143,691)	0	(143,691)
<i>Total Governmental Activities</i>	<u>13,515,348</u>	<u>1,890,169</u>	<u>773,631</u>	<u>210,210</u>	<u>(10,641,338)</u>	<u>0</u>	<u>(10,641,338)</u>
<b>Business-Type Activities</b>							
Waterworks Operating	1,891,513	1,881,220	0	0	0	(10,293)	(10,293)
Sanitary Sewer Operating	2,417,455	2,538,272	0	0	0	120,817	120,817
<i>Total Business-Type Activities</i>	<u>4,308,968</u>	<u>4,419,492</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>110,524</u>	<u>110,524</u>
<i>Total</i>	<u>\$ 17,824,316</u>	<u>\$ 6,309,661</u>	<u>\$ 773,631</u>	<u>\$ 210,210</u>	<u>(10,641,338)</u>	<u>110,524</u>	<u>(10,530,814)</u>
<b>General Revenues:</b>							
Property Taxes Levied for:							
General Purposes					740,937	0	740,937
Police, Fire and Community Operations					122,387	0	122,387
Income Taxes Levied for:							
General Purposes					2,885,222	0	2,885,222
Debt Service					381,956	0	381,956
Capital Projects					1,539,701	0	1,539,701
Police and Fire					1,994,985	0	1,994,985
Grants and Entitlements not Restricted to Specific Programs					504,720	0	504,720
Payments in Lieu of Taxes					28,933	0	28,933
Other Taxes					277,493	0	277,493
Insurance Recoveries					40,505	0	40,505
Investment Earnings					140,666	0	140,666
Miscellaneous					185,230	56,194	241,424
<i>Total General Revenues</i>					<u>8,842,735</u>	<u>56,194</u>	<u>8,898,929</u>
Transfers					49,262	(49,262)	0
<i>Change in Net Position</i>					<u>(1,749,341)</u>	<u>117,456</u>	<u>(1,631,885)</u>
<i>Net Position Beginning of Year (Restated, see Note 2)</i>					<u>13,619,286</u>	<u>23,975,822</u>	<u>37,595,108</u>
<i>Net Position End of Year</i>					<u>\$ 11,869,945</u>	<u>\$ 24,093,278</u>	<u>\$ 35,963,223</u>

See accompanying notes and accountant's compilation report.

**City of Circleville**  
**Pickaway County, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*December 31, 2018*

	General	Safety Forces Tax Fund	Capital Improvement .4% Income Tax Fund	All Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Investments	\$ 595,331	\$ 159,400	\$ 1,190,175	\$ 1,729,386	\$ 3,674,292
Cash and Investments in Segregated Accounts	1,593	0	0	0	1,593
Cash and Investments with Fiscal Agents	0	0	0	34,868	34,868
Accounts Receivable	96,551	0	0	14,351	110,902
Accrued Interest Receivable	23,582	0	0	0	23,582
Intergovernmental Receivable	231,230	0	0	404,262	635,492
Property Taxes Receivable	633,007	0	0	124,099	757,106
Income Taxes Receivable	806,806	504,321	392,751	351,823	2,055,701
Prepaid Items	31,565	23,904	0	0	55,469
Materials and Supplies Inventory	38,001	0	0	132,759	170,760
Payments in Lieu of Taxes Receivable	0	0	0	40,294	40,294
<i>Total Assets</i>	<u>\$ 2,457,666</u>	<u>\$ 687,625</u>	<u>\$ 1,582,926</u>	<u>\$ 2,831,842</u>	<u>\$ 7,560,059</u>
<b>Liabilities</b>					
Accounts Payable	\$ 10,705	\$ 99,960	\$ 11,783	\$ 14,562	\$ 137,010
Accrued Wages	151,685	33,110	0	20,574	205,369
Contracts Payable	0	0	1,713	0	1,713
Intergovernmental Payable	59,206	42,925	0	57,107	159,238
Matured Interest Payable	0	0	0	14,831	14,831
Matured Bonds Payable	0	0	0	20,000	20,000
<i>Total Liabilities</i>	<u>221,596</u>	<u>175,995</u>	<u>13,496</u>	<u>127,074</u>	<u>538,161</u>
<b>Deferred Inflows of Resources</b>					
Property Taxes Levied for the Next Year	611,062	0	0	113,116	724,178
Unavailable Revenue	873,049	352,350	274,070	652,567	2,152,036
<i>Total Deferred Inflows of Resources</i>	<u>1,484,111</u>	<u>352,350</u>	<u>274,070</u>	<u>765,683</u>	<u>2,876,214</u>
<b>Fund Balances</b>					
Nonspendable	69,566	23,904	0	132,759	226,229
Restricted	0	135,376	1,295,360	1,479,687	2,910,423
Committed	20,647	0	0	337,484	358,131
Assigned	816,235	0	0	0	816,235
Unassigned	(154,489)	0	0	(10,845)	(165,334)
<i>Total Fund Balances</i>	<u>751,959</u>	<u>159,280</u>	<u>1,295,360</u>	<u>1,939,085</u>	<u>4,145,684</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 2,457,666</u>	<u>\$ 687,625</u>	<u>\$ 1,582,926</u>	<u>\$ 2,831,842</u>	<u>\$ 7,560,059</u>

See accompanying notes and accountant's compilation report.

**City of Circleville**  
**Pickaway County, Ohio**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Position of Governmental Activities*  
*December 31, 2018*

<b>Total Governmental Fund Balances</b>		\$ 4,145,684
<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.		27,218,341
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Delinquent Property Taxes	\$ 22,362	
Income Tax	1,436,614	
Intergovernmental	582,158	
Charges for Services	<u>110,902</u>	2,152,036
Accrued interest payable is not due and payable in the current period and therefore not reported in the funds.		(10,464)
Unamortized gain/loss on refunding represents deferred outflows, which do not provide current financial resources and, therefore, are not reported in the funds.		7,759
The net pension liability and net OPEB liability are 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	1,832,987	
Deferred Outflows - OPEB	743,654	
Net Pension Liability	(9,112,406)	
Net OPEB Liability	(7,833,248)	
Deferred Inflows - Pension	(1,261,935)	
Deferred Inflows - OPEB	<u>(579,661)</u>	(16,210,609)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(4,080,000)	
Bond Premium	(194,883)	
Capital Leases	(752,401)	
Compensated Absences	<u>(405,518)</u>	(5,432,802)
<i>Net Position of Governmental Activities</i>		<u><u>\$ 11,869,945</u></u>

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, 2018*

	General	Safety Forces Tax Fund	Capital Improvement .4% Income Tax Fund	All Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property and Other Local Taxes	\$ 980,020	\$ 0	\$ 0	\$ 194,114	\$ 1,174,134
Income Taxes	2,635,052	1,660,309	1,272,408	1,158,665	6,726,434
Special Assessments	18,528	0	0	0	18,528
Charges for Services	424,031	438,407	0	28,175	890,613
Licenses and Permits	46,122	0	0	0	46,122
Fines and Forfeitures	515,569	0	0	442,211	957,780
Intergovernmental	499,854	5,262	0	1,228,248	1,733,364
Interest	140,200	0	0	10,189	150,389
Contributions and Donations	139	25	0	13,256	13,420
Payments in Lieu of Taxes	0	0	0	10,631	10,631
Other	62,189	86,006	332	37,094	185,621
<i>Total Revenues</i>	<u>5,321,704</u>	<u>2,190,009</u>	<u>1,272,740</u>	<u>3,122,583</u>	<u>11,907,036</u>
<b>Expenditures</b>					
Current:					
General Government	2,512,681	0	0	1,433,549	3,946,230
Security of Persons and Property	2,344,904	2,470,194	0	768,492	5,583,590
Public Health	165,829	0	0	0	165,829
Leisure Time Services	134,277	0	102,520	4,981	241,778
Community Development	12,166	0	0	120	12,286
Transportation	269,615	0	1,109,400	591,260	1,970,275
Capital Outlay	0	0	1,713	891,785	893,498
Debt Service:					
Principal Retirement	2,287	0	0	666,509	668,796
Interest and Fiscal Charges	0	0	0	169,387	169,387
<i>Total Expenditures</i>	<u>5,441,759</u>	<u>2,470,194</u>	<u>1,213,633</u>	<u>4,526,083</u>	<u>13,651,669</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(120,055)</u>	<u>(280,185)</u>	<u>59,107</u>	<u>(1,403,500)</u>	<u>(1,744,633)</u>
<b>Other Financing Sources (Uses)</b>					
Inception of Capital Lease	0	0	0	340,020	340,020
Insurance Recoveries	0	28,542	8,983	2,980	40,505
Transfers In	0	0	0	123,003	123,003
Transfers Out	0	0	(73,741)	0	(73,741)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>28,542</u>	<u>(64,758)</u>	<u>466,003</u>	<u>429,787</u>
<i>Net Change in Fund Balance</i>	<u>(120,055)</u>	<u>(251,643)</u>	<u>(5,651)</u>	<u>(937,497)</u>	<u>(1,314,846)</u>
<i>Fund Balance Beginning of Year</i>	<u>872,014</u>	<u>410,923</u>	<u>1,301,011</u>	<u>2,876,582</u>	<u>5,460,530</u>
<i>Fund Balance End of Year</i>	<u>\$ 751,959</u>	<u>\$ 159,280</u>	<u>\$ 1,295,360</u>	<u>\$ 1,939,085</u>	<u>\$ 4,145,684</u>

See accompanying notes and accountant's compilation report.

**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, 2018*

<b>Net Change in Fund Balances - Total Governmental Funds</b>		<b>\$ (1,314,846)</b>
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Asset Additions	\$ 2,416,053	
Current Year Depreciation	<u>(1,596,795)</u>	819,258
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.		
		(188,069)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(2,277)	
Income Tax	75,430	
Intergovernmental	(268,563)	
Charges for Services	<u>(35,386)</u>	(230,796)
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	492,000	
Capital Lease	<u>176,796</u>	668,796
Inception of capital lease in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues.		
		(340,020)
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, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable	1,048	
Amortization of Premium on Bonds	28,527	
Amortization of Deferred Charges on Refunding	<u>(3,879)</u>	25,696
Contractually required pension/OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	850,978	
OPEB	<u>13,033</u>	864,011
Except for amount reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities.		
Pension	(1,541,075)	
OPEB	<u>(567,447)</u>	(2,108,522)
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		<u>55,151</u>
<i>Change in Net Position of Governmental Activities</i>		<u><u>\$ (1,749,341)</u></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*  
*General Fund*  
*For the Year Ended December 31, 2018*

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$ 765,700	\$ 765,700	\$ 747,407	\$ (18,293)
Income Taxes	2,686,865	2,631,365	2,614,230	(17,135)
Local Taxes	229,800	229,800	237,149	7,349
Special Assessments	10,000	18,500	18,528	28
Charges for Services	391,141	412,641	424,031	11,390
Licenses and Permits	27,900	39,900	46,122	6,222
Fines and Forfeitures	508,000	515,600	515,615	15
Intergovernmental	490,200	501,100	508,319	7,219
Interest	86,150	86,150	146,587	60,437
Contributions and Donations	0	0	139	139
Other	5,000	68,269	84,389	16,120
<i>Total Revenues</i>	<u>5,200,756</u>	<u>5,269,025</u>	<u>5,342,516</u>	<u>73,491</u>
<b>Expenditures</b>				
Current:				
General Government	2,587,608	2,606,091	2,437,322	168,769
Security of Persons and Property	2,315,664	2,439,507	2,364,015	75,492
Public Health	167,882	167,882	165,829	2,053
Leisure Time Services	112,904	138,461	136,370	2,091
Community Development	15,650	23,052	12,178	10,874
Transportation	290,038	304,889	274,023	30,866
<i>Total Expenditures</i>	<u>5,489,746</u>	<u>5,679,882</u>	<u>5,389,737</u>	<u>290,145</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(288,990)</u>	<u>(410,857)</u>	<u>(47,221)</u>	<u>363,636</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(40,000)	(40,000)	(40,000)	0
<i>Net Change in Fund Balance</i>	(328,990)	(450,857)	(87,221)	363,636
<i>Fund Balance Beginning of Year</i>	<u>650,305</u>	<u>650,305</u>	<u>650,305</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 321,315</u>	<u>\$ 199,448</u>	<u>\$ 563,084</u>	<u>\$ 363,636</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 Tax Fund*  
*For the Year Ended December 31, 2018*

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>Revenues</b>				
Income Taxes	\$ 1,658,558	\$ 1,654,208	\$ 1,647,708	\$ (6,500)
Charges for Services	452,000	432,926	438,407	5,481
Intergovernmental	0	13,762	13,702	(60)
Contributions and Donations	0	0	25	25
Reimbursements	0	504	0	(504)
Other	5,000	113,753	114,548	795
<i>Total Revenues</i>	<u>2,115,558</u>	<u>2,215,153</u>	<u>2,214,390</u>	<u>(763)</u>
<b>Expenditures</b>				
Current:				
Security of Persons and Property	<u>2,588,433</u>	<u>2,550,304</u>	<u>2,438,862</u>	<u>111,442</u>
<i>Net Change in Fund Balance</i>	(472,875)	(335,151)	(224,472)	110,679
<i>Fund Balance Beginning of Year</i>	<u>383,872</u>	<u>383,872</u>	<u>383,872</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ (89,003)</u>	<u>\$ 48,721</u>	<u>\$ 159,400</u>	<u>\$ 110,679</u>

See accompanying notes and accountant's compilation report.

**City of Circleville**  
**Pickaway County, Ohio**  
*Statement of Fund Net Position*  
*Proprietary Funds*  
*December 31, 2018*

	Enterprise Funds		
	Waterworks Operating	Sanitary Sewer Operating	Total
<b>Assets</b>			
<i>Current Assets:</i>			
Equity in Pooled Cash and Investments	\$ 2,782,349	\$ 3,433,086	\$ 6,215,435
Cash and Investments in Segregated Accounts	1,321	29,691	31,012
Accounts Receivable	260,781	375,842	636,623
Prepaid Items	12,457	6,508	18,965
Materials and Supplies Inventory	88,184	21,604	109,788
<i>Total Current Assets</i>	<u>3,145,092</u>	<u>3,866,731</u>	<u>7,011,823</u>
<i>Non-Current Assets:</i>			
<i>Restricted Assets:</i>			
Equity in Pooled Cash and Investments	33,568	33,568	67,136
Non-Depreciable Capital Assets	60,552	225,707	286,259
Depreciable Capital Assets, Net	8,843,164	13,157,347	22,000,511
<i>Total Non-Current Assets</i>	<u>8,937,284</u>	<u>13,416,622</u>	<u>22,353,906</u>
<i>Total Assets</i>	<u>12,082,376</u>	<u>17,283,353</u>	<u>29,365,729</u>
<b>Deferred Outflows of Resources</b>			
Deferred Charges on Refunding	30,856	41,756	72,612
Pension	134,056	194,966	329,022
OPEB	25,911	35,165	61,076
<i>Total Deferred Outflows of Resources</i>	<u>190,823</u>	<u>271,887</u>	<u>462,710</u>
<b>Liabilities</b>			
<i>Current Liabilities:</i>			
Accounts Payable	27,875	19,985	47,860
Accrued Wages	24,045	29,926	53,971
Contracts Payable	3,427	28,825	32,252
Intergovernmental Payable	14,028	17,931	31,959
Matured Compensated Absences Payable	0	13,189	13,189
Accrued Interest Payable	1,592	2,173	3,765
Compensated Absences Payable	42,022	31,946	73,968
OPWC Loans Payable	0	45,716	45,716
General Obligation Bonds Payable	75,000	95,000	170,000
Refundable Deposits	33,568	33,568	67,136
<i>Total Current Liabilities</i>	<u>221,557</u>	<u>318,259</u>	<u>539,816</u>
<i>Long-Term Liabilities:</i>			
Compensated Absences Payable - Net of Current Portion	34,422	30,357	64,779
OPWC Loans Payable - Net of Current Portion	0	833,643	833,643
OWDA Loans Payable - Net of Current Portion	0	80,547	80,547
General Obligation Bonds Payable - Net of Current Portion	728,134	998,524	1,726,658
Net Pension Liability	512,456	695,477	1,207,933
Net OPEB Liability	352,100	477,849	829,949
<i>Total Long-Term Liabilities</i>	<u>1,627,112</u>	<u>3,116,397</u>	<u>4,743,509</u>
<i>Total Liabilities</i>	<u>1,848,669</u>	<u>3,434,656</u>	<u>5,283,325</u>
<b>Deferred Inflows of Resources</b>			
Pension	150,086	194,829	344,915
OPEB	47,816	59,105	106,921
<i>Total Deferred Inflows of Resources</i>	<u>197,902</u>	<u>253,934</u>	<u>451,836</u>
<b>Net Position</b>			
Net Investment in Capital Assets	8,125,289	11,339,323	19,464,612
Unrestricted	2,101,339	2,527,327	4,628,666
<i>Total Net Position</i>	<u>\$ 10,226,628</u>	<u>\$ 13,866,650</u>	<u>\$ 24,093,278</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, 2018*

	Enterprise Funds		
	Waterworks	Sanitary Sewer	Total
<b>Operating Revenues</b>			
Charges for Services	\$ 1,881,220	\$ 2,538,272	\$ 4,419,492
Other	19,055	37,139	56,194
<i>Total Operating Revenues</i>	<u>1,900,275</u>	<u>2,575,411</u>	<u>4,475,686</u>
<b>Operating Expenses</b>			
Personal Services	533,519	644,926	1,178,445
Fringe Benefits	291,718	502,291	794,009
Contractual Services	644,112	638,057	1,282,169
Materials and Supplies	57,941	76,189	134,130
Depreciation	329,972	500,193	830,165
Other	4,493	6,987	11,480
<i>Total Operating Expenses</i>	<u>1,861,755</u>	<u>2,368,643</u>	<u>4,230,398</u>
<i>Operating Income</i>	<u>38,520</u>	<u>206,768</u>	<u>245,288</u>
<b>Non-Operating Revenues (Expenses)</b>			
Loss on Sale of Capital Assets	(32)	(11,277)	(11,309)
Interest and Fiscal Charges	(29,726)	(37,535)	(67,261)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(29,758)</u>	<u>(48,812)</u>	<u>(78,570)</u>
<i>Income (Loss) Before Transfers</i>	8,762	157,956	166,718
Transfers Out	0	(49,262)	(49,262)
<i>Change in Net Position</i>	8,762	108,694	117,456
<i>Net Position Beginning of Year (Restated, see Note 2)</i>	<u>10,217,866</u>	<u>13,757,956</u>	<u>23,975,822</u>
<i>Net Position End of Year</i>	<u>\$ 10,226,628</u>	<u>\$ 13,866,650</u>	<u>\$ 24,093,278</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, 2018

	Enterprise Funds		
	Waterworks Operating	Sanitary Sewer Operating	Total
<b>Cash Flows from Operating Activities</b>			
Cash Received from Customers	\$ 1,890,408	\$ 2,548,163	\$ 4,438,571
Cash Received from Other Operating Receipts	19,055	37,139	56,194
Cash Payments to Suppliers for Goods and Services	(310,976)	(212,890)	(523,866)
Cash Payments to Employees for Services and Benefits	(705,697)	(982,625)	(1,688,322)
Cash Payments for Contractual Services	(462,737)	(543,523)	(1,006,260)
Other Cash Payments	(4,520)	(7,394)	(11,914)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>425,533</u>	<u>838,870</u>	<u>1,264,403</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfers Out	0	(49,262)	(49,262)
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	<u>0</u>	<u>(49,262)</u>	<u>(49,262)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Proceeds of OPWC Loans	0	10,800	10,800
Proceeds of OWDA Loans	0	80,547	80,547
Acquisition of Capital Assets	(125,275)	(419,700)	(544,975)
Principal Payments on Debt and Leases	(94,812)	(55,193)	(150,005)
Interest Payments on Debt	(83,402)	(104,648)	(188,050)
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(303,489)</u>	<u>(488,194)</u>	<u>(791,683)</u>
<i>Net Increase (Decrease) in Cash and Investments</i>	122,044	301,414	423,458
<i>Cash and Investments Beginning of Year</i>	<u>2,695,194</u>	<u>3,194,931</u>	<u>5,890,125</u>
<i>Cash and Investments End of Year</i>	<u>\$ 2,817,238</u>	<u>\$ 3,496,345</u>	<u>\$ 6,313,583</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>			
Operating Income (Loss)	\$ 38,520	\$ 206,768	\$ 245,288
Adjustments:			
Depreciation	329,972	500,193	830,165
(Increase) Decrease in Assets and Deferred Outflows:			
Accounts Receivable	11,996	12,699	24,695
Prepaid Items	7,412	6,821	14,233
Materials and Supplies Inventory	(82,357)	(7,428)	(89,785)
Deferred Outflows - Pension/OPEB	213,227	289,078	502,305
Increase (Decrease) in Liabilities and Deferred Inflows:			
Accounts Payable	6,887	(33,574)	(26,687)
Accrued Wages	3,881	3,059	6,940
Refundable Deposits	(2,808)	(2,808)	(5,616)
Compensated Absences Payable	4,933	(10,998)	(6,065)
Matured Compensated Absences Payable	0	13,189	13,189
Intergovernmental Payable	2,379	(4,099)	(1,720)
Deferred Inflows - Pension/OPEB	193,100	247,532	440,632
Net Pension Liability	(294,309)	(380,210)	(674,519)
Net OPEB Liability	(7,300)	(1,352)	(8,652)
<i>Net Cash Provided by (Used For) Operating Activities</i>	<u>\$ 425,533</u>	<u>\$ 838,870</u>	<u>\$ 1,264,403</u>

**Noncash Capital Financing Activities:**

The City purchased \$32,252 and \$183,777 of capital assets on account in 2018 and 2017, respectively.

See accompanying notes and accountant's compilation report.

**City of Circleville**  
**Pickaway County, Ohio**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*December 31, 2018*

	Private Purpose Trust	Agency Funds
<b>Assets</b>		
Equity in Pooled Cash and Investments	\$ 640	\$ 23,144
Cash and Investments in Segregated Accounts	10,000	88,269
<i>Total Assets</i>	10,640	\$ 111,413
<b>Liabilities</b>		
Accounts Payable	0	\$ 4,200
Intergovernmental Payable	0	3,812
Undistributed Monies	0	103,401
<i>Total Liabilities</i>	0	\$ 111,413
<b>Net Position</b>		
Held in Trust for Private Purposes	\$ 10,640	

See accompanying notes and accountant's compilation report.

**City of Circleville**  
**Pickaway County, Ohio**  
*Statement of Changes in Fiduciary Net Position*  
*Private Purpose Trust Fund*  
*For the Year Ended December 31, 2018*

	Private Purpose Trust
<b>Additions</b>	
Interest	\$ 128
<i>Change in Net Position</i>	128
<i>Net Position Beginning of Year</i>	10,512
<i>Net Position End of Year</i>	\$ 10,640

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, 2018*

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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 17 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, 2018*

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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 activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each 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, 2018*

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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.

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

**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.

**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

**City of Circleville**  
**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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***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.

***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.

**City of Circleville**  
**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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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 Outflows/Inflows 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, pension and OPEB. 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 and OPEB are explained in Notes 11 and 12.

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 as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2018, but which were levied to finance 2019 operations. These amounts have been recorded as a deferred inflow 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 may include 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. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balances to net position of governmental activities. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 11 and 12).

**City of Circleville**  
**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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***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 2018 amounted to \$140,200, which includes \$131,535 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.

***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, 2018, 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.

**City of Circleville**  
**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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***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:

<u>Description</u>	<u>Estimated Lives</u>
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.

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

***L. Pensions/Other Postemployment Benefits (OPEB)***

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

***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.

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***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, 2018, 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 2018.

***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.

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.

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***V. Implementation of New Accounting Principles and Restatement of Net Position***

For the fiscal year ended December 31, 2018, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits other than Pensions*, GASB Statement No. 85, *Omnibus 2017* and GASB Statement No. 86, *Certain Debt Extinguishments*.

GASB Statement No. 75 requires recognition of the entire net postemployment benefits other than pensions (other postemployment benefits or OPEB) liability and a more comprehensive measure of postemployment benefits expense for OPEB provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 75 resulted in the inclusion of net OPEB liability and OPEB expense components on the accrual financial statements. See below for the effect on net position as previously reported.

	Governmental Activities	Business-Type Activities
Net Position, December 31, 2017	\$ 20,734,127	\$ 24,803,631
Adjustments:		
Net OPEB Liability	(7,146,872)	(838,601)
Deferred Outflow-Payments		
Subsequent to Measurement Date	32,031	10,792
Restated Net Position, December 31, 2017	<u>\$ 13,619,286</u>	<u>\$ 23,975,822</u>

	Waterworks Operating	Sanitary Sewer Operating	Total Business- Type Activities
Net Position, December 31, 2017	\$ 10,572,641	\$ 14,230,990	\$ 24,803,631
Adjustments:			
Net OPEB Liability	(359,400)	(479,201)	(838,601)
Deferred Outflow-Payments			
Subsequent to Measurement Date	4,625	6,167	10,792
Restated Net Position, December 31, 2017	<u>\$ 10,217,866</u>	<u>\$ 13,757,956</u>	<u>\$ 23,975,822</u>

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

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and other postemployment benefits (OPEB). These changes were incorporated in the City's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

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GASB Statement No. 86 addresses the reporting and disclosure requirements of certain debt extinguishments including in-substance defeasance transactions and prepaid insurance associated with debt that is extinguished. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the City.

**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 fund 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).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund and safety forces tax fund.

	General	Safety Forces Tax
GAAP Basis	\$ (120,055)	\$(251,643)
Net Adjustment for Revenue Accruals	21,056	(4,161)
Net Adjustment for Expenditure Accruals	(6,712)	31,332
Funds Budgeted Elsewhere *	22,178	0
Adjustment for Encumbrances	(3,688)	0
Budget Basis	\$ (87,221)	\$(224,472)

\* 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.

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**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.

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;

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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 bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days and two hundred seventy days, respectively, in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and

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.

***Cash on Hand***

At year-end, the City had \$317 undeposited cash on hand which is included as part of "equity in pooled cash and investments."

***Deposits***

At year-end, \$3,869,520 of the City's bank balance of \$4,268,089 was exposed to custodial risk as discussed above. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the Federal Deposit Insurance Corporation.

***Segregated Cash*** - The municipal court rent account, recorded in the general fund of the governmental activities, and the customer deposits account of the business-type activities are maintained separately from the City's deposits. The carrying amount of these deposits are reported as "Cash and Investments in Segregated Accounts." The bank balances as of December 31, 2018 were \$1,593 and \$31,012 respectively, all of which was covered by Federal depository insurance.

***Cash with Fiscal Agent*** - The bond and coupon account, which is recorded in the general obligation bond retirement fund of the governmental activities, is maintained separately from the City's deposits. The carrying amount of the deposits is reported as "Cash and Investments with Fiscal Agents." The bank balance as of December 31, 2018 was \$34,868, which was covered by Federal depository insurance.

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**Investments**

*Investments:* As of December 31, 2018, 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	\$ 15,692	\$ 15,692	\$ 0	\$ 0	0.26%
Fair Value:						
N/A	Negotiable Certificates of Deposit	2,230,696	1,002,226	1,228,470	0	36.91%
AAA	Federal Home Loan Bank Bonds	2,137,347	0	1,640,247	497,100	35.37%
AA+	Federal Home Loan Mortgage	1,659,358	0	892,485	766,873	27.46%
	Total	<u>\$ 6,043,093</u>	<u>\$ 1,017,918</u>	<u>\$ 3,761,202</u>	<u>\$ 1,263,973</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 June 30, 2018. 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.

*Custodial Credit Risk:* Custodial credit risk for deposits is the risk that in the event of a bank failure, the City will not be able to recover deposits or collateral securities that are in possession of an outside party.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by:

- Eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

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- Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS required the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

*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, 2018, 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 100 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 2018, 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 2018 for real and public utility property taxes represents collections of the 2017 taxes.

2018 real property taxes were levied after October 1, 2018 on the assessed value as of January 1, 2018, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2018 real property taxes are collected in and intended to finance 2019.

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. 2018 public utility property taxes which became a lien December 31, 2017, are levied after October 1, 2018, and are collected in 2019 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2018, was \$4.00 per \$1,000 of assessed valuation. The assessed values of real property and public utility tangible property upon which 2018 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
<i>Real Property</i>	
Agricultural/Residential	\$ 154,472,320
Commerical/Industrial/Mineral	50,113,660
Public Utility Real	68,380
<i>Tangible Personal Property</i>	
Public Utility	<u>3,531,850</u>
Total Assessed Value	<u><u>\$ 208,186,210</u></u>

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, 2018, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2018 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 2018 follows:

	Balance 12/31/2017	Additions	Deletions	Balance 12/31/2018
<b>Governmental Activities:</b>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 1,773,698	\$ 0	\$ 0	\$ 1,773,698
Construction in Progress	112,589	1,032,824	(1,011,815)	133,598
<i>Total Capital Assets, Not Being Depreciated</i>	<u>1,886,287</u>	<u>1,032,824</u>	<u>(1,011,815)</u>	<u>1,907,296</u>
<i>Capital Assets, Being Depreciated:</i>				
Land Improvements	1,091,301	0	0	1,091,301
Buildings and Improvements	8,530,124	546,145	(546,145)	8,530,124
Machinery and Equipment	3,115,932	482,265	0	3,598,197
Vehicles	2,215,300	263,344	0	2,478,644
Infrastructure	41,850,045	1,103,290	(66,909)	42,886,426
<i>Total Capital Assets, Being Depreciated</i>	<u>56,802,702</u>	<u>2,395,044</u>	<u>(613,054)</u>	<u>58,584,692</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(855,675)	(31,750)	0	(887,425)
Buildings and Improvements	(4,287,526)	(204,001)	393,225	(4,098,302)
Machinery and Equipment	(1,798,852)	(258,471)	0	(2,057,323)
Vehicles	(1,794,716)	(96,138)	0	(1,890,854)
Infrastructure	(23,365,068)	(1,006,435)	31,760	(24,339,743)
<i>Total Accumulated Depreciation</i>	<u>(32,101,837)</u>	<u>(1,596,795)</u>	<u>424,985</u>	<u>(33,273,647)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>24,700,865</u>	<u>798,249</u>	<u>(188,069)</u>	<u>25,311,045</u>
<i>Total Governmental Activities Capital Assets, Net</i>	<u>\$ 26,587,152</u>	<u>\$ 1,831,073</u>	<u>\$ (1,199,884)</u>	<u>\$ 27,218,341</u>

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Depreciation expense was charged to governmental functions as follows:

General Government	\$ 174,200
Security of Persons and Property	268,315
Transportation	1,067,508
Community Development	1,055
Leisure Time Services	85,717
<b>Total Depreciation Expense</b>	<b><u>\$ 1,596,795</u></b>

	Balance 12/31/2017	Additions	Deletions	Balance 12/31/2018
<b>Business-Type Activities:</b>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 149,180	\$ 0	\$ 0	\$ 149,180
Construction in Progress	1,094,075	86,433	(1,043,429)	137,079
<i>Total Capital Assets, Not Being Depreciated</i>	<u>1,243,255</u>	<u>86,433</u>	<u>(1,043,429)</u>	<u>286,259</u>
<i>Capital Assets, Being Depreciated:</i>				
Land Improvements	340,653	0	0	340,653
Buildings and Improvements	14,080,673	1,103,973	(125,682)	15,058,964
Machinery and Equipment	1,182,994	110,637	(24,958)	1,268,673
Vehicles	527,788	61,851	(13,500)	576,139
Infrastructure	24,501,764	73,985	(215)	24,575,534
<i>Total Capital Assets, Being Depreciated</i>	<u>40,633,872</u>	<u>1,350,446</u>	<u>(164,355)</u>	<u>41,819,963</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(326,081)	(895)	0	(326,976)
Buildings and Improvements	(9,997,638)	(372,436)	118,774	(10,251,300)
Machinery and Equipment	(638,914)	(68,939)	20,589	(687,264)
Vehicles	(265,242)	(27,741)	13,500	(279,483)
Infrastructure	(7,914,458)	(360,154)	183	(8,274,429)
<i>Total Accumulated Depreciation</i>	<u>(19,142,333)</u>	<u>(830,165)</u>	<u>153,046</u>	<u>(19,819,452)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>21,491,539</u>	<u>520,281</u>	<u>(11,309)</u>	<u>22,000,511</u>
<i>Total Business-Type Activities Capital Assets, Net</i>	<u>\$ 22,734,794</u>	<u>\$ 606,714</u>	<u>\$ (1,054,738)</u>	<u>\$ 22,286,770</u>

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**NOTE 9: LONG-TERM OBLIGATIONS**

Changes in long-term obligations of the City during the year ended December 31, 2018, were as follows:

	Restated Balance 12/31/2017	Additions	(Reductions)	Balance 12/31/2018	Due in One Year
<b>Governmental Activities:</b>					
<u>General Obligation Bonds</u>					
2011 - Various Purpose Refunding Bonds \$2,475,000					
Bonds \$2,475,000					
Serial Bonds 2.00% - 3.00%	\$ 810,000	\$ 0	\$ (265,000)	\$ 545,000	\$ 270,000
Premium on Bonds Issues	16,667	0	(5,555)	11,112	0
2017 - Various Purpose Refunding Bonds \$2,955,000					
Term Bonds 4.00%	1,565,000	0	0	1,565,000	0
Serial Bonds 2.00% - 2.25%	1,390,000	0	(115,000)	1,275,000	115,000
Premium on Bonds Issues	206,743	0	(22,972)	183,771	0
2017 - Various Purpose Refunding Bonds \$215,000					
Serial Bonds 2.00% - 2.25%	215,000	0	0	215,000	20,000
2017 - Capital Facilities Bonds \$592,000	592,000	0	(112,000)	480,000	115,000
<i>Total General Obligation Bonds</i>	<u>4,795,410</u>	<u>0</u>	<u>(520,527)</u>	<u>4,274,883</u>	<u>520,000</u>
<u>Other Long-Term Obligations:</u>					
Compensated Absences	460,669	220,253	(275,404)	405,518	253,123
Capital Leases	589,177	340,020	(176,796)	752,401	227,428
<i>Total Other Long-Term Obligations</i>	<u>1,049,846</u>	<u>560,273</u>	<u>(452,200)</u>	<u>1,157,919</u>	<u>480,551</u>
<u>Net Pension/OPEB Liability:</u>					
Pension	10,954,326	0	(1,841,920)	9,112,406	0
OPEB	7,146,872	686,376	0	7,833,248	0
<i>Total Net Pension/OPEB Liability</i>	<u>18,101,198</u>	<u>686,376</u>	<u>(1,841,920)</u>	<u>16,945,654</u>	<u>0</u>
<i>Total Governmental Activities</i>	<u>\$ 23,946,454</u>	<u>\$ 1,246,649</u>	<u>\$ (2,814,647)</u>	<u>\$ 22,378,456</u>	<u>\$ 1,000,551</u>

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	Restated Balance 12/31/2017	Additions	(Reductions)	Balance 12/31/2018	Due in One Year
<b>Business-Type Activities:</b>					
<u>General Obligation Bonds</u>					
2017 - Various Purpose Refunding Bonds \$1,850,000					
Serial Bonds 2.00% - 4.00%	\$ 1,850,000	\$ 0	\$ (20,000)	\$ 1,830,000	\$ 170,000
Premium on Bonds Issues	74,991	0	(8,333)	66,658	0
<i>Total General Obligation Bonds</i>	<u>1,924,991</u>	<u>0</u>	<u>(28,333)</u>	<u>1,896,658</u>	<u>170,000</u>
<u>OPWC Loans:</u>					
OPWC Force Lift Station Loan	87,173	0	(4,843)	82,330	4,842
OPWC WWTP Influent Pump Loan	806,666	10,800	(20,437)	797,029	40,874
<i>Total OPWC Loans</i>	<u>893,839</u>	<u>10,800</u>	<u>(25,280)</u>	<u>879,359</u>	<u>45,716</u>
<u>OWDA Loans:</u>					
OWDA Water Treatment Plant Loan - 2.80%	64,899	0	(64,899)	0	0
OWDA - WWTP Aeration System Improvemtns	0	80,547	0	80,547	0
<i>Total OWDA Loans</i>	<u>64,899</u>	<u>80,547</u>	<u>(64,899)</u>	<u>80,547</u>	<u>0</u>
<u>Other Long-Term Obligations:</u>					
Compensated Absences	144,812	82,741	(88,806)	138,747	73,968
Capital Leases	39,826	0	(39,826)	0	0
<i>Total Other Long-Term Obligations</i>	<u>184,638</u>	<u>82,741</u>	<u>(128,632)</u>	<u>138,747</u>	<u>73,968</u>
<u>Net Pension/OPEB Liability:</u>					
Pension	1,882,452	0	(674,519)	1,207,933	0
OPEB	838,601	0	(8,652)	829,949	0
<i>Total Net Pension/OPEB Liability</i>	<u>2,721,053</u>	<u>0</u>	<u>(683,171)</u>	<u>2,037,882</u>	<u>0</u>
<i>Total Business-Type Activities</i>	<u>\$ 5,789,420</u>	<u>\$ 174,088</u>	<u>\$ (930,315)</u>	<u>\$ 5,033,193</u>	<u>\$ 289,684</u>

**General Obligation Bonds**

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.

**City of Circleville**  
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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.

During 2018, the City was awarded an interest free five year loan from OWDA to improve the water treatment plant's aeration system. The total amount of this loan was \$1,358,450. As of December 31, 2018, \$80,547 has been drawn down.

Ohio Public Works Commission Loans

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 \$817,466 for the Wastewater Treatment Plant Influent Pump Project. Semi-annual payments are made to OPWC with the final payment due January 1, 2038.

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 US Route 23 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:

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	<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>

The serial bonds, issued at \$3,455,000 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:

<u>December 1</u> <u>of Year</u>	<u>Amount Due</u>
2019	\$ 115,000
2020	118,000
2021	122,000
2022	<u>125,000</u>
	<u>\$ 480,000</u>

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

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Governmental Activities						
General Obligation Bonds						
	Serial Bonds		Term Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 405,000	\$ 115,651	\$ 115,000	\$ 10,032	\$ 520,000	\$ 125,683
2020	415,000	104,851	118,000	7,628	533,000	112,479
2021	140,000	93,801	122,000	5,162	262,000	98,963
2022	145,000	91,001	125,000	2,613	270,000	93,614
2023	145,000	88,099	0	0	145,000	88,099
2024-2028	785,000	391,402	0	0	785,000	391,402
2029-2033	0	0	805,000	251,000	805,000	251,000
2034-2037	0	0	760,000	77,400	760,000	77,400
Totals	<u>\$ 2,035,000</u>	<u>\$ 884,805</u>	<u>\$ 2,045,000</u>	<u>\$ 353,835</u>	<u>\$ 4,080,000</u>	<u>\$ 1,238,640</u>

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 Principal	Total Interest
	General Obligation Bonds		General Obligation Bonds		OPWC		
	Principal	Interest	Principal	Interest	Principal		
2019	\$ 75,000	\$ 19,100	\$ 95,000	\$ 26,275	45,716	\$ 215,716	\$ 45,375
2020	70,000	17,600	100,000	24,175	45,716	215,716	41,775
2021	75,000	16,200	95,000	22,175	45,716	215,716	38,375
2022	75,000	14,700	100,000	20,275	45,716	220,716	34,975
2023	75,000	13,200	105,000	18,275	45,716	225,716	31,475
2024-2028	405,000	40,700	560,000	56,325	228,580	1,193,580	97,025
2029-2033	0	0	0	0	228,580	228,580	0
2034-2038	0	0	0	0	193,619	193,619	0
Totals	<u>\$ 775,000</u>	<u>\$ 121,500</u>	<u>\$ 1,055,000</u>	<u>\$ 167,500</u>	<u>\$ 879,359</u>	<u>\$ 2,709,359</u>	<u>\$ 289,000</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.

There are no repayment schedules for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are primarily made from the general fund and water, sewer, and sanitation funds. For additional information related to the net pension liability and net OPEB liability see Notes 11 and 12.

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***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, 2018, is \$19,695,000

**NOTE 10: CAPITAL LEASES – LESSEE DISCLOSURE**

In 2018 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 \$1,289,564 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 \$378,132 as of December 31, 2018, leaving a current book value of \$911,432. Corresponding liabilities were recorded on the Statement of Net Position for governmental activities. Principal payments in 2018 totaled \$176,796 in the governmental funds and \$39,826 in the business-type activities. There is no remaining liability for the business-type activities as of December 31, 2018.

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, 2018:

			<u>Governmental Activities</u>
Year ending December 31,	2019	\$	255,682
	2020		217,427
	2021		187,906
	2022		<u>153,260</u>
Minimum lease payments			814,275
Less: amount representing interest			<u>(61,874)</u>
Present value of net minimum lease payments		\$	<u>752,401</u>

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**NOTE 11: 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)***

The City participates 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, including requirements for reduced and unreduced benefits):

<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 three 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 three 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>2018 Statutory Maximum Contribution Rates</b>	
Employer	14.00 %
Employee	10.00 %
<b>2018 Actual Contribution Rates</b>	
Employer:	
Pension	14.00 %
Post-Employment Health Care Benefits	0.00 %
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 \$455,192 for 2018. Of this amount, \$67,301 is reported as an intergovernmental payable.

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

Full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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

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.

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.

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Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit 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>2018 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 <b>2018 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 OP&F was \$545,999 for 2018. Of this amount, \$57,822 is reported as an intergovernmental payable.

***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, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2017, and was determined by rolling forward the total pension liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net pension liability 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:

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	<u>OPERS</u>	<u>OPF</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Current Measurement Period	0.023332%	0.108513%	
Prior Measurement Period	<u>0.023685%</u>	<u>0.117753%</u>	
Change in Proportion	<u>-0.000352%</u>	<u>-0.009240%</u>	
Proportionate Share of the Net			
Pension Liability	\$ 3,660,403	\$ 6,659,936	\$ 10,320,339
Pension Expense	\$ 1,122,975	\$ 780,094	\$ 1,903,069

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

	<u>OPERS</u>	<u>OPF</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between Expected and Actual Experience	\$ 3,739	\$ 101,070	\$ 104,809
Changes of Assumptions	437,440	290,209	727,649
Changes in Proportionate Share	112,655	215,705	328,360
City Contributions Subsequent to the Measurement Date	<u>455,192</u>	<u>545,999</u>	<u>1,001,191</u>
Total Deferred Outflows of Resources	<u>\$ 1,009,026</u>	<u>\$ 1,152,983</u>	<u>\$ 2,162,009</u>
<b>Deferred Inflows of Resources</b>			
Differences between Expected and Actual Experience	\$ 72,133	\$ 12,047	\$ 84,180
Net Difference between Projected and Actual Earnings on Pension Plan Investments	785,843	230,383	1,016,226
Changes in Proportionate Share	<u>61,783</u>	<u>444,661</u>	<u>506,444</u>
Total Deferred Inflows of Resources	<u>\$ 919,759</u>	<u>\$ 687,091</u>	<u>\$ 1,606,850</u>

\$1,001,191 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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Year Ending December 31:	OPERS	OPF	Total
2019	\$ 394,159	\$ 145,754	\$ 539,913
2020	(92,564)	85,187	(7,377)
2021	(344,606)	(153,434)	(498,040)
2022	(322,914)	(146,257)	(469,171)
2023	0	(8,841)	(8,841)
Thereafter	0	(2,516)	(2,516)
	<u>\$ (365,925)</u>	<u>\$ (80,107)</u>	<u>\$ (446,032)</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, 2017, using the following key actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2017 are presented below.

Valuation Date	December 31, 2017
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)
Investment Rate of Return	7.50 percent
Actuarial Cost Method	Individual Entry Age
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

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

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

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 table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other Investments	18.00	5.26
Total	<u>100.00 %</u>	<u>5.66 %</u>

**Discount Rate** The discount rate used to measure the total pension liability was 7.50 percent. 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.

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***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:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's Proportionate Share of the Net Pension Liability	\$ 6,499,943	\$ 3,660,403	\$ 1,293,082

***Actuarial Assumptions – OP&F***

OP&F's total pension liability as of December 31, 2017 is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing 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.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2017, are presented below:

Actuarial Cost Method	Entry Age (Level Percent of Payroll)
Investment Rate of Return	8.00 percent
Projected Salary Increases	3.75 percent to 10.50 percent
Payroll Increases	3.25 percent (inflation plus productivity increase)
Inflation Assumptions	2.75 percent
Cost-of-Living Adjustments	3.00 percent simple; 2.20 percent simple for increases based on lesser of the increase in CPI and 3.00 percent

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

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

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

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

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

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

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

Note: Assumptions are geometric.

\* Levered 2x

\*\* Numbers are net of expected inflation

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

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**Discount Rate** The total pension liability was calculated using the discount rate of 8.00 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 8.00 percent. Based on those assumptions, OP&F's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.00 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 (7.00 percent), or one percentage point higher (9.00 percent) than the current rate.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's Proportionate Share of the Net Pension Liability	\$ 9,232,413	\$ 6,659,936	\$ 4,561,840

**NOTE 12 – DEFINED BENEFIT OPEB PLANS**

***Net OPEB Liability***

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

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

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

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

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

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

OPERS administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

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

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

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

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Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City had no contractually required contribution 2018.

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

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

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

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

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

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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

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

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

The City's contractually required contribution to OP&F was \$13,033 for 2018. Of this amount, \$1,387 is reported as an intergovernmental payable.

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

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

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	OPERS	OPF	Total
Proportion of the Net OPEB Liability:			
Current Measurement Period	0.023160%	0.108513%	
Prior Measurement Period	0.023722%	0.117753%	
Change in Proportion	<u>-0.000562%</u>	<u>-0.009240%</u>	
Proportionate Share of the Net			
OPEB Liability	\$ 2,514,997	\$ 6,148,200	\$ 8,663,197
OPEB Expense	\$ 190,509	\$ 424,923	\$ 615,432

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

	OPERS	OPF	Total
<b>Deferred Outflows of Resources</b>			
Differences between Expected and			
Actual Experience	\$ 1,959	\$ 0	\$ 1,959
Changes of Assumptions	183,119	599,933	783,052
Changes in Proportionate Share	6,686	0	6,686
City Contributions Subsequent			
to the Measurement Date	0	13,033	13,033
Total Deferred Outflows of Resources	<u>\$ 191,764</u>	<u>\$ 612,966</u>	<u>\$ 804,730</u>
<b>Deferred Inflows of Resources</b>			
Differences between Expected and			
Actual Experience	\$ 0	\$ 31,009	\$ 31,009
Net Difference between Projected and Actual			
Earnings on OPEB Plan Investments	187,350	40,470	227,820
Changes in Proportionate Share	45,095	382,658	427,753
Total Deferred Inflows of Resources	<u>\$ 232,445</u>	<u>\$ 454,137</u>	<u>\$ 686,582</u>

\$13,033 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	OPERS	OPF	Total
2019	\$ 23,285	\$ 17,115	\$ 40,400
2020	23,577	17,115	40,692
2021	(40,707)	17,115	(23,592)
2022	(46,836)	17,117	(29,719)
2023	0	27,233	27,233
Thereafter	0	50,101	50,101
	<u>\$ (40,681)</u>	<u>\$ 145,796</u>	<u>\$ 105,115</u>

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***Actuarial Assumptions - OPERS***

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

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

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

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

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

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

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

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	<u>100.00 %</u>	<u>4.98 %</u>

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

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

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
City's Proportionate Share of the Net OPEB Liability	\$ 3,341,282	\$ 2,514,997	\$ 1,846,540

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

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

	1% Decrease	Current Trend Rate	1% Increase
City's Proportionate Share of the Net OPEB Liability	\$ 2,406,316	\$ 2,514,997	\$ 2,627,261

***Actuarial Assumptions – OP&F***

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

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

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

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

Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00 percent
Projected Salary Increases	3.75 percent to 10.50 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.50 percent
Single discount rate:	
Current measurement date	3.24 percent
Prior measurement date	3.79 percent
Cost of Living Adjustments	3.00 percent simple; 2.20 percent simple for increased based on the lesser of the increase in CPI and 3.00 percent

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

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

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

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

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

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

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

Note: Assumptions are geometric.

\* Levered 2x

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

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

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

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
City's Proportionate Share of the Net OPEB Liability	\$ 7,685,317	\$ 6,148,200	\$ 4,965,446

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

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

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

	1% Decrease	Current Trend Rate	1% Increase
City's Proportionate Share of the Net OPEB Liability	\$ 4,776,028	\$ 6,148,200	\$ 7,997,411

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

In March 2018, the OP&F Board of Trustees approved the implementation date and framework for a new health care model. Beginning January 1, 2019, the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. The impact to the City's NOL is not known.

**NOTE 13: 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.

**City of Circleville**  
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**NOTE 14: 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.

***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 15: SIGNIFICANT COMMITMENTS**

***A. Encumbrance 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>	
General	\$ 3,688
Capital Improvement .4%	272,146
Other Governmental Funds	10,973
	\$ 286,807

**City of Circleville**  
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***B. Contractual Commitments***

<u>Project</u>	<u>Contract Amount</u>	<u>Expended</u>	<u>Outstanding Commitment</u>
Project 18-13 Woodland Drive	\$ 20,642	\$ 0	\$ 20,642
Project 18-11 Web GIS Development	38,500	0	38,500
Project 18-15 WWTP Improvements	498,500	80,547	417,953
Project 18-06 Pickaway/Franklin Intersection	163,199	0	163,199
Main/Pickaway Waterline Repairs	16,800	0	16,800
Hydrogeologic Assessment of Wellfield	40,000	0	40,000
SIP Repairs	64,968	0	64,968
Clark Drive Sewer	30,000	0	30,000
	<u>\$ 872,609</u>	<u>\$ 80,547</u>	<u>\$ 792,062</u>
Totals			

Contractual commitments identified above may or may not be included in the outstanding encumbrance commitments previously disclosed in this note. Reasons for this may include timing of when contracts are encumbered and contracts paid from enterprise funds, which are not required to disclose encumbrance commitments.

**NOTE 16: 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, 2018.

**City of Circleville**  
**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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**NOTE 17: 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 18: INTERFUND TRANSFER**

The capital improvement .4% income tax fund and sanitary sewer fund transferred \$73,741 and \$49,262, respectively, to the OPWC fund. These transfers reflect the amount that the capital improvement .4% income tax fund and sanitary sewer fund spent on the sanitary sewer replacement project in 2018.

**NOTE 19: 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.

**City of Circleville**  
**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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

	General Fund	Safety Forces Tax Fund	Capital Improvement .4% Income Tax Fund	Other Governmental Funds	Total
Nonspendable for:					
Inventory	\$ 38,001	\$ 0	\$ 0	\$ 132,759	\$ 170,760
Prepaid Items	31,565	23,904	0	0	55,469
Total Nonspendable	<u>69,566</u>	<u>23,904</u>	<u>0</u>	<u>132,759</u>	<u>226,229</u>
Restricted for:					
Road Improvements	0	0	0	216,885	216,885
Safety Forces	0	135,376	0	114,073	249,449
Legal Computer Maintenance	0	0	0	779,460	779,460
Municipal Court	0	0	0	213,496	213,496
Leisure Time Services	0	0	0	57,156	57,156
Community Development	0	0	0	22,374	22,374
Capital Improvements	0	0	1,295,360	637	1,295,997
Debt Service	0	0	0	63,146	63,146
Other Purposes	0	0	0	12,460	12,460
Total Restricted	<u>0</u>	<u>135,376</u>	<u>1,295,360</u>	<u>1,479,687</u>	<u>2,910,423</u>
Committed for:					
Future Severance Payments	20,647	0	0	0	20,647
Income Tax Administration	0	0	0	25,338	25,338
Capital Improvements	0	0	0	240,913	240,913
Cable Franchise Operations	0	0	0	71,233	71,233
Total Committed	<u>20,647</u>	<u>0</u>	<u>0</u>	<u>337,484</u>	<u>358,131</u>
Assigned:					
Encumbrances					
General Government	3,688	0	0	0	3,688
Subsequent Year Appropriations	812,547	0	0	0	812,547
Total Assigned	<u>816,235</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>816,235</u>
Unassigned	<u>(154,489)</u>	<u>0</u>	<u>0</u>	<u>(10,845)</u>	<u>(165,334)</u>
Total Fund Balance	<u>\$ 751,959</u>	<u>\$ 159,280</u>	<u>\$ 1,295,360</u>	<u>\$ 1,939,085</u>	<u>\$4,145,684</u>

Fund balances at December 31, 2018 included a deficit in the safety forces .1% income tax fund as a result of adjustments for accrued liabilities. The general fund is liable for any deficit in the non-major governmental funds and will provide transfers when cash is required, not when accruals occur.

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b><i>Ohio Public Employees' Retirement System (OPERS)</i></b>					
City's Proportion of the Net Pension Liability	0.023332%	0.023685%	0.022936%	0.014036%	0.014036%
City's Proportionate Share of the Net Pension Liability	\$ 3,660,403	\$ 5,378,435	\$ 3,972,804	\$ 1,692,898	\$ 1,654,662
City's Covered Payroll	\$ 3,083,407	\$ 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	118.71%	175.72%	139.12%	62.71%	54.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%	86.45%	86.36%
<b><i>Ohio Police and Fire Pension Fund (OPF)</i></b>					
City's Proportion of the Net Pension Liability	0.108513%	0.117753%	0.115939%	0.110075%	0.110075%
City's Proportionate Share of the Net Pension Liability	\$ 6,659,936	\$ 7,458,357	\$ 7,458,437	\$ 5,702,323	\$ 5,360,978
City's Covered Payroll	\$ 2,397,883	\$ 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	277.74%	292.94%	314.84%	268.24%	311.81%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.91%	68.36%	66.77%	72.20%	73.00%

(1) Although this schedule is intended to reflect information for ten years, 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.

**City of Circleville**  
**Pickaway County, Ohio**  
*Required Supplementary Information*  
*Schedule of the City's Contributions - Pension*  
*Last Ten Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b><i>Ohio Public Employees' Retirement System (OPERS)</i></b>				
Contractually Required Contribution	\$ 455,192	\$ 400,843	\$ 367,288	\$ 342,683
Contributions in Relation to the Contractually Required Contribution	<u>(455,192)</u>	<u>(400,843)</u>	<u>(367,288)</u>	<u>(342,683)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's Covered Payroll	\$ 3,251,371	\$ 3,083,407	\$ 3,060,733	\$ 2,855,692
Contributions as a Percentage of Covered Payroll	14.00%	13.00%	12.00%	12.00%
<b><i>Ohio Police and Fire Pension Fund (OPF)</i></b>				
Contractually Required Contribution	\$ 545,999	\$ 501,565	\$ 535,917	\$ 496,912
Contributions in Relation to the Contractually Required Contribution	<u>(545,999)</u>	<u>(501,565)</u>	<u>(535,917)</u>	<u>(496,912)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's Covered Payroll	\$ 2,606,622	\$ 2,397,883	\$ 2,546,021	\$ 2,368,955
Contributions as a Percentage of Covered Payroll	20.95%	20.92%	21.05%	20.98%

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

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 323,951	\$ 396,130	n/a	n/a	n/a	n/a
<u>(323,951)</u>	<u>(396,130)</u>	n/a	n/a	n/a	n/a
<u>\$ 0</u>	<u>\$ 0</u>	n/a	n/a	n/a	n/a
\$ 2,699,592	\$ 3,047,154	n/a	n/a	n/a	n/a
12.00%	13.00%	n/a	n/a	n/a	n/a
\$ 460,655	\$ 303,447	\$ 291,995	\$ 304,382	\$ 315,822	\$ 334,051
<u>(460,655)</u>	<u>(303,447)</u>	<u>(291,995)</u>	<u>(304,382)</u>	<u>(315,822)</u>	<u>(334,051)</u>
<u>\$ 0</u>					
\$ 2,125,829	\$ 1,719,308	\$ 1,978,008	\$ 2,087,590	\$ 2,167,251	\$ 2,311,316
21.67%	17.65%	14.76%	14.58%	14.57%	14.45%

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

	<u>2018</u>	<u>2017</u>
<b><i>Ohio Public Employees' Retirement System (OPERS)</i></b>		
City's Proportion of the Net OPEB Liability	0.023160%	0.023722%
City's Proportionate Share of the Net OPEB Liability	\$ 2,514,997	\$ 2,396,003
City's Covered Payroll	\$ 3,083,407	\$ 3,060,733
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	81.57%	78.28%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.04%
<b><i>Ohio Police and Fire Pension Fund (OPF)</i></b>		
City's Proportion of the Net OPEB Liability	0.108513%	0.117753%
City's Proportionate Share of the Net OPEB Liability	\$ 6,148,200	\$ 5,589,470
City's Covered Payroll	\$ 2,397,883	\$ 2,546,021
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	256.40%	219.54%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	14.13%	15.96%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available.

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

**City of Circleville**  
**Pickaway County, Ohio**  
*Required Supplementary Information*  
*Schedule of the City's Contributions - OPEB*  
*Last Ten Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b><i>Ohio Public Employees' Retirement System (OPERS)</i></b>				
Contractually Required Contribution	\$ 0	\$ 30,834	\$ 61,215	n/a
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>(30,834)</u>	<u>(61,215)</u>	n/a
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	n/a
City's Covered Payroll (1)	\$ 3,251,371	\$ 3,083,407	\$ 3,060,733	n/a
Contributions as a Percentage of Covered Payroll	0.00%	1.00%	2.00%	n/a
<b><i>Ohio Police and Fire Pension Fund (OPF)</i></b>				
Contractually Required Contribution	\$ 13,033	\$ 11,989	\$ 12,730	\$ 11,845
Contributions in Relation to the Contractually Required Contribution	<u>(13,033)</u>	<u>(11,989)</u>	<u>(12,730)</u>	<u>(11,845)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's Covered Payroll	\$ 2,606,622	\$ 2,397,883	\$ 2,546,021	\$ 2,368,955
Contributions as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.50%

(n/a) Beginning in 2016, OPERS used one trust fund as the funding vehicle for all health care plans; therefore, information prior to 2016 is not presented.

(1) The OPEB plan includes the members from the traditional plan, the combined plan and the member directed plan.

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
\$ 68,375	\$ 59,145	\$ 133,515	\$ 140,912	\$ 146,289	\$ 156,014
<u>(68,375)</u>	<u>(59,145)</u>	<u>(133,515)</u>	<u>(140,912)</u>	<u>(146,289)</u>	<u>(156,014)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 2,125,829	\$ 1,719,308	\$ 1,978,008	\$ 2,087,590	\$ 2,167,251	\$ 2,311,316
3.20%	3.44%	6.75%	6.75%	6.75%	6.75%

See accompanying notes to the required supplementary information.

**City of Circleville**  
**Pickaway County, Ohio**  
*Notes to the Required Supplementary Information*  
*For the Year Ended December 31, 2018*

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**Note 1 - Net Pension Liability**

***Changes in Assumptions – OPERS***

Amounts reported in calendar year 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 percent to 7.50 percent
- Wage inflation rate from 3.75 percent to 3.25 percent
- Price inflation from 3.00 percent to 2.50 percent

***Changes in Assumptions – OP&F***

For 2017, the single discount rate changed from 8.25 percent to 8.00 percent.

**Note 2 - Net OPEB Liability**

***Changes in Assumptions - OPERS***

For 2018, the single discount rate changed from 4.23 percent to 3.85 percent.

***Changes in Assumptions – OPF***

For 2018, the single discount rate changed from 3.79 percent to 3.24 percent.