

**CITY OF CIRCLEVILLE  
PICKAWAY COUNTY**

**REGULAR AUDIT**

**JANUARY 1, 2016 – DECEMBER 31, 2016**







# Dave Yost • Auditor of State

City Council  
City of Circleville  
133 South Court Street  
Circleville, Ohio 43113

We have reviewed the *Independent Auditor's Report* of the City of Circleville, Pickaway County, prepared by Wilson, Shannon & Snow, Inc., for the audit period January 1, 2016 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

July 28, 2017

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City of Circleville  
Pickaway County  
133 South Court Street  
Circleville, Ohio 43113

## INDEPENDENT AUDITOR'S REPORT

To the City Council:

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Circleville, Pickaway County, Ohio (the City), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

*Wilson, Shannon & Snow, Inc.*

**CERTIFIED PUBLIC ACCOUNTANTS**  
Ten West Locust Street  
Newark, Ohio 43055  
(740) 345-6611  
1-800-523-6611  
FAX (740) 345-5635

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Circleville, Pickaway County, Ohio, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General, Income Tax, Safety Forces and Safety Forces .1% Income Tax funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2017, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Wilson, Sherman & Snow, Inc.*

June 23, 2017  
Newark, Ohio



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**City of Circleville**  
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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, 2016. 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 2016 are as follows:

- In total, net position decreased \$57,090, which represents a .1 percent decrease from 2015. Net position of governmental activities decreased \$292,116. Net position of business-type activities increased \$235,026.
- Total capital assets increased \$2,007,876 during 2016. Capital assets of governmental activities increased \$1,688,599 due to additional construction in progress for the South Court Street Connector Project (the Connector) and capital assets of business-type activities increased \$319,277.
- Outstanding debt decreased from \$7,928,313 to \$7,269,432 due to principal payments made during the year.

***Using this Annual Financial Report***

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

The Statement of Net Position and the Statement of Activities provide information from a summary perspective showing the effects of the operations for the year 2016 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 2016?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets and deferred outflows of resources* and *liabilities and deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Position and the Statement of Activities, the City is divided into two distinct kinds of activities:

- **Governmental Activities** - Most of the City's programs and services are reported here, including general government, security of persons and property, public health, community and economic development, leisure time activities and transportation.
- **Business-Type Activities** - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's water and sewer operations are reported as business activities.

***Reporting the City of Circleville's Most Significant Funds***

***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been safeguarded for specific activities or objectives. The City uses many funds to account for financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are the general fund, income tax fund, safety forces tax fund, safety forces .1% income tax fund, general obligation bond retirement fund, capital improvement fund and the capital improvement .4% income tax fund.

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

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

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

**The City of Circleville as a Whole**

Recall that the Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net position for 2016 compared to 2015:

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Assets</b>						
Current and Other Assets	\$ 8,699,949	\$ 10,164,707	\$ 5,866,432	\$ 6,102,604	\$ 14,566,381	\$ 16,267,311
Net Pension Asset	0	2,350	0	1,428	0	3,778
Capital Assets	25,710,282	24,021,683	21,020,321	20,701,044	46,730,603	44,722,727
<i>Total Assets</i>	<u>34,410,231</u>	<u>34,188,740</u>	<u>26,886,753</u>	<u>26,805,076</u>	<u>61,296,984</u>	<u>60,993,816</u>
<b>Deferred Outflows of Resources</b>						
Deferred Charges on Refunding	15,517	19,396	0	0	15,517	19,396
Pension	3,457,739	1,022,273	779,152	169,927	4,236,891	1,192,200
<i>Total Deferred Outflows of Resources</i>	<u>3,473,256</u>	<u>1,041,669</u>	<u>779,152</u>	<u>169,927</u>	<u>4,252,408</u>	<u>1,211,596</u>
<b>Liabilities</b>						
Current and Other Liabilities	3,812,424	3,888,959	244,551	263,328	4,056,975	4,152,287
Long-Term Liabilities						
Due within One Year	631,969	584,141	330,586	334,920	962,555	919,061
Due in More Than One Year:						
Net Pension Liability	10,051,380	6,755,277	1,379,861	639,944	11,431,241	7,395,221
Other Amounts	1,401,236	1,778,192	2,215,540	2,491,453	3,616,776	4,269,645
<i>Total Liabilities</i>	<u>15,897,009</u>	<u>13,006,569</u>	<u>4,170,538</u>	<u>3,729,645</u>	<u>20,067,547</u>	<u>16,736,214</u>
<b>Deferred Inflows of Resources</b>						
Property Taxes	760,846	757,920	0	0	760,846	757,920
Pension	71,044	19,216	26,661	11,678	97,705	30,894
<i>Deferred Inflows of Resources</i>	<u>831,890</u>	<u>777,136</u>	<u>26,661</u>	<u>11,678</u>	<u>858,551</u>	<u>788,814</u>
<b>Net Position</b>						
Net Investment in						
Capital Assets	21,464,104	22,127,415	18,620,625	17,997,875	40,084,729	40,125,290
Restricted	3,667,540	3,599,257	0	0	3,667,540	3,599,257
Unrestricted	(3,977,056)	(4,279,968)	4,848,081	5,235,805	871,025	955,837
<i>Total Net Position</i>	<u>\$ 21,154,588</u>	<u>\$ 21,446,704</u>	<u>\$ 23,468,706</u>	<u>\$ 23,233,680</u>	<u>\$ 44,623,294</u>	<u>\$ 44,680,384</u>

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During 2015, the City adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions— an Amendment of GASB Statement 27*, which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting the net pension asset and deferred outflows related to pension.

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

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

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

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

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

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

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

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

Net investment in capital assets was \$40,084,729 at December 31, 2016, with \$21,464,104 in governmental activities and \$18,620,625 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, \$3,667,540, or 8 percent, represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position of \$871,025 may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities of the City saw a \$1,464,758 decrease in current and other assets. This was primarily caused by a decrease in cash and investments with escrow agents as the escrow payment made to ODOT for the Connector project within the City during 2015 was used for construction expenses during 2016. There was also a decrease in intergovernmental receivable which was primarily caused by the Small Cities Block Grant that was granted to the City during 2015.

The \$2,966,975 increase in long term liabilities and the \$2,431,587 increase in deferred outflows of resources in governmental activities were primarily caused by changes related to net pension liability during 2016.

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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 2016 and 2015.

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Revenues</b>						
<i>Program Revenues:</i>						
Charges for Services and Sales	\$ 1,985,216	\$ 2,000,989	\$ 4,301,041	\$ 4,039,581	\$ 6,286,257	\$ 6,040,570
Operating Grants, Contributions and Interest	1,134,122	1,659,987	0	0	1,134,122	1,659,987
Capital Grants and Contributions	531,921	39,055	0	164,527	531,921	203,582
<i>General Revenues:</i>						
Property Taxes	825,407	825,167	0	0	825,407	825,167
Income Taxes	6,840,024	6,327,384	0	0	6,840,024	6,327,384
Other Taxes	133,247	117,336	0	0	133,247	117,336
Grants and Entitlements	421,930	506,918	0	0	421,930	506,918
Unrestricted Contributions	9,029	915	0	0	9,029	915
Investment Earnings	84,251	67,565	0	0	84,251	67,565
Miscellaneous	295,179	96,990	27,087	36,312	322,266	133,302
<i>Total Revenues</i>	<u>12,260,326</u>	<u>11,642,306</u>	<u>4,328,128</u>	<u>4,240,420</u>	<u>16,588,454</u>	<u>15,882,726</u>
<b>Program Expenses</b>						
General Government	3,353,694	2,834,696	0	0	3,353,694	2,834,696
Security of Persons and Property	5,532,486	4,966,255	0	0	5,532,486	4,966,255
Public Health	184,641	182,914	0	0	184,641	182,914
Leisure Time Services	246,216	215,607	0	0	246,216	215,607
Community Development	659,151	175,205	0	0	659,151	175,205
Transportation	2,467,982	1,733,775	0	0	2,467,982	1,733,775
Debt Issuance Costs	17,437	17,825	0	0	17,437	17,825
Interest and Fiscal Charges	90,835	83,546	0	0	90,835	83,546
<i>Enterprise Operations:</i>						
Waterworks Operating	0	0	1,830,579	1,702,706	1,830,579	1,702,706
Sanitary Sewer Operating	0	0	2,262,523	2,230,490	2,262,523	2,230,490
<i>Total Program Expenses</i>	<u>12,552,442</u>	<u>10,209,823</u>	<u>4,093,102</u>	<u>3,933,196</u>	<u>16,645,544</u>	<u>14,143,019</u>
<i>Change in Net Position</i>	(292,116)	1,432,483	235,026	307,224	(57,090)	1,739,707
<i>Net Position Beginning of Year</i>	<u>21,446,704</u>	<u>20,014,221</u>	<u>23,233,680</u>	<u>22,926,456</u>	<u>44,680,384</u>	<u>42,940,677</u>
<i>Net Position End of Year</i>	<u>\$ 21,154,588</u>	<u>\$ 21,446,704</u>	<u>\$ 23,468,706</u>	<u>\$ 23,233,680</u>	<u>\$ 44,623,294</u>	<u>\$ 44,680,384</u>

**Governmental Activities**

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

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



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The City saw a \$512,640 increase in income taxes caused by improved economic conditions. Operating grants saw a large decrease due to the CDBG Homeless Prevention grant that was received during 2015. Capital grants and contributions saw a \$492,866 increase primarily due to an OPWC grant received for the South Pickaway Street improvements and ODOT payments made on the Connector project.

Police and fire represent the largest expense of the Governmental Activities. Security of Persons and Property expense of \$5,532,486 represents 44 percent of the total governmental activities expenses. The police and fire departments operate out of the general fund, the safety forces tax fund and the safety forces .1% income tax fund. The large increase in security of persons and property expense during 2016 was primarily caused by increases in benefits costs and staff within the fire department.

The City's Street Maintenance and Repair Department provides the City and its citizens many services that include public road salting, leaf and debris pickup, paint striping and alley profiling. Transportation expenses totaled \$2,467,982, or 20 percent of total governmental activities expenses, during 2016. The large increase in expenses during 2016 was primarily caused by a reallocation of expenses between fund and function and the additions of staff in the service department.

The City also maintains a park (leisure time services) within the City. The park had expenses of \$246,216 in 2016 equaling 2 percent of the total governmental services expenses. All other governmental operations had expenses of \$4,305,758, which represents 34 percent of the City's total expenses.

General government expenses increased \$518,998 due to increased benefit costs and increased municipal court staff. Community development expenses saw an increase of \$483,946 which was primarily caused by an increase in rental housing assistance and property rehabilitation expenses.

### **Business-Type Activities**

Business-type activities include water and sewer operations. The revenues are generated primarily from charges for services and sales. In 2016, charges for services and sales of \$4,301,041 accounted for 99 percent of the business type revenues. The total expenses for the utilities were \$4,093,102, thus leaving an increase in net position of \$235,026 for the business-type activities.

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

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

Information about the City's governmental funds begins on page 17. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues of \$12,492,518 and expenditures of \$13,677,914. The funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly revenues.

The general fund's net change in fund balance for 2016 was an increase of \$135,003.

The fund balance of the income tax fund increased by \$1,709.

The safety forces tax fund's net change in fund balance for 2016 was a decrease of \$93,543, as expenditures exceeded income tax revenues.

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The safety forces .1% income tax fund's net change in fund balance for 2016 was an increase of \$68,841, as income tax revenues exceeded expenditures.

The general obligation bond retirement fund balance decreased \$7,661.

The capital improvement fund decreased \$1,472,915 due to an increase in expenses for the construction of the Connector during 2016.

The capital improvement .4% income tax fund's net change in fund balance for 2016 was an increase of \$351,344, as income tax revenues exceeded expenditures.

***Proprietary Funds***

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

Unrestricted net position of the waterworks operating fund at the end of the year amounted to \$2,385,541, which is a decrease of \$794,161. The unrestricted net position of the sanitary sewer operating fund was \$2,462,540, which is an increase of \$406,437. 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 2016, the City amended its general fund budget on various occasions. All recommendations for appropriation changes come to Council from the City Auditor. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

For the general fund, the actual budget basis revenue was \$5,100,239, representing an increase of \$71,417 over the final budget estimate of \$5,028,822.

Final expenditure appropriations of \$5,251,278 were \$318,024 higher than the actual expenditures of \$4,933,254, as cost savings were recognized in all departments throughout the year.

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

**City of Circleville**  
**Pickaway County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2016*  
*(Unaudited)*

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of year 2016, the City had \$46,730,603 invested in capital assets. A total of \$25,710,282 of this was for governmental activities and \$21,020,321 being attributable to business-type activities. See Note 8 for additional details. Table 3 shows 2016 balances compared with 2015.

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 1,156,910	\$ 1,156,910	\$ 149,180	\$ 149,180	\$ 1,306,090	\$ 1,306,090
Infrastructure	16,302,558	16,316,998	15,750,257	15,526,200	32,052,815	31,843,198
Land Improvements	267,376	300,018	15,467	8,748	282,843	308,766
Buildings and Improvements	4,424,385	4,550,042	4,339,221	4,284,353	8,763,606	8,834,395
Machinery and Equipment	1,023,650	861,811	346,200	361,541	1,369,850	1,223,352
Vehicles	420,478	458,905	286,187	260,112	706,665	719,017
Construction in Progress	2,114,925	376,999	133,809	110,910	2,248,734	487,909
<i>Total</i>	<u>\$ 25,710,282</u>	<u>\$ 24,021,683</u>	<u>\$ 21,020,321</u>	<u>\$ 20,701,044</u>	<u>\$ 46,730,603</u>	<u>\$ 44,722,727</u>

**Debt**

The outstanding debt for the City as of December 31, 2016 was \$7,269,432. See Note 9, 10 and 11 for additional details. Table 4 summarizes outstanding debt.

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	\$ 1,305,000	\$ 1,570,000	\$ 2,070,000	\$ 2,205,000	\$ 3,375,000	\$ 3,775,000
OWDA Loans	0	0	128,019	189,408	128,019	189,408
OPWC Loans	0	0	89,594	94,437	89,594	94,437
Bond Anticipation Notes	3,359,000	3,409,000	0	0	3,359,000	3,409,000
Capital Leases	219,475	305,038	98,344	155,430	317,819	460,468
<i>Total</i>	<u>\$ 4,883,475</u>	<u>\$ 5,284,038</u>	<u>\$ 2,385,957</u>	<u>\$ 2,644,275</u>	<u>\$ 7,269,432</u>	<u>\$ 7,928,313</u>

**City of Circleville**  
**Pickaway County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2016*  
*(Unaudited)*

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***Current Issues***

On a cash basis, the City of Circleville's municipal income tax base increased in 2016 by 9.73 percent. The major contributor to the increase in municipal income tax receipts was the realization of a full 12 months of collections on the .5 percent rate increase in 2015. The .5 percent income tax was a voter approved levy that is designated for specific municipal services. The Capital Improvement .4 percent income tax is for the purpose of capital improvements for the development and construction of street improvements and storm sewers; for parks and playgrounds; and for all city street lighting necessary. The Safety .1 percent income tax is for the purpose of operating and maintaining the safety forces. The combined rate for safety forces operations is .6 percent when the .5 percent income levy from 1988 is applied. Municipal income tax provides 40.78 percent of the safety forces operating budget. The remaining 1 percent income tax provides for the general operating expenditures of the City with 14.29 percent used to support the Municipal Court. The income tax receipts for general operations increased by 5.77 percent from 2015 to 2016. The main factor for this increase was the annexation of Ohio Christian University. It should be noted that the Ohio Christian University income tax will be reduced by 75 percent for the next five years to reflect the implementation of the City's municipal income tax economic development incentive. The overall employment base is expected to remain steady, however, the loss of the largest industrial employer within the City will result in a loss of withholding taxes paid to the City as manufacturing wages are replaced by retail wages. The municipal income tax provides 54.05 percent of the General Fund's operating dollars for the city. Locally generated revenues continue to struggle in replacing the significant reductions in proceeds received from other governmental sources, mainly local government funds, personal property tax, and inheritance tax. The deterioration of revenues due to the Ohio Legislature's elimination of historical local revenues has placed a greater reliance on the local tax base to fund basic municipal operations.

The City of Circleville entered into a joint economic development agreement (JEDD) with Pickaway Township in 2016. The City of Circleville/Pickaway Township JEDD will bring over 300 new jobs to the area. It is anticipated that the new employment opportunities will increase local residency and the reciprocal financial affect generated by an increase in population.

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

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Gayle Spangler, City Auditor, City of Circleville, 133 South Court Street, Circleville, Ohio 43113.

**City of Circleville**  
**Pickaway County, Ohio**  
*Statement of Net Position*  
*December 31, 2016*

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Investments	\$ 4,517,828	\$ 5,085,744	\$ 9,603,572
Cash and Investments with Fiscal Agents	34,831	0	34,831
Accounts Receivable	167,980	672,737	840,717
Accrued Interest Receivable	13,148	0	13,148
Intergovernmental Receivable	822,864	0	822,864
Property Taxes Receivable	807,384	0	807,384
Income Taxes Receivable	2,038,610	0	2,038,610
Prepaid Items	136,360	41,771	178,131
Materials and Supplies Inventory	160,944	66,180	227,124
Non-Depreciable Capital Assets	3,271,835	282,989	3,554,824
Depreciable Capital Assets, Net	22,438,447	20,737,332	43,175,779
<i>Total Assets</i>	<u>34,410,231</u>	<u>26,886,753</u>	<u>61,296,984</u>
<b>Deferred Outflows of Resources</b>			
Deferred Charges on Refunding Pension	15,517	0	15,517
	3,457,739	779,152	4,236,891
<i>Total Deferred Outflows of Resources</i>	<u>3,473,256</u>	<u>779,152</u>	<u>4,252,408</u>
<b>Liabilities</b>			
Accounts Payable	98,257	73,263	171,520
Accrued Wages	168,176	46,019	214,195
Contracts Payable	1,350	13,739	15,089
Intergovernmental Payable	137,518	26,425	163,943
Matured Interest Payable	14,831	0	14,831
Matured Bonds Payable	20,000	0	20,000
Refundable Deposits	0	77,718	77,718
Accrued Interest Payable	13,292	7,387	20,679
Notes Payable	3,359,000	0	3,359,000
Long-Term Liabilities:			
Due Within One Year	631,969	330,586	962,555
Net Pension Liability (See Note 12)	10,051,380	1,379,861	11,431,241
Other Amounts Due in More Than One Year	1,401,236	2,215,540	3,616,776
<i>Total Liabilities</i>	<u>15,897,009</u>	<u>4,170,538</u>	<u>20,067,547</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes Levied for the Next Year	760,846	0	760,846
Pension	71,044	26,661	97,705
<i>Total Deferred Inflows of Resources</i>	<u>831,890</u>	<u>26,661</u>	<u>858,551</u>
<b>Net Position</b>			
Net Investment in Capital Assets	21,464,104	18,620,625	40,084,729
Restricted for:			
Capital Outlay	1,445,839	0	1,445,839
Safety Services	500,186	0	500,186
Streets	565,530	0	565,530
Community Development	95,507	0	95,507
Other Purposes	1,060,478	0	1,060,478
Unrestricted	(3,977,056)	4,848,081	871,025
<i>Total Net Position</i>	<u>\$ 21,154,588</u>	<u>\$ 23,468,706</u>	<u>\$ 44,623,294</u>

See accompanying notes to the basic financial statements.

**City of Circleville**  
**Pickaway County, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2016

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General Government	\$ 3,353,694	\$ 1,316,958	\$ 101,025	\$ 0	\$ (1,935,711)	\$ 0	\$ (1,935,711)
Security of Persons and Property	5,532,486	637,976	223,059	0	(4,671,451)	0	(4,671,451)
Public Health	184,641	0	0	0	(184,641)	0	(184,641)
Leisure Time Services	246,216	18,070	12,634	0	(215,512)	0	(215,512)
Community Development	659,151	0	148,126	0	(511,025)	0	(511,025)
Transportation	2,467,982	12,212	649,278	531,921	(1,274,571)	0	(1,274,571)
Debt Issuance Costs	17,437	0	0	0	(17,437)	0	(17,437)
Interest and Fiscal Charges	90,835	0	0	0	(90,835)	0	(90,835)
<i>Total Governmental Activities</i>	<u>12,552,442</u>	<u>1,985,216</u>	<u>1,134,122</u>	<u>531,921</u>	<u>(8,901,183)</u>	<u>0</u>	<u>(8,901,183)</u>
<b>Business-Type Activities</b>							
Waterworks Operating	1,830,579	1,816,984	0	0	0	(13,595)	(13,595)
Sanitary Sewer Operating	2,262,523	2,484,057	0	0	0	221,534	221,534
<i>Total Business-Type Activities</i>	<u>4,093,102</u>	<u>4,301,041</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>207,939</u>	<u>207,939</u>
<i>Total Primary Government</i>	<u>\$ 16,645,544</u>	<u>\$ 6,286,257</u>	<u>\$ 1,134,122</u>	<u>\$ 531,921</u>	<u>(8,901,183)</u>	<u>207,939</u>	<u>(8,693,244)</u>
<b>General Revenues:</b>							
Property Taxes Levied for:							
General Purposes					710,438	0	710,438
Police, Fire and Community Operations					114,969	0	114,969
Income Taxes Levied for:							
General Purposes					2,935,947	0	2,935,947
Police, Fire and Community Operations					2,042,538	0	2,042,538
Capital Projects					1,535,215	0	1,535,215
Debt Service					326,324	0	326,324
Other Taxes					133,247	0	133,247
Grants and Entitlements not Restricted to Specific Programs					421,930	0	421,930
Unrestricted Contributions					9,029	0	9,029
Investment Earnings					84,251	0	84,251
Miscellaneous					295,179	27,087	322,266
<i>Total General Revenues</i>					<u>8,609,067</u>	<u>27,087</u>	<u>8,636,154</u>
<i>Change in Net Position</i>					(292,116)	235,026	(57,090)
<i>Net Position Beginning of Year</i>					<u>21,446,704</u>	<u>23,233,680</u>	<u>44,680,384</u>
<i>Net Position End of Year</i>					<u>\$ 21,154,588</u>	<u>\$ 23,468,706</u>	<u>\$ 44,623,294</u>

See accompanying notes to the basic financial statements.

**City of Circleville**  
**Pickaway County, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*December 31, 2016*

	General	Income Tax Fund	Safety Forces Tax Fund	Safety Forces .1% Income Tax Fund	General Obligation Bond Retirement Fund	Capital Improvement Fund	Capital Improvement .4% Income Tax Fund	All Other Governmental Funds	Total Governmental Funds
<b>Assets</b>									
Equity in Pooled Cash and Investments	\$ 611,202	\$ 7,584	\$ 300,679	\$ 131,026	\$ 33,674	\$ 852,634	\$ 1,068,974	\$ 1,512,055	\$ 4,517,828
Cash and Investments with Fiscal Agents	0	0	0	0	34,831	0	0	0	34,831
Accounts Receivable	151,216	0	0	0	0	0	0	16,764	167,980
Accrued Interest Receivable	13,010	0	0	0	0	0	0	138	13,148
Intergovernmental Receivable	227,140	0	5,720	0	0	0	0	590,004	822,864
Property Taxes Receivable	685,066	0	0	0	0	0	0	122,318	807,384
Income Taxes Receivable	797,564	67,441	512,862	94,732	169,853	17,230	378,928	0	2,038,610
Prepaid Items	61,204	0	54,399	0	0	10,422	0	10,335	136,360
Materials and Supplies Inventory	27,875	0	0	0	0	0	0	133,069	160,944
<b>Total Assets</b>	<b>\$ 2,574,277</b>	<b>\$ 75,025</b>	<b>\$ 873,660</b>	<b>\$ 225,758</b>	<b>\$ 238,358</b>	<b>\$ 880,286</b>	<b>\$ 1,447,902</b>	<b>\$ 2,384,683</b>	<b>\$ 8,699,949</b>
<b>Liabilities</b>									
Accounts Payable	\$ 19,562	\$ 0	\$ 42,849	\$ 0	\$ 0	\$ 0	\$ 2,700	\$ 33,146	\$ 98,257
Accrued Wages	146,513	775	2,796	0	0	0	0	18,092	168,176
Contracts Payable	0	0	0	0	0	0	1,350	0	1,350
Intergovernmental Payable	53,004	392	36,528	38,125	0	0	0	9,469	137,518
Matured Interest Payable	0	0	0	0	14,831	0	0	0	14,831
Matured Bonds Payable	0	0	0	0	20,000	0	0	0	20,000
Accrued Interest Payable	0	0	0	0	0	9,985	0	0	9,985
Notes Payable	0	0	0	0	0	3,359,000	0	0	3,359,000
<b>Total Liabilities</b>	<b>219,079</b>	<b>1,167</b>	<b>82,173</b>	<b>38,125</b>	<b>34,831</b>	<b>3,368,985</b>	<b>4,050</b>	<b>60,707</b>	<b>3,809,117</b>
<b>Deferred Inflows of Resources</b>									
Property Taxes Levied for the Next Year	645,578	0	0	0	0	0	0	115,268	760,846
Unavailable Revenue	969,561	50,528	381,348	70,409	123,391	15,838	281,634	502,594	2,395,303
<b>Total Deferred Inflows of Resources</b>	<b>1,615,139</b>	<b>50,528</b>	<b>381,348</b>	<b>70,409</b>	<b>123,391</b>	<b>15,838</b>	<b>281,634</b>	<b>617,862</b>	<b>3,156,149</b>
<b>Fund Balances</b>									
Nonspendable	89,079	0	54,399	0	0	10,422	0	143,404	297,304
Restricted	0	0	0	117,224	0	0	1,162,218	1,460,329	2,739,771
Committed	2,368	23,330	355,740	0	80,136	0	0	102,381	563,955
Assigned	561,926	0	0	0	0	0	0	0	561,926
Unassigned	86,686	0	0	0	0	(2,514,959)	0	0	(2,428,273)
<b>Total Fund Balances</b>	<b>740,059</b>	<b>23,330</b>	<b>410,139</b>	<b>117,224</b>	<b>80,136</b>	<b>(2,504,537)</b>	<b>1,162,218</b>	<b>1,706,114</b>	<b>1,734,683</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 2,574,277</b>	<b>\$ 75,025</b>	<b>\$ 873,660</b>	<b>\$ 225,758</b>	<b>\$ 238,358</b>	<b>\$ 880,286</b>	<b>\$ 1,447,902</b>	<b>\$ 2,384,683</b>	<b>\$ 8,699,949</b>

See accompanying notes to the basic financial statements.

**City of Circleville**  
**Pickaway County, Ohio**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Position of Governmental Activities*  
*December 31, 2016*

<b>Total Governmental Fund Balances</b>		\$ 1,734,683
 <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.		25,710,282
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Delinquent Property Taxes	\$ 46,538	
Income Tax	1,516,706	
Intergovernmental	665,174	
Charges for Services	<u>166,885</u>	2,395,303
Accrued interest payable is not due and payable in the current period and therefore not reported in the funds.		(3,307)
Unamortized gain/loss on refunding represents deferred outflows, which do not provide current financial resources and, therefore, are not reported in the funds.		15,517
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred Outflows - Pension	3,457,739	
Deferred Inflows - Pension	(71,044)	
Net Pension Liability	<u>(10,051,380)</u>	(6,664,685)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(1,305,000)	
Bond Premium	(32,236)	
Capital Leases	(219,475)	
Compensated Absences	<u>(476,494)</u>	<u>(2,033,205)</u>
<i>Net Position of Governmental Activities</i>		<u><u>\$ 21,154,588</u></u>

See accompanying notes to the basic financial statements.



**City of Circleville**  
**Pickaway County, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2016*

	General	Income Tax Fund	Safety Forces Tax Fund	Safety Forces .1% Income Tax Fund	General Obligation Bond Retirement Fund	Capital Improvement Fund	Capital Improvement .4% Income Tax Fund	All Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>									
Property Taxes	\$ 707,327	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 114,338	\$ 821,665
Income Taxes	2,721,756	241,713	1,716,424	323,327	300,576	244,318	1,293,310	0	6,841,424
Other Local Taxes	133,247	0	0	0	0	0	0	0	133,247
Charges for Services	408,357	0	434,781	0	0	0	0	36,419	879,557
Licenses and Permits	104,623	0	0	0	0	0	0	70,361	174,984
Fines and Forfeitures	470,531	0	0	0	0	0	0	398,941	869,472
Intergovernmental	468,895	0	42,317	0	0	278,239	0	1,560,754	2,350,205
Interest	93,925	0	0	0	19,342	0	0	4,602	117,869
Contributions and Donations	9,029	0	1,425	0	0	0	0	11,626	22,080
Other	13,489	112	17,343	66	138	146,619	0	104,248	282,015
<b>Total Revenues</b>	<b>5,131,179</b>	<b>241,825</b>	<b>2,212,290</b>	<b>323,393</b>	<b>320,056</b>	<b>669,176</b>	<b>1,293,310</b>	<b>2,301,289</b>	<b>12,492,518</b>
<b>Expenditures</b>									
Current:									
General Government	2,232,401	240,116	0	0	0	63,339	0	586,631	3,122,487
Security of Persons and Property	2,172,866	0	2,305,833	254,552	0	0	0	125,412	4,858,663
Public Health	184,641	0	0	0	0	0	0	0	184,641
Leisure Time Services	121,008	0	0	0	0	0	0	3,273	124,281
Community Development	10,154	0	0	0	0	0	0	647,942	658,096
Transportation	272,781	0	0	0	0	0	937,916	784,772	1,995,469
Capital Outlay	0	0	0	0	0	1,988,760	4,050	253,682	2,246,492
Debt Service:									
Principal Retirement	1,885	0	0	0	265,000	69,795	0	39,855	376,535
Interest and Fiscal Charges	440	0	0	0	45,280	46,169	0	1,924	93,813
Bond Issuance Costs	0	0	0	0	17,437	0	0	0	17,437
<b>Total Expenditures</b>	<b>4,996,176</b>	<b>240,116</b>	<b>2,305,833</b>	<b>254,552</b>	<b>327,717</b>	<b>2,168,063</b>	<b>941,966</b>	<b>2,443,491</b>	<b>13,677,914</b>
<i>Excess of Revenues Over (Under) Expenditures</i>	<b>135,003</b>	<b>1,709</b>	<b>(93,543)</b>	<b>68,841</b>	<b>(7,661)</b>	<b>(1,498,887)</b>	<b>351,344</b>	<b>(142,202)</b>	<b>(1,185,396)</b>
<b>Other Financing Sources (Uses)</b>									
Inception of Capital Lease	0	0	0	0	0	25,972	0	0	25,972
<b>Net Change in Fund Balance</b>	<b>135,003</b>	<b>1,709</b>	<b>(93,543)</b>	<b>68,841</b>	<b>(7,661)</b>	<b>(1,472,915)</b>	<b>351,344</b>	<b>(142,202)</b>	<b>(1,159,424)</b>
<i>Fund Balance (Deficit) Beginning of Year</i>	<b>605,056</b>	<b>21,621</b>	<b>503,682</b>	<b>48,383</b>	<b>87,797</b>	<b>(1,031,622)</b>	<b>810,874</b>	<b>1,848,316</b>	<b>2,894,107</b>
<b>Fund Balance (Deficit) End of Year</b>	<b>\$ 740,059</b>	<b>\$ 23,330</b>	<b>\$ 410,139</b>	<b>\$ 117,224</b>	<b>\$ 80,136</b>	<b>\$ (2,504,537)</b>	<b>\$ 1,162,218</b>	<b>\$ 1,706,114</b>	<b>\$ 1,734,683</b>

See accompanying notes to the basic financial statements.

**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, 2016*

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**Net Change in Fund Balances - Total Governmental Funds** \$ (1,159,424)

*Amounts reported for governmental activities in the  
statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital Asset Additions	\$ 3,041,602	
Current Year Depreciation	<u>(1,332,603)</u>	1,708,999

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. (20,400)

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

Delinquent Property Taxes	3,741	
Income Tax	(1,400)	
Intergovernmental	(283,534)	
Charges for Services	59,778	
Investment Earnings	<u>(10,777)</u>	(232,192)

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	265,000	
Capital Lease	<u>111,535</u>	376,535

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

Accrued Interest Payable	467	
Amortization of Premium on Bonds	6,390	
Amortization of Deferred Charges on Refunding	<u>(3,879)</u>	2,978

Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 775,637

Except for amount reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (1,690,451)

Inception of capital lease in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues. (25,972)

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>(27,826)</u>
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*Change in Net Position of Governmental Activities* \$ (292,116)

See accompanying notes to the basic financial statements.

**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, 2016*

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$ 714,400	\$ 714,400	\$ 707,327	\$ (7,073)
Income Taxes	2,653,008	2,653,008	2,682,815	29,807
Other Local Taxes	110,000	120,000	133,247	13,247
Charges for Services	354,164	369,164	426,659	57,495
Licenses and Permits	102,900	102,900	104,623	1,723
Fines and Forfeitures	507,000	507,000	472,539	(34,461)
Intergovernmental	480,700	465,700	465,832	132
Interest	93,650	93,650	84,679	(8,971)
Contributions and Donations	0	0	9,029	9,029
Other	3,000	3,000	13,489	10,489
<i>Total Revenues</i>	<u>5,018,822</u>	<u>5,028,822</u>	<u>5,100,239</u>	<u>71,417</u>
<b>Expenditures</b>				
Current:				
General Government	2,366,796	2,339,196	2,202,905	136,291
Security of Persons and Property				
Police	1,418,793	1,369,393	1,309,892	59,501
Fire	758,374	824,441	756,213	68,228
Other	84,298	91,198	77,236	13,962
Public Health	183,664	185,664	184,641	1,023
Leisure Time Services				
Parks and Recreation	90,880	90,880	88,582	2,298
Other	28,000	31,400	31,400	0
Community Development	10,300	10,300	10,154	146
Transportation	311,206	308,806	272,231	36,575
<i>Total Expenditures</i>	<u>5,252,311</u>	<u>5,251,278</u>	<u>4,933,254</u>	<u>318,024</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(233,489)</u>	<u>(222,456)</u>	<u>166,985</u>	<u>389,441</u>
<b>Other Financing Uses</b>				
Transfers Out	(30,000)	(30,000)	(30,000)	0
<i>Net Change in Fund Balance</i>	(263,489)	(252,456)	136,985	389,441
<i>Fund Balance Beginning of Year</i>	<u>461,930</u>	<u>461,930</u>	<u>461,930</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 198,441</u>	<u>\$ 209,474</u>	<u>\$ 598,915</u>	<u>\$ 389,441</u>

See accompanying notes to the basic financial statements.

**City of Circleville**  
**Pickaway County, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Income Tax Fund*  
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues</b>				
Income Taxes	\$ 230,000	\$ 246,000	\$ 239,794	\$ (6,206)
Other	0	0	112	112
<i>Total Revenues</i>	<u>230,000</u>	<u>246,000</u>	<u>239,906</u>	<u>(6,094)</u>
<b>Expenditures</b>				
Current:				
General Government	229,912	245,912	240,005	5,907
<i>Net Change in Fund Balance</i>	88	88	(99)	(187)
<i>Fund Balance Beginning of Year</i>	<u>7,683</u>	<u>7,683</u>	<u>7,683</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 7,771</u>	<u>\$ 7,771</u>	<u>\$ 7,584</u>	<u>\$ (187)</u>

See accompanying notes to the basic financial statements.

**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, 2016*

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>Revenues</b>				
Income Taxes	\$ 1,600,000	\$ 1,600,000	\$ 1,713,207	\$ 113,207
Charges for Services	433,000	433,000	434,781	1,781
Intergovernmental	0	0	38,997	38,997
Contributions and Donations	0	0	1,425	1,425
Other	2,000	13,255	17,343	4,088
<i>Total Revenues</i>	<u>2,035,000</u>	<u>2,046,255</u>	<u>2,205,753</u>	<u>159,498</u>
<b>Expenditures</b>				
Current:				
Security of Persons and Property				
Police	1,280,275	1,291,018	1,266,566	24,452
Fire	1,161,180	1,152,592	1,081,573	71,019
Other	25,185	35,185	23,433	11,752
<i>Total Expenditures</i>	<u>2,466,640</u>	<u>2,478,795</u>	<u>2,371,572</u>	<u>107,223</u>
<i>Net Change in Fund Balance</i>	(431,640)	(432,540)	(165,819)	266,721
<i>Fund Balance Beginning of Year</i>	435,421	435,421	435,421	0
Prior Year Encumbrances Appropriated	<u>31,077</u>	<u>31,077</u>	<u>31,077</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 34,858</u>	<u>\$ 33,958</u>	<u>\$ 300,679</u>	<u>\$ 266,721</u>

See accompanying notes to the basic financial statements.

**City of Circleville**  
**Pickaway County, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Safety Forces .1% Income Tax Fund*  
*For the Year Ended December 31, 2016*

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues</b>				
Income Taxes	\$ 225,000	\$ 225,000	\$ 321,702	\$ 96,702
Other	0	0	66	66
<i>Total Revenues</i>	<u>225,000</u>	<u>225,000</u>	<u>321,768</u>	<u>96,768</u>
<b>Expenditures</b>				
Current:				
Security of Persons and Property				
Police	108,219	108,219	108,219	0
Fire	108,219	108,219	108,208	11
<i>Total Expenditures</i>	<u>216,438</u>	<u>216,438</u>	<u>216,427</u>	<u>11</u>
<i>Net Change in Fund Balance</i>	8,562	8,562	105,341	96,779
<i>Fund Balance Beginning of Year</i>	<u>25,685</u>	<u>25,685</u>	<u>25,685</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 34,247</u>	<u>\$ 34,247</u>	<u>\$ 131,026</u>	<u>\$ 96,779</u>

See accompanying notes to the basic financial statements.

**City of Circleville**  
**Pickaway County, Ohio**  
*Statement of Fund Net Position*  
*Proprietary Funds*  
*December 31, 2016*

	Enterprise Funds		
	Waterworks Operating	Sanitary Sewer Operating	Total
<b>Assets</b>			
<i>Current Assets:</i>			
Equity in Pooled Cash and Investments	\$ 2,444,848	\$ 2,563,178	\$ 5,008,026
Accounts Receivable	275,459	397,278	672,737
Prepaid Items	16,029	25,742	41,771
Materials and Supplies Inventory	59,429	6,751	66,180
<i>Total Current Assets</i>	<u>2,795,765</u>	<u>2,992,949</u>	<u>5,788,714</u>
<i>Non-Current Assets:</i>			
Restricted Assets:			
Equity in Pooled Cash and Investments	38,859	38,859	77,718
Non-Depreciable Capital Assets	80,795	202,194	282,989
Depreciable Capital Assets, Net	8,617,138	12,120,194	20,737,332
<i>Total Non-Current Assets</i>	<u>8,736,792</u>	<u>12,361,247</u>	<u>21,098,039</u>
<i>Total Assets</i>	<u>11,532,557</u>	<u>15,354,196</u>	<u>26,886,753</u>
<b>Deferred Outflows of Resources</b>			
Pension	347,159	431,993	779,152
<b>Liabilities</b>			
<i>Current Liabilities:</i>			
Accounts Payable	30,950	42,313	73,263
Accrued Wages	19,980	26,039	46,019
Contracts Payable	0	13,739	13,739
Intergovernmental Payable	10,954	15,471	26,425
Accrued Interest Payable	3,157	4,230	7,387
Compensated Absences Payable	27,660	41,444	69,104
Capital Leases Payable	29,259	29,260	58,519
OPWC Loans Payable	0	4,843	4,843
OWDA Loans Payable	63,120	0	63,120
General Obligation Bonds Payable	60,000	75,000	135,000
Refundable Deposits	38,859	38,859	77,718
<i>Total Current Liabilities</i>	<u>283,939</u>	<u>291,198</u>	<u>575,137</u>
<i>Long-Term Liabilities:</i>			
Compensated Absences Payable - Net of Current Portion	37,993	53,072	91,065
Capital Leases Payable - Net of Current Portion	19,913	19,912	39,825
OPWC Loans Payable - Net of Current Portion	0	84,751	84,751
OWDA Loans Payable - Net of Current Portion	64,899	0	64,899
General Obligation Bonds Payable - Net of Current Portion	825,000	1,110,000	1,935,000
Net Pension Liability (See Note 12)	614,810	765,051	1,379,861
<i>Total Long-Term Liabilities</i>	<u>1,562,615</u>	<u>2,032,786</u>	<u>3,595,401</u>
<i>Total Liabilities</i>	<u>1,846,554</u>	<u>2,323,984</u>	<u>4,170,538</u>
<b>Deferred Inflows of Resources</b>			
Pension	11,879	14,782	26,661
<b>Net Position</b>			
Net Investment in Capital Assets	7,635,742	10,984,883	18,620,625
Unrestricted	2,385,541	2,462,540	4,848,081
<i>Total Net Position</i>	<u>\$ 10,021,283</u>	<u>\$ 13,447,423</u>	<u>\$ 23,468,706</u>

See accompanying notes to the basic financial statements.

**City of Circleville**  
**Pickaway County, Ohio**  
*Statement of Revenues, Expenses and Changes in Fund Net Position*  
*Proprietary Funds*  
For the Year Ended December 31, 2016

	Enterprise Funds		
	Waterworks Operating	Sanitary Sewer Operating	Totals
<b>Operating Revenues</b>			
Charges for Services	\$ 1,816,984	\$ 2,484,057	\$ 4,301,041
<b>Operating Expenses</b>			
Personal Services	515,151	669,913	1,185,064
Fringe Benefits	252,637	372,710	625,347
Contractual Services	598,899	641,218	1,240,117
Materials and Supplies	129,619	78,624	208,243
Depreciation	283,443	436,914	720,357
Other	4,444	7,846	12,290
<i>Total Operating Expenses</i>	<u>1,784,193</u>	<u>2,207,225</u>	<u>3,991,418</u>
<i>Operating Income</i>	<u>32,791</u>	<u>276,832</u>	<u>309,623</u>
<b>Non-Operating Revenues (Expense)</b>			
Other Non-Operating Revenues	19,605	7,482	27,087
Interest and Fiscal Charges	(46,386)	(55,298)	(101,684)
<i>Total Non-Operating Revenues (Expense)</i>	<u>(26,781)</u>	<u>(47,816)</u>	<u>(74,597)</u>
<i>Change in Net Position</i>	6,010	229,016	235,026
<i>Net Position Beginning of Year</i>	<u>10,015,273</u>	<u>13,218,407</u>	<u>23,233,680</u>
<i>Net Position End of Year</i>	<u>\$ 10,021,283</u>	<u>\$ 13,447,423</u>	<u>\$ 23,468,706</u>

See accompanying notes to the basic financial statements.



**City of Circleville**  
**Pickaway County, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Year Ended December 31, 2016

	Enterprise Funds		
	Waterworks Operating	Sanitary Sewer Operating	Totals
<b>Cash Flows from Operating Activities</b>			
Cash Received from Customers	\$ 1,809,696	\$ 2,442,903	\$ 4,252,599
Cash Payments to Suppliers for Goods and Services	(110,820)	(86,146)	(196,966)
Cash Payments to Employees for Services and Benefits	(742,946)	(958,548)	(1,701,494)
Cash Payments for Contractual Services	(581,775)	(626,219)	(1,207,994)
Other Cash Payments	(4,444)	(7,846)	(12,290)
<i>Net Cash Provided by Operating Activities</i>	<u>369,711</u>	<u>764,144</u>	<u>1,133,855</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Other Non-Operating Receipts	<u>19,605</u>	<u>7,482</u>	<u>27,087</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition of Capital Assets	(938,682)	(146,104)	(1,084,786)
Principal Payments on Debt	(144,932)	(113,386)	(258,318)
Interest Payments on Debt	(46,570)	(55,565)	(102,135)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(1,130,184)</u>	<u>(315,055)</u>	<u>(1,445,239)</u>
<i>Net Increase (Decrease) in Cash and Cash Investments</i>	(740,868)	456,571	(284,297)
<i>Cash and Investments Beginning of Year</i>	<u>3,224,575</u>	<u>2,145,466</u>	<u>5,370,041</u>
<i>Cash and Investments End of Year</i>	<u>\$ 2,483,707</u>	<u>\$ 2,602,037</u>	<u>\$ 5,085,744</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>			
Operating Income	\$ 32,791	\$ 276,832	\$ 309,623
Adjustments:			
Depreciation	283,443	436,914	720,357
(Increase) Decrease in Assets and Deferred Outflows:			
Accounts Receivable	(3,343)	(37,209)	(40,552)
Prepaid Items	(3,964)	(21,766)	(25,730)
Materials and Supplies Inventory	21,488	(3,331)	18,157
Net Pension Asset	667	761	1,428
Deferred Outflows - Pension	(267,786)	(341,439)	(609,225)
Increase (Decrease) in Liabilities and Deferred Inflows:			
Accounts Payable	9,606	15,679	25,285
Accrued Wages	778	5,725	6,503
Refundable Deposits	(3,945)	(3,945)	(7,890)
Compensated Absences Payable	(22,354)	425	(21,929)
Intergovernmental Payable	15	2,913	2,928
Deferred Inflows - Pension	6,424	8,559	14,983
Net Pension Liability	315,891	424,026	739,917
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 369,711</u>	<u>\$ 764,144</u>	<u>\$ 1,133,855</u>

**Noncash Capital Financing Activities:**

The City purchased \$13,739 and \$58,891 of capital assets on account in 2016 and 2015, respectively.

See accompanying notes to the basic financial statements.

**City of Circleville**  
**Pickaway County, Ohio**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*December 31, 2016*

	Private Purpose Trust	Agency Funds
<b>Assets</b>		
Equity in Pooled Cash and Investments	\$ 377	\$ 20,178
Cash and Investments in Segregated Accounts	10,000	59,803
<i>Total Assets</i>	10,377	\$ 79,981
<b>Liabilities</b>		
Intergovernmental Payable	0	\$ 3,441
Undistributed Monies	0	76,540
<i>Total Liabilities</i>	0	\$ 79,981
<b>Net Position</b>		
Held in Trust for Private Purposes	\$ 10,377	

See accompanying notes to the basic financial statements.

**City of Circleville**  
**Pickaway County, Ohio**  
*Statement of Changes in Fiduciary Net Position*  
*Fiduciary Fund*  
*For the Year Ended December 31, 2016*

	Private Purpose Trust
<b>Additions</b>	
Interest	\$ 135
<i>Change in Net Position</i>	135
<i>Net Position Beginning of Year</i>	10,242
<i>Net Position End of Year</i>	\$ 10,377

See accompanying notes to the basic financial statements.

**City of Circleville**  
**Pickaway County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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

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

*Reporting Entity*

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

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

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

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

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

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

**City of Circleville**  
**Pickaway County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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***A. Basis of Presentation***

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

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

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

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

***B. Fund Accounting***

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

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

**City of Circleville**  
**Pickaway County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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

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

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

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

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

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

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

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

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

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

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

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

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

*Notes To The Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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

***C. Measurement Focus***

***Government-wide Financial Statements*** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the City are included on the statement of net position. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

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

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

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

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

**City of Circleville**  
**Pickaway County, Ohio**  
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***D. Basis of Accounting***

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

***Revenues - Exchange and Non-Exchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. “Measurable” means that the amount of the transaction can be determined and “available” means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within 31 days of year-end.

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, interest on investments, intergovernmental revenues (including motor vehicle license tax, gasoline tax, and local government assistance), and grants.

***Deferred Inflows of Resources and Deferred Outflows of Resources*** - In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 12.



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In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2016, but which were levied to finance 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, intergovernmental grants and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 12).

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

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

***E. Cash and Investments***

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

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

During the year, investments were limited to Federal Home Loan Bank Bonds, Federal Farm Credit Bank Consolidation System Bonds, Federal National Mortgage Association Notes, and negotiable certificates of deposit. Investments are reported at fair value which is based on quoted market prices.

Interest income is distributed to the funds according to Ohio constitutional and statutory requirements. Interest revenue credited to the general fund during 2016 amounted to \$93,925, which includes \$88,612 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.

**City of Circleville**  
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***F. Materials and Supplies Inventory***

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

***G. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2016, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

***H. Restricted Assets***

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

***I. Capital Assets***

General capital assets are capital assets that are associated with and generally rise from governmental activities. These assets generally result from expenditures in governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column of the government-wide statement of net position and in the respective funds.

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and reductions during the year. Donated capital assets are recorded at their acquisition values on the date donated. The City maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed.

All reported capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacements. Depreciation is computed using the straight-line method over the following useful lives:

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

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

***J. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for all accumulated unused vacation time when earned for all employees after one year of service.

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

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

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, and are reported as obligations of the funds. However, claims and judgments, compensated absences and net pension liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

***L. Pensions***

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

**City of Circleville**  
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***M. Unamortized Bond Premium***

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

***N. Net Position***

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At December 31, 2016, 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.

**City of Circleville**  
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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.

**City of Circleville**  
**Pickaway County, Ohio**  
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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 2016.

***S. Estimates***

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

***T. Budgetary Process***

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

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

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

***U. Contributions of Capital***

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

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

For the year ended December 31, 2016, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, GASB Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. These changes were incorporated in the City's fiscal year 2016 note disclosures; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the City.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the City.

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The implementation of this statement did not result in any change in the City's financial statements as the City does not have any material GASB Statement No. 77 tax abatements.

GASB Statement No. 78 amends the scope of GASB Statement No. 68 to exclude certain multiple-employer defined benefit pension plans provided to employees of state and local governments on the basis that obtaining the measurements and other information required by GASB Statement No. 68 was not feasible. The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the City.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the City.

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**W. Accountability and Compliance – Fund Deficit**

The fund deficit at December 31, 2016 of \$2,504,537 in the Capital Improvement Fund arose from the recognition of expenditures on the modified accrual basis that are greater than expenditures recognized on the budgetary/cash basis. Deficits do not exist under the budgetary/cash basis of accounting. Transfers are provided when cash is required, not when accruals occur.

**NOTE 3: BUDGETARY BASIS OF ACCOUNTING**

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the general and major special revenue funds is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

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

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

	General	Income Tax	Safety Forces Tax	Safety Forces .1% Income Tax
GAAP Basis	\$ 135,003	\$ 1,709	\$ (93,543)	\$ 68,841
Net Adjustment for Revenue Accruals	(30,277)	(1,919)	(6,537)	(1,625)
Net Adjustment for Expenditure Accruals	32,965	111	(65,739)	38,125
Funds Budgeted Elsewhere *	(706)	0	0	0
Budget Basis	<u>\$ 136,985</u>	<u>\$ (99)</u>	<u>\$ (165,819)</u>	<u>\$ 105,341</u>



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

**NOTE 4: DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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;

**City of Circleville  
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4. Time certificates of deposit or savings or deposit accounts, including but not limited to passbook accounts;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio and STAR Plus); and
7. Certain banker's acceptances and commercial paper notes in an amount not to exceed 40 percent of the interim monies available for investment at any one time.

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

**Deposits with Financial Institutions**

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as collateral against all of the uninsured public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City.

At year-end, the carrying amount of the City's deposits was \$4,323,459, excluding \$317 cash on hand. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of December 31, 2016, \$4,007,703 of the City's bank balance of \$4,431,445 was exposed to custodial risk as discussed above, while \$423,742 was covered by the Federal Deposit Insurance Corporation.

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**Investments**

*Investments:* As of December 31, 2016, the City had the following investments:

Rating	Investment	Measurement Amount	Investment Maturities in Months			% of Investments
			0-12	13-36	Over 36	
AAA	Federal Home Loan Bank Bonds	\$ 1,631,762	\$ 0	\$ 0	\$ 1,631,762	30.19%
AA+	Federal Home Loan Mortgage	888,453	0	0	888,453	16.44%
AA+	Federal Farm Credit Bank Consolidation System Bonds	997,080	0	997,080	0	18.45%
AAAm	Money Market Funds	159,153	159,153	0	0	2.94%
N/A	Certificates of Deposit	1,728,537	498,105	482,501	747,931	31.98%
	Total	<u>\$ 5,404,985</u>	<u>\$ 657,258</u>	<u>\$ 1,479,581</u>	<u>\$ 3,268,146</u>	<u>100.00%</u>

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the City's recurring fair value measurements as of December 31, 2016. All investments of the City are valued using significant observable inputs (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.

*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.

**City of Circleville**  
**Pickaway County, Ohio**  
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**NOTE 5: RECEIVABLES**

Receivables at December 31, 2016, consisted of accrued interest, accounts for weed and litter assessments, billed charges for utilities, intergovernmental receivables arising from grants, entitlements or shared revenues and taxes. All receivables are considered fully collectible, including water and sewer charges receivable which, if delinquent, may be certified and collected as a special assessment, subject to foreclosure for nonpayment. Property taxes and income taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

**NOTE 6: MUNICIPAL INCOME TAX**

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

Income tax proceeds are to be used to pay the cost of administering the tax, General Fund operations, capital improvements, debt service and other governmental functions when needed, as determined by Council. In 2016, 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.

**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 2016 for real and public utility property taxes represents collections of the 2015 taxes.

2016 real property taxes were levied after October 1, 2016 on the assessed value as of January 1, 2016, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2016 real property taxes are collected in and intended to finance 2017.

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. 2016 public utility property taxes which became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes.

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The full tax rate for all City operations for the year ended December 31, 2016, was \$4.00 per \$1,000 of assessed valuation. The assessed values of real property and public utility tangible property upon which 2016 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
<i>Real Property</i>	
Agricultural/Residential	\$ 144,318,120
Commerical/Industrial/Mineral	49,868,670
Public Utility Real	80,600
<i>Tangible Personal Property</i>	
Public Utility	6,691,530
Total Assessed Value	\$ 200,958,920

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, 2016, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2016 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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**City of Circleville**  
**Pickaway County, Ohio**  
*Notes To The Basic Financial Statements*  
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**NOTE 8: CAPITAL ASSETS**

A summary of changes in capital assets during 2016 follows:

	Balance 12/31/2015	Additions	Deletions	Balance 12/31/2016
<b>Governmental Activities:</b>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 1,156,910	\$ 0	\$ 0	\$ 1,156,910
Construction in Progress	376,999	1,737,926	0	2,114,925
<i>Total Capital Assets, Not Being Depreciated</i>	1,533,909	1,737,926	0	3,271,835
 <i>Capital Assets, Being Depreciated:</i>				
Land Improvements	1,309,652	0	0	1,309,652
Buildings and Improvements	8,500,766	62,661	0	8,563,427
Machinery and Equipment	2,276,886	332,725	0	2,609,611
Vehicles	2,207,901	49,972	(133,103)	2,124,770
Infrastructure	38,293,432	858,318	(156,124)	38,995,626
<i>Total Capital Assets, Being Depreciated</i>	52,588,637	1,303,676	(289,227)	53,603,086
 <i>Less Accumulated Depreciation:</i>				
Land Improvements	(1,009,634)	(32,642)	0	(1,042,276)
Buildings and Improvements	(3,950,724)	(188,318)	0	(4,139,042)
Machinery and Equipment	(1,415,075)	(170,886)	0	(1,585,961)
Vehicles	(1,748,996)	(88,399)	133,103	(1,704,292)
Infrastructure	(21,976,434)	(852,358)	135,724	(22,693,068)
<i>Total Accumulated Depreciation</i>	(30,100,863)	(1,332,603)	268,827	(31,164,639)
<i>Total Capital Assets Being Depreciated, Net</i>	22,487,774	(28,927)	(20,400)	22,438,447
 <i>Total Governmental Activities Capital Assets, Net</i>	\$ 24,021,683	\$ 1,708,999	\$ (20,400)	\$ 25,710,282

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 133,632
Security of Persons and Property	204,215
Transportation	906,914
Community Development	1,055
Leisure Time Services	86,787
<b>Total Depreciation Expense</b>	<b>\$ 1,332,603</b>

**City of Circleville**  
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	Balance 12/31/2015	Additions	Adjustments	Deletions	Balance 12/31/2016
<b>Business-Type Activities:</b>					
<i>Capital Assets Not Being Depreciated:</i>					
Land	\$ 149,180	\$ 0	\$ 0	\$ 0	\$ 149,180
Construction in Progress	110,910	100,469	(876)	(76,694)	133,809
<i>Total Capital Assets, Not Being Depreciated</i>	<u>260,090</u>	<u>100,469</u>	<u>(876)</u>	<u>(76,694)</u>	<u>282,989</u>
<i>Capital Assets, Being Depreciated:</i>					
Land Improvements	333,039	7,614	0	0	340,653
Buildings and Improvements	13,869,980	377,097	0	0	14,247,077
Machinery and Equipment	908,346	33,275	0	0	941,621
Vehicles	492,367	49,715	0	(14,294)	527,788
Infrastructure	22,762,434	549,034	0	(4,354)	23,307,114
<i>Total Capital Assets, Being Depreciated</i>	<u>38,366,166</u>	<u>1,016,735</u>	<u>0</u>	<u>(18,648)</u>	<u>39,364,253</u>
<i>Less Accumulated Depreciation:</i>					
Land Improvements	(324,291)	(895)	0	0	(325,186)
Buildings and Improvements	(9,585,627)	(322,229)	0	0	(9,907,856)
Machinery and Equipment	(546,805)	(48,616)	0	0	(595,421)
Vehicles	(232,255)	(23,640)	0	14,294	(241,601)
Infrastructure	(7,236,234)	(324,977)	0	4,354	(7,556,857)
<i>Total Accumulated Depreciation</i>	<u>(17,925,212)</u>	<u>(720,357)</u>	<u>0</u>	<u>18,648</u>	<u>(18,626,921)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>20,440,954</u>	<u>296,378</u>	<u>0</u>	<u>0</u>	<u>20,737,332</u>
<i>Total Business-Type Activities Capital Assets, Net</i>	<u>\$20,701,044</u>	<u>\$ 396,847</u>	<u>\$ (876)</u>	<u>\$ (76,694)</u>	<u>\$21,020,321</u>

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

Changes in long-term obligations of the City during the year ended December 31, 2016, were as follows:

	Balance 12/31/2015	Additions	(Reductions)	Balance 12/31/2016	Due in One Year
<b>Governmental Activities:</b>					
<i>General Obligation Bonds</i>					
2008 - Various Purpose Bonds \$355,000					
Term Bonds 4.125% - 4.50%	\$ 210,000	\$ 0	\$ 0	\$ 210,000	\$ 0
Serial Bonds 3.00% - 4.25%	45,000	0	(15,000)	30,000	15,000
Premium on Bonds Issues	10,849	0	(835)	10,014	0
2011 - Various Purpose Refunding Bonds \$2,475,000					
Serial Bonds 2.00% - 3.00%	1,315,000	0	(250,000)	1,065,000	255,000
Premium on Bonds Issues	27,778	0	(5,556)	22,222	0
Compensated Absences	448,668	220,345	(192,519)	476,494	255,141
Capital Leases	305,038	25,972	(111,535)	219,475	106,828
Net Pension Liability - OPERS and OPF	6,755,277	3,296,103	0	10,051,380	0
<i>Total Governmental Activities</i>	<u>\$ 9,117,610</u>	<u>\$ 3,542,420</u>	<u>\$ (575,445)</u>	<u>\$ 12,084,585</u>	<u>\$ 631,969</u>
<b>Business-Type Activities:</b>					
<i>General Obligation Bonds</i>					
2008 - Various Purpose Bonds \$3,005,000					
Term Bonds 4.125% - 4.50%	\$ 1,800,000	\$ 0	\$ 0	\$ 1,800,000	\$ 0
Serial Bonds 3.00% - 4.25%	405,000	0	(135,000)	270,000	135,000
OWDA Water Treatment Plant Loan - 2.80%	189,408	0	(61,389)	128,019	63,120
OPWC Force Lift Station Loan	94,437	0	(4,843)	89,594	4,843
Compensated Absences	182,098	44,515	(66,444)	160,169	69,104
Capital Leases	155,430	0	(57,086)	98,344	58,519
Net Pension Liability - OPERS	639,944	739,917	0	1,379,861	0
<i>Total Business-Type Activities</i>	<u>\$ 3,466,317</u>	<u>\$ 784,432</u>	<u>\$ (324,762)</u>	<u>\$ 3,925,987</u>	<u>\$ 330,586</u>

***General Obligation Bonds***

***2008 Various Purpose Bonds***

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



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The term bonds, issued at \$2,010,000 maturing on December 1, 2028, are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1, in the years and in the respective principal amounts as follows:

	<u>Principal</u>
2019	\$ 165,000
2020	175,000
2021	180,000
2022	185,000
2023	195,000
2024	200,000
2025	210,000
2026	225,000
2027	235,000
2028	<u>240,000</u>
Total	<u>\$ 2,010,000</u>

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

*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 unamortized deferred outflow amount at December 31, 2016, was \$15,517.

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

*2012 Ohio Water Development Authority Loan*

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

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

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

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

	Governmental Activities					
	General Obligation Bonds					
	Serial Bonds		Term Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 270,000	\$ 39,680	\$ 0	\$ 0	\$ 270,000	\$ 39,680
2018	280,000	33,980	0	0	280,000	33,980
2019	270,000	16,350	15,000	9,043	285,000	25,393
2020	275,000	8,250	20,000	8,424	295,000	16,674
2021	0	0	20,000	7,599	20,000	7,599
2022-2026	0	0	105,000	25,309	105,000	25,309
2027-2028	0	0	50,000	3,375	50,000	3,375
Totals	<u>\$ 1,095,000</u>	<u>\$ 98,260</u>	<u>\$ 210,000</u>	<u>\$ 53,750</u>	<u>\$ 1,305,000</u>	<u>\$ 152,010</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				
	General Obligation Bonds		OWDA Loan		General Obligation Bonds		OPWC	Total	Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2017	\$ 60,000	\$ 37,886	\$ 63,120	\$ 3,146	\$ 75,000	\$ 50,757	\$ 4,843	\$ 202,963	\$ 91,789
2018	60,000	35,486	64,899	1,366	75,000	47,758	4,843	204,742	84,610
2019	65,000	32,936	0	0	85,000	44,570	4,843	154,843	77,506
2020	65,000	30,255	0	0	90,000	41,064	4,843	159,843	71,319
2021	70,000	27,574	0	0	90,000	37,351	4,843	164,843	64,925
2022-2026	385,000	91,972	0	0	525,000	125,408	24,215	934,215	217,380
2027-2031	180,000	12,150	0	0	245,000	16,650	24,215	449,215	28,800
2032-2035	0	0	0	0	0	0	16,949	16,949	0
Totals	<u>\$ 885,000</u>	<u>\$ 268,259</u>	<u>\$ 128,019</u>	<u>\$ 4,512</u>	<u>\$ 1,185,000</u>	<u>\$ 363,558</u>	<u>\$ 89,594</u>	<u>\$ 2,287,613</u>	<u>\$ 636,329</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.

**City of Circleville**  
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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, 2016, is \$21,695,000.

**NOTE 10: SHORT-TERM OBLIGATIONS**

The City has the following short-term obligations outstanding at December 31, 2016:

	Balance 12/31/2015	Issued	Retired	Balance 12/31/2016
<i>Bond Anticipation Notes:</i>				
2015 - Capital Facilities Bond Anticipation Notes \$3,409,000, 1.25%	\$ 3,409,000	\$ 0	\$ 3,409,000	\$ 0
2016 - Capital Facilities Bond Anticipation Notes \$3,359,000, 1.50%	0	3,359,000	0	3,359,000
	\$ 3,409,000	\$ 3,359,000	\$ 3,409,000	\$ 3,359,000

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

On September 8, 2016, the City issued a Capital Facilities Bond Anticipation Note in the amount of \$3,359,000 to retire the 2015 Capital Facilities Bond Anticipation Note and to pay for the Connector project. The note has an interest rate of 1.50% and is due to mature September 7, 2017. The note was issued for the purpose of paying the costs of roadway improvements for the City.

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

In 2016 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.

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Capital assets acquired by lease were initially capitalized in the amount of \$547,955 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 \$254,103 as of December 31, 2016, leaving a current book value of \$567,093. Corresponding liabilities were recorded on the Statement of Net Position for governmental activities. Principal payments in 2016 totaled \$111,535 in the governmental funds and \$57,086 in the business-type activities.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2016:

		Governmental Activities	Business-Type Activities
Year ending December 31,	2017	\$ 122,185	\$ 60,295
	2018	70,772	40,196
	2019	36,014	0
Minimum lease payments		228,971	100,491
Less: amount representing interest		(9,496)	(2,147)
Present value of net minimum lease payments		\$ 219,475	\$ 98,344

**NOTE 12: DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

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

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

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

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

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

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

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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):

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

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

	State and Local
<b>2016 Statutory Maximum Contribution Rates</b>	
Employer	14.00 %
Employee	10.00 %
<b>2016 Actual Contribution Rates</b>	
Employer:	
Pension	12.00 %
Post-employment Health Care Benefits	2.00
Total Employer	14.00 %
Employee	10.00 %

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Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$367,288 for 2016. Of this amount, \$73,908 is reported as an intergovernmental payable.

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

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

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

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

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

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

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

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

	Police	Firefighters
<b>2016 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 <b>2016 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
 Employee	 12.25 %	 12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$535,917 for 2016. Of this amount \$72,913 is reported as an intergovernmental payable.

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

The net pension liability for OPERS was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2015, and was determined by rolling forward the total pension liability as of January 1, 2015, to December 31, 2015. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS Traditional Plan	OPF	Total
Proportionate Share of the Net Pension Liability	\$ 3,972,804	\$ 7,458,437	\$ 11,431,241
Proportion of the Net Pension Liability	0.0229360%	0.1159390%	
Pension Expense	\$ 903,080	\$ 1,062,043	\$ 1,965,123



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At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS		Total
	Traditional Plan	OPF	
<b>Deferred Outflows of Resources</b>			
Net Difference between Projected and Actual			
Earnings on Pension Plan Investments	\$ 1,167,756	\$ 1,213,947	\$ 2,381,703
Changes in Proportionate Share	708,239	243,744	951,983
City Contributions Subsequent to the Measurement Date	<u>367,288</u>	<u>535,917</u>	<u>903,205</u>
Total Deferred Outflows of Resources	<u>\$ 2,243,283</u>	<u>\$ 1,993,608</u>	<u>\$ 4,236,891</u>
<b>Deferred Inflows of Resources</b>			
Differences between Expected and Actual Experience			
Actual Experience	<u>\$ 76,762</u>	<u>\$ 20,943</u>	<u>\$ 97,705</u>
Total Deferred Inflows of Resources	<u>\$ 76,762</u>	<u>\$ 20,943</u>	<u>\$ 97,705</u>

\$903,205 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS		Total
	Traditional Plan	OPF	
2017	\$ 582,183	\$ 362,595	\$ 944,778
2018	600,856	362,595	963,451
2019	351,929	362,593	714,522
2020	264,265	297,880	562,145
2021	0	42,929	42,929
Thereafter	<u>0</u>	<u>8,156</u>	<u>8,156</u>
	<u>\$ 1,799,233</u>	<u>\$ 1,436,748</u>	<u>\$ 3,235,981</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 in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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<b>Actuarial Information</b>	<b>Traditional Pension Plan</b>
Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 percent to 10.05 percent, including wage inflation at 3.75 percent
COLA or Ad Hoc COLA	3.00 percent, simple
Investment Rate of Return	8.00 percent
Actuarial Cost Method	Individual Entry Age

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

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

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

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.40 percent for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

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Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other Investments	18.00	4.59
Total	100.00 %	5.27 %

**Discount Rate** The discount rate used to measure the total pension liability was eight 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 statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**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 eight 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 (seven percent) or one-percentage-point higher (nine 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:	\$ 6,329,648	3,972,804	\$ 1,984,881

**Actuarial Assumptions – OPF**

OPF’s total pension liability as of December 31, 2015 is based on the results of an actuarial valuation date of January 1, 2015, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2015, are presented below:

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Valuation Date	January 1, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11.00 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent, simple

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2015 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	4.47 %	7.80 %
Non-US Equity	16.00	4.47	8.00
Core Fixed Income*	20.00	1.62	5.35
Global Inflation Protected*	20.00	1.33	4.73
High Yield	15.00	3.39	7.21
Real Estate	12.00	3.93	7.43
Private Markets	8.00	6.98	10.73
Timber	5.00	4.92	7.35
Master Limited Partnerships	8.00	7.03	10.75
Total	120.00 %		

Note: Assumptions are geometric.

\* levered 2x

\*\* Numbers include inflation

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

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

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

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability:	\$ 9,836,680	\$ 7,458,437	\$ 5,443,832

**Note 13 – POST-EMPLOYMENT BENEFITS**

***Ohio Public Employees Retirement System***

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional 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 two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit.

**City of Circleville**  
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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 Postemployment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2015 CAFR details.

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, 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.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees 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 2.0 percent during calendar year 2016 as recommended by OPERS' actuary. The 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 to the VEBA for participants in the Member-Directed Plan for 2016 was 4.0 percent.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2016, 2015, and 2014 were \$61,215, \$59,827 and \$56,325, respectively. For 2016, 80 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2015 and 2014.

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

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

OPF provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an Other Post-employment Benefit (OPEB) as described in GASB Statement 45.

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

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

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF defined benefit pension plan. Participating employers are required Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24.0 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contribution allocated to health care was 0.5 percent of covered payroll from January 1, 2016 through December 31, 2016. 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 OPF 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.

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The City's contributions to OPF, which were allocated to fund post-employment health care benefits, for police and firefighters were \$6,933 and \$5,797 for the year ended December 31, 2016, \$6,644 and \$5,201 for the year ended December 31, 2015, and \$40,144 and \$28,231 for the year ended December 31, 2014. 89 percent has been contributed for police and 84 percent has been contributed for firefighters for 2016. The full amount has been contributed for 2015 and 2014.

**NOTE 14: RISK MANAGEMENT**

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

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

**NOTE 15: OTHER EMPLOYEE BENEFITS**

***A. Compensated Absences***

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

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

***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.



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**C. Deferred Compensation**

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

**NOTE 16: SIGNIFICANT COMMITMENTS**

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

Fund	Amount
<i>Governmental Funds</i>	
Street Construction	\$ 24,500
State Highway	4,644
Capital Improvement .4%	178,917
Capital Improvement	12,678
	\$ 220,739

**NOTE 17: CONTINGENCIES**

***Litigation***

The City of Circleville 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.

***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, 2016.

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**NOTE 18: JOINTLY GOVERNED ORGANIZATION**

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 \$64,100 in support payments and provided office facilities to P<sup>3</sup> during the year.

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

**NOTE 19: FUND BALANCE**

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in governmental funds.

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

	General Fund	Income Tax Fund	Safety Forces Tax Fund	Safety Forces .1% Income Tax Fund	General Obligation Bond Retirement Fund	Capital Improvement Fund	Capital Improvement .4% Income Tax Fund	Other Governmental Funds	Total
Nonspendable for:									
Inventory	\$ 27,875	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 133,069	\$ 160,944
Prepaid Items	61,204	0	54,399	0	0	10,422	0	10,335	136,360
Total Nonspendable	89,079	0	54,399	0	0	10,422	0	143,404	297,304
Restricted for:									
Road Improvements	0	0	0	0	0	0	0	202,672	202,672
Safety Forces	0	0	0	117,224	0	0	0	133,963	251,187
Legal Computer Maintenance	0	0	0	0	0	0	0	814,081	814,081
Municipal Court	0	0	0	0	0	0	0	205,063	205,063
Leisure Time Services	0	0	0	0	0	0	0	36,457	36,457
Community Development	0	0	0	0	0	0	0	67,456	67,456
Capital Improvements	0	0	0	0	0	0	1,162,218	637	1,162,855
Total Restricted	0	0	0	117,224	0	0	1,162,218	1,460,329	2,739,771
Committed for:									
Future Severance Payments	2,368	0	0	0	0	0	0	0	2,368
Income Tax Administration	0	23,330	0	0	0	0	0	0	23,330
Safety Forces	0	0	355,740	0	0	0	0	0	355,740
Debt Service Payments	0	0	0	0	80,136	0	0	0	80,136
Cable Franchise Operations	0	0	0	0	0	0	0	102,381	102,381
Total Committed	2,368	23,330	355,740	0	80,136	0	0	102,381	563,955
Assigned:									
Subsequent Year Appropriations	561,926	0	0	0	0	0	0	0	561,926
Unassigned									
	86,686	0	0	0	0	(2,514,959)	0	0	(2,428,273)
Total Fund Balance	\$ 740,059	\$ 23,330	\$ 410,139	\$ 117,224	\$ 80,136	\$ (2,504,537)	\$ 1,162,218	\$ 1,706,114	\$ 1,734,683

**NOTE 20: SUBSEQUENT EVENT**

The City has entered into a lease agreement for handheld and mobile radios to be used by the police and fire departments as of March 8, 2017. The amount of the lease is not expected to exceed \$393,000.

The City issued \$592,000 in general obligation bonds for a five year period for the purpose of municipal court basement renovation and computer needs.

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

	<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	0.0229360%	0.0140360%	0.0140360%
City's Proportionate Share of the Net Pension Liability	\$ 3,972,804	\$ 1,692,898	\$ 1,654,662
City's Covered-Employee Payroll	\$ 2,855,692	\$ 2,699,592	\$ 3,047,154
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	139.12%	62.71%	54.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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	0.1159390%	0.1100746%	0.1100746%
City's Proportionate Share of the Net Pension Liability	\$ 7,458,437	\$ 5,702,323	\$ 5,360,978
City's Covered-Employee Payroll	\$ 2,368,955	\$ 2,125,829	\$ 1,719,308
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	314.84%	268.24%	311.81%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.77%	72.20%	73.00%

(1) Information prior to 2014 is not available.

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b><i>Ohio Public Employees' Retirement System (OPERS)</i></b>				
Contractually Required Contribution	\$ 367,288	\$ 342,683	\$ 323,951	\$ 396,130
Contributions in Relation to the Contractually Required Contribution	<u>(367,288)</u>	<u>(342,683)</u>	<u>(323,951)</u>	<u>(396,130)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's covered-employee payroll	\$ 3,060,733	\$ 2,855,692	\$ 2,699,592	\$ 3,047,154
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	12.00%	13.00%
<b><i>Ohio Police and Fire Pension Fund (OPF)</i></b>				
Contractually Required Contribution	\$ 535,917	\$ 496,912	\$ 460,655	\$ 303,447
Contributions in relation to the contractually required contribution	<u>(535,917)</u>	<u>(496,912)</u>	<u>(460,655)</u>	<u>(303,447)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's covered-employee payroll	\$ 2,546,021	\$ 2,368,955	\$ 2,125,829	\$ 1,719,308
Contributions as a percentage of covered-employee payroll	21.05%	20.98%	21.67%	17.65%

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

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</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
\$ 291,995	\$ 304,382	\$ 315,822	\$ 334,051	\$ 319,274	\$ 317,591
<u>(291,995)</u>	<u>(304,382)</u>	<u>(315,822)</u>	<u>(334,051)</u>	<u>(319,274)</u>	<u>(317,591)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 1,978,008	\$ 2,087,590	\$ 2,167,251	\$ 2,311,316	\$ 2,181,458	\$ 2,194,621
14.76%	14.58%	14.57%	14.45%	14.64%	14.47%



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

City of Circleville  
Pickaway County  
133 South Court Street  
Circleville, Ohio 43113

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Circleville, Pickaway County, (the City) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 23, 2017.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

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

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

*Wilson, Shannon & Snow, Inc.*

**CERTIFIED PUBLIC ACCOUNTANTS**  
Ten West Locust Street  
Newark, Ohio 43055  
(740) 345-6611  
1-800-523-6611  
FAX (740) 345-5635



***Compliance and Other Matters***

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Wilson, Shuman & Snow, Inc.*

June 23, 2017  
Newark, Ohio

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# Dave Yost • Auditor of State

CITY OF CIRCLEVILLE

PICKAWAY COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
AUGUST 10, 2017