



Dave Yost • Auditor of State

**CITY OF CELINA
MERCER COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	14
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities	15
Statement of Revenues, Expenditures, and Changes In Fund Balance - Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget (Non-GAAP Budgetary Basis) and Actual - General Fund.....	18
Statement of Fund Net Position - Proprietary Funds	20
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds.....	22
Statement of Cash Flows - Proprietary Funds.....	24
Statement of Assets and Liabilities - Agency Funds.....	26
Notes to the Basic Financial Statements	27
Schedule of the City's Proportionate Share of the Net Pension Liability Ohio Public Employees Retirement System - Traditional.....	73
Schedule of the City's Proportionate Share of the Net Pension Liability Ohio Police and Fire Pension Fund	74
Schedule of the City's Contributions Ohio Public Employees Retirement System – Traditional Plan.....	75
Schedule of the City's Contributions – Ohio Police and Fire Pension Fund.....	76
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	79

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

City of Celina
Mercer County
225 N. Main Street
Celina, Ohio 45822

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 Celina, Mercer 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 such 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.

Opinion

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 Celina, Mercer County, Ohio, as of December 31, 2016, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund 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 December 27, 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.



Dave Yost
Auditor of State
Columbus, Ohio

December 27, 2017

**CITY OF CELINA
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED**

The discussion and analysis of the City of Celina's (the City) financial performance provides an overview 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 financial performance as a whole.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the City of Celina's financial position.

The statement of net position and the statement of activities provide information about the activities of the City as a whole, presenting both an aggregate and a longer-term view of the City.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. Fund financial statements report the City's most significant funds individually and the City's non-major funds in a single column. The City's major funds are the General, GO Debt Service, Tax Increment Financing, Electric, Water, Sewer, and Stormwater funds.

REPORTING THE CITY AS A WHOLE

The statement of net position and the statement of activities reflect how the City did financially during 2016. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

These statements report the City's net position and changes in net position. This change in net position is important because it tells the reader whether the financial position of the City as a whole has increased or decreased from the prior year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors can include changes in the City's property tax base and the condition of the City's capital assets (buildings; streets; electric, water, sewer, and stormwater lines). These factors must be considered when assessing the overall health of the City.

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

- **Governmental Activities** - Most of the City's programs and services are reported here, including security of persons and property, public health, leisure time activities, community environment, basic utility services, transportation, and general government activities. These services are primarily funded by property taxes and income taxes and from intergovernmental revenues, including federal and state grants and other shared revenues.
- **Business-Type Activities** - These services are provided on a charge for services basis and are intended to recover all or most of the costs of the services provided. The City's electric, water, sewer, and stormwater services are reported here.

**CITY OF CELINA
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED
(Continued)**

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund financial statements provide detailed information about the City's major funds, the General, GO Debt Service, Tax Increment Financing, Electric, Water, Sewer, and Stormwater funds. While the City uses many funds to account for its financial transactions, these are the most significant.

Governmental Funds - The City's governmental funds are used to account for essentially the same programs reported as governmental activities on the government-wide financial statements. Most of the City's basic services are reported in these funds and focus on how money flows into and out of the funds as well as the balances available for spending at year end. These funds are reported on the modified accrual basis of accounting which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services being provided.

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

Proprietary Funds - The City's enterprise funds use the accrual basis of accounting, the same as that used for the business-type activities on the government-wide financial statements. The internal service fund is an accounting device used to accumulate and allocate costs internally among the City's other programs and activities.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the City's programs. These funds also use the accrual basis of accounting.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 provides a summary of the City's net position for 2016 and 2015.

**Table 1
Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets:						
Current and Other Assets	\$13,810,130	\$11,767,922	\$28,737,506	\$20,987,761	\$42,547,636	\$32,755,683
Capital Assets, Net	28,023,921	27,050,075	39,080,370	36,687,287	67,104,291	63,737,362
Total Assets	41,834,051	38,817,997	67,817,876	57,675,048	109,651,927	96,493,045

(Continued)

**CITY OF CELINA
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED
(Continued)**

**Table 1
Net Position
(Continued)**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Deferred Outflows of Resources:						
Pension	2,166,997	831,563	1,020,692	341,916	3,187,689	1,173,479
Liabilities:						
Current and Other Liabilities	1,673,682	705,399	2,442,650	2,237,720	4,116,332	2,943,119
Long-Term Liabilities:						
Pension	7,920,872	6,094,357	2,670,880	1,945,635	10,591,752	8,039,992
Other Amounts	4,402,925	6,038,941	9,871,756	9,281,260	14,274,681	15,320,201
Total Liabilities	13,997,479	12,838,697	14,985,286	13,464,615	28,982,765	26,303,312
Deferred Inflows of Resources:						
Pension	52,892	21,853	108,250	34,181	161,142	56,034
Other Amounts	1,387,615	1,328,734			1,387,615	1,328,734
Total Deferred Inflows or Resources	1,440,507	1,350,587	108,250	34,181	1,548,757	1,384,768
Net Position:						
Net Investment in Capital Assets	22,849,379	21,271,868	30,290,805	28,686,761	53,140,184	49,958,629
Restricted	4,926,812	4,154,853	606,321	647,730	5,533,133	4,802,583
Unrestricted	786,871	33,555	22,847,906	15,183,677	23,634,777	15,217,232
Total Net Position	<u>\$28,563,062</u>	<u>\$25,460,276</u>	<u>\$53,745,032</u>	<u>\$44,518,168</u>	<u>\$82,308,094</u>	<u>\$69,978,444</u>

The net pension liability is the largest liability reported by the City at December 31, 2016, and is reported pursuant to Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions". For reasons discussed below, end users of these financial statements will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

GASB standards are national standards and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB Statement No. 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 the plan's net pension liability. GASB Statement No. 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.

GASB Statement No. 68, requires the net pension liability to equal the City's proportionate share of the plan's collective present value of estimated future pension benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

**CITY OF CELINA
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED
(Continued)**

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 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. vacation and sick 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 City. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statement No. 68, the City's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of the plan's change in net pension liability not accounted for as deferred outflows/inflows.

For pension related changes, the increase in total deferred outflows in 2016 was due to an increase in the difference between projected and actual earnings on investments related to the City's net pension liability. The increase in the net pension liability represents the City's proportionate share of the unfunded benefits. As indicated above, changes in pension benefits, contributions rates, and return on investments affect the balance of the net pension liability.

In addition to the changes related to pension, there were a few other changes of significance from the prior year. For governmental activities, there was an increase in current and other assets of approximately \$2 million, most of this related to an increase in cash and cash equivalents as income from both property and income taxes was greater than the prior year. The increase in current and other liabilities is primarily related to short-term bond anticipation notes; however, note this increase is offset by a decrease in other long-term liabilities.

For business-type activities, the increase in current and other assets is also primarily due to an increase in cash and cash equivalents and largely the result of an \$8 million grant the City received from the Ohio EPA for various water system improvements including relocation of the water treatment facility. The majority of these grant proceeds were not spent as of year-end. As a result, there was a similar increase in unrestricted net position. The increase in net capital assets and the investment in capital assets is due to a substantial number of capital assets which were purchased with available resources and not financed.

**CITY OF CELINA
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED
(Continued)**

Table 2 reflects the change in net position for 2016 and 2015.

**Table 2
Change in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for Services	\$1,351,827	\$1,345,802	\$28,764,596	\$27,791,529	\$30,116,423	\$29,137,331
Operating Grants, Contributions, and Interest	762,933	778,618	24,500		787,433	778,618
Capital Grants and Contributions	1,049,012	917,216	8,000,000		9,049,012	917,216
Total Program Revenues	3,163,772	3,041,636	36,789,096	27,791,529	39,952,868	30,833,165
General Revenues:						
Property Taxes	778,809	373,435			778,809	373,435
Municipal Income Taxes	6,349,174	5,485,446			6,349,174	5,485,446
Payment in Lieu of Taxes	714,301	706,093			714,301	706,093
Other Local Taxes	588,421	575,919			588,421	575,919
Franchise Taxes	69,730	90,938			69,730	90,938
Grants and Entitlements not Restricted to Specific Programs	290,196	291,917			290,196	291,917
Interest	130,367	75,783	62,360	12,032	192,727	87,815
Other	305,071	163,703	119,878	159,731	424,949	323,434
Total General Revenues	9,226,069	7,763,234	182,238	171,763	9,408,307	7,934,997
Total Revenues	12,389,841	10,804,870	36,971,334	27,963,292	49,361,175	38,768,162
Expenses:						
Security of Persons and Property	4,483,283	4,434,000			4,483,283	4,434,000
Public Health	116,272	122,219			116,272	122,219
Leisure Time Activities	796,169	576,257			796,169	576,257
Community Environment	153				153	0
Basic Utility Services	511,512	187,136			511,512	187,136
Transportation	1,652,807	1,369,072			1,652,807	1,369,072
General Government	1,586,139	1,432,874			1,586,139	1,432,874
Interest and Fiscal Charges	117,809	147,600			117,809	147,600
Electric			22,253,194	19,757,958	22,253,194	19,757,958
Water			3,603,334	3,719,710	3,603,334	3,719,710
Sewer			1,789,564	1,947,681	1,789,564	1,947,681
Stormwater			121,289	105,889	121,289	105,889
Total Expenses	9,264,144	8,269,158	27,767,381	25,531,238	37,031,525	33,800,396
Excess of Revenues Over Expenses Before Transfers	3,125,697	2,535,712	9,203,953	2,432,054	12,329,650	4,967,766
Transfers	(22,911)	100,464	22,911	(100,464)	0	0
Increase in Net Position	3,102,786	2,636,176	9,226,864	2,331,590	12,329,650	4,967,766
Net Position Beginning of Year	25,460,276	22,824,100	44,518,168	42,186,578	69,978,444	65,010,678
Net Position End of Year	\$28,563,062	\$25,460,276	53,745,032	\$44,518,168	\$82,308,094	\$69,978,444

For governmental activities, program revenues represented 26 percent of total revenues which was similar to the prior year (28 percent in 2015). General revenues increased almost 19 percent and primarily due to an increase in both property taxes (based on assessed valuation of property) and income taxes (as the economy continues to improve).

**CITY OF CELINA
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED
(Continued)**

Overall, expenses for governmental activities increased 12 percent with increases in the larger programs of security of persons and property, transportation, and general government. The increase in the basic utilities program was related to an improvement project on West Logan Street.

For business-type activities, note the increase in capital grants and contributions due to the \$8 million grant the City received for water system improvements as discussed previously. The most significant change in expenses occurred in the Electric Fund for materials and supplies due to power plant related costs and the payment of some litigation related costs.

Table 3, indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues.

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
Security of Persons and Property	\$4,483,283	\$4,434,000	\$3,903,724	\$3,891,990
Public Health	116,272	122,219	102,772	112,184
Leisure Time Activities	796,169	576,257	412,888	(100,547)
Community Environment	153		(4,467)	(4,392)
Basic Utility Services	511,512	187,136	161,512	187,136
Transportation	1,652,807	1,369,072	569,038	266,901
General Government	1,586,139	1,432,874	837,096	726,650
Interest and Fiscal Charges	117,809	147,600	117,809	147,600
Total Expenses	\$9,264,144	\$8,269,158	\$6,100,372	\$5,227,522

General revenues provided for 66 percent of the costs of providing governmental services in 2016 (63 percent in 2015). The City's most significant revenue source is municipal income taxes. Although dependence on municipal income taxes is critical to the City's operations, there are several programs which continue to be well supported through program revenues. The costs of the leisure time activities program are funded through charges for activities, donations from the Bryson Trust, and grants. The community environment program receives grant funding, primarily through the CDBG program. The transportation program receives charges for services in the form of permissive motor vehicle license monies and operating grants in the form of State levied motor vehicle license fees and gas taxes.

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

The City's major governmental funds are the General Fund, the GO Debt Service Fund, and Tax Increment Financing Fund. Fund balance increased \$470,569 in the General Fund (13 percent) despite a modest decrease in revenues and modest increase in expenditures.

The GO Debt Service fund ended the year with a negative fund balance due to principal retirement on debt exceeding the proceeds of new debt.

There was an increase in fund balance in the Tax Increment Financing Fund. Revenues were similar to the prior year; however, debt service requirements were lower.

**CITY OF CELINA
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED
(Continued)**

BUSINESS-TYPE ACTIVITIES FINANCIAL ANALYSIS

The City's enterprise funds are the Electric, Water, Sewer, and Stormwater funds. There was a decrease in net position in the Electric Fund; however, the decrease was less than 2 percent and not significant.

Net position increased significantly in the Water Fund due to the \$8 million grant received for water system improvements.

Net position increased 15 percent in the Sewer Fund. Again, revenues and expenses were fairly similar to the prior year with revenues exceeding expenses.

There was a 3 percent increase in net position of the Stormwater Fund and not a significant change.

BUDGETARY HIGHLIGHTS

The City prepares an annual budget of revenues and expenditures/expenses for all funds of the City for use by City officials and department heads and such other budgetary documents as are required by State statute, including the annual appropriations ordinance which is effective the first day of January. The City's most significant budgeted fund is the General Fund. For revenues, there was no change from the original budget to the final budget. The most significant change from the final budget to actual revenues was related to municipal income taxes with collections better than projected. For expenditures, changes from the original budget to the final budget were not significant. Actual expenditures were less than the final budgeted amounts for all programs due to conservative budgeting.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The City's investment in capital assets for governmental and business-type activities as of December 31, 2016, was \$28,023,921 and \$39,080,370, respectively (net of accumulated depreciation). This investment in capital assets includes land; land improvements; construction in progress; buildings; improvements other than buildings; streets; furniture and equipment; vehicles; and electric, water, sewer, and stormwater lines. The most significant additions for governmental activities included land on Buckeye Street, ongoing and completed construction, and the purchase of several vehicles. In the business-type activities, the largest additions were continuing construction, pump station improvements, infrastructure improvements, and several vehicles. Disposals were not significant. For further information on the City's capital assets, refer to Note 11 to the basic financial statements.

Debt - At December 31, 2016, the City had \$500,000 in outstanding revenue anticipation notes and \$2,645,000 in bond anticipation notes payable from governmental activities. The City had a number of long-term obligations outstanding as of December 31, 2016, including \$2,205,000 in general obligation bonds, \$1,445,000 in mortgage revenue bonds, \$308,477 in OPWC loans, \$6,768,247 in OWDA loans and \$806,489 due to AMP-Ohio. Of this amount, \$9,560,114 will be repaid from business-type activities.

In addition to the debt outlined above, the City's long-term obligations also include the net pension liability, capital leases and compensated absences. For further information on the City's debt, refer to Notes 18, 19, and 20 to the basic financial statements.

**CITY OF CELINA
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED
(Continued)**

CURRENT ISSUES

On February 3, 2017, the City issued revenue anticipation notes, in the amount of \$400,000, to partially retire notes previously issued for the acquisition of property and the construction and installation of the West Bank Walkway. The notes are payable from the revenues of the Grand Lake tax incremental financing district. The notes have an interest rate of 2.06 percent and mature on February 2, 2018.

On February 24, 2017, the City issued bond anticipation notes, in the amount of \$1,495,000, to retire notes previously issued to purchase land. The notes have an interest rate of 2.08 percent and mature on February 23, 2018.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those interested in our City's financial well-being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Betty Strawn, Celina City Auditor, P.O. Box 297, Celina, Ohio 45822-0297.

**CITY OF CELINA
MERCER COUNTY**

**STATEMENT OF NET POSITION
DECEMBER 31, 2016**

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$10,269,797	\$22,563,327	\$32,833,124
Cash and Cash Equivalents with Fiscal Agents	0	246,257	246,257
Accounts Receivable	55,577	2,983,283	3,038,860
Accrued Interest Receivable	39,102	30,142	69,244
Due from Other Governments	512,176	5,712	517,888
Municipal Income Taxes Receivable	1,271,870	0	1,271,870
Internal Balances	(626,469)	626,469	0
Prepaid Items	14,770	29,989	44,759
Materials and Supplies Inventory	41,099	2,249,967	2,291,066
Property Taxes Receivable	1,109,439	0	1,109,439
Payment in Lieu of Taxes Receivable	1,023,752	0	1,023,752
Notes Receivable	98,886	0	98,886
Special Assessments Receivable	131	0	131
Investment in Joint Venture	0	2,360	2,360
Nondepreciable Capital Assets	14,758,638	1,099,779	15,858,417
Depreciable Capital Assets, Net	13,265,283	37,980,591	51,245,874
Total Assets	41,834,051	67,817,876	109,651,927
Deferred Outflows of Resources:			
Pension	2,166,997	1,020,692	3,187,689
Liabilities:			
Accrued Wages Payable	79,959	44,005	123,964
Accounts Payable	158,095	87,983	246,078
Contracts Payable	42,571	1,733,074	1,775,645
Retainage Payable	13,872	0	13,872
Due to Other Governments	83,649	111,704	195,353
Accrued Interest Payable	45,536	70,586	116,122
Notes Payable	1,250,000	0	1,250,000
Deposits Held and Due to Others	0	395,298	395,298
Long-Term Liabilities:			
Due Within One Year	446,937	888,114	1,335,051
Due in More Than One Year	3,955,988	8,983,642	12,939,630
Pension	7,920,872	2,670,880	10,591,752
Total Liabilities	13,997,479	14,985,286	28,982,765
Deferred Inflows of Resources:			
Property Taxes	363,863	0	363,863
Payment in Lieu of Taxes	1,023,752	0	1,023,752
Pension	52,892	108,250	161,142
Total Deferred Inflows of Resources	1,440,507	108,250	1,548,757
Net Position:			
Net Investment in Capital Assets	22,849,379	30,290,805	53,140,184
Restricted for:			
Debt Service	18,041	246,257	264,298
Capital Projects	2,553,616	0	2,553,616
Other Purposes	2,355,155	0	2,355,155
Revenue Bond Operations and Maintenance	0	360,064	360,064
Unrestricted	786,871	22,847,906	23,634,777
Total Net Position	\$28,563,062	\$53,745,032	\$82,308,094

See Accompanying Notes to the Basic Financial Statements.

**CITY OF CELINA
MERCER COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Program Revenues			
Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	
Governmental Activities:				
Security of Persons and Property	\$4,483,283	\$474,566	\$12,650	\$92,343
Public Health	116,272	13,500	0	0
Leisure Time Activities	796,169	117,091	0	266,190
Community Environment	153	500	4,120	0
Basic Utility Services	511,512	0	0	350,000
Transportation	1,652,807	3,272	740,018	340,479
General Government	1,586,139	742,898	6,145	0
Interest and Fiscal Charges	117,809	0	0	0
Total Governmental Activities	9,264,144	1,351,827	762,933	1,049,012
Business-Type Activities:				
Electric	22,253,194	21,805,146	0	0
Water	3,603,334	4,070,014	24,500	8,000,000
Sewer	1,789,564	2,579,021	0	0
Stormwater	121,289	310,415	0	0
Total Business-Type Activities	27,767,381	28,764,596	24,500	8,000,000
Total	\$37,031,525	\$30,116,423	\$787,433	\$9,049,012

General Revenues:

- Property Taxes Levied for General Purposes
- Property Taxes Levied for Police Pension
- Property Taxes Levied for Fire Pension
- Municipal Income Taxes for General Purposes
- Municipal Income Taxes for Other Purposes
- Payment in Lieu of Taxes
- Other Local Taxes
- Franchise Taxes
- Grants and Entitlements not Restricted to Specific Programs
- Interest
- Other

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See Accompanying Notes to the Basic Financial Statements.

**Net (Expense) Revenue
and Change in Net Position**

Governmental Activities	Business-Type Activities	Total
(\$3,903,724)	\$0	(\$3,903,724)
(102,772)	0	(102,772)
(412,888)	0	(412,888)
4,467	0	4,467
(161,512)	0	(161,512)
(569,038)	0	(569,038)
(837,096)	0	(837,096)
(117,809)	0	(117,809)
<u>(6,100,372)</u>	<u>0</u>	<u>(6,100,372)</u>
0	(448,048)	(448,048)
0	8,491,180	8,491,180
0	789,457	789,457
0	189,126	189,126
<u>0</u>	<u>9,021,715</u>	<u>9,021,715</u>
<u>(6,100,372)</u>	<u>9,021,715</u>	<u>2,921,343</u>
575,641	0	575,641
101,584	0	101,584
101,584	0	101,584
4,365,020	0	4,365,020
1,984,154	0	1,984,154
714,301	0	714,301
588,421	0	588,421
69,730	0	69,730
290,196	0	290,196
130,367	62,360	192,727
305,071	119,878	424,949
<u>9,226,069</u>	<u>182,238</u>	<u>9,408,307</u>
<u>(22,911)</u>	<u>22,911</u>	<u>0</u>
<u>9,203,158</u>	<u>205,149</u>	<u>9,408,307</u>
3,102,786	9,226,864	12,329,650
<u>25,460,276</u>	<u>44,518,168</u>	<u>69,978,444</u>
<u>\$28,563,062</u>	<u>\$53,745,032</u>	<u>\$82,308,094</u>

**CITY OF CELINA
MERCER COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016**

	GO Debt Service	Tax Increment Financing	Other Governmental	Total Governmental Funds	
Assets:	General	GO Debt Service	Tax Increment Financing	Other Governmental	Total Governmental Funds
Equity in Pooled Cash and Cash Equivalents	\$4,251,464	\$32,644	\$2,564,061	\$3,297,853	\$10,146,022
Accounts Receivable	33,091	0	0	22,486	55,577
Accrued Interest Receivable	38,619	0	0	483	39,102
Due from Other Governments	149,703	0	14,463	348,010	512,176
Municipal Income Taxes Receivable	856,558	0	0	415,312	1,271,870
Interfund Receivable	226,520	0	0	0	226,520
Prepaid Items	14,770	0	0	0	14,770
Materials and Supplies Inventory	13,213	0	0	27,886	41,099
Restricted Assets					
Equity in Pooled Cash and Cash Equivalents	12,319	0	0	0	12,319
Property Taxes Receivable	820,021	0	0	289,418	1,109,439
Payment in Lieu of Taxes Receivable	0	0	1,023,752	0	1,023,752
Notes Receivable	0	0	0	98,886	98,886
Special Assessments Receivable	0	0	0	131	131
Total Assets	\$6,416,278	\$32,644	\$3,602,276	\$4,500,465	\$14,551,663
Liabilities:					
Accrued Wages Payable	\$71,516	\$0	\$0	\$8,443	\$79,959
Accounts Payable	140,462	0	0	17,633	158,095
Contracts Payable	0	0	0	42,571	42,571
Retainage Payable	0	0	0	13,872	13,872
Due to Other Governments	50,905	0	0	32,744	83,649
Interfund Payable	618,512	0	0	192,696	811,208
Accrued Interest Payable	0	14,603	1,501	0	16,104
Notes Payable	0	1,150,000	100,000	0	1,250,000
Total Liabilities	881,395	1,164,603	101,501	307,959	2,455,458
Deferred Inflows of Resources:					
Property Taxes	268,943	0	0	94,920	363,863
Payment in Lieu of Taxes	0	0	1,023,752	0	1,023,752
Unavailable Revenue	1,255,387	0	14,463	747,085	2,016,935
Total Deferred Inflows of Resources	1,524,330	0	1,038,215	842,005	3,404,550
Fund Balance:					
Nonspendable	40,302	0	0	27,886	68,188
Restricted	0	0	2,462,560	1,651,997	4,114,557
Committed	0	0	0	1,740,526	1,740,526
Assigned	17,757	0	0	0	17,757
Unassigned (Deficit)	3,952,494	(1,131,959)	0	(69,908)	2,750,627
Total Fund Balance (Deficit)	4,010,553	(1,131,959)	2,462,560	3,350,501	8,691,655
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$6,416,278	\$32,644	\$3,602,276	\$4,500,465	\$14,551,663

See Accompanying Notes to the Basic Financial Statements.

**CITY OF CELINA
MERCER COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2016**

Total Governmental Fund Balance	\$8,691,655
---------------------------------	-------------

Amounts reported for governmental activities on the statement of net position are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	28,023,921
---	------------

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.

Accounts Receivable	\$1,599	
Accrued Interest Payable	31,114	
Due from Other Governments	430,357	
Municipal Income Taxes Receivable	808,158	
Delinquent Property Taxes Receivable	745,576	
Special Assessments Receivable	131	
		2,016,935

An internal balance is recorded in governmental activities to reflect overpayments to the internal service fund by the business-type activities.	(41,781)
--	----------

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Accrued Interest Payable	(29,432)	
Revenue Anticipation Notes Payable	(400,000)	
Bond Anticipation Notes Payable	(1,495,000)	
General Obligation Bonds Payable	(1,870,000)	
OPWC Loan Payable	(103,099)	
Compensated Absences Payable	(534,826)	
		(4,432,357)

The net pension liability is not due and payable in the current period, therefore, the liability and related deferred outflows/inflows are not reported in the governmental funds.

Deferred Outflows - Pension	2,166,997	
Deferred Inflows - Pension	(52,892)	
Net Pension Liability	(7,920,872)	
		(5,806,767)

An internal service fund is used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.

Net Position of Governmental Activities	<u>111,456</u>
	<u>\$28,563,062</u>

See Accompanying Notes to the Basic Financial Statements.

**CITY OF CELINA
MERCER COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	GO Debt Service	Tax Increment Financing	Other Governmental	Total Governmental Funds	
	General				
Revenues:					
Property Taxes	\$239,998	\$0	\$0	\$84,706	\$324,704
Municipal Income Taxes	4,449,314	0	0	1,716,416	6,165,730
Payment in Lieu of Taxes	0	0	714,301	0	714,301
Other Local Taxes	588,421	0	0	0	588,421
Special Assessments	0	0	0	1,688	1,688
Charges for Services	256,594	0	0	133,650	390,244
Fees, Licenses, and Permits	111,173	0	0	0	111,173
Fines and Forfeitures	324,095	0	0	235,509	559,604
Intergovernmental	646,727	0	27,068	1,847,604	2,521,399
Interest	107,285	0	0	6,248	113,533
Other	958,207	47,405	0	637,453	1,643,065
Total Revenues	7,681,814	47,405	741,369	4,663,274	13,133,862
Expenditures:					
Current:					
Security of Persons and Property	3,349,871	0	0	1,477,864	4,827,735
Public Health	92,559	0	0	23,701	116,260
Leisure Time Activities	68,946	0	0	936,494	1,005,440
Basic Utility Services	151,464	0	0	350,000	501,464
Transportation	165,494	0	8,569	2,480,924	2,654,987
General Government	1,420,543	0	0	448,855	1,869,398
Debt Service:					
Principal Retirement	0	2,755,000	256,874	0	3,011,874
Current Refunding	0	0	100,000	0	100,000
Interest and Fiscal Charges	0	76,059	61,847	0	137,906
Total Expenditures	5,248,877	2,831,059	427,290	5,717,838	14,225,064
Excess of Revenues Over (Under) Expenditures	2,432,937	(2,783,654)	314,079	(1,054,564)	(1,091,202)
Other Financing Sources (Uses):					
Notes Issued	0	1,495,000	400,000	0	1,895,000
Current Refunding	0	0	(400,000)	0	(400,000)
Sale of Capital Assets	7,006	0	0	0	7,006
Transfers In	0	124,051	106,704	1,962,500	2,193,255
Transfers Out	(1,969,374)	0	(17,250)	(124,051)	(2,110,675)
Total Other Financing Sources (Uses)	(1,962,368)	1,619,051	89,454	1,838,449	1,584,586
Changes in Fund Balance	470,569	(1,164,603)	403,533	783,885	493,384
Fund Balance Beginning of Year	3,539,984	32,644	2,059,027	2,566,616	8,198,271
Fund Balance (Deficit) End of Year	<u>\$4,010,553</u>	<u>(\$1,131,959)</u>	<u>\$2,462,560</u>	<u>\$3,350,501</u>	<u>\$8,691,655</u>

See Accompanying Notes to the Basic Financial Statements.

**CITY OF CELINA
MERCER COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

Changes in Fund Balance - Total Governmental Funds \$493,384

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current year.

Capital Outlay - Nondepreciable Capital Assets	\$671,922	
Capital Outlay - Depreciable Capital Assets	1,155,810	
Capital Contribution - Depreciable Capital Assets	92,343	
Depreciation	<u>(922,603)</u>	997,472

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net position and is offset against the proceeds from the sale of capital assets resulting in a gain or loss on disposal of capital assets on the statement of activities.

Proceeds from Sale of Capital Assets	(7,006)	
Gain on Disposal of Capital Assets	7,006	
Loss on Disposal of Capital Assets	<u>(23,626)</u>	(23,626)

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

Delinquent Property Taxes	454,105	
Municipal Income Taxes	183,444	
Fees, Licenses, and Permits	(22,679)	
Fines and Forfeitures	19	
Special Assessments	(1,475)	
Charges for Services	(2,200)	
Intergovernmental	(131,942)	
Interest	<u>22,358</u>	501,630

Debt proceeds are other financing sources in the governmental funds but the issuance increases long-term liabilities on the statement of net position. (1,895,000)

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

Revenue Anticipation Notes Payable	500,000	
Bond Anticipation Notes Payable	2,645,000	
General Obligation Bonds Payable	360,000	
OPWC Loan Payable	<u>6,874</u>	3,511,874

Except for amounts reported as deferred outflow/inflows, changes in the net pension liability are reported as pension expense on the statement of activities. (1,097,617)

Contractually required pension contributions are reported as expenditures in the governmental funds, however, the statement of net position reports these amounts as deferred outflows. 575,497

Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net position. 20,097

Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. \$19,142

The internal service fund used by management to charge the cost of insurance to individual funds is not reported on the statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The change for governmental funds is reported for the year. (67)

Change in Net Position of Governmental Activities \$3,102,786

See Accompanying Notes to the Basic Financial Statements.

**CITY OF CELINA
MERCER COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property Taxes	\$268,142	\$268,142	\$239,998	(\$28,144)
Municipal Income Taxes	3,965,000	3,965,000	4,612,541	647,541
Other Local Taxes	560,000	560,000	599,388	39,388
Charges for Services	229,000	229,000	252,540	23,540
Fees, Licenses, and Permits	3,250	3,250	111,173	107,923
Fines and Forfeitures	325,002	325,002	322,387	(2,615)
Intergovernmental	560,039	560,039	648,180	88,141
Interest	83,378	83,378	125,907	42,529
Other	1,026,457	1,026,457	958,207	(68,250)
Total Revenues	<u>7,020,268</u>	<u>7,020,268</u>	<u>7,870,321</u>	<u>850,053</u>
Expenditures:				
Current:				
Security of Persons and Property	3,484,145	3,517,345	3,377,978	139,367
Public Health	91,010	91,010	92,557	(1,547)
Leisure Time Activities	78,625	78,625	71,294	7,331
Basic Utility Services	229,576	200,010	160,811	39,199
Transportation	202,348	202,348	169,693	32,655
General Government	1,524,400	1,612,041	1,419,410	192,631
Other	126,300	50,300	12,934	37,366
Total Expenditures	<u>5,736,404</u>	<u>5,751,679</u>	<u>5,304,677</u>	<u>447,002</u>
Excess of Revenues Over Expenditures	<u>1,283,864</u>	<u>1,268,589</u>	<u>2,565,644</u>	<u>1,297,055</u>
Other Financing Sources (Uses):				
Sale of Capital Assets	7,006	7,006	7,006	0
Advances In	361,227	361,227	267,466	(93,761)
Advances Out	(153,818)	(153,818)	(153,818)	0
Transfers Out	(903,953)	(2,219,461)	(1,969,374)	250,087
Total Other Financing Sources (Uses)	<u>(689,538)</u>	<u>(2,005,046)</u>	<u>(1,848,720)</u>	<u>156,326</u>
Changes in Fund Balance	594,326	(736,457)	716,924	1,453,381
Fund Balance Beginning of Year	3,459,739	3,459,739	3,459,739	0
Prior Year Encumbrances Appropriated	128,551	128,551	128,551	0
Fund Balance End of Year	<u>\$4,182,616</u>	<u>\$2,851,833</u>	<u>\$4,305,214</u>	<u>\$1,453,381</u>

See Accompanying Notes to the Basic Financial Statements.

This page intentionally left blank.

**CITY OF CELINA
MERCER COUNTY**

**STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2016**

	Enterprise Funds			
	Electric	Water	Sewer	Stormwater
Assets:				
Current Assets				
Equity in Pooled Cash and Cash Equivalents	\$7,129,208	\$11,357,269	\$2,631,478	\$690,010
Accounts Receivable	2,131,295	493,052	328,047	30,889
Accrued Interest Receivable	0	21,389	8,753	0
Due from Other Governments	2,728	1,492	1,492	0
Interfund Receivable	929,307	0	0	0
Prepaid Items	14,323	7,833	7,833	0
Materials and Supplies Inventory	1,413,176	793,659	33,131	10,001
Total Current Assets	11,620,037	12,674,694	3,010,734	730,900
Non-Current Assets:				
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	395,298	0	360,064	0
Cash and Cash Equivalents with Fiscal Agents	0	0	246,257	0
Investment in Joint Venture	2,360	0	0	0
Nondepreciable Capital Assets	190,491	771,683	137,605	0
Depreciable Capital Assets, Net	14,065,695	16,633,044	4,713,542	2,568,310
Total Non-Current Assets	14,653,844	17,404,727	5,457,468	2,568,310
Total Assets	26,273,881	30,079,421	8,468,202	3,299,210
Deferred Outflows of Resources:				
Pension	397,897	380,597	242,198	0
Liabilities:				
Current Liabilities:				
Accrued Wages Payable	15,795	18,111	10,099	0
Accounts Payable	32,608	42,492	12,085	798
Contracts Payable	1,688,884	39,690	4,500	0
Compensated Absences Payable	31,686	33,745	14,694	0
Due to Other Governments	35,055	49,460	27,189	0
Interfund Payable	33,900	150,220	160,499	0
Accrued Interest Payable	0	67,215	3,371	0
General Obligation Bonds Payable	0	30,000	0	0
Mortgage Revenue Bonds Payable	0	0	130,000	0
OPWC Loan Payable	0	24,162	0	0
OWDA Loans Payable	0	423,930	0	0
AMP-Ohio Payable	199,897	0	0	0
Total Current Liabilities	2,037,825	879,025	362,437	798
Non-Current Liabilities:				
Deposits Held and Due to Others	395,298	0	0	0
General Obligation Bonds Payable	0	305,000	0	0
Mortgage Revenue Bonds Payable	0	0	1,315,000	0
Net Pension Liability	1,041,190	995,922	633,768	0
OPWC Loans Payable	0	181,216	0	0
OWDA Loans Payable	0	6,344,317	0	0
AMP-Ohio Payable	606,592	0	0	0
Compensated Absences Payable	73,310	107,501	50,706	0
Total Non-Current Liabilities	2,116,390	7,933,956	1,999,474	0
Total Liabilities	4,154,215	8,812,981	2,361,911	798
Deferred Inflows of Resources:				
Pension	\$25,792	\$45,714	\$36,744	\$0
Net Position:				
Net Investment in Capital Assets	14,256,186	10,060,162	3,406,147	2,568,310
Restricted for:				
Revenue Bond Operations and Maintenance	0	0	360,064	0
Revenue Bond Future Debt Service	0	0	246,257	0
Unrestricted	8,235,585	11,541,161	2,299,277	730,102
Total Net Position	\$22,491,771	\$21,601,323	\$6,311,745	\$3,298,412

Net position reported for business-type activities on the statement of net position is different because it includes a proportionate share of the net position of the internal service fund.

Net position of business-type activities

See Accompanying Notes to the Basic Financial Statements.

<u>Total Enterprise Funds</u>	<u>Self Insurance Internal Service Fund</u>
\$21,807,965	\$111,456
2,983,283	0
30,142	0
5,712	0
929,307	0
29,989	0
2,249,967	0
<u>28,036,365</u>	<u>111,456</u>
755,362	0
246,257	0
2,360	0
1,099,779	0
37,980,591	0
<u>40,084,349</u>	<u>0</u>
<u>68,120,714</u>	<u>111,456</u>
<u>1,020,692</u>	<u>0</u>
44,005	0
87,983	0
1,733,074	0
80,125	0
111,704	0
344,619	0
70,586	0
30,000	0
130,000	0
24,162	0
423,930	0
199,897	0
<u>3,280,085</u>	<u>0</u>
395,298	0
305,000	0
1,315,000	0
2,670,880	0
181,216	0
6,344,317	0
606,592	0
231,517	0
<u>12,049,820</u>	<u>0</u>
<u>15,329,905</u>	<u>0</u>
<u>\$108,250</u>	<u>\$0</u>
30,290,805	0
360,064	0
246,257	0
22,806,125	111,456
<u>53,703,251</u>	<u>\$111,456</u>
<u>41,781</u>	
<u>\$53,745,032</u>	

**CITY OF CELINA
MERCER COUNTY**

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Electric	Water	Sewer	Stormwater	Total Enterprise Funds	Self Insurance Internal Service Fund
Operating Revenues:						
Charges for Services	\$21,428,926	\$4,070,014	\$0	\$310,415	\$25,809,355	\$0
Charges for Services Pledged as Security on Mortgage Revenue Bonds	0	0	2,579,021	0	2,579,021	0
Other	38,908	67,359	13,611	0	119,878	382
Total Operating Revenues	<u>21,467,834</u>	<u>4,137,373</u>	<u>2,592,632</u>	<u>310,415</u>	<u>28,508,254</u>	<u>382</u>
Operating Expenses:						
Personal Services	1,202,007	1,170,883	749,821	0	3,122,711	0
Materials and Supplies	19,845,101	1,622,373	588,357	41,456	22,097,287	489
Bad Debt	6,281	0	0	487	6,768	0
Other	363,524	133,098	62,778	0	559,400	0
Depreciation	834,392	499,000	341,738	79,346	1,754,476	0
Total Operating Expenses	<u>22,251,305</u>	<u>3,425,354</u>	<u>1,742,694</u>	<u>121,289</u>	<u>27,540,642</u>	<u>489</u>
Operating Income (Loss)	<u>(783,471)</u>	<u>712,019</u>	<u>849,938</u>	<u>189,126</u>	<u>967,612</u>	<u>(107)</u>
Non-Operating Revenues (Expenses):						
Excise Taxes	376,220	0	0	0	376,220	0
Change in Joint Venture	(1,870)	0	0	0	(1,870)	0
Loss on Disposal of Capital Assets	0	(31,015)	0	0	(31,015)	0
Grants	0	24,500	0	0	24,500	0
Interest Revenue	0	41,648	20,712	0	62,360	0
Interest Expense	0	(146,952)	(46,862)	0	(193,814)	0
Total Non-Operating Revenues (Expenses)	<u>374,350</u>	<u>(111,819)</u>	<u>(26,150)</u>	<u>0</u>	<u>236,381</u>	<u>0</u>
Income before Transfers and Capital Contributions	<u>(409,121)</u>	<u>600,200</u>	<u>823,788</u>	<u>189,126</u>	<u>1,203,993</u>	<u>(107)</u>
Transfers In	0	17,250	0	0	17,250	0
Transfers Out	0	0	0	(99,830)	(99,830)	0
Capital Contributions	5,502	8,083,930	2,424	13,635	8,105,491	0
Changes in Net Position	<u>(403,619)</u>	<u>8,701,380</u>	<u>826,212</u>	<u>102,931</u>	<u>9,226,904</u>	<u>(107)</u>
Net Position Beginning of Year	<u>22,895,390</u>	<u>12,899,943</u>	<u>5,485,533</u>	<u>3,195,481</u>		<u>111,563</u>
Net Position End of Year	<u><u>\$22,491,771</u></u>	<u><u>\$21,601,323</u></u>	<u><u>\$6,311,745</u></u>	<u><u>\$3,298,412</u></u>		<u><u>\$111,456</u></u>

The change in net position reported for business-type activities on the statement of activities is different because it includes a proportionate share of the net loss of the internal service fund.

(40)

Change in net position of business-type activities

\$9,226,864

See Accompanying Notes to the Basic Financial Statements.

This page intentionally left blank.

CITY OF CELINA
MERCER COUNTY

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Electric	Water	Sewer	Stormwater
Increases (Decreases) in Cash and Cash Equivalents				
Cash Flows from Operating Activities:				
Cash Received from Customers	\$21,294,074	\$4,209,463	\$2,630,448	\$308,981
Cash Received from Transactions with Other Funds	350,214	0	0	0
Cash Received from Other Revenues	38,526	67,150	13,402	0
Cash Received from Deposits	94,895	0	0	0
Cash Payments for Personal Services	(1,153,441)	(1,122,453)	(724,005)	0
Cash Payments for Materials and Supplies	(19,155,263)	(1,679,743)	(423,380)	(40,792)
Cash Payments for Transactions with Other Funds	(666,587)	(177,590)	(162,466)	0
Cash Payments for Other Expenses	(379,176)	(126,072)	(58,898)	0
Cash Payments for Deposits Refunded	(104,005)	0	0	0
Net Cash Provided by (Used for) Operating Activities	<u>319,237</u>	<u>1,170,755</u>	<u>1,275,101</u>	<u>268,189</u>
Cash Flows from Noncapital Financing Activities:				
Cash Received from Excise Taxes	376,220	0	0	0
Grants	0	24,500	0	0
Advances In	218,682	0	0	0
Advances Out	0	(32,432)	(32,432)	0
Transfers In	0	17,250	0	0
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>594,902</u>	<u>9,318</u>	<u>(32,432)</u>	<u>0</u>
Cash Flows from Capital and Related Financing Activities:				
Capital Grants	0	8,000,000	0	0
Principal Paid on General Obligation Bonds	0	(30,000)	0	(86,900)
Principal Paid on Mortgage Revenue Bonds	0	0	(350,000)	0
Principal Paid on OPWC Loan	0	(24,162)	0	0
Principal Paid on OWDA Loans	0	(296,630)	0	0
Principal Paid on Capital Leases	0	(23,695)	0	0
Interest Paid on General Obligation Bonds	0	(12,350)	0	(12,930)
Interest Paid on Mortgage Revenue Bonds	0	0	(47,445)	0
Interest Paid on OWDA Loans	0	(139,191)	0	0
Proceeds of OWDA Loan	0	1,478,036	0	0
Acquisition of Capital Assets	(949,689)	(2,664,327)	(423,127)	0
Net Cash Used for Capital and Related Financing Activities	<u>(949,689)</u>	<u>6,287,681</u>	<u>(820,572)</u>	<u>(99,830)</u>
Cash Flows from Investing Activities:				
Interest	0	20,259	11,760	0
Net Increase (Decrease) in Cash and Cash Equivalents	(35,550)	7,488,013	433,857	168,359
Cash and Cash Equivalents Beginning of Year	7,560,056	3,869,256	2,803,942	521,651
Cash and Cash Equivalents End of Year	<u>\$7,524,506</u>	<u>\$11,357,269</u>	<u>\$3,237,799</u>	<u>\$690,010</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Operating Income (Loss)	(\$783,471)	\$712,019	\$849,938	\$189,126
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Depreciation	834,392	499,000	341,738	79,346
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	211,060	132,618	50,602	(947)
Increase in Due from Other Governments	(382)	(209)	(209)	0
Decrease in Interfund Receivable	10,583	0	0	0
Increase in Prepaid Items	(111)	(61)	(61)	0
(Increase) Decrease in Materials and Supplies Inventory	(43,469)	(162,754)	3,343	867
Increase in Accrued Wages Payable	3,898	6,298	2,157	0
Increase (Decrease) in Accounts Payable	(27,493)	(56,545)	341	(203)
Increase (Decrease) in Contracts Payable	273,617	3,300	(2,000)	0
Decrease in Due to Other Governments	(15,084)	(2,255)	(2,759)	0
Increase (Decrease) in Interfund Payable	(10,967)	(12,069)	1,713	0
Decrease in Deposits Held and Due to Others	(9,110)	0	0	0
Decrease in AMP-Ohio Payable	(179,293)	0	0	0
Increase in Compensated Absences Payable	3,551	7,943	4,746	0
Increase (Decrease) in Net Pension Liability	(5,051)	16,214	17,970	0
Decrease in Deferred Outflows - Pension	76,853	77,415	50,684	0
Decrease in Deferred Inflows - Pension	(20,286)	(50,159)	(43,102)	0
Net Cash Provided by (Used for) Operating Activities	<u>\$319,237</u>	<u>\$1,170,755</u>	<u>\$1,275,101</u>	<u>\$268,189</u>

Non-Cash Capital Transactions

During 2016, governmental activities purchased capital assets, in the amount of \$5,502, \$83,930, \$2,424, and \$13,635, respectively and subsequently transferred those assets to the Electric, Water, Sewer, and Stormwater enterprise funds.

At December 31, 2016, the Water enterprise fund had payables related to the acquisition of capital assets, in the amount of \$35,940.

See Accompanying Notes to the Basic Financial Statements:

Total Enterprise Funds	Self Insurance Internal Service Fund
\$28,442,966	\$0
350,214	0
119,078	382
94,895	0
(2,999,899)	0
(21,299,178)	(489)
(1,006,643)	0
(564,146)	0
(104,005)	0
<u>3,033,282</u>	<u>(107)</u>
376,220	0
24,500	0
218,682	0
(64,864)	0
17,250	0
<u>571,788</u>	<u>0</u>
8,000,000	0
(116,900)	0
(350,000)	0
(24,162)	0
(296,630)	0
(23,695)	0
(25,280)	0
(47,445)	0
(139,191)	0
1,478,036	0
(4,037,143)	0
<u>4,417,590</u>	<u>0</u>
32,019	0
8,054,679	(107)
14,754,905	111,563
<u>\$22,809,584</u>	<u>\$111,456</u>
\$967,612	(\$107)
1,754,476	0
393,333	0
(800)	0
10,583	0
(233)	0
(202,013)	0
12,353	0
(83,900)	0
274,917	0
(20,098)	0
(21,323)	0
(9,110)	0
(179,293)	0
16,240	0
29,133	0
204,952	0
(113,547)	0
<u>\$3,033,282</u>	<u>(\$107)</u>

**CITY OF CELINA
MERCER COUNTY**

**STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2016**

Assets:

Equity in Pooled Cash and Cash Equivalents	\$51,979
Cash and Cash Equivalents in Segregated Accounts	67,594
Total Assets	<u>\$119,573</u>

Liabilities:

Deposits Held and Due to Others	<u>\$119,573</u>
---------------------------------	------------------

See Accompanying Notes to the Basic Financial Statements.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

1. DESCRIPTION OF THE CITY OF CELINA AND THE REPORTING ENTITY

A. The City

The City of Celina (the City) is a statutory municipal corporation operating under the laws of the State of Ohio. The City operates under a mayor-council form of government. Legislative power is vested in a seven member council and a council president, each elected to four-year terms. The Mayor is elected to a four-year term and is the chief executive officer of the City. All City officials, with the exception of the Service-Safety Director, are elected positions. The Service-Safety Director is appointed by the Mayor.

The City of Celina is divided into various departments and financial management and control systems. Services provided include police protection, fire protection, parks and recreation, street maintenance and repair, and electric, water, sewer, and stormwater services as well as a staff to provide support (i.e., payroll processing, accounts payable, and 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.

B. Reporting Entity

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

The primary government of the City of Celina consists of all funds, departments, boards, and agencies that are not legally separate from the City. For the City, this includes all departments and activities that are directly operated by the elected City officials.

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 for which the City approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City. There were no component units of the City of Celina in 2016.

The City of Celina participates in the Grand Lake/Mercer County Development Corporation, a joint venture; the Mercer County Community Improvement Corporation, the Grand Lake/Mercer County Research Corporation, and the Mercer County Planning Commission, jointly governed organizations; and the Ohio Municipal League City Equity Pooling Workers' Compensation Group Rating Program and the Ohio Plan Risk Management, insurance purchasing pools. These organizations are presented in Notes 23, 24, and 25 to the basic financial statements.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The City's basic financial statements consist of government-wide financial 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.

1. Government-Wide Financial Statements

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

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 business-type activities. 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 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 activity is self-financing or draws from the general revenues of the City.

2. 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. The internal service fund is presented in a single column on the proprietary fund statements. 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. The funds of the City are presented in three categories: governmental, proprietary, and fiduciary.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Governmental Funds

Governmental funds are those through which most governmental functions of the City 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 purpose 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 of resources is reported as fund balance. The following are the City's major governmental funds:

General Fund - The General Fund accounts for 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.

GO Debt Service Fund - The GO Debt Service Fund accounts for resources that are restricted for the payment of principal, interest, and fiscal charges on general obligation debt.

Tax Increment Financing Fund - The Tax Increment Financing Fund accounts for payment in lieu of tax revenues restricted for infrastructure and recreational improvements and construction.

The other governmental funds of the City account for grants and other resources whose use is restricted, committed, or assigned for a particular purpose.

2. Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows.

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:

Electric Fund - This fund accounts for the provision of electric distribution to residential and commercial users within the City.

Water Fund - This fund accounts for the provision of water collection and distribution to residential and commercial users within the City.

Sewer Fund - This fund accounts for the provision of wastewater treatment service to residential and commercial users within the City.

Stormwater Fund - This fund accounts for the operation of the stormwater runoff system within the City.

Internal Service Fund - The internal service fund accounts for the financing of services provided by one department to other departments of the City on a cost reimbursement basis. The City's internal service fund, in prior years, accounted for the activities of the self-insurance program for employee health care benefits. The City discontinued the self-insured program in 2013 and this fund has been paying the ongoing COBRA payments.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are not available to support the City's own programs. The City did not have any trust funds in 2016. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for insurance proceeds to secure proper handling of fire damaged structures, the activity of the municipal court due to third-parties, and employee deductions not yet remitted to their specific vendors.

C. Measurement Focus

1. Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net position. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position.

2. 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 current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reflects 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, includes a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the proprietary funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities 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 (e.g., revenues) and decreases (e.g., expenses) in total net position. The statement of cash flows reflects how the City finances and meets the cash flow needs of its proprietary activities.

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 are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; proprietary funds and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows and deferred inflows of resources, and in the presentation of expenses versus expenditures.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Revenues - Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from income taxes is recognized in the year in which the income is earned. 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 non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: income taxes, charges for services, fines and forfeitures, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), grants, and interest.

2. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report 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 that time. Deferred outflows of resources are reported on the government-wide and proprietary funds statements of net position for pension and explained in Note 15 to the basic financial statements.

In addition to liabilities, the statement of financial position may report 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 consists of property taxes, payment in lieu of taxes, unavailable revenue, and pension. Property taxes represent amounts for which there was an enforceable legal claim as of December 31, 2016, but which were levied to finance 2017 operations. Payment in lieu of taxes represents a contractual promise to make payment of property taxes which reflect all or a portion of the taxes which would have been paid if the taxes had not been exempted. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes accrued interest, intergovernmental revenue including grants, municipal income taxes, delinquent property taxes, special assessments, and other sources. These amounts are deferred and

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

recognized as inflows of resources in the period when the amounts become available. For further details on unavailable revenue, refer to the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities on page 15. Deferred inflows of resources related to pension are reported on the government-wide and proprietary funds statements of net position and explained in Note 15 to the basic financial statements.

3. Expenses/Expenditures

On the accrual basis, 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. Budgetary Process

All funds, except agency funds, are 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 City Council may appropriate. The appropriations ordinance is City Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by City Council. The legal level of control has been established by City Council at the fund, department, and object level for some funds and at the fund level for other funds. Budgetary allocations at the department and object level within these funds are made by the City Auditor.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the City Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources requested by the City prior to year end.

The appropriations 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 appropriations 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 City Council during the year.

F. Cash and Investments

To improve cash management, cash received by the City, except cash held by fiscal agents, is pooled and invested. Individual fund integrity is maintained through City records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents that are held separately for the City by financial institutions acting as trustees to service its mortgage revenue bonded debt as principal and interest payments come due and invested in mutual funds is presented as "Cash and Cash Equivalents with Fiscal Agents".

During 2016, the City invested in nonnegotiable and negotiable certificates of deposit, federal agency securities, mutual funds, commercial paper, and STAR Ohio. Investments are reported at fair value, except for nonnegotiable certificates of deposit which are reported at cost. Fair value is based on quoted market price or current share price. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, "Certain External Investment Pools and Pool Participants". The City measures the investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given twenty-four hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant are combined for this purpose.

The City's commercial paper is measured at amortized cost as it is a highly liquid debt instrument with a remaining maturity at the time purchase of less than one year.

Interest earnings are allocated to City funds according to State statutes, grant requirements, or debt related restrictions. Interest revenue credited to the General Fund during 2016 was \$107,285, which includes \$86,607 assigned from other City funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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 by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

H. Inventory

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

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

Unclaimed monies that have a legal restriction on their use are reported as restricted.

Utility deposits from customers are classified as restricted assets on the statement of fund net position because their use is limited to the payment of unpaid utility bills or refunding of the deposit to the customer.

Restricted assets also represent certain resources which are segregated from other resources of the City to comply with various covenants established by bond financing agreements. These assets are generally held in separate accounts of the City or by a trustee. The various covenants place restrictions on the use of these resources, require minimum balances to be maintained in certain accounts, and establish annual amounts to be accumulated for specific purposes.

J. Capital Assets

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

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their acquisition value on the date donated. The City maintains a capitalization threshold of one thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

All capital assets are depreciated, except for land, some land improvements, and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. The City reports all infrastructure, including that acquired prior to 1980. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land Improvements	15-40 years	20-30 years
Buildings	10-100 years	5-100 years
Improvements Other than Buildings	10-23 years	N/A
Streets	15-40 years	N/A
Electric, Water, Sewer, and Stormwater Lines	N/A	1-50 years
Furniture and Equipment	5-20 years	5-20 years
Vehicles	3-25 years	7-25 years

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from interfund loans and from interfund services provided and used are classified as "Interfund Receivables/Payables". Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net position. The only interfund balances which remain on the government-wide statement of net position are those between governmental and business-type activities. These amounts are presented as "Internal Balances".

L. 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 the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for 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. Accumulated unused sick leave is paid to employees who retire at various rates depending on department policy and length of service.

M. Accrued Liabilities and Long-Term Obligations

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

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

N. Net Position

Net position represents the difference between all other elements on the statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through constitutional provisions or enabling legislation adopted by the City, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes activities for construction, repair, and maintenance of State highways and local streets, recreation, loans to local businesses, and other revenues restricted for use by the municipal court and police department. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Fund Balance

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

Non-spendable - The non-spendable classification 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" includes items that are not expected to be converted to cash.

Restricted - The restricted classification includes amounts restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or law or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation (City ordinance).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for purposes specified by the legislation.

Committed - The committed classification includes amounts that can be used only for the specific purposes determined by a formal action (ordinance) of City Council. The committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned 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. Assigned amounts represent intended uses established by City Council. The City Council has authorized the Service-Safety Director to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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.

The City first applies restricted resources when an expenditure is 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 can be used.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for electric, water, sewer, and stormwater services, and internal service fund charges for health insurance. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating.

Q. Capital Contributions

Capital contributions arise from contributions from outside sources and other funds of the City.

R. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial 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. Payments for interfund 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 and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

S. Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, 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.

T. Estimates

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

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

3. CHANGE IN ACCOUNTING PRINCIPLES

For 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 No. 68 and Amendments to Certain Provisions of GASB Statement No. 67 and No. 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. 79, "Certain External Investment Pools and Pool Participants", and GASB Statement No. 82, "Pension Issues-an Amendment of GASB Statements No. 67, No. 69, and No. 73".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This statement provides guidance for determining a fair value measurement for financial reporting purposes, for applying fair value to certain investments, and disclosures related to all fair value measurements. These changes were incorporated in the City's 2016 financial statements; 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, "Accounting and Financial Reporting for Pensions", as well as for the assets accumulated for purposes of providing those pensions. It also amends certain provisions of GASB Statement No. 67, "Financial Reporting for Pension Plans", and GASB Statement No. 68. The implementation of this statement did not result in any changes to the City's financial statements.

GASB Statement No. 76 identifies, in the context of the current governmental financial reporting environment, the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this statement did not result in any changes to the City's financial statements.

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 to the City's financial statements as the City does not have any material GASB Statement No. 77 tax abatements.

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. The statement provides accounting and financial reporting guidance that also establishes additional note disclosure requirements for governments that participate in these pools. The City participates in STAR Ohio which implemented GASB Statement No. 79 for 2016. The City incorporated the corresponding GASB Statement No. 79 guidance into the 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the City's 2016 financial statements; however, there was no effect on beginning net position/fund balance.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

4. ACCOUNTABILITY

At December 31, 2016, the Police Pension, Fire Pension, JAG Law Enforcement, and Ohio Department of Youth Services Grant special revenue funds, the GO Debt Service debt service fund, and the CDBG capital projects fund had deficit fund balances, in the amount of \$13,753, \$17,238, \$104, \$11,523, \$1,131,959, and \$27,290, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

5. BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned fund balance (GAAP basis).

Adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis are as follows:

	General Fund
GAAP Basis	\$470,569
<u>Increases (Decreases) Due To</u>	
Revenue Accruals:	
Accrued 2015, Received in Cash 2016	569,178
Accrued 2016, Not Yet Received in Cash	(407,562)
Expenditure Accruals:	
Accrued 2015, Paid in Cash 2015	(299,006)
Accrued 2016, Not Yet Paid in Cash	262,883
Cash Adjustments:	
Unrecorded Activity 2016	26,891
Prepaid Items	(114)
Materials and Supplies Inventory	4,814
Advances In	267,466
Advances Out	(153,818)
Encumbrances Outstanding at Year End (Budget Basis)	(24,377)
Budget Basis	\$716,924

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

6. DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio and, with certain limitations, bonds and other obligations of political subdivisions of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the City Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$4,064,890 of the City's bank balance of \$7,873,668 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

B. Investments

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

Measurement/Investment	Measurement Amount	Investment Maturities (in Years)	
		Less Than 1	1-5
Fair Value (Level One Inputs)			
Negotiable Certificates of Deposit	\$3,547,599	\$75,006	\$3,472,593
Federal Home Loan Mortgage Corporation Notes	4,225,864	0	4,225,864
Federal National Mortgage Association Notes	3,234,327	0	3,234,327
Mutual Funds	1,256,446	1,256,446	0
Fair Value (Level Two Inputs)			
Negotiable Certificates of Deposit	251,630	0	251,630
Amortized Cost			
Commercial Paper	11,009,986	11,009,986	0
Net Asset Value Per Share			
STAR Ohio	4,023,458	4,023,458	0
Total Investments	\$27,549,310	\$16,364,896	\$11,184,414

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

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 chart identifies the City's recurring fair value measurements as of December 31, 2016. The City's investments measured at fair value are valued using quoted market prices (Level 1 inputs) or significant observable inputs (Level 2 inputs).

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the City.

The negotiable certificates of deposit are generally covered by FDIC insurance. The Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes, and mutual funds carry a rating of Aaa by Moodys. The commercial paper carries a rating of P-1 by Moody's. STAR Ohio carries a rating of AAA by Standard and Poor's. The City has no investment policy for credit risk beyond the requirements of State statute. Ohio law requires that commercial paper mature within one hundred eighty days, that mutual funds must be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service, and that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

The City places no limit on the amount of its interim monies it may invest in a particular security. The following table indicates the percentage of each investment to the City's total portfolio.

	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Negotiable Certificates of Deposit	\$3,799,229	13.79%
Federal Home Loan Mortgage Corporation Notes	4,225,864	15.34
Federal National Mortgage Association Notes	3,234,327	11.74
Commercial Paper	11,009,986	39.96

7. RECEIVABLES

Receivables at December 31, 2016, consisted of accounts (billings for user charged services, including unbilled utility services); accrued interest, intergovernmental receivables arising from grants, entitlements, and shared revenues; municipal income taxes; interfund; property taxes; payment in lieu of taxes; notes; and special assessments. All receivables are considered collectible in full and within one year, except for municipal income taxes, interfund, property taxes, notes, special assessments, and the allowance for un-collectibles related to utility services. Municipal income taxes and property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. Delinquent special assessments were \$131 at December 31, 2016.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

7. RECEIVABLES (Continued)

Notes receivable represent low interest loans for development projects granted to eligible City businesses under the Federal Community Development Block Grant program. The loans have an annual interest rate of 2.41 to 5 percent and are to be repaid over twenty years. Principal, in the amount of \$9,079, was repaid during 2016. Notes outstanding at December 31, 2016, were \$98,886. Notes receivable, in the amount of \$89,463, will not be received within one year.

A summary of accounts receivable related to utility services is as follows:

	Electric	Water	Sewer	Stormwater	Total Enterprise Funds
Accounts Receivable	\$2,369,160	\$548,080	\$364,659	\$34,337	\$3,316,236
Less Allowance for Un-collectibles	<u>(237,865)</u>	<u>(55,028)</u>	<u>(36,612)</u>	<u>(3,448)</u>	<u>(332,953)</u>
Net Accounts Receivable	<u>\$2,131,295</u>	<u>\$493,052</u>	<u>\$328,047</u>	<u>\$30,889</u>	<u>\$2,983,283</u>

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities:	
Major Funds:	
General Fund:	
Property Tax Allocation	\$17,574
Local Government	104,825
Mercer County	<u>27,304</u>
Total General Fund	149,703
Tax Increment Financing	
Property Tax Allocation	<u>14,463</u>
Total Major Funds	<u>164,166</u>
Non-major Funds:	
Street:	
Gasoline Tax	195,067
Motor Vehicle License Tax	<u>118,690</u>
Total Street	<u>313,757</u>
State Highway:	
Gasoline Tax	15,816
Motor Vehicle License Tax	<u>9,623</u>
Total State Highway	<u>25,439</u>
Police Pension:	
Property Tax Allocation	<u>3,101</u>
Fire Pension:	
Property Tax Allocation	<u>3,101</u>
Permissive MVL:	
Permissive MVL	<u>2,603</u>
Driver Alcohol Treatment:	
Village of Coldwater	<u>9</u>
Total Non-major Funds	<u>348,010</u>
Total Governmental Activities	<u>\$512,176</u>

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

7. RECEIVABLES (Continued)

	Amount
Business Type Activities:	
Non-major Funds:	
Electric	
Mercer County	\$2,728
Water	
Mercer County	1,492
Sewer	
Mercer County	1,492
Total Business Type Activities	\$5,712

8. MUNICIPAL INCOME TAXES

The City levies and collects an income tax of 1.5 percent based on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the 1 percent of the tax owed. There is no credit allowed on the additional .5 percent tax. 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. Of the total income tax collected, 1 percent is credited to the General Fund and .5 percent is credited to the Additional Income Tax special revenue fund and used to fund operations of the police and fire departments as well as for various public right-of-way improvements. The additional .5 percent began collections on January 1, 2016, and will be collected for a period of seven years.

9. PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Real property tax revenues received in 2016 represent the collection of 2015 taxes. Real property taxes received in 2016 were levied after October 1, 2015, on the assessed values as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in 2016 represent the collection of 2015 taxes. Public utility real and tangible personal property taxes received in 2016 became a lien on December 31, 2014, were levied after October 1, 2015, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City of Celina. The County Auditor periodically remits to the City its portion of the taxes collected.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

9. PROPERTY TAXES (Continued)

Accrued property taxes receivable represents real and public utility property taxes which were measurable as of December 31, 2016, and for which there was an enforceable legal claim. In the governmental funds, the portion of the receivable not levied to finance 2016 operations is offset to deferred inflows of resources - property taxes. On the accrual basis, delinquent real property taxes have been recorded as a receivable and revenue while on the modified accrual basis, the revenue has been recorded as deferred inflows of resources - unavailable revenue.

The full tax rate for all City operations for the year ended December 31, 2016, was \$2.30 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2016 property tax receipts were based are as follows:

Category	Amount
Real Property:	
Residential/Agricultural	\$127,227,940
Commercial/Industrial	33,906,200
Public Utility Property:	
Real	8,785,226
Personal	633,700
Total Assessed Value	\$170,553,066

10. PAYMENT IN LIEU OF TAXES

According to State law, the City has established several tax incremental financing districts within the City under which the City has granted property tax exemptions and agreed to construct certain infrastructure improvements. The property owners have agreed to make payments to the City to help pay the costs of the infrastructure improvements. The amount of those payments generally reflects all or a portion of the property taxes which the property owners would have paid if their taxes had not been exempted. The property owners' contractual promise to make these payments in lieu of taxes generally continues until the costs of the improvement have been paid or the agreement expires, whichever occurs first. Future development by these owners or others may result in subsequent agreements to make payments in lieu of taxes and may, therefore, spread the costs of the improvements to a larger number of property owners.

11. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016, was as follows:

	Balance 01/01/2016	Additions	Reductions	Balance 12/31/2016
Governmental Activities:				
Non-depreciable Capital Assets:				
Land	\$5,652,593	\$55,000		\$5,707,593
Land Improvements	8,034,311	56,235	(\$15,150)	8,075,396
Construction in Progress	1,237,617	560,687	(822,655)	975,649
Total Non-depreciable Capital Assets	14,924,521	671,922	(837,805)	14,758,638

(Continued)

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

11. CAPITAL ASSETS (Continued)

	Balance 01/01/2016	Additions	Reductions	Balance 12/31/2016
Governmental Activities: (Continued)				
Depreciable Capital Assets:				
Land Improvements	1,163,799	266,105		1,429,904
Buildings	1,939,324	556,550		2,495,874
Improvements Other than Buildings	1,706,773			1,706,773
Streets	14,299,632	959,035	(39,315)	15,219,352
Furniture and Equipment	1,045,708	56,777	(2,699)	1,099,786
Vehicles	4,317,426	232,341	(26,469)	4,523,298
Total Depreciable Capital Assets	<u>24,472,662</u>	<u>2,070,808</u>	<u>(68,483)</u>	<u>26,474,987</u>
Less Accumulated Depreciation for:				
Land Improvements	(498,117)	(37,623)		(535,740)
Buildings	(421,459)	(45,995)		(467,454)
Improvements Other than Buildings	(1,213,343)	(43,597)		(1,245,940)
Streets	(7,895,082)	(500,052)	39,315	(8,355,819)
Furniture and Equipment	(500,989)	(82,028)	1,350	(581,667)
Vehicles	(1,818,118)	(213,308)	19,342	(2,012,084)
Total Accumulated Depreciation	<u>(12,347,108)</u>	<u>(922,603)</u>	<u>60,007</u>	<u>(13,209,704)</u>
Total Depreciable Capital Assets, Net	<u>12,125,554</u>	<u>1,148,205</u>	<u>(8,476)</u>	<u>13,265,283</u>
Governmental Activities Capital Assets, Net	<u>\$27,050,075</u>	<u>\$1,820,127</u>	<u>(\$836,281)</u>	<u>\$28,023,921</u>

Governmental activities accepted contributions of capital assets from outside sources, with a fair value of \$92,343, during 2016.

	Balance 01/01/2016	Additions	Reductions	Balance 12/31/2016
Business-Type Activities:				
Non-depreciable Capital Assets:				
Land	\$368,946			\$368,946
Construction in Progress	898,968	\$2,253,978	(\$2,422,113)	730,833
Total Non-depreciable Capital Assets	<u>1,267,914</u>	<u>2,253,978</u>	<u>(2,422,113)</u>	<u>1,099,779</u>
Depreciable Capital Assets:				
Land Improvements	230,099			230,099
Buildings	30,632,377	2,867,936		33,500,313
Electric, Water, Sewer and Stormwater Lines	39,945,974	1,300,378	(218,102)	41,028,250
Furniture and Equipment	966,881	75,381	(113,854)	928,408
Vehicles	2,388,502	103,014		2,491,516
Total Depreciable Capital Assets	<u>74,163,833</u>	<u>4,346,709</u>	<u>(331,956)</u>	<u>78,178,586</u>
Business-Type Activities:				
Less Accumulated Depreciation for:				
Land Improvements	(76,138)	(11,308)		(87,446)
Buildings	(18,190,805)	(569,529)		(18,760,334)
Electric, Water, Sewer, and Stormwater Lines	(18,508,197)	(1,010,530)	218,102	(19,300,625)
Furniture and Equipment	(534,630)	(58,986)	82,839	(510,777)
Vehicles	(1,434,690)	(104,123)		(1,538,813)
Total Accumulated Depreciation	<u>(38,744,460)</u>	<u>(1,754,476)</u>	<u>300,941</u>	<u>(40,197,995)</u>
Total Depreciable Capital Assets, Net	<u>35,419,373</u>	<u>2,592,233</u>	<u>(31,015)</u>	<u>37,980,591</u>
Business-Type Activities Capital Assets, Net	<u>\$36,687,287</u>	<u>\$4,846,211</u>	<u>(\$2,453,128)</u>	<u>\$39,080,370</u>

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

11. CAPITAL ASSETS (Continued)

Business-type activities accepted contributions of capital assets from governmental activities, in the amount of \$105,491.

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
Security of Persons and Property	\$213,351
Leisure Time Activities	125,136
Community Environment	153
Basic Utility Services	8,421
Transportation	544,339
General Government	31,203
Total Depreciation Expense - Governmental Activities	\$922,603

12. INTERFUND RECEIVABLES/PAYABLES

At December 31, 2016, the General Fund had an interfund receivable, in the amount of \$226,520; \$153,703 from the Westview/Westbank Projects capital projects fund from providing cash flow resources until the receipt of grant monies, \$38,917 from providing cash flow resources to other governmental funds, and \$33,900 from the Electric enterprise fund for the City's portion of the kilowatt hour tax. The entire amount is expected to be repaid within one year.

The Electric enterprise fund had an interfund receivable, in the amount of \$929,307, for services provided by the Electric enterprise fund, in the amount of \$618,512 to the General Fund, in the amount of \$76 to the Parks and Recreation special revenue fund, in the amount of \$150,220 to the Water enterprise fund, and in the amount of \$160,499 to the Sewer enterprise fund. Of those amounts, only \$154,142 from the General Fund, \$76 from the Parks and Recreation special revenue fund, \$52,312 from the Water enterprise fund and \$62,591 from the Sewer enterprise fund is expected to be repaid within one year.

13. RISK MANAGEMENT

A. Property and Liability

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. During 2016, the City contracted with the Ohio Plan Risk Management, an insurance purchasing pool, for the following coverage:

Type of Coverage	Coverage	Deductible
Property (building and contents)	\$58,996,284	\$2,500 - \$25,000
General Liability - Aggregate	8,000,000	0
Public Official Liability - Aggregate	8,000,000	5,000
Law Enforcement Liability - Aggregate	8,000,000	5,000
Employee Benefits Liability - Aggregate	8,000,000	0
Automobile Liability	6,000,000	250/500

There has been no significant reduction in insurance coverage from 2015 and no insurance settlement has exceeded insurance coverage during the last three years.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

13. RISK MANAGEMENT (Continued)

Each participant of Ohio Plan Risk Management enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant. The firm of Hylant Administrative Services provides administrative, cost control, and actuarial services to the Plan.

B. Employee Medical Benefits

On January 1, 2013, the City terminated its self-insured program for medical, vision, and dental benefits. Prior to its termination, the City offered medical, vision, and dental benefits to all employees through a self-insured program. All funds of the City participated in the program and made payments to the Self-Insurance fund based on actuarial estimates of the amounts needed to pay prior- and current-year claims. Currently, resources of the fund are being used to pay ongoing COBRA payments. The fund will be closed in 2017.

The City currently uses Medical Mutual for health insurance, Eye Med for vision insurance, and Superior Dental Care for dental insurance.

C. Workers' Compensation

For 2016, the City participated in the Ohio Municipal League City Equity Pooling Workers' Compensation Group Rating Program (Program), an insurance purchasing pool. The intent of the Program is to achieve the benefit of a reduced premium for the City by virtue of its grouping and representation with other participants in the Program. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Program. Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate.

Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Program. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity redistribution" arrangement ensures that each participant shares equally in the overall performance of the Program. Participation in the Program is limited to participants that can meet the Program's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the Program.

14. SIGNIFICANT CONTRACTUAL COMMITMENTS

The City has several outstanding contracts for professional services. The following amounts remain on these contracts as of December 31, 2016:

<u>Vendor</u>	<u>Outstanding Balance</u>
Dayton Power and Light	\$55,491
Hazen and Sawyer	107,861
Ohio CAT	103,187
Shinn Bros., Inc.	100,976

At year end, the significant encumbrances expected to be honored upon performance by the vendor in 2017 are as follows:

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

14. SIGNIFICANT CONTRACTUAL COMMITMENTS

General Fund	\$24,377
Other Governmental Funds	119,847
Total	<u>\$144,224</u>

15. DEFINED BENEFIT PENSION PLANS

A. 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.

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

GASB Statement No. 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 the employers. All contributions to date have come solely from the employer (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within thirty years. If the amortization period exceeds thirty 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 as an intergovernmental payable on both the accrual and modified accrual basis of accounting.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

15. DEFINED BENEFIT PENSION PLANS (Continued)

B. 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 including requirements for reduced and unreduced benefits).

Group A	Group B	Group C
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
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 years	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 years	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 years
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

15. DEFINED BENEFIT PENSION PLANS (Continued)

Group A	Group B	Group C
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
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 years	Public Safety and Law Enforcement Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 years	Public Safety and Law Enforcement Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 years

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 twelve 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	Public Safety	Law Enforcement
2016 Statutory Maximum Contribution Rates			
Employer	14.0%	18.1%	18.1%
Employee	10.0 %	*	**
2016 Actual Contribution Rates			
Employer			
Pension	12.0 %	16.1 %	16.1 %
Post-employment Health Care Benefits	2.0	2.0	2.0
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Total Employee	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</u>

* This rate is determined by OPERS' Board and has no maximum rate established by the ORC.

** This rate is also determined by OPERS' Board but is limited by the ORC to not more than 2 percent greater than the public safety rate.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

15. DEFINED BENEFIT PENSION PLANS (Continued)

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$399,355 for 2016. Of this amount, \$46,095 is reported as an intergovernmental payable.

C. Plan Description - Ohio Police and Fire Pension Fund (OPF)

Plan Description - 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, required supplementary information, and detailed information about OPF's fiduciary net position that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, an OPF member 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 fifty-two for normal service retirement with at least twenty-five years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is forty-eight for normal service retirement with at least twenty-five 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 twenty years of service credit, 2 percent for each of the next five years of service credit, and 1.5 percent for each year of service credit in excess of twenty-five years. The maximum pension of 72 percent of the allowable average annual salary is paid after thirty-three years of service credit.

Under normal service retirement, retired members who are at least fifty-five 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 fifty-five 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 fifteen years of service credit on July 1, 2013, will receive a COLA equal to either 3 percent or the percent increase, if any, in the Consumer Price Index over the twelve month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least fifteen years of service credit as of July 1, 2013, is equal to 3 percent of their base pension or disability benefit.

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

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

15. DEFINED BENEFIT PENSION PLANS (Continued)

	<u>Police</u>	<u>Firefighters</u>
2016 Statutory Maximum Contribution Rates		
Employer	19.50%	24.00%
Employee	12.25%	12.25%
2016 Actual Contribution Rates		
Employer		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	.50	.50
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Total Employee	<u>12.25 %</u>	<u>12.25 %</u>

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution was \$411,762 for 2016. Of this amount, \$44,109 is reported as an intergovernmental payable.

D. Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pension

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.

	<u>OPERS</u>	<u>OPF</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Current Measurement Date	0.02613500%	0.09427600%	
Prior Measurement Date	0.02644500%	0.09363010%	
Change in Proportionate Share	<u>0.00031000%</u>	<u>0.00064590%</u>	
Proportionate Share of the Net			
Pension Liability	\$4,526,912	\$6,064,840	\$10,591,752
Pension Expense	\$623,340	\$830,435	\$1,453,775

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

	<u>OPERS</u>	<u>OPF</u>	<u>Total</u>
Deferred Outflows of Resources:			
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$1,330,629	\$987,123	\$2,317,752
Changes in Proportion and Differences Between City Contributions and the Proportionate Share of Contributions	31,975	26,845	58,820
City Contributions Subsequent to the Measurement Date	399,355	411,762	811,117
Total Deferred Outflows of Resources	<u>\$1,761,959</u>	<u>\$1,425,730</u>	<u>\$3,187,689</u>

(Continued)

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

15. DEFINED BENEFIT PENSION PLANS (Continued)

	<u>OPERS</u>	<u>OPF</u>	<u>Total</u>
Deferred Inflows of Resources:			
Difference Between Expected and Actual Experience	\$87,468	\$17,030	\$104,498
Changes in Proportion and Differences Between City Contributions and the Proportionate Share of Contributions	56,644	0	56,644
Total Deferred Inflows of Resources	<u>\$144,112</u>	<u>\$17,030</u>	<u>\$161,142</u>

\$811,117 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 as pension expense as follows.

<u>Year Ending December 31,</u>	<u>OPERS</u>	<u>OPF</u>	<u>Total</u>
2017	\$279,638	\$261,829	\$541,467
2018	300,916	261,829	562,745
2019	336,816	261,829	598,645
2020	301,122	205,298	506,420
2021	0	5,173	5,173
Thereafter	0	980	980
Total	<u>\$1,218,492</u>	<u>\$996,938</u>	<u>\$2,215,430</u>

E. Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions applied to all periods included in the measurement in accordance with GASB Statement No. 67. Key methods and assumptions used in the latest actuarial valuation are presented below.

Wage Inflation	3.75 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	4.25 to 10.05 percent including wage inflation
Pre-January 7, 2013, Retirees	3 percent simple
Post-January 7, 2013, Retirees	3 percent simple through 2018, then 2.8 percent simple
Investment Rate of Return	8 percent
Actuarial Cost Method	individual entry age

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

15. DEFINED BENEFIT PENSION PLANS (Continued)

Mortality rates were based on the RP-2000 Mortality Table projected twenty 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 Benefits 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 Benefits 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 investment expenses, for the Defined Benefits portfolio was .4 percent for 2015.

The allocation of investment assets with the Defined Benefits 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 plan. The table below displays the board approved asset allocation policy for 2015 and the long-term expected real rates of return.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.31 %
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 8 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 benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

15. DEFINED BENEFIT PENSION PLANS (Continued)

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

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
City's Proportionate Share of the Net Pension Liability	\$7,212,476	\$4,526,912	\$2,261,723

F. Changes Between Measurement Date and Report Date

In October 2016, the OPERS Board adopted certain assumption changes which will impact the annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the City's net pension liability is expected to be significant.

G. 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.

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 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.6 percent and 3 percent simple

Mortality rates are based on the RP-2000 Combined Table, age adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

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

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

15. DEFINED BENEFIT PENSION PLANS (Continued)

The long-term expected rate of return on pension plan investments was determined using a building block approach and assumes a time horizon as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2015, are summarized below.

Asset Class	Target Allocation	Ten Year Expected Real Rate of Return**	Thirty Year Expected Real Rate of Return**
Cash and Cash Equivalents	0.00%	0.00%	0.00%
Domestic Equities	16.00	6.5	7.80
Non-U.S. Equities	16.00	6.7	8.00
Core Fixed Income*	20.00	3.5	5.35
Global Inflation Protected*	20.00	3.5	4.73
High Yield	15.00	6.35	7.21
Real Estate	12.00	5.8	7.43
Private Markets	8.00	9.5	10.73
Timber	5.00	6.55	7.35
Master Limited Partnerships	8.00	9.65	10.75
Total	120.00%		

Note: assumptions are geometric

* levered 2x

** numbers are net of expected inflation

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

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

15. DEFINED BENEFIT PENSION PLANS (Continued)

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's Proportionate Share of the Net Pension Liability	\$7,998,713	\$6,064,840	\$4,426,661

16. POST-EMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

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

OPERS maintains two cost-sharing multiple-employer defined benefit postemployment 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 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 postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of another post-employment benefit (OPEB) as described in GASB Statement No. 45. See OPERS' CAFR referenced below for additional information.

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

Disclosures for the health care plan are presented separately in the OPERS financial report which 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.

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, state and local employers contributed 14 percent of earnable salary and public safety and law enforcement employers contributed 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

16. POST-EMPLOYMENT BENEFITS (Continued)

At the beginning of 2016, OPERS maintained 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 and the traditional pension and combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund the health care plans. As recommended by the OPERS actuary, the portion of the employer contribution allocated to health care beginning January 1, 2016, remained at 2 percent for both the traditional pension and combined plans. 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 third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a retiree medical account for member-directed plan members. The employer contribution as a percentage of covered payroll deposited into the retiree medical accounts for 2016 was 4 percent.

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Health Care Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statement of Changes in Fiduciary Net Position for the year ended December 31, 2016, reflects a partial year of activity in the 401(h) Health Care Trust and the VEBA Trust prior to the termination of these trusts as of the end of the business day June 30, 2016, and the assets and liabilities or net position of these trusts being consolidated into the 115 Health Care Trust on July 1, 2016.

Substantially all of the City's contribution allocated to fund postemployment health care benefits relates to the cost-sharing multiple-employer trusts. The corresponding contribution for the years ended December 31, 2016, 2015, and 2014 was \$66,559, \$65,055, and \$64,843, respectively. For 2016, 90 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2015 and 2014.

B. 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 postemployment health care plan administered by OPF. OPF provides health care benefits including coverage for medical, prescription drug, dental, vision, Medicare Part B Premium, and long-term care to retirees, qualifying benefit recipients, and their eligible dependents.

OPF provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of another postemployment benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code allows, but does not mandate, OPF to provide OPEB benefits. Authority for the OPF Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits 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. The report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting the OPF website at www.op-f.org.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

16. POST-EMPLOYMENT BENEFITS (Continued)

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as a percentage of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and firefighters, respectively. 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 premium reimbursements administered 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 contribution made to the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2016, the employer contribution allocated to the health care plan was .5 percent of covered payroll. The amount of employer contribution 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.

The City's contribution to OPF for the years ended December 31, 2016, 2015, and 2014, was \$421,407, \$413,354, and \$400,999, respectively, of which \$9,645, \$9,440, and \$9,163 was allocated to the health care plan. For 2016, 89 percent has been contributed for both police and firefighters with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2015 and 2014.

17. COMPENSATED ABSENCES

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. City employees earn and accumulate vacation at varying rates depending on length of service. Current policy credits vacation leave on the employee's anniversary date. Employees are paid for 100 percent of earned unused vacation leave upon termination.

Sick leave is earned at various rates as defined by City policy and union contracts. Upon retirement, employees are entitled to the value of their accumulated unused sick leave at varying percentages to a maximum of eighty to one hundred twenty days based on City policy and union contracts.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

18. NOTES PAYABLE

The City's note transactions for the year ended December 31, 2016, were as follows:

	Interest Rate	Balance 1/01/2016	Additions	Reductions	Balance 12/31/2016
Governmental Activities:					
Revenue Anticipation Notes					
West Bank Walkway	1.89%	\$200,000	\$0	\$200,000	\$0
West Bank Walkway	1.65	0	100,000	0	100,000
Bond Anticipation Notes		200,000	100,000	200,000	100,000
Land Acquisition	1.5	0	1,150,000	0	1,150,000
Total Governmental Activities		\$200,000	\$1,250,000	\$200,000	\$1,250,000

According to Ohio law, notes can be issued in anticipation of bond proceeds and levies or for up to 50 percent of anticipated revenue collections. The liability for all notes is presented in the fund receiving the proceeds. All of the City's revenue anticipation notes are backed by the full faith and credit of the City of Celina.

The revenue anticipation notes, in the amount of \$100,000, were issued on February 3, 2016, to partially retire notes previously issued for the acquisition of property and the construction and installation of the West Bank Walkway. The notes matured on February 3, 2017. As of December 31, 2016, all of the proceeds had been spent.

The bond anticipation notes, in the amount of \$1,150,000, were issued on February 26, 2016, to partially retire notes previously issued and to purchase land. The notes matured on February 24, 2017. As of December 31, 2016, all of the proceeds had been spent.

19. LONG-TERM OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 2016, was as follows:

	Interest Rate	Balance 1/01/2016	Additions	Reductions	Balance 12/31/2016	Due Within One Year
Governmental Activities:						
Revenue Anticipation Notes						
West Bank Walkway	1.89%	\$500,000	\$0	\$500,000	\$0	\$0
West Bank Walkway	1.65	0	400,000	0	400,000	0
Total Revenue Anticipation Notes		500,000	400,000	500,000	400,000	0
Bond Anticipation Notes						
Land Acquisition	1.6	2,645,000	0	2,645,000	0	0
Land Acquisition	1.5	0	1,495,000	0	1,495,000	0
Total Bond Anticipation Notes		2,645,000	1,495,000	2,645,000	1,495,000	0
General Obligation Bonds:						
2010 Various Purpose	2 - 4	1,630,000	0	250,000	1,380,000	260,000
Municipal Building Court Improvement	1.54 - 2.45	600,000	0	110,000	490,000	60,000
Total General Obligation Bonds		2,230,000	0	360,000	1,870,000	320,000

(Continued)

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

19. LONG-TERM OBLIGATIONS (Continued)

	<u>Interest Rate</u>	<u>Balance 1/01/2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2016</u>	<u>Due Within One Year</u>
Other Long-Term Obligations:						
Net Pension Liability:						
Ohio Public Employees						
Retirement System-Traditional		1,243,927	612,105	0	1,856,032	0
Ohio Police and Fire Pension Fund		4,850,430	1,214,410	0	6,064,840	0
Total Net Pension Liability		<u>6,094,357</u>	<u>1,826,515</u>	<u>0</u>	<u>7,920,872</u>	<u>0</u>
OPWC Loan Payable	0	109,973	0	6,874	103,099	6,874
Compensated Absences Payable		553,968	86,669	105,811	534,826	120,063
Total Other Long-Term Obligations		<u>6,758,298</u>	<u>1,913,184</u>	<u>112,685</u>	<u>8,558,797</u>	<u>126,937</u>
Total Governmental Activities		<u>\$12,133,298</u>	<u>\$3,808,184</u>	<u>\$3,617,685</u>	<u>\$12,323,797</u>	<u>\$446,937</u>
	<u>Interest Rate</u>	<u>Balance 1/01/2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2016</u>	<u>Due Within One Year</u>
Business-Type Activities:						
General Obligation Bonds:						
2010 Various Purpose	2 - 4%	\$365,000	\$0	\$30,000	\$335,000	\$30,000
Mortgage Revenue Bonds:						
2011 Wastewater Refunding	2 - 3.4	1,795,000	0	350,000	1,445,000	130,000
Other Long-Term Obligations						
Net Pension Liability						
Ohio Public Employees						
Retirement System-Traditional		1,945,635	725,245	0	2,670,880	0
OPWC Loan Payable	0	229,540	0	24,162	205,378	24,162
OWDA Loans Payable	3.25-4.99	5,586,841	1,478,036	296,630	6,768,247	423,930
AMP-Ohio Payable		985,782	20,604	199,897	806,489	199,897
Capital Leases Payable		23,695	0	23,695	0	0
Compensated Absences Payable		295,402	20,405	4,165	311,642	80,125
Total Other Long-Term Obligations		<u>9,066,895</u>	<u>2,244,290</u>	<u>548,549</u>	<u>10,762,636</u>	<u>728,114</u>
Total Business-Type Activities		<u>\$11,226,895</u>	<u>\$2,244,290</u>	<u>\$928,549</u>	<u>\$12,542,636</u>	<u>\$888,114</u>

A. Revenue Anticipation Notes

The City issued revenue anticipation notes in 2016, in the amount of \$400,000, to partially retire notes previously issued for the acquisition of property and the construction and installation of the West Bank Walkway. The notes are payable from the revenues of the Grand Lake tax incremental financing district. The notes matured on February 3, 2017. As of December 31, 2016, all proceeds were spent.

B. Bond Anticipation Notes

The City issued bond anticipation notes in 2016, in the amount of \$1,495,000, to partially retire notes previously issued to purchase land. The notes matured on February 24, 2017, and were paid from the Parks and Recreation special revenue fund. As of December 31, 2016, all proceeds were spent.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

19. LONG-TERM OBLIGATIONS (Continued)

C. Governmental Activities General Obligation Bonds

In 2010, the City issued general obligation bonds, in the original amount of \$2,830,000, to retire bond anticipation notes issued for recreational, street, water, sewer, and stormwater improvements. These bonds will fully mature in 2030. The bonds will be paid with transfers from the Tax Incremental Financing capital projects fund and the Stormwater enterprise fund.

The bonds maturing on December 1, 2024, are subject to mandatory sinking fund redemption, in part by lot, on December 1, in each of the years 2021 through 2023 (with the balance of \$50,000 to be paid at stated maturity on December 1, 2024), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date according to the following schedule:

<u>Year</u>	<u>Amount</u>
2021	\$50,000
2022	50,000
2023	50,000

The bonds maturing on December 1, 2030, are subject to mandatory sinking fund redemption, in part by lot, on December 1, in each of the years 2025 through 2029 (with the balance of \$15,000 to be paid at stated maturity on December 1, 2030), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date according to the following schedule:

<u>Year</u>	<u>Amount</u>
2025	\$55,000
2026	10,000
2027	10,000
2028	15,000
2029	15,000

The bonds maturing on or after December 1, 2024, are subject to prior redemption, by and at the sole option of the City, either in whole or in part, on any date on or after December 1, 2020, at par plus accrued interest to the redemption date.

In 2015, the City issued general obligation bonds, in the original amount of \$600,000, for improvements to the municipal court building. The bonds will mature on December 1, 2025. The bonds will be paid from resources from the Court Special Projects special revenue fund.

D. OPWC Loan Payable

On August 11, 2011, the City obtained an interest free loan from the Ohio Public Works Commission, in the original amount of \$137,465, for the construction of Buckeye Street. The loan was issued for a twenty year period, with final maturity in 2031. The loan is to be repaid from the Tax Incremental Financing capital projects fund.

E. Business-Type Activities General Obligation Bonds

The general obligation bonds are direct obligations of the City for which its full faith and credit are pledged for repayment to the extent resources are not available from the applicable enterprise fund to make principal and interest payments. The City has issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

19. LONG-TERM OBLIGATIONS (Continued)

In 2010, the City issued general obligation bonds, in the original amount of \$500,000, to retire bond anticipation notes issued for water improvements. These bonds will fully mature in 2030. The bonds will be paid from the Water enterprise fund.

The bonds maturing on December 1, 2024, are subject to mandatory sinking fund redemption, in part by lot, on December 1, in each of the years 2021 through 2023 (with the balance of \$20,000 to be paid at stated maturity on December 1, 2024), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date according to the following schedule:

<u>Year</u>	<u>Amount</u>
2021	\$20,000
2022	20,000
2023	20,000

The bonds maturing on December 1, 2030, are subject to mandatory sinking fund redemption, in part by lot, on December 1, in each of the years 2025 through 2029 (with the balance of \$25,000 to be paid at stated maturity on December 1, 2030), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date according to the following schedule:

<u>Year</u>	<u>Amount</u>
2025	\$20,000
2026	20,000
2027	20,000
2028	20,000
2029	25,000

The bonds maturing on or after December 1, 2024, are subject to prior redemption, by and at the sole option of the City, either in whole or in part, on any date on or after December 1, 2020, at par plus accrued interest to the redemption date.

F. Mortgage Revenue Bonds

Mortgage revenue bonds are special obligations of the City secured by a mortgage upon the assets of the sewer system. The bonds are payable solely from the gross revenues of the system after provisions for reasonable operation and maintenance expenses.

In 2011, the City issued \$3,140,000 in Wastewater Refunding bonds to currently refund 1999 Wastewater Refunding bonds and to provide funds to make various improvements to the City's wastewater system. The refunded bonds were fully retired in 2011.

The bond indentures have certain restrictive covenants and principally require that bond reserves be maintained and charges for services to customers be sufficient to satisfy the obligations under the indenture agreements. In addition, special provisions exist regarding covenant violations, redemption of principal, and maintenance of properties.

Fund assets, whose use are restricted under the bond indenture to improvement and replacement and debt service requirements are presented as restricted assets on the statement of fund net position. These assets are further segregated between those held by the City and those held by the trustee. Restricted assets relating to the mortgage revenue bond issue were as follows as of December 31, 2016:

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

19. LONG-TERM OBLIGATIONS (Continued)

	Restricted Assets
	Wastewater Refunding
Restricted Assets held by the City for:	
Revenue Bond Operations and Maintenance	\$360,064
Restricted Assets held by Fiscal Agent for:	
Revenue Bond Future Debt Service	246,257

The bonds maturing on December 1, 2020, are subject to mandatory sinking fund redemption, in part by lot, on December 1, in each of the years 2019 and 2020, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date according to the following schedule:

Year	Amount
2019	\$135,000
2020	135,000

The bonds maturing on December 1, 2022, are subject to mandatory sinking fund redemption, in part by lot, on December 1, in each of the years 2021 and 2022, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date according to the following schedule:

Year	Amount
2021	\$140,000
2022	145,000

The bonds maturing on December 1, 2024, are subject to mandatory sinking fund redemption, in part by lot, on December 1, in each of the years 2023 and 2024, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date according to the following schedule:

Year	Amount
2023	\$150,000
2024	155,000

The bonds maturing on December 1, 2026, are subject to mandatory sinking fund redemption, in part by lot, on December 1, in each of the years 2025 and 2026, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date according to the following schedule:

Year	Amount
2025	\$160,000
2026	165,000

The mortgage revenue bonds will be paid solely from the revenues of the Sewer enterprise fund. Annual principal and interest payments on the bonds are expected to require less than 100 percent of these net revenues in future years. The total principal and interest remaining to be paid on the mortgage revenue bonds are \$1,445,000 and \$251,795 respectively. Principal and interest for the current year and total net revenues were \$397,445 and \$1,191,676, respectively.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

19. LONG-TERM OBLIGATIONS (Continued)

G. OPWC Loan Payable

On August 26, 2002, the City obtained an interest free loan from the Ohio Public Works Commission, in the amount of \$483,243, for the construction of a 1.5 million gallon water tower and the installation of a twenty inch water line. The loan is to be repaid from the Water enterprise fund.

The OPWC loan will be paid solely from the net revenues of the Water enterprise fund. Annual principal payments on the loan are expected to require less than 100 percent of these net revenues in future years. The total principal remaining on the OPWC loan is \$205,378. Principal for the current year and total net revenues were \$24,162, and \$1,211,019, respectively.

H. OWDA Loans Payable

On April 11, 2005, the City obtained a loan from the Ohio Water Development Authority, in the amount of \$1,878,426, for the design of the granular activated carbon process. On August 13, 2007, the City increased this loan to include the construction of the granular activated carbon process system. The total loan amount was \$8,542,544.

On June 25, 2015, the City obtained a loan from the Ohio Water Development Authority, for the construction of an industrial park water tower. The total amount of the loan was \$2,351,631.

The OWDA loans are to be repaid from the net revenues of the Water enterprise fund. Annual principal and interest payments on the loans are expected to require less than 100 percent of these net revenues in future years. The total principal and interest remaining on the OWDA loans are \$6,768,247 and \$879,158, respectively. Principal and interest for the current year and total net revenues were \$435,821 and \$1,211,019, respectively.

I. AMP-Ohio Payable

The City of Celina is a member of American Municipal Power (AMP) and a participant in the American Municipal Power Generating Station Project (AMPGS). This project was intended to develop a pulverized coal power plant in Meigs County, Ohio. The City's share of the project was 19,000 kW of a total capacity of 771,281 kW, giving the City a 2.46 percent share of the project.

The AMPGS project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS project due to projected escalating costs. These costs were therefore deemed impaired and participants were obligated to pay costs already incurred. As a result of a March 31, 2014, legal ruling, the AMP Board of Trustees on April 15, 2014, and the AMPGS participants on April 16, 2014, approved the collection of the impaired costs and provided the participants with an estimate of their liability.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

19. LONG-TERM OBLIGATIONS (Continued)

The City's estimated share of the impaired costs at March 31, 2014, was \$3,296,136. The City received a credit of \$709,787 related to its participation in the AMP Fremont Energy Center (AFEC) project, a credit of \$859,272 related to the AMPGS costs deemed to have future benefit for the project participants, have incurred additional costs of \$62,239, and have made payments of \$982,827 leaving a net impaired cost estimate of \$806,489. The City is reporting a payable to AMP in its business-type activities and in its Electric enterprise fund for these impaired costs. AMP financed these costs in its revolving line of credit. Any additional costs (including line of credit interest and legal fees) or amounts received related to the project may result in a future liability to the City. These amounts will be recorded as they become estimable.

The City is paying its liability to AMP by making monthly payments over the next three and one-half years. The liability should be paid in full during 2020.

J. Net Pension Liability

There is no repayment schedule for the net pension liability; however, employer pension contributions are paid from the General Fund, the Police Pension and Fire Pension special revenue funds, and the Electric, Water, and Sewer enterprise funds. For additional information related to the net pension liability, see Note 15 to the basic financial statements.

K. Capital Leases Payable

Capital lease obligations will be paid from the fund that maintains custody of the related asset.

L. Compensated Absences Payable

The compensated absences liability will be paid from the fund from which the employees' salaries are paid. These funds are the General Fund, the Parks and Recreation and Street special revenue funds, and the Electric, Water, and Sewer enterprise funds.

The City's legal debt margin was \$13,257,366 at December 31, 2016.

The following is a summary of the City's future annual debt service requirements for governmental activities:

Year	Governmental Activities		
	General Obligation Bonds		OPWC Loan
	Principal	Interest	Principal
2017	\$320,000	\$53,334	\$6,874
2018	320,000	45,850	6,874
2019	325,000	37,006	6,873
2020	335,000	27,952	6,873
2021	110,000	18,538	6,873
2022-2026	405,000	46,394	34,366
2027-2031	55,000	5,800	34,366
Total	<u>\$1,870,000</u>	<u>\$234,874</u>	<u>\$103,099</u>

The City's future annual debt service requirements, including mandatory sinking fund requirements, payable from the business-type activities are as follows:

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

19. LONG-TERM OBLIGATIONS (Continued)

Year	2010 Various Purpose General Obligation Bonds		Wastewater Refunding Mortgage Revenue Bonds	
	Principal	Interest	Principal	Interest
2017	\$30,000	\$11,600	\$130,000	\$40,445
2018	30,000	10,850	130,000	37,845
2019	30,000	9,950	135,000	35,245
2020	35,000	9,050	135,000	31,870
2021	20,000	8,000	140,000	28,495
2022-2026	100,000	29,400	775,000	77,895
2027-2030	90,000	9,400	0	0
	<u>\$335,000</u>	<u>\$88,250</u>	<u>\$1,445,000</u>	<u>\$251,795</u>

Year	OPWC Loan	OWDA Loans	
	Principal	Principal	Interest
2017	\$24,162	\$423,930	\$130,219
2018	24,162	433,968	120,954
2019	24,162	444,334	111,386
2020	24,162	455,039	101,504
2021	24,162	466,096	91,297
2022-2026	84,568	2,509,429	291,302
2027-2031	0	1,447,543	32,496
2032-2036	0	587,908	0
	<u>\$205,378</u>	<u>\$6,768,247</u>	<u>\$879,158</u>

20. CAPITAL LEASES - LESSEE DISCLOSURE

The City has entered into capitalized leases for equipment. Capital lease payments are reflected as a reduction of the liability in the enterprise funds. During 2016, the City paid principal, in the amount of \$23,695 from business-type activities. The capital leases being paid from the business-type funds were fully paid during 2016.

	Business-Type Activities
Equipment	\$69,486
Less Accumulated Depreciation	(20,846)
Total	<u>\$48,640</u>

21. FUND BALANCE

Fund balance is classified as non-spendable, 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. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

21. FUND BALANCE (Continued)

Fund Balance	General	GO Fund	Tax Increment Financing	Other Governmental	Total Governmental Funds
Non-spendable for:					
Prepaid Items	\$14,770				\$14,770
Materials and Supplies					
Inventory	13,213			\$27,886	41,099
Unclaimed Monies	12,319				12,319
Total Non-spendable	<u>40,302</u>			<u>27,886</u>	<u>68,188</u>
Restricted for:					
Street Construction and Maintenance			\$2,462,560	407,678	2,870,238
Capital Improvements				655	655
Cemetery				23,395	23,395
Economic Development And Rehabilitation				240,718	240,718
Police and Fire Operations				14,885	14,885
Police and Fire Operations And Street Construction And Maintenance				371,416	371,416
Drug Enforcement				6,098	6,098
Court Operations				587,134	587,134
Recreation				18	18
Total Restricted			<u>2,462,560</u>	<u>1,651,997</u>	<u>4,114,557</u>
Committed for:					
Police and Fire Operations				1,560,823	1,560,823
Recreation				98,206	98,206
Street Construction and Maintenance				81,497	81,497
Total Committed				<u>1,740,526</u>	<u>1,740,526</u>
Assigned for:					
Unpaid Obligations	17,757				17,757
Unassigned (Deficit)	3,952,494	(1,131,959)		(69,908)	2,750,627
Total Fund Balance (Deficit)	<u>\$4,010,553</u>	<u>(\$1,131,959)</u>	<u>\$2,462,560</u>	<u>\$3,350,501</u>	<u>\$8,691,655</u>

22. INTERFUND TRANSFERS

During 2016, the General Fund made transfers to the Tax Increment Financing Fund and other governmental funds, in the amount of \$6,874 and \$1,962,500, respectively, to move receipts as debt payments became due and to subsidize various programs in other funds. The Tax Increment Financing Fund made transfers to the Water enterprise fund, in the amount of \$17,250, to move receipts as debt payments became due. Other governmental funds made transfers to the GO Debt Service debt service fund, in the amount of \$124,051, to move receipts as debt payments became due.

The Stormwater enterprise fund made transfers to the Tax Increment Financing Fund, in the amount of \$99,830, as debt payments became due.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

23. JOINT VENTURE

The City of Celina purchased capital stock of the Grand Lake/Mercer County Development Corporation (Corporation) in 1995. The Corporation was incorporated for purchasing land, developing land to entice new industries, and potentially constructing buildings to rent to interested industries. The Corporation is governed by a Board of Directors elected on an annual basis from the pool of current shareholders. The City does not currently sit on the Board of Directors.

The Corporation issued additional shares of capital stock in 1998 reducing the City's interest from 20 to 19 percent. The City's net investment and its share of the operating results of the Corporation are reported in the City's Electric enterprise fund. The Corporation has not accumulated significant financial resources nor is the Corporation experiencing fiscal stress that may cause an additional financial benefit to or burden on the City in the future. Complete financial statements for the Corporation can be obtained from Grand Lake/Mercer County Development Corporation, 112 West Main Street, Coldwater, Ohio 45828, or from the City Auditor's Office.

24. JOINTLY GOVERNED ORGANIZATIONS

A. Mercer County Community Improvement Corporation

The Mercer County Community Improvement Corporation (Corporation) was designated as an agency of Mercer County for industrial, commercial, distribution, and research development in Mercer County. The seventeen members of the Corporation consist of representatives from the County, the City, and villages within the county, along with additional appointments as established by the bylaws. The Corporation received land in 2013 from the City of Celina, with a value of \$18,300, for the benefit of a company. The Corporation adopts its own budget, authorizes expenditures, hires and fires staff, and currently relies on Mercer County to finance deficits. Financial information can be obtained from the Mercer County Auditor, Courthouse, Celina, Ohio 45822.

B. Grand Lake/Mercer County Research Corporation

The Grand Lake/Mercer County Research Corporation (Corporation) was created to enhance the economic environment of Mercer County by attracting new business and industry, retaining existing business and industry, and thereby creating and retaining job opportunities. The twenty-one members of the Corporation consist of representatives based on the eight largest cumulative private contributors, two representatives from the City of Celina, two representatives from Mercer County, one representative from the villages within the County, any contributor of \$5,000 or more in one year, and four representatives from the community. The Corporation adopts its own budget, authorizes expenditures, hires and fires staff, and does not rely on the City to finance deficits. Financial information can be obtained from the Grand Lake/Mercer County Research Corporation, Wright State University, 7600 State Route 703, Celina, Ohio 45822.

C. Mercer County Planning Commission

The City participates in the Mercer County Planning Commission (Commission) which is a statutorily created political subdivision of the State. The Commission is jointly governed among Mercer County, and the municipalities and townships within the County. The Commission makes studies, maps, plans, recommendations, and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services within the County. Financial information can be obtained from the Mercer County Auditor, Courthouse, Celina, Ohio 45822.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

25. INSURANCE PURCHASING POOLS

A. Ohio Municipal League City Equity Pooling Workers' Compensation Group Rating Program

The City is a participant in the Ohio Municipal League City Equity Pooling Workers' Compensation Group Rating Program (Program), an insurance purchasing pool. The Program's business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance officers, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as coordinator of the Program. Each year, the participants pay an enrollment fee to the Program to cover the costs of administering the program.

B. Ohio Plan Risk Management

The City participates in the Ohio Plan Risk Management (Plan), an insurance purchasing pool consisting of various entities in the State of Ohio. The intent of the Plan is to achieve the benefit of a reduced premium for the City by virtue of its grouping and representation with other participants in the Plan. Membership in the Plan is by written application subject to the approval of the Plan Manager. Financial information may be obtained from the Ohio Plan Risk Management, 811 Madison Avenue, 11th Floor, P.O. Box 2083, Toledo, Ohio 43603-2083.

26. CONTINGENT LIABILITIES

A. Litigation

There are currently no matters in litigation with the City as defendant.

B. Federal and State Grants

For the period January 1, 2016, to December 31, 2016, the City received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.

27. SUBSEQUENT EVENTS

On February 3, 2017, the City issued revenue anticipation notes, in the amount of \$400,000, to partially retire notes previously issued for the acquisition of property and the construction and installation of the West Bank Walkway. The notes are payable from the revenues of the Grand Lake tax incremental financing district. The notes have an interest rate of 2.06 percent and mature on February 2, 2018.

On February 24, 2017, the City issued bond anticipation notes, in the amount of \$1,495,000, to retire notes previously issued to purchase land. The notes have an interest rate of 2.08 percent and mature on February 23, 2018.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

27. SUBSEQUENT EVENTS (Continued)

On November 27, 2017, the City entered into an arrangement with American Municipal Power, Inc (AMP) to obtain a rate levelization loan in a principal amount not to exceed \$1,600,000 to help with the cost variances of power and energy that the City and its customers may experience. The loan will be made over time in installments on a monthly basis via credit to the City's monthly power bill commencing on January 1, 2018 and ending on January 31, 2023. During power delivery period January 1, 2020 through December 31, 2022, the City will make monthly deposits to a Rate Levelization Fund held to repay the promissory note principal and interest which will be included on the monthly billing from AMP to the City.

**City of Celina
Mercer County**

**Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System - Traditional
Last Three Years (1)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's Proportion of the Net Pension Liability	0.02613500%	0.02644500%	0.02644500%
City's Proportionate Share of the Net Pension Liability	\$4,526,912	\$3,189,562	\$3,117,521
City's Covered Payroll	\$3,252,764	\$3,242,133	\$3,119,438
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	139.17%	98.38%	99.94%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.08%	86.45%	86.36%

(1) Information prior to 2014 is not available.

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

**City of Celina
Mercer County**

**Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Ohio Police and Fire Pension Fund
Last Three Years (1)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's Proportion of the Net Pension Liability	0.09427600%	0.09363010%	0.09363010%
City's Proportionate Share of the Net Pension Liability	\$6,064,840	\$4,850,430	\$4,560,080
City's Covered Payroll	\$1,888,076	\$1,832,511	\$2,122,212
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	321.22%	264.69%	214.87%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.77%	71.71%	73.00%

(1) Information prior to 2014 is not available.

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

**City of Celina
Mercer County**

**Required Supplementary Information
Schedule of the City's Contributions
Ohio Public Employees Retirement System - Traditional Plan
Last Four Years**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$399,355	\$390,331	\$389,056	\$405,527
Contributions in Relation to the Contractually Required Contribution	<u>(399,355)</u>	<u>(390,331)</u>	<u>(389,056)</u>	<u>(405,527)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$3,327,958	\$3,252,764	\$3,242,133	\$3,119,438
Contributions as a Percentage of Covered Payroll	12.00%	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available.

**City of Celina
Mercer County**

**Required Supplementary Information
Schedule of the City's Contributions
Ohio Police and Fire Pension Fund
Last Ten Years**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$411,762	\$403,914	\$391,836	\$387,214
Contributions in Relation to the Contractually Required Contribution	<u>(411,762)</u>	<u>(403,914)</u>	<u>(391,836)</u>	<u>(387,214)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$1,929,038	\$1,888,076	\$1,832,511	\$2,122,212
Contributions as a Percentage of Covered Payroll	21.35%	21.39%	21.38%	18.25%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$273,412	\$261,881	\$263,081	\$261,474	\$258,629	\$241,381
<u>(273,412)</u>	<u>(261,881)</u>	<u>(263,081)</u>	<u>(261,474)</u>	<u>(258,629)</u>	<u>(241,381)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,815,974	\$1,742,468	\$1,749,224	\$1,741,725	\$1,719,601	\$1,605,831
15.06%	15.03%	15.04%	15.01%	15.04%	15.03%

This page intentionally left blank.



Dave Yost • Auditor of State

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

City of Celina
Mercer County
225 N. Main Street
Celina, Ohio 45822

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 Celina, Mercer 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 December 27, 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 opinion 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.

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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

December 27, 2017



Dave Yost • Auditor of State

CITY OF CELINA

MERCER 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
JANUARY 11, 2018**