



**CITY OF CIRCLEVILLE
PICKAWAY COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2019

**CITY OF CIRCLEVILLE
PICKAWAY COUNTY
DECEMBER 31, 2019**

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INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Circleville, Pickaway County, Ohio (the City), as of and for the year ended December 31, 2019, 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 Circleville, Pickaway County, Ohio, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Safety Forces Tax Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2019, the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. We did not modify our opinion regarding this matter.

As discussed in Note 19 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit 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 August 28, 2020 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.



Keith Faber
Auditor of State

Columbus, Ohio

August 28, 2020

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City of Circleville
Pickaway County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2019
(Unaudited)

The discussion and analysis of the City of Circleville's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2019. The intent of this discussion and analysis is to look at the City's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2019 are as follows:

- In total, net position increased \$3,891,215, which represents an 11 percent increase from 2018. Net position of governmental activities increased \$4,062,575. Net position of business-type activities decreased \$171,360.
- Total capital assets increased \$662,037 during 2019. Capital assets of governmental activities decreased \$136,706 and capital assets of business-type activities increased \$798,743.
- Outstanding debt decreased from \$7,622,307 to \$7,064,106.

Using this Annual Financial Report

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

The Statement of Net Position and the Statement of Activities provide information from a summary perspective showing the effects of the operations for the year 2019 and how they affected the operations of the City as a whole.

Reporting the City of Circleville as a Whole

Statement of Net Position and the Statement of Activities

The *Statement of Net Position and Statement of Activities* provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column. In the case of the City of Circleville, the general fund is by far the most significant fund. Business-type funds consist of the waterworks operating and sanitary sewer operating funds.

A question typically asked about the City's finances "How did we do financially during 2019?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets and deferred outflows of resources and liabilities and deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. These two statements report the City's *net position and changes in net position*. This change in net position is important because it tells the reader that, for the City as a whole, the *financial position* of the City has improved

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or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, and other factors.

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

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

Reporting the City of Circleville's Most Significant Funds

Fund Financial Statements

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

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

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

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

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The City of Circleville as a Whole

Recall that the Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net position for 2019 compared to 2018:

Table 1
Net Position

	Governmental Activities			Business-Type Activities		
	2019	Restated 2018	Change	2019	2018	Change
Assets						
Current and Other Assets	\$ 7,843,613	\$ 7,581,517	\$ 262,096	\$ 7,683,822	\$ 7,078,959	\$ 604,863
Capital Assets	27,081,635	27,218,341	(136,706)	23,085,513	22,286,770	798,743
<i>Total Assets</i>	<u>34,925,248</u>	<u>34,799,858</u>	<u>125,390</u>	<u>30,769,335</u>	<u>29,365,729</u>	<u>1,403,606</u>
Deferred Outflows of Resources						
Deferred Charges	3,880	7,759	(3,879)	63,535	72,612	(9,077)
Pension & OPEB	5,110,045	2,576,641	2,533,404	848,918	390,098	458,820
<i>Total Deferred Outflows of Resources</i>	<u>5,113,925</u>	<u>2,584,400</u>	<u>2,529,525</u>	<u>912,453</u>	<u>462,710</u>	<u>449,743</u>
Liabilities						
Current and Other Liabilities	632,814	552,825	79,989	1,422,078	250,132	1,171,946
Long-Term Liabilities:						
Due within One Year	1,024,209	1,000,551	23,658	272,521	289,684	(17,163)
Due in More Than One Year:						
Net Pension Liability	13,692,027	9,112,406	4,579,621	2,241,563	1,207,933	1,033,630
Net OPEB Liability	3,060,095	7,833,248	(4,773,153)	1,039,580	829,949	209,631
Other Amounts	3,862,082	4,432,251	(570,169)	2,673,670	2,705,627	(31,957)
<i>Total Liabilities</i>	<u>22,271,227</u>	<u>22,931,281</u>	<u>(660,054)</u>	<u>7,649,412</u>	<u>5,283,325</u>	<u>2,366,087</u>
Deferred Inflows of Resources						
Property Taxes	741,073	724,178	16,895	0	0	0
Pension & OPEB	1,077,095	1,841,596	(764,501)	110,458	451,836	(341,378)
<i>Total Deferred Inflows of Resources</i>	<u>1,818,168</u>	<u>2,565,774</u>	<u>(747,606)</u>	<u>110,458</u>	<u>451,836</u>	<u>(341,378)</u>
Net Position						
Net Investment in Capital Assets	19,626,338	22,296,437	(2,670,099)	17,488,104	19,464,612	(1,976,508)
Restricted	4,378,106	4,151,912	226,194	0	0	0
Unrestricted	(8,054,666)	(14,561,146)	6,506,480	6,433,814	4,628,666	1,805,148
<i>Total Net Position</i>	<u>\$ 15,949,778</u>	<u>\$ 11,887,203</u>	<u>\$ 4,062,575</u>	<u>\$ 23,921,918</u>	<u>\$ 24,093,278</u>	<u>\$ (171,360)</u>

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2019 and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement 27*. In a prior year, the City implemented GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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Pickaway County, Ohio
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(Unaudited)

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

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

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

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

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

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

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

At year end, capital assets represented 76 percent of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, machinery and equipment, vehicles and infrastructure. Capital assets, net of related debt were \$37,114,442 at December 31, 2019, with \$19,626,338 in governmental activities and \$17,488,104 in business-type activities. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$4,378,106 represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position is a deficit balance of \$1,620,852.

The increase in intergovernmental receivable for governmental activities was primarily due to the City receiving a grant to assist with park land acquisition and an increase in gas and excise tax as a result of a State tax rate increase which began in 2019.

Governmental activities saw an increase in non-depreciable capital assets due to the purchase of land for the expansion of the Barthelmas City Park as well as the start of various street improvement projects throughout the City. Business-type non-depreciable capital assets saw a large increase due to the start of the wastewater aeration project during 2019.

There was a significant change in net pension/OPEB liability/asset for the City. These fluctuations are due to changes in the actuarial liabilities/assets and related accruals that are passed through to the City's financial statements. All components of pension and OPEB accruals contribute to the fluctuations in deferred outflows/inflows and NPL/NOL/NOA and are described in more detail in their respective notes.

This City also saw a decrease in long term debt liabilities caused by principal payments made on its existing debt, offset by the issuance of new OWDA and Capital Facilities bonds in 2019.

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In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2019 and 2018.

Table 2
Changes in Net Position

	Governmental Activities			Business-Type Activities		
	2019	2018	Change	2019	2018	Change
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 2,016,711	\$ 1,890,169	\$ 126,542	\$ 4,886,743	\$ 4,419,492	\$ 467,251
Operating Grants	1,010,440	773,631	236,809	0	0	0
Capital Grants	450,395	210,210	240,185	0	0	0
<i>General Revenues:</i>						
Property Taxes	863,209	863,324	(115)	0	0	0
Income Taxes	6,632,805	6,801,864	(169,059)	0	0	0
Grants and Entitlements	586,550	504,720	81,830	0	0	0
Other Taxes	419,713	277,493	142,220	0	0	0
Insurance Recoveries	47,607	40,505	7,102	0	0	0
Investment Earnings	248,730	140,666	108,064	0	0	0
Other	303,569	214,163	89,406	127,389	56,194	71,195
<i>Total Revenues</i>	<u>12,579,729</u>	<u>11,716,745</u>	<u>862,984</u>	<u>5,014,132</u>	<u>4,475,686</u>	<u>538,446</u>
Program Expenses						
General Government	4,232,131	3,886,047	346,084	0	0	0
Security of Persons and Property	1,111,365	6,451,577	(5,340,212)	0	0	0
Public Health	166,691	165,829	862	0	0	0
Leisure Time Services	244,822	247,173	(2,351)	0	0	0
Community Development	7,942	13,341	(5,399)	0	0	0
Transportation	2,623,544	2,607,690	15,854	0	0	0
Interest and Fiscal Charges	130,659	143,691	(13,032)	0	0	0
<i>Enterprise Operations:</i>						
Waterworks Operating	0	0	0	2,111,886	1,891,513	220,373
Sanitary Sewer Operating	0	0	0	3,073,606	2,417,455	656,151
<i>Total Program Expenses</i>	<u>8,517,154</u>	<u>13,515,348</u>	<u>(4,998,194)</u>	<u>5,185,492</u>	<u>4,308,968</u>	<u>876,524</u>
<i>Increase (Decrease) in Net Position</i>	<u>4,062,575</u>	<u>(1,798,603)</u>	<u>5,861,178</u>	<u>(171,360)</u>	<u>166,718</u>	<u>(338,078)</u>
Transfers	0	49,262	(49,262)	0	(49,262)	49,262
<i>Change in Net Position</i>	<u>4,062,575</u>	<u>(1,749,341)</u>	<u>5,811,916</u>	<u>(171,360)</u>	<u>117,456</u>	<u>(288,816)</u>
<i>Net Position Beginning of Year-Restated</i>	11,887,203	11,869,945	17,258	24,093,278	23,975,822	117,456
<i>Restatement - See Note 2</i>	0	17,258	(17,258)	0	0	0
<i>Net Position End of Year</i>	<u>\$ 15,949,778</u>	<u>\$ 11,887,203</u>	<u>\$ 5,811,916</u>	<u>\$ 23,921,918</u>	<u>\$ 24,093,278</u>	<u>\$ (171,360)</u>

Governmental Activities

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

General revenues include grants and entitlements, such as local government funds. Governmental activities are primarily funded with the combination of property tax, income tax and intergovernmental revenues. The City monitors its sources of revenues very closely for fluctuations.

The City saw an increase in capital grants and contributions primarily due to the grant received to assist with land acquisition for a City Park as previously discussed.

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(Unaudited)

The decrease in security of personal and property expenses and increases in expense for water and sewer are primarily associated to changes in the City's proportionate share of the net pension liability, net OPEB liability and related accruals for OP&F and OPERS, respectively. As previously indicated, these items are explained in detail within their respective notes.

Police and fire represent the largest expense of the Governmental Activities. However in 2019, security of persons and property expense decreased significantly due to the impact of accruals relating to pension and OPEB liabilities. The police and fire departments operate out of the general fund, the safety forces tax fund and the safety forces .1% income tax fund.

The City's Street Maintenance and Repair Department provides the City and its citizens many services that include public road salting, leaf and debris pickup, paint striping and alley profiling.

The City also maintains several parks (leisure time services) within the City.

Business-Type Activities

Business-type activities include waterworks and sanitary sewer operations. The revenues are generated primarily from charges for services and sales. In 2019, charges for services and sales accounted for 97 percent of the business type revenues.

In late 2018, the City entered into a contract with Pickaway County that engaged the City to provide sewer billing services for the sewer customers of the County. As a result, business-type activities saw an increase in charges for services during 2019 due to the timing of when the City began collecting customer payments on behalf of the County. This also caused an increase in expense for 2019.

The City's Funds

Governmental Funds

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

The general fund's net change in fund balance for 2019 was an increase of \$177,439 from normal operations.

The safety forces tax fund's net change in fund balance for 2019 was an increase of \$158,068 which was primarily due to a decrease in expenditures caused by fluctuations in personnel and benefit related costs.

The capital improvement .4% income tax fund's net change in fund balance for 2019 was a decrease of \$62,920.

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Proprietary Funds

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

Unrestricted net position of the waterworks operating fund at the end of the year amounted to \$2,097,652 and the sanitary sewer operating fund was \$4,336,162. The change in net position for these funds was a decrease of \$179,464 and a growth of \$8,104, respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the business-type activities.

General Fund Budgeting Highlights

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

During the course of 2019, the City amended its general fund budget on various occasions. All recommendations for appropriation changes come to Council from the City Auditor. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

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

Final Budget Compared to Actual Results There were no significant differences between estimated revenues and actual revenues. Appropriations also had no significant differences between estimated expenditures and actual expenditures. The exception would be for other revenues which were higher than the estimated amount due to proceeds received from Norfolk Southern Railroad for the closure of several railroad crossings in the City as part of the Federal mandate to close unnecessary or unused railroad crossings.

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

Capital Assets and Debt Administration

Capital Assets

Table 3 shows 2019 balances compared with 2018. The City saw an increase in non-depreciable capital assets due a land purchase and various improvement projects as previously discussed. See Note 8 for additional details.

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 2,078,972	\$ 1,773,698	\$ 149,180	\$ 149,180	\$ 2,228,152	\$ 1,922,878
Construction in Progress	953,030	133,598	1,530,610	137,079	2,483,640	270,677
Land Improvements	173,603	203,876	12,782	13,678	186,385	217,554
Buildings and Improvements	4,098,620	4,431,822	4,495,917	4,807,664	8,594,537	9,239,486
Machinery and Equipment	1,411,552	1,540,874	570,188	581,409	1,981,740	2,122,283
Vehicles	514,640	587,790	325,179	296,656	839,819	884,446
Infrastructure	17,851,218	18,546,683	16,001,657	16,301,104	33,852,875	34,847,787
<i>Total</i>	<u>\$ 27,081,635</u>	<u>\$ 27,218,341</u>	<u>\$ 23,085,513</u>	<u>\$ 22,286,770</u>	<u>\$ 50,167,148</u>	<u>\$ 49,505,111</u>

Debt

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

Table 4
Outstanding Debt, at December 31

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
General Obligation Bonds	\$ 3,195,000	\$ 3,600,000	\$ 1,660,000	\$ 1,830,000	\$ 4,855,000	\$ 5,430,000
Capital Facilities Bonds	616,900	480,000	0	0	616,900	480,000
OPWC Loans	0	0	833,643	879,359	833,643	879,359
OWDA Loans	0	0	233,590	80,547	233,590	80,547
Lease Purchases	524,973	752,401	0	0	524,973	752,401
<i>Total</i>	<u>\$ 4,336,873</u>	<u>\$ 4,832,401</u>	<u>\$ 2,727,233</u>	<u>\$ 2,789,906</u>	<u>\$ 7,064,106</u>	<u>\$ 7,622,307</u>

Current Issues

On a cash basis, the City of Circleville's municipal income tax base increased in 2019 by 2.79 percent. The 2.0 percent tax is distributed in the following manner: general operations 1.0 percent, .4 percent capital improvements, .6 percent safety forces operations. In 2019 voters approved an additional .5 percent municipal income tax dedicated to supporting the operations of the safety forces over the next five years. The 2019 income tax levy increase brings the City's municipal tax rate to 2.5 for the years 2020 to 2024. Municipal Income tax provides 47.05 percent of the operating revenues for general fund operations. The .6 percent municipal income tax provides 37.00 percent of the revenues required to fund safety forces expenditures. The voter approved .4 percent capital improvement tax passed in 2015 allowed the City to complete \$1.12 million in street improvements and \$362,498 in park acquisitions and enhancements. The overall employment base has stabilized but wages continue to decline as manufacturing jobs are replaced by lower service sector wages. The City's cash balance as a percent of operating revenues continues to deteriorate. The debt burden for the City continues to remain small.

City of Circleville
Pickaway County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2019
(Unaudited)

In 2019 the City received over \$457,394 in grant dollars. The fire department received \$100,215 from FEMA for self-contained breathing apparatus (SCBA), the Municipal Court acquired \$87,113 for probation services, the Service Department received \$219,811 for street infrastructure upgrades and the Park and Recreation Department received \$45,000 for park acquisition. The availability of grant dollars has allowed the City to accomplish projects and acquire equipment beyond its current financial capabilities. The utility department continues the initial design stages of an upgrade to the wastewater treatment plant aeration system with proceeds from an OWDA loan totaling \$1.3 million.

City departments have used the experience of its staff and facilities to increase charge for service revenues. The Police Department has expanded its school resources program. The Auditor's Office is performing fiscal duties for other entities. The utility department has contracted to serve as the sanitary sewer billing agent for Pickaway County.

The City of Circleville entered into a joint economic development agreement (JEDD) with Pickaway Township in 2016. The City of Circleville/Pickaway Township JEDD has created over 300 new jobs in the area. The City received 7 percent of the municipal income tax generated from the JEDD tallying \$33,565. The JEDD area has the potential to double in workforce with the proposed second phase of the plan.

With the completion of the US 23 connector and the extension of South Court Street retail development has expanded. A new strip mall on South Court Street was completed and fully occupied. A new hotel is under development and anticipated to open in October 2020. Active development plans are underway in the area with the potential of bringing additional retail establishments.

The City of Circleville Auditor has analyzed the City's projected revenue losses due to COVID-19 as of April 30, 2020. The basis for the projected losses were ascertained after consulting the Regional Income Tax Agency, the Pickaway County Auditor and the Ohio Office of Budget and Management's revisions. This loss of revenue is spread out over municipal income tax, local government funds, real estate taxes, criminal/civil fines, bed tax, motor vehicle tax, and gasoline tax. The anticipated losses are expected to impact the following funds: General Fund, the street funds, the safety forces funds and the capital improvement funds.

The City's investment portfolio as of April 2020 has not been immediately impacted by COVID-19. However, lower interest rates are anticipated as certificate of deposits and investment instruments mature in the coming year.

The City debt liabilities are budgeted and sufficient revenues are available to meet all debt obligations. At this time the City's elected officials will be meeting to address the affect the loss on revenue will have on the City's operating budget. The City's non-essential workforce has been maintained. The City has seen an increase in cost in order to address pandemic expenditures for items such as work from home access, safety equipment, cleaning supplies, installation of safety shields, and a variety of pandemic costs. Police and Fire are experiencing an increase in personnel costs. All non-street and utility related capital projects have been suspended until a better understanding of revenue projections can be ascertained.

Contacting the City's Finance Department

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

City of Circleville
Pickaway County, Ohio
Statement of Net Position
December 31, 2019

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Investments	\$ 3,843,340	\$ 6,871,079	\$ 10,714,419
Cash and Investments in Segregated Accounts	0	33,300	33,300
Cash and Investments with Fiscal Agents	34,854	0	34,854
Accounts Receivable	75,464	672,220	747,684
Accrued Interest Receivable	14,543	0	14,543
Intergovernmental Receivable	976,442	0	976,442
Property and Other Local Taxes Receivable	812,581	0	812,581
Income Taxes Receivable	1,830,489	0	1,830,489
Prepaid Items	71,399	20,233	91,632
Materials and Supplies Inventory	146,409	86,990	233,399
Payments in Lieu of Taxes Receivable	38,092	0	38,092
Non-Depreciable Capital Assets	3,032,002	1,679,790	4,711,792
Depreciable Capital Assets, Net	24,049,633	21,405,723	45,455,356
<i>Total Assets</i>	<u>34,925,248</u>	<u>30,769,335</u>	<u>65,694,583</u>
Deferred Outflows of Resources			
Deferred Charges on Refunding	3,880	63,535	67,415
Pension	4,096,645	730,254	4,826,899
OPEB	1,013,400	118,664	1,132,064
<i>Total Deferred Outflows of Resources</i>	<u>5,113,925</u>	<u>912,453</u>	<u>6,026,378</u>
Liabilities			
Accounts Payable	85,758	74,988	160,746
Accrued Wages	191,303	61,493	252,796
Contracts Payable	209,754	1,190,387	1,400,141
Intergovernmental Payable	102,430	28,650	131,080
Matured Interest Payable	14,831	0	14,831
Matured Bonds Payable	20,000	0	20,000
Accrued Interest Payable	8,738	3,482	12,220
Refundable Deposits	0	63,078	63,078
Long-Term Liabilities:			
Due Within One Year	1,024,209	272,521	1,296,730
Due In More Than One Year:			
Net Pension Liability	13,692,027	2,241,563	15,933,590
Net OPEB Liability	3,060,095	1,039,580	4,099,675
Other Amounts Due in More Than One Year	3,862,082	2,673,670	6,535,752
<i>Total Liabilities</i>	<u>22,271,227</u>	<u>7,649,412</u>	<u>29,920,639</u>
Deferred Inflows of Resources			
Property and Other Local Taxes Levied for the Next Year	741,073	0	741,073
Pension	425,659	71,065	496,724
OPEB	651,436	39,393	690,829
<i>Total Deferred Inflows of Resources</i>	<u>1,818,168</u>	<u>110,458</u>	<u>1,928,626</u>
Net Position			
Net Investment in Capital Assets	19,626,338	17,488,104	37,114,442
Restricted for:			
Capital Projects	1,665,266	0	1,665,266
Debt Service	137,788	0	137,788
Safety Services	763,346	0	763,346
Streets	686,626	0	686,626
Community Development	35,270	0	35,270
Other Purposes	1,089,810	0	1,089,810
Unrestricted	(8,054,666)	6,433,814	(1,620,852)
<i>Total Net Position</i>	<u>\$ 15,949,778</u>	<u>\$ 23,921,918</u>	<u>\$ 39,871,696</u>

See accompanying notes to the basic financial statements.

City of Circleville
Pickaway County, Ohio
Statement of Activities
For the Year Ended December 31, 2019

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$ 4,232,131	\$ 1,348,511	\$ 176,882	\$ 0	\$ (2,706,738)	\$ 0	\$ (2,706,738)
Security of Persons and Property	1,111,365	567,403	31,588	0	(512,374)	0	(512,374)
Public Health	166,691	0	0	0	(166,691)	0	(166,691)
Leisure Time Services	244,822	22,780	12,421	0	(209,621)	0	(209,621)
Community Development	7,942	3,935	87	0	(3,920)	0	(3,920)
Transportation	2,623,544	74,082	789,462	450,395	(1,309,605)	0	(1,309,605)
Interest and Fiscal Charges	130,659	0	0	0	(130,659)	0	(130,659)
<i>Total Governmental Activities</i>	<u>8,517,154</u>	<u>2,016,711</u>	<u>1,010,440</u>	<u>450,395</u>	<u>(5,039,608)</u>	<u>0</u>	<u>(5,039,608)</u>
Business-Type Activities							
Waterworks Operating	2,111,886	1,919,842	0	0	0	(192,044)	(192,044)
Sanitary Sewer Operating	3,073,606	2,966,901	0	0	0	(106,705)	(106,705)
<i>Total Business-Type Activities</i>	<u>5,185,492</u>	<u>4,886,743</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(298,749)</u>	<u>(298,749)</u>
<i>Total</i>	<u>\$ 13,702,646</u>	<u>\$ 6,903,454</u>	<u>\$ 1,010,440</u>	<u>\$ 450,395</u>	<u>(5,039,608)</u>	<u>(298,749)</u>	<u>(5,338,357)</u>
General Revenues:							
Property Taxes Levied for:							
General Purposes					738,040	0	738,040
Police, Fire and Community Operations					125,169	0	125,169
Income Taxes Levied for:							
General Purposes					2,841,935	0	2,841,935
Debt Service					468,070	0	468,070
Capital Projects					1,393,321	0	1,393,321
Police and Fire					1,929,479	0	1,929,479
Grants and Entitlements not Restricted to Specific Programs					586,550	0	586,550
Payments in Lieu of Taxes					25,309	0	25,309
Other Taxes					419,713	0	419,713
Insurance Recoveries					47,607	0	47,607
Investment Earnings					248,730	0	248,730
Miscellaneous					278,260	127,389	405,649
<i>Total General Revenues</i>					<u>9,102,183</u>	<u>127,389</u>	<u>9,229,572</u>
<i>Change in Net Position</i>					<u>4,062,575</u>	<u>(171,360)</u>	<u>3,891,215</u>
<i>Net Position Beginning of Year (Restated, see Note 2)</i>					<u>11,887,203</u>	<u>24,093,278</u>	<u>35,980,481</u>
<i>Net Position End of Year</i>					<u>\$ 15,949,778</u>	<u>\$ 23,921,918</u>	<u>\$ 39,871,696</u>

See accompanying notes to the basic financial statements.

City of Circleville
Pickaway County, Ohio
Balance Sheet
Governmental Funds
December 31, 2019

	General	Safety Forces Tax Fund	Capital Improvement .4% Income Tax Fund	All Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Investments	\$ 835,242	\$ 236,714	\$ 1,357,123	\$ 1,414,261	\$ 3,843,340
Cash and Investments with Fiscal Agents	0	0	0	34,854	34,854
Accounts Receivable	75,464	0	0	0	75,464
Accrued Interest Receivable	14,543	0	0	0	14,543
Intergovernmental Receivable	273,783	0	180,000	522,659	976,442
Property and Other Local Taxes Receivable	660,971	0	0	151,610	812,581
Income Taxes Receivable	718,094	448,441	350,190	313,764	1,830,489
Prepaid Items	34,347	37,052	0	0	71,399
Materials and Supplies Inventory	13,490	0	0	132,919	146,409
Payments in Lieu of Taxes Receivable	0	0	0	38,092	38,092
<i>Total Assets</i>	<u>\$ 2,625,934</u>	<u>\$ 722,207</u>	<u>\$ 1,887,313</u>	<u>\$ 2,608,159</u>	<u>\$ 7,843,613</u>
Liabilities					
Accounts Payable	\$ 12,101	\$ 50,269	\$ 12,930	\$ 10,458	\$ 85,758
Accrued Wages	140,578	26,922	0	23,803	191,303
Contracts Payable	0	0	209,754	0	209,754
Intergovernmental Payable	39,687	5,598	0	57,145	102,430
Matured Interest Payable	0	0	0	14,831	14,831
Matured Bonds Payable	0	0	0	20,000	20,000
<i>Total Liabilities</i>	<u>192,366</u>	<u>82,789</u>	<u>222,684</u>	<u>126,237</u>	<u>624,076</u>
Deferred Inflows of Resources					
Property Taxes Levied for the Next Year	621,779	0	0	119,294	741,073
Unavailable Revenue	870,577	322,070	432,189	727,294	2,352,130
<i>Total Deferred Inflows of Resources</i>	<u>1,492,356</u>	<u>322,070</u>	<u>432,189</u>	<u>846,588</u>	<u>3,093,203</u>
Fund Balances					
Nonspendable	69,016	37,052	0	132,919	238,987
Restricted	0	280,296	1,232,440	1,405,214	2,917,950
Committed	32,704	0	0	108,185	140,889
Assigned	655,742	0	0	0	655,742
Unassigned	183,750	0	0	(10,984)	172,766
<i>Total Fund Balances</i>	<u>941,212</u>	<u>317,348</u>	<u>1,232,440</u>	<u>1,635,334</u>	<u>4,126,334</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 2,625,934</u>	<u>\$ 722,207</u>	<u>\$ 1,887,313</u>	<u>\$ 2,608,159</u>	<u>\$ 7,843,613</u>

See accompanying notes to the basic financial statements.

City of Circleville
Pickaway County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2019

Total Governmental Fund Balances		\$ 4,126,334
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		27,081,635
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Delinquent Property Taxes	\$ 20,544	
Other Local Taxes	43,910	
Income Tax	1,316,839	
Intergovernmental	857,281	
Payments in Lieu of Taxes	38,092	
Special Assessments	<u>75,464</u>	2,352,130
Accrued interest payable is not due and payable in the current period and therefore not reported in the funds.		(8,738)
Unamortized gain/loss on refunding represents deferred outflows, which do not provide current financial resources and, therefore, are not reported in the funds.		3,880
The net pension liability and net OPEB liability are not due and payable in the current period, therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred Outflows - Pension	4,096,645	
Deferred Outflows - OPEB	1,013,400	
Net Pension Liability	(13,692,027)	
Net OPEB Liability	(3,060,095)	
Deferred Inflows - Pension	(425,659)	
Deferred Inflows - OPEB	<u>(651,436)</u>	(12,719,172)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(3,195,000)	
Bond Premium	(166,356)	
Capital Facilities Bonds	(616,900)	
Lease Purchases	(524,973)	
Compensated Absences	<u>(383,062)</u>	<u>(4,886,291)</u>
<i>Net Position of Governmental Activities</i>		<u>\$ 15,949,778</u>

See accompanying notes to the basic financial statements.

City of Circleville
Pickaway County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2019

	General	Safety Forces Tax Fund	Capital Improvement .4% Income Tax Fund	All Other Governmental Funds	Total Governmental Funds
Revenues					
Property and Other Local Taxes	\$ 1,025,011	\$ 0	\$ 0	\$ 244,521	\$ 1,269,532
Income Taxes	2,631,018	1,645,921	1,277,238	1,198,403	6,752,580
Special Assessments	19,051	0	0	0	19,051
Charges for Services	476,293	497,387	0	44,055	1,017,735
Licenses and Permits	60,495	0	0	0	60,495
Fines and Forfeitures	498,927	0	0	427,239	926,166
Intergovernmental	540,977	5,262	50,584	1,113,659	1,710,482
Interest	248,342	0	0	4,711	253,053
Contributions and Donations	0	5,000	0	12,163	17,163
Payments in Lieu of Taxes	0	0	0	27,511	27,511
Other	208,299	53,977	1,211	14,773	278,260
<i>Total Revenues</i>	<u>5,708,413</u>	<u>2,207,547</u>	<u>1,329,033</u>	<u>3,087,035</u>	<u>12,332,028</u>
Expenditures					
Current:					
General Government	2,587,465	0	0	981,963	3,569,428
Security of Persons and Property	2,477,828	2,057,754	0	578,589	5,114,171
Public Health	166,691	0	0	0	166,691
Leisure Time Services	102,520	0	31	13,971	116,522
Community Development	1,648	0	0	2,235	3,883
Transportation	194,822	0	1,027,334	727,792	1,949,948
Capital Outlay	0	0	504,183	338,856	843,039
Debt Service:					
Principal Retirement	0	0	54,100	747,428	801,528
Interest and Fiscal Charges	0	0	3,094	153,939	157,033
<i>Total Expenditures</i>	<u>5,530,974</u>	<u>2,057,754</u>	<u>1,588,742</u>	<u>3,544,773</u>	<u>12,722,243</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>177,439</u>	<u>149,793</u>	<u>(259,709)</u>	<u>(457,738)</u>	<u>(390,215)</u>
Other Financing Sources (Uses)					
Issuance of Capital Facilities Bonds	0	0	306,000	0	306,000
Insurance Recoveries	0	8,275	0	39,332	47,607
Transfers In	0	0	0	109,211	109,211
Transfers Out	0	0	(109,211)	0	(109,211)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>8,275</u>	<u>196,789</u>	<u>148,543</u>	<u>353,607</u>
<i>Net Change in Fund Balance</i>	177,439	158,068	(62,920)	(309,195)	(36,608)
<i>Fund Balance Beginning of Year (Restated, See Note 2)</i>	<u>763,773</u>	<u>159,280</u>	<u>1,295,360</u>	<u>1,944,529</u>	<u>4,162,942</u>
<i>Fund Balance End of Year</i>	<u>\$ 941,212</u>	<u>\$ 317,348</u>	<u>\$ 1,232,440</u>	<u>\$ 1,635,334</u>	<u>\$ 4,126,334</u>

See accompanying notes to the basic financial statements.

City of Circleville
Pickaway County, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2019*

Net Change in Fund Balances - Total Governmental Funds	\$	(36,608)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Asset Additions	\$ 1,657,506	
Current Year Depreciation	<u>(1,591,283)</u>	66,223
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(202,929)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property and Other Local Taxes	13,390	
Income Tax	(119,775)	
Intergovernmental	275,123	
Payment in Lieu of Taxes	38,092	
Special Assessments	<u>(6,736)</u>	200,094
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
General Obligation Bonds	405,000	
Capital Facilities Bonds	169,100	
Lease Purchases	<u>227,428</u>	801,528
Debt proceeds issued in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues.		
Capital Facilities Bonds		(306,000)
In the statement of activities, interest is accrued on outstanding bonds, and bond premium and the gain/loss on refunding are amortized over the term of the bond, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable	1,726	
Amortization of Premium on Bonds	28,527	
Amortization of Deferred Charges on Refunding	<u>(3,879)</u>	26,374
Contractually required pension/OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	863,063	
OPEB	<u>13,044</u>	876,107
Except for amount reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities.		
Pension	(2,342,750)	
OPEB	<u>4,958,080</u>	2,615,330
Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences		<u>22,456</u>
<i>Change in Net Position of Governmental Activities</i>	\$	<u><u>4,062,575</u></u>

See accompanying notes to the basic financial statements.

City of Circleville
Pickaway County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property and Other Local Taxes	\$ 983,500	\$ 1,013,500	\$ 1,028,087	\$ 14,587
Income Taxes	2,619,251	2,627,675	2,672,449	44,774
Special Assessments	0	18,000	19,051	1,051
Charges for Services	421,107	443,730	476,293	32,563
Licenses and Permits	37,000	52,597	60,495	7,898
Fines and Forfeitures	515,000	505,000	499,011	(5,989)
Intergovernmental	500,700	513,700	543,997	30,297
Interest	147,200	157,200	183,719	26,519
Other	15,000	39,220	196,830	157,610
<i>Total Revenues</i>	<u>5,238,758</u>	<u>5,370,622</u>	<u>5,679,932</u>	<u>309,310</u>
Expenditures				
Current:				
General Government	2,786,869	2,656,393	2,592,102	64,291
Security of Persons and Property	2,588,246	2,550,058	2,462,272	87,786
Public Health	167,882	167,882	166,691	1,191
Leisure Time Services	134,261	111,961	103,922	8,039
Community Development	31,070	7,300	1,624	5,676
Transportation	306,665	224,397	197,792	26,605
<i>Total Expenditures</i>	<u>6,014,993</u>	<u>5,717,991</u>	<u>5,524,403</u>	<u>193,588</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(776,235)</u>	<u>(347,369)</u>	<u>155,529</u>	<u>502,898</u>
Other Financing (Uses)				
Transfers Out	(40,000)	(10,000)	(10,000)	0
<i>Net Change in Fund Balance</i>	(816,235)	(357,369)	145,529	502,898
<i>Fund Balance Beginning of Year</i>	563,084	563,084	563,084	0
Prior Year Encumbrances Appropriated	3,688	3,688	3,688	0
<i>Fund Balance End of Year</i>	<u>\$ (249,463)</u>	<u>\$ 209,403</u>	<u>\$ 712,301</u>	<u>\$ 502,898</u>

See accompanying notes to the basic financial statements.

City of Circleville
Pickaway County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Safety Forces Tax Fund
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Income Taxes	\$ 1,616,822	\$ 1,622,021	\$ 1,671,521	\$ 49,500
Charges for Services	428,200	466,762	497,387	30,625
Intergovernmental	0	5,262	5,262	0
Contributions and Donations	0	5,000	5,000	0
Other	10,000	56,434	62,252	5,818
<i>Total Revenues</i>	<u>2,055,022</u>	<u>2,155,479</u>	<u>2,241,422</u>	<u>85,943</u>
Expenditures				
Current:				
Security of Persons and Property	<u>2,673,813</u>	<u>2,247,538</u>	<u>2,164,108</u>	<u>83,430</u>
<i>Net Change in Fund Balance</i>	(618,791)	(92,059)	77,314	169,373
<i>Fund Balance Beginning of Year</i>	<u>159,400</u>	<u>159,400</u>	<u>159,400</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ (459,391)</u>	<u>\$ 67,341</u>	<u>\$ 236,714</u>	<u>\$ 169,373</u>

See accompanying notes to the basic financial statements.

City of Circleville
Pickaway County, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2019

	Enterprise Funds		
	Waterworks Operating	Sanitary Sewer Operating	Total
Assets			
<i>Current Assets:</i>			
Equity in Pooled Cash and Investments	\$ 2,870,132	\$ 3,937,869	\$ 6,808,001
Cash and Investments in Segregated Accounts	1,190	32,110	33,300
Accounts Receivable	277,312	394,908	672,220
Prepaid Items	13,074	7,159	20,233
Materials and Supplies Inventory	76,025	10,965	86,990
<i>Total Current Assets</i>	<u>3,237,733</u>	<u>4,383,011</u>	<u>7,620,744</u>
<i>Non-Current Assets:</i>			
<i>Restricted Assets:</i>			
Equity in Pooled Cash and Investments	31,539	31,539	63,078
Non-Depreciable Capital Assets	126,883	1,552,907	1,679,790
Depreciable Capital Assets, Net	8,653,101	12,752,622	21,405,723
<i>Total Non-Current Assets</i>	<u>8,811,523</u>	<u>14,337,068</u>	<u>23,148,591</u>
<i>Total Assets</i>	<u>12,049,256</u>	<u>18,720,079</u>	<u>30,769,335</u>
Deferred Outflows of Resources			
Deferred Charges on Refunding	26,999	36,536	63,535
Pension	378,548	351,706	730,254
OPEB	75,502	43,162	118,664
<i>Total Deferred Outflows of Resources</i>	<u>481,049</u>	<u>431,404</u>	<u>912,453</u>
Liabilities			
<i>Current Liabilities:</i>			
Accounts Payable	10,231	64,757	74,988
Accrued Wages	23,059	38,434	61,493
Contracts Payable	3,589	1,186,798	1,190,387
Intergovernmental Payable	9,734	18,916	28,650
Accrued Interest Payable	1,467	2,015	3,482
Compensated Absences Payable	44,691	34,972	79,663
OPWC Loans Payable	0	22,858	22,858
General Obligation Bonds Payable	70,000	100,000	170,000
Refundable Deposits	31,539	31,539	63,078
<i>Total Current Liabilities</i>	<u>194,310</u>	<u>1,500,289</u>	<u>1,694,599</u>
<i>Long-Term Liabilities:</i>			
Compensated Absences Payable - Net of Current Portion	49,067	31,903	80,970
OPWC Loans Payable - Net of Current Portion	0	810,785	810,785
OWDA Loans Payable - Net of Current Portion	0	233,590	233,590
General Obligation Bonds Payable - Net of Current Portion	654,617	893,708	1,548,325
Net Pension Liability	1,054,853	1,186,710	2,241,563
Net OPEB Liability	489,214	550,366	1,039,580
<i>Total Long-Term Liabilities</i>	<u>2,247,751</u>	<u>3,707,062</u>	<u>5,954,813</u>
<i>Total Liabilities</i>	<u>2,442,061</u>	<u>5,207,351</u>	<u>7,649,412</u>
Deferred Inflows of Resources			
Pension	28,487	42,578	71,065
OPEB	12,593	26,800	39,393
<i>Total Deferred Inflows of Resources</i>	<u>41,080</u>	<u>69,378</u>	<u>110,458</u>
Net Position			
Net Investment in Capital Assets	7,949,512	9,538,592	17,488,104
Unrestricted	2,097,652	4,336,162	6,433,814
<i>Total Net Position</i>	<u>\$ 10,047,164</u>	<u>\$ 13,874,754</u>	<u>\$ 23,921,918</u>

See accompanying notes to the basic financial statements.

City of Circleville
Pickaway County, Ohio
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2019

	Waterworks Operating	Enterprise Funds Sanitary Sewer Operating	Total
Operating Revenues			
Charges for Services	\$ 1,919,842	\$ 2,966,901	\$ 4,886,743
Other	12,580	114,809	127,389
<i>Total Operating Revenues</i>	<u>1,932,422</u>	<u>3,081,710</u>	<u>5,014,132</u>
Operating Expenses			
Personal Services	583,327	691,854	1,275,181
Fringe Benefits	441,203	575,840	1,017,043
Contractual Services	518,901	1,022,039	1,540,940
Materials and Supplies	217,169	236,892	454,061
Depreciation	326,899	510,750	837,649
Other	5,072	9,910	14,982
<i>Total Operating Expenses</i>	<u>2,092,571</u>	<u>3,047,285</u>	<u>5,139,856</u>
<i>Operating Income (Loss)</i>	<u>(160,149)</u>	<u>34,425</u>	<u>(125,724)</u>
Non-Operating Revenues (Expenses)			
Interest and Fiscal Charges	(19,315)	(26,321)	(45,636)
<i>Change in Net Position</i>	(179,464)	8,104	(171,360)
<i>Net Position Beginning of Year</i>	<u>10,226,628</u>	<u>13,866,650</u>	<u>24,093,278</u>
<i>Net Position End of Year</i>	<u>\$ 10,047,164</u>	<u>\$ 13,874,754</u>	<u>\$ 23,921,918</u>

See accompanying notes to the basic financial statements.

City of Circleville
Pickaway County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2019

	Enterprise Funds		
	Waterworks Operating	Sanitary Sewer Operating	Total
Cash Flows from Operating Activities			
Cash Received from Customers	\$ 1,901,282	\$ 2,512,352	\$ 4,413,634
Cash Received from Other Operating Receipts	11,690	114,759	126,449
Cash Received on Behalf of Pickaway County Sewer District	890	433,504	434,394
Cash Payments to Suppliers for Goods and Services	(204,806)	(224,200)	(429,006)
Cash Payments to Employees for Services and Benefits	(784,010)	(1,057,886)	(1,841,896)
Cash Payments for Contractual Services	(537,246)	(543,710)	(1,080,956)
Other Cash Payments	(5,072)	(9,910)	(14,982)
Cash Paid to Pickaway County Sewer District	0	(430,735)	(430,735)
<i>Net Cash Provided by Operating Activities</i>	<u>382,728</u>	<u>794,174</u>	<u>1,176,902</u>
Cash Flows from Capital and Related Financing Activities			
Proceeds of OWDA Loans	0	153,043	153,043
Acquisition of Capital Assets	(203,005)	(275,253)	(478,258)
Principal Payments on Debt	(75,000)	(140,716)	(215,716)
Interest Payments on Debt	(19,100)	(26,075)	(45,175)
<i>Net Cash (Used for) Capital and Related Financing Activities</i>	<u>(297,105)</u>	<u>(289,001)</u>	<u>(586,106)</u>
<i>Net Increase in Cash and Investments</i>	85,623	505,173	590,796
<i>Cash and Investments Beginning of Year</i>	<u>2,817,238</u>	<u>3,496,345</u>	<u>6,313,583</u>
<i>Cash and Investments End of Year</i>	<u>\$ 2,902,861</u>	<u>\$ 4,001,518</u>	<u>\$ 6,904,379</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ (160,149)	\$ 34,425	\$ (125,724)
Adjustments:			
Depreciation	326,899	510,750	837,649
(Increase) Decrease in Assets and Deferred Outflows:			
Accounts Receivable	(16,531)	(19,066)	(35,597)
Prepaid Items	(617)	(651)	(1,268)
Materials and Supplies Inventory	12,159	10,639	22,798
Deferred Outflows - Pension/OPEB	(294,083)	(164,737)	(458,820)
Increase (Decrease) in Liabilities and Deferred Inflows:			
Accounts Payable	(17,644)	44,772	27,128
Accrued Wages	(986)	8,508	7,522
Refundable Deposits	(2,029)	(2,029)	(4,058)
Compensated Absences Payable	17,314	4,573	21,887
Matured Compensated Absences Payable	0	(13,189)	(13,189)
Intergovernmental Payable	(4,294)	985	(3,309)
Deferred Inflows - Pension/OPEB	(156,822)	(184,556)	(341,378)
Net Pension Liability	542,397	491,233	1,033,630
Net OPEB Liability	137,114	72,517	209,631
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 382,728</u>	<u>\$ 794,174</u>	<u>\$ 1,176,902</u>

Noncash Capital Financing Activities:

The City purchased \$1,190,386 of capital assets on account in 2019.

See accompanying notes to the basic financial statements.

City of Circleville
Pickaway County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2019

	Private Purpose Trust	Custodial Funds
Assets		
Equity in Pooled Cash and Investments	\$ 7,738	\$ 1,443
Cash and Investments in Segregated Accounts	3,000	75,566
<i>Total Assets</i>	10,738	77,009
Liabilities		
Intergovernmental Payable	0	68,456
Net Position		
Held in Trust for Private Purposes	10,738	0
Restricted for Individuals, Organizations and Other Governments	0	8,553
<i>Total Net Position</i>	\$ 10,738	\$ 8,553

See accompanying notes to the basic financial statements.

City of Circleville
Pickaway County, Ohio
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2019

	Private Purpose Trust	Custodial Funds
Additions		
Interest Income	\$ 98	\$ 0
Intergovernmental	0	62,265
Amounts Received as Fiscal Agent	0	546,869
Licenses, Permits & Fees for Other Governments	0	34,624
Fines & Forfeitures for Other Governments	0	709,717
Amounts Received for Others	0	2,222
<i>Total Additions</i>	<u>98</u>	<u>1,355,697</u>
Deductions		
Distributions as Fiscal Agent	0	545,517
Licenses, Permits & Fee Distributions to Other Governments	0	31,329
Fines & Forfeitures Distributions to Other Governments	0	856,441
<i>Total Deductions</i>	<u>0</u>	<u>1,433,287</u>
<i>Change in Net Position</i>	98	(77,590)
<i>Net Position Beginning of Year (Restated, See Note 2)</i>	<u>10,640</u>	<u>86,143</u>
<i>Net Position End of Year</i>	<u>\$ 10,738</u>	<u>\$ 8,553</u>

See accompanying notes to the basic financial statements.

City of Circleville
Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 1: DESCRIPTION OF THE CITY AND REPORTING ENTITY

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

Reporting Entity

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

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

The City is associated with two organizations which are defined as a jointly governed organization. The Pickaway Progress Partnership and the Joint Economic Development District are presented in Note 16 to the Basic Financial Statements.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

City of Circleville
Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

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

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

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

City of Circleville
Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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

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

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

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

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

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

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and custodial funds. The three types of trust funds are used to report resources held and administered by the City when it is acting in a fiduciary capacity for individuals, private organizations, or other governments. These funds are distinguished by the existence of a trust agreement that affects the degree of management involvement and the length of time that the resources are held. The City has one private purpose trust fund which is used to account for the money set aside to be donated to charities as authorized in the will of Josie Renick. The City has five custodial funds which are used to account for monies held for individuals and organizations for fines and forfeitures and to account for assets held by the City as fiscal agent for the Joint Economic Development District (JEDD), which is used to account for monies held for individuals and organizations for income taxes.

C. Measurement Focus

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

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

City of Circleville
Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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

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

Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from custodial funds.

D. Basis of Accounting

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

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

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

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

City of Circleville
Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding, pension and OPEB. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB are explained in Notes 10 and 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2019, but which were levied to finance 2020 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue may include delinquent property taxes, income taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balances to net position of governmental activities. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 10 and 11).

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

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

E. Cash and Investments

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

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

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

City of Circleville
Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Interest income is distributed to the funds according to Ohio constitutional and statutory requirements. Interest revenue credited to the general fund during 2019 amounted to \$248,342, which includes \$231,191 assigned from other funds.

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

F. Materials and Supplies Inventory

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2019, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Restricted Assets

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

I. Capital Assets

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

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

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

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

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

J. Compensated Absences

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

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

K. Accrued Liabilities and Long-term Obligations

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

L. Pensions/Other Postemployment Benefits (OPEB)

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

M. Unamortized Bond Premium

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

City of Circleville
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For the Year Ended December 31, 2019

N. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At December 31, 2019, there was no net position restricted by enabling legislation.

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

O. Fund Balance

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

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

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

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the City. The City Council has by resolution authorized the City Auditor to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

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For the Year Ended December 31, 2019

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

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

P. Operating Revenues and Expenses

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

Q. Internal Activity

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

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2019.

S. Estimates

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

City of Circleville
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For the Year Ended December 31, 2019

T. Budgetary Process

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

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

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

U. Contributions of Capital

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

V. Implementation of New Accounting Principles

For the year ended December 31, 2019, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. GASB Statement No. 95 postpones the effective dates of certain provisions in the statements that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The following statements are postponed by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*

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Certain provisions in the following statements are postponed by one year:

- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

The following statement is postponed by 18 months:

- Statement No. 87, *Leases*

For the year ended December 31, 2019, the City has early implemented GASB No. 83, *Certain Asset Retirement Obligations*, GASB Statement No. 84, *Fiduciary Activities*, GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, and GASB Statement No. 90, *Majority Equity Interests and amendment of GASB Statements No. 14 and No. 61*.

GASB Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the City.

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the City will no longer be reporting agency funds. The City reviewed its funds for proper classification, and any fund reclassifications resulted in the restatement of the City's financial statements (see Note 2W below).

GASB Statement No. 88 establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. These changes were incorporated in the City's 2019 financial statements; however, there was no effect on beginning net position.

GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. These changes were incorporated in the City's 2019 financial statements; however, there was no effect on beginning net position.

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the City.

W. Restatement of Net Position/Fund Balances

The implementation of GASB 84 had the following effect on net position as reported December 31, 2018:

	Governmental Activities
Net Position, December 31, 2018	\$ 11,869,945
GASB Statement No. 84	17,258
Restated Net Position, December 31, 2018	\$ 11,887,203

City of Circleville
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The implementation of GASB 84 had the following effect on fund balance as reported December 31, 2018:

	General Fund	Other Governmental Funds
Fund Balance, December 31, 2018	\$ 751,959	\$ 1,939,085
GASB Statement No. 84	11,814	5,444
Restated Fund Balance, December 31, 2018	\$ 763,773	\$ 1,944,529

The implementation of GASB 84 had the following effect on fiduciary net position as reported December 31, 2018:

	Fiduciary Funds	
	Agency	Custodial
Net Position, December 31, 2018	\$ 0	\$ 104,995
GASB Statement No. 84	0	(18,852)
Adjustments:		
Assets	(111,413)	0
Liabilities	111,413	0
Restated Net Position, December 31, 2018	\$ 0	\$ 86,143

NOTE 3: BUDGETARY BASIS OF ACCOUNTING

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

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

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

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	General	Safety Forces Tax
GAAP Basis	\$ 177,439	\$ 158,068
Net Adjustment for Revenue Accruals	(16,558)	25,600
Net Adjustment for Expenditure Accruals	4,477	(106,354)
Funds Budgeted Elsewhere *	(19,829)	0
Budget Basis	\$ 145,529	\$ 77,314

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

NOTE 4: DEPOSITS AND INVESTMENTS

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

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

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

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

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

City of Circleville
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2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Time certificates of deposit or savings or deposit accounts, including but not limited to passbook accounts;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days and two hundred seventy days, respectively, in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and

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

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

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

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

Deposits - At year-end, \$3,976,275 of the City's bank balance of \$4,226,275 was exposed to custodial risk as discussed above. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the Federal Deposit Insurance Corporation.

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Custodial Credit Risk - Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by

- (1) eligible securities pledged to the City's and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or
- (2) participation in the OPCS, a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2019, the City's financial institutions were approved for a reduced collateral rate of 50 percent through the OPCS.

Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

Segregated Cash - Various municipal court accounts and a private purpose trust are recorded in fiduciary funds of the City and the customer deposits and Pickaway County Utility accounts of the business-type activities are maintained separately from the City's deposits. The carrying amount of these deposits are reported as "Cash and Investments in Segregated Accounts." The bank balances are covered by Federal depository insurance as previously discussed.

Cash with Fiscal Agent - The bond and coupon account, which is recorded in the general obligation bond retirement fund of the governmental activities, is maintained separately from the City's deposits. The carrying amount of the deposits is reported as "Cash and Investments with Fiscal Agents." The bank balance as of December 31, 2019 was \$34,854, which was covered by Federal depository insurance.

Investments

Investments: As of December 31, 2019, the City had the following investments:

Rating	Investment	Measurement Amount	Investment Maturities in Months			% of Investments
			0-12	13-36	Over 36	
	Net Asset Value (NAV):					
AAAm	Federated Government Obligation Fund	\$ 2,756,054	\$2,756,054	\$ 0	\$ 0	40.92%
	Fair Value:					
N/A	Negotiable Certificates of Deposit	2,476,827	988,161	495,078	993,588	36.78%
AA+	Federal Home Loan Bank Bonds	1,502,145	0	1,502,145	0	22.30%
	Total	<u>\$ 6,735,026</u>	<u>\$3,744,215</u>	<u>\$ 1,997,223</u>	<u>\$ 993,588</u>	<u>100.00%</u>

City of Circleville
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For the Year Ended December 31, 2019

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the City's recurring fair value measurements as of December 31, 2019. The City's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored which could require the need to acquire further market data (Level 2 inputs).

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

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

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

NOTE 5: RECEIVABLES

Receivables at December 31, 2019, consisted of accrued interest, accounts for weed and litter assessments, billed charges for utilities, intergovernmental receivables arising from grants, entitlements or shared revenues and taxes. All receivables are considered fully collectible, including water and sewer charges receivable which, if delinquent, may be certified and collected as a special assessment, subject to foreclosure for nonpayment. Property taxes and income taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

City of Circleville
Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 6: MUNICIPAL INCOME TAX

The City levies and collects a one percent unvoted income tax and a one percent voted income tax on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. The City utilized the Regional Income Tax Agency (RITA) for the collection of income taxes.

Income tax proceeds are to be used to pay the cost of administering the tax, General Fund operations, capital improvements, debt service and other governmental functions when needed, as determined by Council. In 2019, the proceeds were allocated to the General Fund, the Income Tax Fund, the Safety Forces Tax Fund, the Safety Forces .1% Tax Fund, the General Obligation Bond Retirement Fund, the Capital Improvement .4% Tax Fund and the Capital Improvement Fund.

NOTE 7: PROPERTY TAX

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2019 for real and public utility property taxes represents collections of the 2018 taxes.

2019 real property taxes were levied after October 1, 2019 on the assessed value as of January 1, 2019, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2019 real property taxes are collected in and intended to finance 2020.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2019 public utility property taxes which became a lien December 31, 2018, are levied after October 1, 2019, and are collected in 2020 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2019, was \$4.00 per \$1,000 of assessed valuation. The assessed values of real property and public utility tangible property upon which 2019 property tax receipts were based are as follows:

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<u>Category</u>	<u>Assessed Value</u>
<i>Real Property</i>	
Agricultural/Residential	\$ 162,703,180
Commerical/Industrial/Mineral	50,408,130
Public Utility Real	68,380
<i>Tangible Personal Property</i>	
Public Utility	<u>3,547,060</u>
Total Assessed Value	<u>\$ 216,726,750</u>

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2019, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2019 operations is offset to deferred inflows of resources – property taxes levied for the next year. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

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City of Circleville
Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 8: CAPITAL ASSETS

A summary of changes in capital assets during 2019 follows:

	Balance 12/31/2018	Additions	Deletions	Balance 12/31/2019
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 1,773,698	\$ 305,274	\$ 0	\$ 2,078,972
Construction in Progress	133,598	1,311,244	(491,812)	953,030
<i>Total Capital Assets, Not Being Depreciated</i>	<u>1,907,296</u>	<u>1,616,518</u>	<u>(491,812)</u>	<u>3,032,002</u>
<i>Capital Assets, Being Depreciated:</i>				
Land Improvements	1,091,301	0	(71,077)	1,020,224
Buildings and Improvements	8,530,124	62,874	(646,300)	7,946,698
Machinery and Equipment	3,598,197	137,765	(57,013)	3,678,949
Vehicles	2,478,644	16,200	(70,081)	2,424,763
Infrastructure	42,886,426	315,961	(51,149)	43,151,238
<i>Total Capital Assets, Being Depreciated</i>	<u>58,584,692</u>	<u>532,800</u>	<u>(895,620)</u>	<u>58,221,872</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(887,425)	(30,273)	71,077	(846,621)
Buildings and Improvements	(4,098,302)	(193,590)	443,814	(3,848,078)
Machinery and Equipment	(2,057,323)	(267,087)	57,013	(2,267,397)
Vehicles	(1,890,854)	(89,350)	70,081	(1,910,123)
Infrastructure	(24,339,743)	(1,010,983)	50,706	(25,300,020)
<i>Total Accumulated Depreciation</i>	<u>(33,273,647)</u>	<u>(1,591,283)</u>	<u>692,691</u>	<u>(34,172,239)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>25,311,045</u>	<u>(1,058,483)</u>	<u>(202,929)</u>	<u>24,049,633</u>
<i>Total Governmental Activities Capital Assets, Net</i>	<u>\$ 27,218,341</u>	<u>\$ 558,035</u>	<u>\$ (694,741)</u>	<u>\$ 27,081,635</u>

City of Circleville
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For the Year Ended December 31, 2019

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 171,779
Security of Persons and Property	261,088
Transportation	1,073,343
Community Development	4,059
Leisure Time Services	81,014
Total Depreciation Expense	<u>\$ 1,591,283</u>

	Balance 12/31/2018	Additions	Deletions	Balance 12/31/2019
Business-Type Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 149,180	\$ 0	\$ 0	\$ 149,180
Construction in Progress	137,079	1,436,944	(43,413)	1,530,610
<i>Total Capital Assets, Not Being Depreciated</i>	<u>286,259</u>	<u>1,436,944</u>	<u>(43,413)</u>	<u>1,679,790</u>
<i>Capital Assets, Being Depreciated:</i>				
Land Improvements	340,653	0	0	340,653
Buildings and Improvements	15,058,964	63,680	0	15,122,644
Machinery and Equipment	1,268,673	57,632	(14,036)	1,312,269
Vehicles	576,139	59,297	0	635,436
Infrastructure	24,575,534	62,252	0	24,637,786
<i>Total Capital Assets, Being Depreciated</i>	<u>41,819,963</u>	<u>242,861</u>	<u>(14,036)</u>	<u>42,048,788</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(326,976)	(895)	0	(327,871)
Buildings and Improvements	(10,251,300)	(375,427)	0	(10,626,727)
Machinery and Equipment	(687,264)	(68,853)	14,036	(742,081)
Vehicles	(279,483)	(30,774)	0	(310,257)
Infrastructure	(8,274,429)	(361,700)	0	(8,636,129)
<i>Total Accumulated Depreciation</i>	<u>(19,819,452)</u>	<u>(837,649)</u>	<u>14,036</u>	<u>(20,643,065)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>22,000,511</u>	<u>(594,788)</u>	<u>0</u>	<u>21,405,723</u>
<i>Total Business-Type Activities Capital Assets, Net</i>	<u>\$ 22,286,770</u>	<u>\$ 842,156</u>	<u>\$ (43,413)</u>	<u>\$ 23,085,513</u>

City of Circleville
Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 9: LONG-TERM OBLIGATIONS

Changes in long-term obligations of the City during the year ended December 31, 2019, were as follows:

	Balance 12/31/2018	Additions	(Reductions)	Balance 12/31/2019	Due in One Year
Governmental Activities:					
<i>General Obligation Bonds</i>					
2011 - Various Purpose Refunding Bonds \$2,475,000					
Serial Bonds 2.00% - 3.00%	\$ 545,000	\$ 0	\$ (270,000)	\$ 275,000	\$ 275,000
Premium on Bonds Issues	11,112	0	(5,555)	5,557	0
2017 - Various Purpose Refunding Bonds \$2,955,000					
Term Bonds 4.00%	1,565,000	0	0	1,565,000	0
Serial Bonds 2.00% - 2.25%	1,275,000	0	(115,000)	1,160,000	120,000
Premium on Bonds Issues	183,771	0	(22,972)	160,799	0
2017 - Various Purpose Refunding Bonds \$215,000					
Serial Bonds 2.00% - 2.25%	215,000	0	(20,000)	195,000	20,000
<i>Total General Obligation Bonds</i>	<u>3,794,883</u>	<u>0</u>	<u>(433,527)</u>	<u>3,361,356</u>	<u>415,000</u>
<i>Direct Placements</i>					
2017 - Capital Facilities Bonds \$592,000	480,000	0	(115,000)	365,000	118,000
2019 - Capital Facilities Bond \$306,000	0	306,000	(54,100)	251,900	57,300
<i>Total Direct Placements</i>	<u>480,000</u>	<u>306,000</u>	<u>(169,100)</u>	<u>616,900</u>	<u>175,300</u>
<i>Direct Borrowing</i>					
Lease Purchases	752,401	0	(227,428)	524,973	199,419
<i>Other Long-Term Obligations:</i>					
Compensated Absences	405,518	230,667	(253,123)	383,062	234,490
Net Pension Liability	9,112,406	4,579,621	0	13,692,027	0
Net OPEB Liability	7,833,248	0	(4,773,153)	3,060,095	0
<i>Total Other Long-Term Obligations</i>	<u>17,351,172</u>	<u>4,810,288</u>	<u>(5,026,276)</u>	<u>17,135,184</u>	<u>234,490</u>
<i>Total Governmental Activities</i>	<u>\$ 22,378,456</u>	<u>\$ 5,116,288</u>	<u>\$ (5,856,331)</u>	<u>\$ 21,638,413</u>	<u>\$ 1,024,209</u>

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City of Circleville
Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Business-Type Activities:	Balance			Balance	Due in
<u>General Obligation Bonds</u>	12/31/2018	Additions	(Reductions)	12/31/2019	One Year
2017 - Various Purpose Refunding Bonds \$1,850,000					
Serial Bonds 2.00% - 4.00%	\$ 1,830,000	\$ 0	\$ (170,000)	\$ 1,660,000	\$ 170,000
Premium on Bonds Issues	66,658	0	(8,333)	58,325	0
<i>Total General Obligation Bonds</i>	<u>1,896,658</u>	<u>0</u>	<u>(178,333)</u>	<u>1,718,325</u>	<u>170,000</u>
<u>Direct Borrowings</u>					
<u>OPWC Loans:</u>					
OPWC Force Lift Station Loan	82,330	0	(4,842)	77,488	2,421
OPWC WWTP Influent Pump Loan	797,029	0	(40,874)	756,155	20,437
<i>Total OPWC Loans</i>	<u>879,359</u>	<u>0</u>	<u>(45,716)</u>	<u>833,643</u>	<u>22,858</u>
<u>OWDA Loans</u>					
OWDA - WWTP Aeration System Improvemtns	80,547	153,043	0	233,590	0
<i>Total Direct Borrowings</i>	<u>959,906</u>	<u>153,043</u>	<u>(45,716)</u>	<u>1,067,233</u>	<u>22,858</u>
<u>Other Long-Term Obligations</u>					
Compensated Absences	138,747	95,854	(73,968)	160,633	79,663
Net Pension Liability	1,207,933	1,033,630	0	2,241,563	0
Net OPEB Liability	829,949	209,631	0	1,039,580	0
<i>Total Other Long-Term Obligations</i>	<u>2,176,629</u>	<u>1,339,115</u>	<u>(73,968)</u>	<u>3,441,776</u>	<u>79,663</u>
<i>Total Business-Type Activities</i>	<u>\$ 5,033,193</u>	<u>\$ 1,492,158</u>	<u>\$ (298,017)</u>	<u>\$ 6,227,334</u>	<u>\$ 272,521</u>

General Obligation Bonds

2011 Various Purpose Refunding Bonds

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

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

City of Circleville
Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

2017 Various Purpose Refunding Bonds

On September 6, 2017, the City issued \$5,020,000 in general obligation bonds for the purpose of financing an advance refunding of the remaining balances on the 2008 Various Purpose Bonds and to finance a current refunding for the 2016 Capital Facilities Bond Anticipation Note for the US Route 23 Connector. The difference between the amount of the refunding bond issue and the total of the outstanding principal on the debt issue refunded was used to pay for issuance costs, interest due at the time of refunding, and the amount paid to the escrow agent above the principal outstanding.

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

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

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

The serial bonds, issued at \$3,455,000 with a maturity on or after December 1, 2027, are subject to optional redemption, in whole or in part, on any date at the option of the issuer on or after December 1, 2026, at the redemption price of 100 percent. The issuance resulted in a difference between the cash flows required to service the old debt and the cash flows required to service the new debt of \$357,596. The issuance resulted in an economic gain of \$404,076.

The general obligation bonds are backed by the full faith and credit of the City.

City of Circleville
Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Direct Placements

2017 Capital Facilities Bonds

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

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

December 1 of Year	Amount Due
2020	\$ 118,000
2021	122,000
2022	125,000
Total	<u>\$ 365,000</u>

2019 Capital Facilities Bonds

On June 20, 2019, the City issued the Capital Facilities Term Bonds for the purpose of paying the costs of acquiring real estate for park purposes. The bonds bear an interest rate of 2.25 percent and mature on December 1, 2023. The 2019 Capital Facilities Term Bonds will be retired from the Capital Improvement .4% Income Tax Fund.

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

December 1 of Year	Amount Due
2020	\$ 57,300
2021	61,100
2022	64,800
2023	68,700
Total	<u>\$ 251,900</u>

The 2017 Capital Facilities Bonds and 2019 Capital Facilities Bonds are backed by the full faith and credit of the City.

City of Circleville
Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Direct Borrowings

Lease Purchases

In 2014 the City entered into a lease-purchase agreement for the acquisition of an ambulance in the amount of \$166,436. The lease carries an interest rate of 2.65 percent and matured in November 2019. The lease was repaid from the capital improvement fund.

In 2016 the City entered into a lease-purchase agreement for the acquisition of a police cruiser in the amount of \$25,972. The lease carries an interest rate of 2.59 percent and matured in March 2019. The lease was repaid from the capital improvement fund.

In 2017 the City entered into a lease-purchase agreement for the acquisition of handheld radios for the police and fire departments in the amount of \$393,000. The lease carries an interest rate of 2.69 percent and matures in March 2022. The lease will be paid from the capital improvement fund. In the event of default, as defined by the lease agreement, the Lessor has the right to take possession of the handheld radios (secured assets), or declare all unpaid lease payments be immediately due and payable.

In 2017 the City entered into a lease-purchase agreement for the acquisition of a two police cruisers in the amount of \$83,530. The lease carries an interest rate of 2.94 percent and matures in December 2020. The lease will be paid from the capital improvement fund. In the event of default, as defined by the lease agreement, the Lessor has the right to take possession of the police cruisers (secured assets), or declare all unpaid lease payments be immediately due and payable.

In 2018 the City entered into a lease-purchase agreement for the acquisition of a two police cruisers in the amount of \$95,448. The lease carries an interest rate of 4.30 percent and matures in October 2021. The lease will be paid from the capital improvement fund. In the event of default, as defined by the lease agreement, the Lessor has the right to take possession of the police cruisers (secured assets), or declare all unpaid lease payments be immediately due and payable.

In 2018 the City entered into a lease-purchase agreement for the acquisition of a two dump trucks in the amount of \$244,572. The lease carries an interest rate of 4.38 percent and a maturity date of October 30, 2022. The lease will be paid from the capital improvement, street construction, and street highway improvement funds. In the event of default, as defined by the lease agreement, the Lessor has the right to terminate the agreement or take possession of the dump trucks (secured assets), or declare all unpaid lease payments be immediately due and payable.

2018 Ohio Water Development Authority Loan

During 2018, the City was awarded an interest free five year loan from OWDA to improve the water treatment plant's aeration system. The total amount of this loan was \$1,358,450. As of December 31, 2019, \$233,590 has been drawn down. This project was not finalized at year-end, however, the City did record the proceeds.

In the event of default, as defined by the OWDA loan agreement, the lender may declare the full amount of the unpaid Project Participation Principal amount immediately due and payable and require the County to pay any fines or penalties incurred with interest.

City of Circleville
Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Ohio Public Works Commission Loans

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

During 2017, the City received a loan from the Ohio Public Works Commission in the amount of \$817,466 for the Wastewater Treatment Plant Influent Pump Project. Semi-annual payments are made to OPWC with the final payment due January 1, 2038. This loan is paid from the Sanitary Sewer Operating Fund.

In the event of default, as defined by each OPWC loan agreement, the amount of default will be subject to 8 percent interest on all amounts due from date of default. Additionally, the Lender may declare all amounts immediately due and payable or require the County treasurer to pay the amounts due from funds appropriated to the county's undivided local government fund. The lender will also be entitled to collect any cost incurred in the event of default.

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

	Governmental Activities							
	General Obligation Bonds						Total	
	Serial Bonds		Term Bonds		Lease Purchases			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 415,000	\$ 104,851	\$ 0	\$ 0	\$ 199,419	\$ 18,007	\$ 614,419	\$ 122,858
2021	140,000	93,801	0	0	176,987	10,918	316,987	104,719
2022	145,000	91,001	0	0	148,567	4,694	293,567	95,695
2023	145,000	88,099	0	0	0	0	145,000	88,099
2024	150,000	85,600	0	0	0	0	150,000	85,600
2025-2029	635,000	388,039	150,000	62,600	0	0	785,000	450,639
2030-2034	0	0	835,000	168,800	0	0	835,000	168,800
2035-2037	0	0	580,000	47,000	0	0	580,000	47,000
Totals	<u>\$ 1,630,000</u>	<u>\$ 851,391</u>	<u>\$ 1,565,000</u>	<u>\$ 278,400</u>	<u>\$ 524,973</u>	<u>\$ 33,619</u>	<u>\$ 3,719,973</u>	<u>\$ 1,163,410</u>

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City of Circleville
Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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

	Business-Type Activities						Total Principal	Total Interest
	Waterworks Operating		Sewer Operating					
	General Obligation Bonds		General Obligation Bonds		OPWC			
	Principal	Interest	Principal	Interest	Principal			
2020	\$ 70,000	\$ 17,600	\$ 100,000	\$ 24,175	22,858	\$ 192,858	\$ 41,775	
2021	75,000	16,200	95,000	22,175	45,716	215,716	38,375	
2022	75,000	14,700	100,000	20,275	45,716	220,716	34,975	
2023	75,000	13,200	105,000	18,275	45,716	225,716	31,475	
2024	75,000	11,700	105,000	16,175	45,716	225,716	27,875	
2025-2029	330,000	29,000	455,000	40,150	228,580	1,013,580	69,150	
2030-2034	0	0	0	0	228,580	228,580	0	
2035-2038	0	0	0	0	170,761	170,761	0	
Totals	<u>\$ 700,000</u>	<u>\$ 102,400</u>	<u>\$ 960,000</u>	<u>\$ 141,225</u>	<u>\$ 833,643</u>	<u>\$ 2,493,643</u>	<u>\$ 243,625</u>	

On April 7, 2020, OPWC deferred all July 2020 loan payments with no payment due until January 2021 billing cycle with a six-month deferment for the life of the loan due to the COVID-19 pandemic. This deferred payment is reflected in the due within one year amount and the amortization schedules above.

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

There are no repayment schedules for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are primarily made from the general fund and water, sewer, and sanitation funds. For additional information related to the net pension liability and net OPEB liability see Notes 10 and 11.

Conduit Debt

During 2014, the City issued revenue bonds in the aggregate principal amount of \$24,000,000 for Berger Health System. The proceeds were used to retire prior obligations and to fund future capital purchases. The bonds are to be repaid by the recipient of the proceeds and do not represent an obligation of the City. There has not been, and currently is not any condition of default under the bonds or the related financing documents. The City is not obligated in any way to pay debt charges on the bonds from any of its funds, and therefore they have been excluded entirely from the City's debt presentation. Neither is the full faith and credit or taxing power of the City pledged to make repayment. The bonds were repaid in 2019.

City of Circleville
Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 10: DEFINED BENEFIT PENSION PLANS

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability

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

The net pension liability and the net OPEB liability represent 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/OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide health care to eligible benefit recipients.

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

The remainder of this note includes the pension disclosures. See Note 11 for the OPEB disclosures.

City of Circleville
Pickaway County, Ohio
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For the Year Ended December 31, 2019

Plan Description – Ohio Public Employees Retirement System (OPERS)

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan, and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. 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	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

City of Circleville
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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

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

	State and Local
2019 Statutory Maximum Contribution Rates	
Employer	14.00 %
Employee	10.00 %
2019 Actual Contribution Rates	
Employer:	
Pension	14.00 %
Post-Employment Health Care Benefits	0.00 %
Total Employer	14.00 %
Employee	10.00 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$478,674 for 2019. Of this amount, \$38,036 is reported as an intergovernmental payable.

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

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

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

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

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The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit. See OP&F CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan (DROP) provisions and reduced and unreduced benefits.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit, surviving beneficiaries and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the member's base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

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

	Police	Firefighters
2019 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 2019 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-Employment Health Care Benefits	0.50 %	0.50 %
Total Employer	19.50 %	24.00 %
 Employee	 12.25 %	 12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$547,138 for 2019. Of this amount, \$30,269 is reported as an intergovernmental payable.

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

The net pension liability for OPERS was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2018, and was determined by rolling forward the total pension liability as of January 1, 2018, to December 31, 2018. The City's proportion of the net pension

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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>OP&F</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Current Measurement Period	0.024072%	0.114433%	
Prior Measurement Period	0.023332%	0.108513%	
Change in Proportion	<u>0.000740%</u>	<u>0.005920%</u>	
Proportionate Share of the Net			
Pension Liability	\$ 6,592,833	\$ 9,340,757	\$ 15,933,590
Pension Expense	\$ 1,570,039	\$ 1,294,008	\$ 2,864,047

Other than contributions made subsequent to the measurement date and differences between projected and actual earnings on investments; deferred inflows/outflows of resources are recognized in pension expense beginning in the current period, using a straight line method over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions, determined as of the beginning of the measurement period. Net deferred inflows/outflows of resources pertaining to the differences between projected and actual investment earnings are similarly recognized over a closed five year period. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Net Difference between Projected and Actual			
Earnings on Pension Plan Investments	\$ 894,832	\$ 1,150,775	\$ 2,045,607
Differences between Expected and			
Actual Experience	303	383,773	384,076
Changes of Assumptions	573,920	247,636	821,556
Changes in Proportionate Share	110,803	439,045	549,848
City Contributions Subsequent			
to the Measurement Date	478,674	547,138	1,025,812
Total Deferred Outflows of Resources	<u>\$ 2,058,532</u>	<u>\$ 2,768,367</u>	<u>\$ 4,826,899</u>
Deferred Inflows of Resources			
Differences between Expected and			
Actual Experience	\$ 86,568	\$ 8,722	\$ 95,290
Changes in Proportionate Share	41,632	359,802	401,434
Total Deferred Inflows of Resources	<u>\$ 128,200</u>	<u>\$ 368,524</u>	<u>\$ 496,724</u>

\$1,025,812 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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Year Ending December 31:	OPERS	OP&F	Total
2020	\$ 623,923	\$ 605,309	\$ 1,229,232
2021	328,559	353,671	682,230
2022	83,014	363,311	446,325
2023	416,162	509,498	925,660
2024	0	20,916	20,916
	<u>\$ 1,451,658</u>	<u>\$ 1,852,705</u>	<u>\$ 3,304,363</u>

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2018, using the following key actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2018 are presented below.

<u>Actuarial Information</u>	<u>Traditional Pension Plan</u>
Valuation Date	December 31, 2018
Wage Inflation	3.25 percent
Projected Salary Increases, including wage inflation	3.25 percent to 10.75 percent (includes wage inflation at 3.25 percent)
Investment Rate of Return	
Measurement Date	7.20 percent
Prior Measurement Date	7.50 percent
Actuarial Cost Method	Individual Entry Age
Cost-of-Living Adjustments	Pre-1/7/2013 Retirees: 3.00 percent Simple Post-1/7/2013 Retirees: 3.00 percent Simple through 2018, then 2.15 percent Simple

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

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

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

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a loss of 2.94 percent for 2018.

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.79 %
Domestic Equities	19.00	6.21
Real Estate	10.00	4.90
Private Equity	10.00	10.81
International Equities	20.00	7.83
Other Investments	18.00	5.50
Total	100.00 %	5.95 %

Discount Rate The discount rate used to measure the total pension liability was 7.20 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future 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.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.20 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.20 percent) or one-percentage-point higher (8.20 percent) than the current rate:

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	1% Decrease	Current Discount Rate	1% Increase
City's Proportionate Share of the Net Pension Liability	\$ 9,739,531	\$ 6,592,833	\$ 3,977,898

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2018 is based on the results of an actuarial valuation date of January 1, 2018, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing retirement plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2018, are presented below:

Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Investment Rate of Return	8.00 percent
Projected Salary Increases	3.75 percent to 10.50 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.50 percent
Cost-of-Living Adjustments	3.00 percent simple; 2.20 percent simple for increases based on lesser of the increase in CPI and 3.00 percent

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

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

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2018, are summarized below:

Asset Class	Target Allocation	10 Year Expected Real Rate of Return**	30 Year Expected Real Rate of Return**
Cash and Cash Equivalents	0.00 %	1.00 %	0.80 %
Domestic Equity	16.00	5.30	5.50
Non-U.S. Equity	16.00	6.10	5.90
Private Markets	8.00	8.40	8.40
Core Fixed Income*	23.00	2.20	2.60
High Yield Fixed Income	7.00	4.20	4.80
Private Credit	5.00	8.30	7.50
U.S. Inflation Linked Bonds*	17.00	1.30	2.30
Master Limited Partnerships	8.00	6.70	6.40
Real Assets	8.00	7.00	7.00
Private Real Estate	12.00	5.70	6.10
Total	120.00 %		

Note: Assumptions are geometric.

* Levered 2x

** Numbers are net of expected inflation

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

Discount Rate The total pension liability was calculated using the discount rate of 8.00 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute.

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Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8.00 percent. Based on those assumptions, OP&F's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease	Current Discount Rate	1% Increase
City's Proportionate Share of the Net Pension Liability	\$ 12,277,781	\$ 9,340,757	\$ 6,886,449

NOTE 11: DEFINED BENEFIT OPEB PLANS

See Note 10 for a description of the net OPEB liability.

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2019 was 4.0 percent.

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

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

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

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

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2019, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contractually required contribution to OP&F was \$13,044 for 2019. Of this amount, \$719 is reported as an intergovernmental payable.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2018, and was determined by rolling forward the total OPEB liability as of January 1, 2018, to December 31, 2018. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

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	OPERS	OP&F	Total
Proportion of the Net OPEB Liability:			
Current Measurement Period	0.023452%	0.114433%	
Prior Measurement Period	0.023160%	0.108513%	
Change in Proportion	<u>0.000292%</u>	<u>0.005920%</u>	
Proportionate Share of the Net			
OPEB Liability	\$ 3,057,587	\$ 1,042,088	\$ 4,099,675
OPEB Expense	\$ 269,192	\$ (5,142,757)	\$ (4,873,565)

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Net Difference between Projected and Actual			
Earnings on OPEB Plan Investments	\$ 140,172	\$ 35,276	\$ 175,448
Differences between Expected and			
Actual Experience	1,036	0	1,036
Changes of Assumptions	98,581	540,167	638,748
Changes in Proportionate Share	40,625	263,163	303,788
City Contributions Subsequent			
to the Measurement Date	0	13,044	13,044
Total Deferred Outflows of Resources	<u>\$ 280,414</u>	<u>\$ 851,650</u>	<u>\$ 1,132,064</u>
Deferred Inflows of Resources			
Differences between Expected and			
Actual Experience	\$ 8,296	\$ 27,919	\$ 36,215
Net Difference between Projected and Actual			
Earnings on OPEB Plan Investments	0	0	0
Changes of Assumptions	0	288,499	288,499
Changes in Proportionate Share	39,401	326,714	366,115
Total Deferred Inflows of Resources	<u>\$ 47,697</u>	<u>\$ 643,132</u>	<u>\$ 690,829</u>

\$13,044 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	OPERS	OP&F	Total
2020	\$ 101,702	\$ 33,740	\$ 135,442
2021	36,991	33,740	70,731
2022	23,408	33,742	57,150
2023	70,616	44,410	115,026
2024	0	27,589	27,589
Thereafter	0	22,253	22,253
	<u>\$ 232,717</u>	<u>\$ 195,474</u>	<u>\$ 428,191</u>

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Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, Including Inflation	3.25 percent to 10.75 percent (includes wage inflation at 3.25 percent)
Single Discount Rate:	
Current Measurement Date	3.96 percent
Prior Measurement Date	3.85 percent
Investment Rate of Return	
Current Measurement Date	6.00 percent
Prior Measurement Date	6.50 percent
Municipal Bond Rate	
Current Measurement Date	3.71 percent
Prior Measurement Date	3.31 percent
Health Care Cost Trend Rate	
Measurement Date	10.00 percent, initial, 3.25 percent ultimate in 2029
Prior Measurement Date	7.50 percent, initial, 3.25 percent ultimate in 2028
Actuarial Cost Method	Individual Entry Age Normal

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

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

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

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weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a loss of 5.60 percent for 2018.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 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	34.00 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate Investment Trusts	6.00	5.98
International Equities	22.00	7.83
Other Investments	<u>17.00</u>	<u>5.57</u>
Total	<u>100.00 %</u>	<u>5.16 %</u>

Discount Rate A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.71 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

City of Circleville
Pickaway County, Ohio
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Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96 percent) or one-percentage-point higher (4.96 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
City's Proportionate Share of the Net OPEB Liability	\$ 3,911,794	\$ 3,057,587	\$ 2,378,267

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries' project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Trend Rate	1% Increase
City's Proportionate Share of the Net OPEB Liability	\$ 2,939,005	\$ 3,057,587	\$ 3,194,162

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2018, is based on the results of an actuarial valuation date of January 1, 2018, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

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

Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Projected Salary Increases	3.75 percent to 10.50 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Stipend Increase Rate	The stipend is not assumed to increase over the projection period.
Investment Rate of Return	
Current Measurement Date	8.00 percent
Prior Measurement Date	8.00 percent
Single Discount Rate:	
Current Measurement Date	4.66 percent
Prior Measurement Date	3.24 percent
Municipal Bond Rate	
Current Measurement Date	4.13 percent
Prior Measurement Date	3.16 percent
Health Care Cost Trend Rate	N/A-based on a medical benefit that is a flat dollar amount, therefore, it is unaffected by a health care cost trend rate.
Cost of Living Adjustments	3.00 percent simple; 2.20 percent simple for increases based on the lessor of the increase in CPI and 3.00 percent

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

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

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

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

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

City of Circleville
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The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2018, are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	0.00 %	0.80 %
Domestic Equity	16.00	5.50
Non-U.S. Equity	16.00	5.90
Private Markets	8.00	8.40
Core Fixed Income*	23.00	2.60
High Yield Fixed Income	7.00	4.80
Private Credit	5.00	7.50
U.S. Inflation Linked Bonds*	17.00	2.30
Master Limited Partnerships	8.00	6.40
Real Assets	8.00	7.00
Private Real Estate	12.00	6.10
Total	120.00 %	

Note: Assumptions are geometric.

* Levered 2x

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

Discount Rate The total OPEB liability was calculated using the discount rate of 4.66 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 4.13 percent at December 31, 2018 and 3.16 percent at December 31, 2017, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 4.66 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2031. The long-term expected rate of return on health care investments was applied to projected costs through 2031, and the municipal bond rate was applied to all health care costs after that date.

City of Circleville
Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate
Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 4.66 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.66 percent), or one percentage point higher (5.66 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
City's Proportionate Share of the Net OPEB Liability	\$ 1,269,548	\$ 1,042,088	\$ 851,155

NOTE 12: RISK MANAGEMENT

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

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

NOTE 13: OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

City of Circleville
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B. Insurance Benefits

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

C. Deferred Compensation

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

NOTE 14: SIGNIFICANT COMMITMENTS

A. Encumbrance Commitments

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

Fund	Amount
<i>Governmental Funds</i>	
Capital Improvement .4%	
Transportation	\$ 215,607

B. Contractual Commitments

Project	Contract Amount	Expended	Outstanding Commitment
Web GIS Development	\$ 38,500	\$ 36,810	\$ 1,690
WWTP Aeration Project	1,427,650	233,591	1,194,059
Water Main Replacement Project	28,300	18,126	10,174
Ted Lewis Park	38,700	0	38,700
Pickaway Bridge over Hargus Creek	3,750	3,705	45
Cedar Heights Project	34,850	10,455	24,395
SIP Improvement Project	674,601	494,550	180,051
Totals	\$ 2,246,351	\$ 797,237	\$ 1,449,114

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

NOTE 15: CONTINGENCIES

A. Litigation

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

B. Grants

The City received financial assistance from State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2019.

NOTE 16: JOINTLY GOVERNED ORGANIZATIONS

The Pickaway Progress Partnership (P³) was created as a not-for-profit corporation under Section 1724.01 et. seq., Ohio Revised Code. P³ is governed by a 15 member Board of Trustees, three of which are elected or appointed officials of the City, three are appointed by Pickaway County, one is a representative of the North Gate Alliance Cooperative Economic Development Agreement, and eight are volunteer citizens. P³ is the economic development agent for Pickaway County and its municipalities. P³ has three main objectives: promote and market the advantages of locating business in the County; promote a stronger business environment by facilitating retention and expansion efforts of local employers; and deliver a seamless network of economic development services and value-added programs to existing businesses, local government, and prospective companies throughout Pickaway County. Because P³ is subject to joint control and the participants have no equity interest in P³, P³ is a jointly governed organization of the City. The City contributed \$42,900 to P³ during the year.

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

City of Circleville
Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 17: INTERFUND TRANSFER

The capital improvement .4% income tax fund transferred \$109,211 to the OPWC fund. This transfer reflects the amount that the capital improvement .4% income tax fund spent on the sanitary sewer replacement project in 2019.

NOTE 18: FUND BALANCE

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

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City of Circleville
Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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

	General Fund	Safety Forces Tax Fund	Capital Improvement .4% Income Tax Fund	Other Governmental Funds	Total
Nonspendable for:					
Inventory	\$ 13,490	\$ 0	\$ 0	\$ 132,919	\$ 146,409
Prepaid Items	34,347	37,052	0	0	71,399
Unclaimed Funds	21,179	0	0	0	21,179
Total Nonspendable	<u>69,016</u>	<u>37,052</u>	<u>0</u>	<u>132,919</u>	<u>238,987</u>
Restricted for:					
Road Improvements	0	0	0	267,776	267,776
Safety Forces	0	280,296	0	93,812	374,108
Legal Computer Maintenance	0	0	0	681,586	681,586
Municipal Court	0	0	0	216,198	216,198
Leisure Time Services	0	0	0	70,650	70,650
Community Development	0	0	0	20,226	20,226
Capital Improvements	0	0	1,232,440	637	1,233,077
Debt Service	0	0	0	41,402	41,402
Other Purposes	0	0	0	12,927	12,927
Total Restricted	<u>0</u>	<u>280,296</u>	<u>1,232,440</u>	<u>1,405,214</u>	<u>2,917,950</u>
Committed for:					
Future Severance Payments	32,704	0	0	0	32,704
Income Tax Administration	0	0	0	26,084	26,084
Capital Improvements	0	0	0	37,006	37,006
Cable Franchise Operations	0	0	0	45,095	45,095
Total Committed	<u>32,704</u>	<u>0</u>	<u>0</u>	<u>108,185</u>	<u>140,889</u>
Assigned:					
Subsequent Year Appropriations	<u>655,742</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>655,742</u>
Unassigned	<u>183,750</u>	<u>0</u>	<u>0</u>	<u>(10,984)</u>	<u>172,766</u>
Total Fund Balance	<u>\$ 941,212</u>	<u>\$ 317,348</u>	<u>\$ 1,232,440</u>	<u>\$ 1,635,334</u>	<u>\$4,126,334</u>

Fund balances at December 31, 2019 included a deficit in the safety forces .1% income tax fund as a result of adjustments for accrued liabilities. The general fund is liable for any deficit in the non-major governmental funds and will provide transfers when cash is required, not when accruals occur.

City of Circleville
Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 19: SUBSEQUENT EVENTS

Effective January 1, 2020 the City increased the income tax rate of 2 percent to 2.5 percent. The City continues to offer a 100 percent credit up to 2.5 percent for municipal taxes paid elsewhere.

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City of Circleville. The investments of the pension and other employee benefit plan in which the City participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the City's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated however the City has received aid from the CARES Act and grants from Pickaway County for the Municipal Court and Fire Department grants in the amounts of \$447,737 and \$24,598, respectively.

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

	2019	2018	2017	2016	2015	2014
Ohio Public Employees' Retirement System (OPERS)						
City's Proportion of the Net Pension Liability	0.024072%	0.023332%	0.023685%	0.022936%	0.014036%	0.014036%
City's Proportionate Share of the Net Pension Liability	\$ 6,592,833	\$ 3,660,403	\$ 5,378,435	\$ 3,972,804	\$ 1,692,898	\$ 1,654,662
City's Covered Payroll	\$ 3,251,371	\$ 3,083,407	\$ 3,060,733	\$ 2,855,692	\$ 2,699,592	\$ 3,047,154
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	202.77%	118.71%	175.72%	139.12%	62.71%	54.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%
Ohio Police and Fire Pension Fund (OPF)						
City's Proportion of the Net Pension Liability	0.114433%	0.108513%	0.117753%	0.115939%	0.110075%	0.110075%
City's Proportionate Share of the Net Pension Liability	\$ 9,340,757	\$ 6,659,936	\$ 7,458,357	\$ 7,458,437	\$ 5,702,323	\$ 5,360,978
City's Covered Payroll	\$ 2,606,622	\$ 2,397,883	\$ 2,546,021	\$ 2,368,955	\$ 2,125,829	\$ 1,719,308
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	358.35%	277.74%	292.94%	314.84%	268.24%	311.81%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.07%	70.91%	68.36%	66.77%	72.20%	73.00%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available.

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

See accompanying notes to the required
supplementary information.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<i>Ohio Public Employees' Retirement System (OPERS)</i>				
Contractually Required Contribution	\$ 478,674	\$ 455,192	\$ 400,843	\$ 367,288
Contributions in Relation to the Contractually Required Contribution	<u>(478,674)</u>	<u>(455,192)</u>	<u>(400,843)</u>	<u>(367,288)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's Covered Payroll	\$ 3,419,100	\$ 3,251,371	\$ 3,083,407	\$ 3,060,733
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.00%	12.00%
<i>Ohio Police and Fire Pension Fund (OPF)</i>				
Contractually Required Contribution	\$ 547,138	\$ 545,999	\$ 501,565	\$ 535,917
Contributions in Relation to the Contractually Required Contribution	<u>(547,138)</u>	<u>(545,999)</u>	<u>(501,565)</u>	<u>(535,917)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's Covered Payroll	\$ 2,608,881	\$ 2,606,622	\$ 2,397,883	\$ 2,546,021
Contributions as a Percentage of Covered Payroll	20.97%	20.95%	20.92%	21.05%

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

See accompanying notes to the required
supplementary information.

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 342,683	\$ 323,951	\$ 396,130	n/a	n/a	n/a
<u>(342,683)</u>	<u>(323,951)</u>	<u>(396,130)</u>	n/a	n/a	n/a
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	n/a	n/a	n/a
\$ 2,855,692	\$ 2,699,592	\$ 3,047,154	n/a	n/a	n/a
12.00%	12.00%	13.00%	n/a	n/a	n/a
\$ 496,912	\$ 460,655	\$ 303,447	\$ 291,995	\$ 304,382	\$ 315,822
<u>(496,912)</u>	<u>(460,655)</u>	<u>(303,447)</u>	<u>(291,995)</u>	<u>(304,382)</u>	<u>(315,822)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 2,368,955	\$ 2,125,829	\$ 1,719,308	\$ 1,978,008	\$ 2,087,590	\$ 2,167,251
20.98%	21.67%	17.65%	14.76%	14.58%	14.57%

See accompanying notes to the required
supplementary information.

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

	<u>2019</u>		<u>2018</u>		<u>2017</u>
<i>Ohio Public Employees' Retirement System (OPERS)</i>					
City's Proportion of the Net OPEB Liability	0.023452%		0.023160%		0.023722%
City's Proportionate Share of the Net OPEB Liability	\$ 3,057,587	\$	2,514,997	\$	2,396,003
City's Covered Payroll	\$ 3,251,371	\$	3,083,407	\$	3,060,733
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	94.04%		81.57%		78.28%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.33%		54.14%		54.04%
<i>Ohio Police and Fire Pension Fund (OPF)</i>					
City's Proportion of the Net OPEB Liability	0.114433%		0.108513%		0.117753%
City's Proportionate Share of the Net OPEB Liability	\$ 1,042,088	\$	6,148,200	\$	5,589,470
City's Covered Payroll	\$ 2,606,622	\$	2,397,883	\$	2,546,021
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	39.98%		256.40%		219.54%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.57%		14.13%		15.96%

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

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

See accompanying notes to the required
supplementary information.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<i>Ohio Public Employees' Retirement System (OPERS)</i>				
Contractually Required Contribution	\$ 0	\$ 0	\$ 30,834	\$ 61,215
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>(30,834)</u>	<u>(61,215)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's Covered Payroll (1)	\$ 3,419,100	\$ 3,251,371	\$ 3,083,407	\$ 3,060,733
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	1.00%	2.00%
<i>Ohio Police and Fire Pension Fund (OPF)</i>				
Contractually Required Contribution	\$ 13,044	\$ 13,033	\$ 11,989	\$ 12,730
Contributions in Relation to the Contractually Required Contribution	<u>(13,044)</u>	<u>(13,033)</u>	<u>(11,989)</u>	<u>(12,730)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's Covered Payroll	\$ 2,608,881	\$ 2,606,622	\$ 2,397,883	\$ 2,546,021
Contributions as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.50%

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

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

See accompanying notes to the required
supplementary information.

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
\$ 11,845	\$ 68,375	\$ 59,145	\$ 133,515	\$ 140,912	\$ 146,289
<u>(11,845)</u>	<u>(68,375)</u>	<u>(59,145)</u>	<u>(133,515)</u>	<u>(140,912)</u>	<u>(146,289)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 2,368,955	\$ 2,125,829	\$ 1,719,308	\$ 1,978,008	\$ 2,087,590	\$ 2,167,251
0.50%	3.22%	3.44%	6.75%	6.75%	6.75%

See accompanying notes to the required
supplementary information.

City of Circleville
Pickaway County, Ohio
Notes to the Required Supplementary Information
For the Year Ended December 31, 2019

Note 1 - Net Pension Liability

Changes in Assumptions – OPERS

For fiscal year 2019, the single discount rate changed from 7.50 percent to 7.20 percent.

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

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

Changes in Assumptions – OP&F

For 2018, the single discount rate changed from 8.25 percent to 8.00 percent.

Note 2 - Net OPEB Liability

Changes in Assumptions - OPERS

For calendar year 2019, the following changes were made to the actuarial assumptions:

- Discount rate from 3.85 percent to 3.96 percent
- Investment rate of return from 6.50 percent to 6.00 percent
- Municipal bond rate from 3.31 percent to 3.71 percent
- Health Care Cost Trend Rate from 7.50 percent to 10.00 percent

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

Changes in Assumptions – OP&F

For calendar year 2019, the discount rate increased from 3.24 percent to 4.66 percent and the municipal bond rate from 3.16 percent to 4.13 percent.

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

Changes in Benefit Terms – OP&F

Beginning January 1, 2019 OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

OHIO AUDITOR OF STATE KEITH FABER



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

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

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Circleville, Pickaway County, (the City) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 28, 2020, wherein we noted the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities* and the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City.

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

August 28, 2020

OHIO AUDITOR OF STATE KEITH FABER



CITY OF CIRCLEVILLE

PICKAWAY COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 9/22/2020

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

This report is a matter of public record and is available online at
www.ohioauditor.gov