

City of Circleville
Pickaway County, Ohio

Basic Financial Statements

For the Fiscal Year Ended
December 31, 2014

CITY OF CIRCLEVILLE
PICKAWAY COUNTY, OHIO
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April 30, 2015

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

INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

We have compiled the accompanying basic financial statements of the City of Circleville as of and for the year ended December 31, 2014. We have not audited or reviewed the accompanying basic financial statements and accordingly, do not express an opinion or provide any assurance about whether the basic financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the basic financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of basic financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the basic financial statements.

The Management's Discussion and Analysis on pages 5 through 12 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have compiled the supplementary information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

Rea & Associates, Inc.

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City of Circleville
Pickaway County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
(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, 2014. 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 2014 are as follows:

- In total, net position decreased \$486,167, which represents a 1 percent decrease from 2013. Net position of governmental activities decreased \$764,411. Net position of business-type activities increased \$278,244.
- Total capital assets increased \$346,883 during 2014. Capital assets of governmental activities decreased \$221,801 and capital assets of business-type activities increased \$568,684.
- Outstanding debt decreased from \$8,140,615 to \$6,991,837 due to principal payments made during the year.

Using this Annual Financial Report

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

The Statement of Net Position and the Statement of Activities provide information from a summary perspective showing the effects of the operations for the year 2014 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.

City of Circleville
Pickaway County, Ohio
Management's Discussion and Analysis
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A question typically asked about the City's finances "How did we do financially during 2014?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets and deferred outflows of resources* and *liabilities and deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

The financial activities of Berger Health System, a component unit of the City of Circleville, are presented in a separate column on the Statement of Net Position and as separately identified activity on the Statement of Activities. This discrete presentation is made in order to emphasize that it is a legally separate organization from the City of Circleville. However, the focus of the government-wide financial statements remains clearly on the City of Circleville as the primary government.

Reporting the City of Circleville's Most Significant Funds

Fund Financial Statements

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

City of Circleville
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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.

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 2014 compared to 2013:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets						
Current and Other Assets	\$ 7,851,687	\$ 9,435,786	\$ 6,407,222	\$ 6,778,228	\$ 14,258,909	\$ 16,214,014
Capital Assets	23,875,472	24,097,273	20,459,800	19,891,116	44,335,272	43,988,389
<i>Total Assets</i>	<u>31,727,159</u>	<u>33,533,059</u>	<u>26,867,022</u>	<u>26,669,344</u>	<u>58,594,181</u>	<u>60,202,403</u>
Deferred Outflows of Resources	23,275	27,154	0	0	23,275	27,154
Liabilities						
Current and Other Liabilities	2,507,206	2,785,140	462,226	349,969	2,969,432	3,135,109
Long-Term Liabilities	2,748,211	3,483,216	2,981,897	3,174,720	5,730,108	6,657,936
<i>Total Liabilities</i>	<u>5,255,417</u>	<u>6,268,356</u>	<u>3,444,123</u>	<u>3,524,689</u>	<u>8,699,540</u>	<u>9,793,045</u>
Deferred Inflows of Resources	763,636	796,065	0	0	763,636	796,065
Net Position						
Net Investment in						
Capital Assets	19,839,090	20,504,290	17,426,244	16,842,146	37,265,334	37,346,436
Restricted	1,589,641	1,860,243	0	0	1,589,641	1,860,243
Unrestricted	4,302,650	4,131,259	5,996,655	6,302,509	10,299,305	10,433,768
<i>Total Net Position</i>	<u>\$ 25,731,381</u>	<u>\$ 26,495,792</u>	<u>\$ 23,422,899</u>	<u>\$ 23,144,655</u>	<u>\$ 49,154,280</u>	<u>\$ 49,640,447</u>

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.

City of Circleville
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Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)

Net investment in capital assets was \$37,265,334 at December 31, 2014, with \$19,839,090 in governmental activities and \$17,426,244 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, \$1,589,641 or 3 percent, represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position of \$10,299,305 may be used to meet the government's ongoing obligations to citizens and creditors.

For governmental activities, the City saw a \$1,584,099 decrease in current assets as cash was used for capital projects and the loan receivable for Berger Health System was paid in full. There was also a decrease in grants receivable as the CDBG grant was completed during 2014. The City also paid the Berger Healthy System bonds in full during 2014, which resulted in a large decrease in long-term liabilities.

Table 2 shows the changes in net position for fiscal year 2014 and 2013.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 1,970,917	\$ 2,122,476	\$ 3,736,571	\$ 3,806,771	\$ 5,707,488	\$ 5,929,247
Operating Grants	757,058	687,738	1,384	3,554	758,442	691,292
Capital Grants	50,821	567,878	135,473	454,000	186,294	1,021,878
<i>General Revenues:</i>						
Property Taxes	826,863	896,909	0	0	826,863	896,909
Income Taxes	5,305,890	4,980,344	0	0	5,305,890	4,980,344
Other Taxes	103,845	106,381	0	0	103,845	106,381
Grants and Entitlements	451,055	719,641	0	0	451,055	719,641
Unrestricted Contributions	12,337	65,101	0	0	12,337	65,101
Investment Earnings	101,256	26,095	0	0	101,256	26,095
Miscellaneous	142,767	810,412	134,336	29,956	277,103	840,368
Total Revenues	9,722,809	10,982,975	4,007,764	4,294,281	13,730,573	15,277,256
Program Expenses						
General Government	2,949,620	2,818,388	0	0	2,949,620	2,818,388
Security of Persons and Property	4,782,823	4,558,491	0	0	4,782,823	4,558,491
Public Health	185,164	182,914	0	0	185,164	182,914
Leisure Time Services	214,158	210,560	0	0	214,158	210,560
Community Development	151,876	434,467	0	0	151,876	434,467
Transportation	2,089,178	2,074,146	0	0	2,089,178	2,074,146
Debt Issuance Costs	12,198	12,490	0	0	12,198	12,490
Interest and Fiscal Charges	102,203	127,531	0	0	102,203	127,531
<i>Enterprise Operations:</i>						
Waterworks Operating	0	0	1,580,189	1,528,372	1,580,189	1,528,372
Sanitary Sewer Operating	0	0	2,149,331	2,256,506	2,149,331	2,256,506
Total Program Expenses	10,487,220	10,418,987	3,729,520	3,784,878	14,216,740	14,203,865
Change in Net Position	(764,411)	563,988	278,244	509,403	(486,167)	1,073,391
Net Position Beginning of Year	26,495,792	25,931,804	23,144,655	22,635,252	49,640,447	48,567,056
Net Position End of Year	\$ 25,731,381	\$ 26,495,792	\$ 23,422,899	\$ 23,144,655	\$ 49,154,280	\$ 49,640,447

City of Circleville
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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 investment interest.

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

Overall, there was a \$1,260,166 decrease in governmental revenue and a \$286,517 decrease business-type revenue. Governmental activities saw decreases in grants and entitlements not restricted primarily due to a decrease in inheritance tax receipts during 2014. There was also a large decrease in miscellaneous revenue as the City had no revenue for the Berger Health System debt charges during 2014. Program revenues included a \$517,057 decrease in capital grants due to a decrease in revenue received for OPWC projects, as well a decrease in donated capital assets in 2014. The decrease in business-type revenue is primarily caused by a decrease in donated capital assets.

Police and fire represent the largest expense of the Governmental Activities. Security of Persons and Property expense of \$4,782,823 represents 46 percent of the total governmental activities expenses. The police and fire departments operate out of the general fund and the safety forces tax fund.

The City's Street Maintenance and Repair Department provides the City and its citizens many services that include public road salting, leaf and debris pickup, paint striping and alley profiling. Transportation expenses totaled \$2,089,178, or 20 percent of total governmental activities expenses, during 2014.

The City also maintains a park (leisure time services) within the City. The park had expenses of \$214,158 in 2014 equaling 2 percent of the total governmental services expenses. All other governmental operations had expenses of \$3,401,061, which represents 32 percent of the City's total expenses.

Business-Type Activities

Business-type activities include water and sewer operations. The revenues are generated primarily from charges for services. In 2014, charges for services of \$3,736,571 accounted for 93 percent of the business type revenues. The total expenses for the utilities were \$3,729,520, thus leaving an increase in net position of \$278,244 for the business-type activities.

Capital grants in the business-type activities increased due to capital assets donated to the City.

The City's Funds

Governmental Funds

Information about the City's governmental funds begins on page 15. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues of \$9,734,615 and expenditures of \$11,113,132. The funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly revenues.

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(Unaudited)

The general fund's net change in fund balance for 2014 was a decrease of \$198,970.

The fund balance of the income tax fund decreased by \$10,649.

The safety forces tax fund's net change in fund balance for 2014 was a decrease of \$34,273, as expenditures exceeded income tax revenues.

The general obligation bond retirement fund balance decreased \$1,205,453. This is primarily due to payoff of the loan receivable to Berger Health System and the use of cash for the short-term debt payment.

The capital improvement fund increased \$279,306 due to the timing of income tax revenues versus expenditures for construction projects throughout the City.

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 \$3,469,920, which is a decrease of \$36,918. The unrestricted net position of the sanitary sewer operating fund was \$2,526,735, which is a decrease of \$268,936. 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 2014, the City amended its general fund budget on various occasions. All recommendations for appropriation changes come to Council from the City Auditor. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

For the general fund, the actual budget basis revenue was \$4,444,896, representing an increase of \$211,162 over the final budget estimate of \$4,233,734. Most of this difference was attributable to an underestimation of income taxes.

Final expenditure appropriations of \$5,143,871 were \$309,511 higher than the actual expenditures of \$4,834,360, as cost savings were recognized in all departments throughout the year.

City of Circleville
Pickaway County, Ohio
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(Unaudited)

Capital Assets and Debt Administration

Capital Assets

At the end of year 2014, the City had \$44,335,272 invested in capital assets. A total of \$23,875,472 of this was for governmental activities and \$24,097,273 being attributable to business-type activities. See Note 8 for additional details. Table 3 shows fiscal year 2014 balances compared with 2013.

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 1,156,910	\$ 1,156,910	\$ 149,180	\$ 149,180	\$ 1,306,090	\$ 1,306,090
Infrastructure	15,957,533	15,535,589	14,527,699	13,962,862	30,485,232	29,498,451
Land Improvements	306,242	317,929	9,262	10,033	315,504	327,962
Buildings and Improvements	4,672,728	4,827,778	4,324,614	4,474,004	8,997,342	9,301,782
Machinery and Equipment	863,078	965,904	394,515	130,654	1,257,593	1,096,558
Vehicles	306,210	409,061	279,863	311,140	586,073	720,201
Construction in Progress	612,771	884,102	774,667	853,243	1,387,438	1,737,345
<i>Total</i>	<u>\$ 23,875,472</u>	<u>\$ 24,097,273</u>	<u>\$ 20,459,800</u>	<u>\$ 19,891,116</u>	<u>\$ 44,335,272</u>	<u>\$ 43,988,389</u>

Debt

The outstanding debt for the City as of December 31, 2014 was \$6,991,837. See Note 9, 10 and 11 for additional details. Table 4 summarizes outstanding debt.

Table 4
Outstanding Debt, at December 31

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
General Obligation Bonds	\$ 1,830,000	\$ 2,660,000	\$ 2,340,000	\$ 2,450,000	\$ 4,170,000	\$ 5,110,000
OWDA Loans	0	0	249,114	293,233	249,114	293,233
Bond Anticipation Notes	1,994,000	2,160,000	0	0	1,994,000	2,160,000
Capital Leases	367,603	311,935	211,120	265,447	578,723	577,382
<i>Total</i>	<u>\$ 4,191,603</u>	<u>\$ 5,131,935</u>	<u>\$ 2,800,234</u>	<u>\$ 3,008,680</u>	<u>\$ 6,991,837</u>	<u>\$ 8,140,615</u>

City of Circleville
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Current Issues

On a cash basis, the City of Circleville's municipal income tax base increased 9.1 percent in 2014. The major contributor to the increase in municipal income tax receipts was business withholding taxes which demonstrated a 6.9 percent increase. Business withholding account revenues' growth was attributable to large construction projects that occurred in the City in 2014. The overall employment base remains steady with minimal growth. Individual filing receipts increased by 12.18 percent reflecting a decline in the unemployment rates in Pickaway County. However, Pickaway County's unemployment rate continues to remain the highest in the Columbus Metropolitan Area. Revenues from the reduced credit increased by 10.68 percent reflecting the improvement in economic conditions in the regional employment opportunities for local residents. The municipal income tax continues to be the major factor in financing governmental operations. This is reflected by the fact that 41 percent of the City's cash basis revenues are generated by the income tax. Circleville City Council altered the one percent split between the General Fund and the Capital Improvement Fund in 2014. The City placed 62 percent of the municipal income tax into general operations and 38 percent into capital improvements in response to the loss of local government funds, inheritance tax, and investment income. The 0.50 percent voter approved safety forces tax and the reduced credit tax revenue are used solely for safety forces expenditures. This designated revenue provides 38 percent of the dollars needed to operate the City's safety forces. Since 2009 the City has experienced a 35.90 percent reduction in revenues received from other governmental sources, mainly local government funds, personal property tax, and inheritance tax. The continued deterioration of revenues due to the legislative elimination of historical local revenue receipts by the State of Ohio has placed a greater reliance on the local tax base to fund critical municipal operations.

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, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Berger Health System
Assets				
Equity in Pooled Cash and Investments	\$ 4,071,913	\$ 5,564,749	\$ 9,636,662	\$ 0
Cash and Investments	0	0	0	36,621,189
Cash and Investments in Segregated Accounts	16,109	6,573	22,682	0
Cash and Investments with Fiscal Agents	34,831	0	34,831	0
Cash and Investments with Escrow Agents	166,436	0	166,436	0
Accounts Receivable	104,766	579,384	684,150	8,719,194
Accrued Interest Receivable	14,241	0	14,241	0
Intergovernmental Receivable	578,605	135,473	714,078	1,332,221
Property Taxes Receivable	807,308	0	807,308	0
Income Taxes Receivable	1,891,094	0	1,891,094	0
Loans Receivable	347	0	347	0
Prepaid Items	46,775	22,086	68,861	2,938,585
Materials and Supplies Inventory	119,262	98,957	218,219	977,997
Pledges Receivable	0	0	0	1,217,551
Non-Depreciable Capital Assets	1,769,681	923,847	2,693,528	4,433,555
Depreciable Capital Assets, Net	22,105,791	19,535,953	41,641,744	29,982,108
<i>Total Assets</i>	<u>31,727,159</u>	<u>26,867,022</u>	<u>58,594,181</u>	<u>86,222,400</u>
Deferred Outflows of Resources				
Deferred Charges on Refunding	23,275	0	23,275	0
Liabilities				
Accounts Payable	134,347	50,439	184,786	3,340,926
Accrued Wages	128,922	37,671	166,593	2,939,285
Contracts Payable	23,070	226,749	249,819	0
Retainage Payable	16,109	6,573	22,682	0
Intergovernmental Payable	167,474	42,689	210,163	0
Matured Interest Payable	14,831	0	14,831	0
Matured Bonds Payable	20,000	0	20,000	0
Refundable Deposits	0	89,846	89,846	0
Accrued Interest Payable	8,453	8,259	16,712	54,795
Notes Payable	1,994,000	0	1,994,000	0
Long-Term Liabilities:				
Due Within One Year	622,206	317,263	939,469	920,000
Due in More Than One Year	2,126,005	2,664,634	4,790,639	22,650,000
<i>Total Liabilities</i>	<u>5,255,417</u>	<u>3,444,123</u>	<u>8,699,540</u>	<u>29,905,006</u>
Deferred Inflows of Resources				
Property Taxes Levied for the Next Year	763,636	0	763,636	0
Net Position				
Net Investment in Capital Assets	19,839,090	17,426,244	37,265,334	10,845,663
Restricted for:				
Capital Outlay	637	0	637	8,623,836
Safety Services	129,733	0	129,733	0
Streets	562,146	0	562,146	0
Community Development	12,517	0	12,517	0
Other Purposes	884,608	0	884,608	0
Unrestricted	4,302,650	5,996,655	10,299,305	36,847,895
<i>Total Net Position</i>	<u>\$ 25,731,381</u>	<u>\$ 23,422,899</u>	<u>\$ 49,154,280</u>	<u>\$ 56,317,394</u>

See accompanying notes and accountant's compilation report.

City of Circleville
Pickaway County, Ohio
Statement of Activities
For the Year Ended December 31, 2014

	Net (Expense) Revenue and Changes in Net Position							
	Program Revenues				Primary Government			Component Unit
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Berger Health System
Governmental Activities								
General Government	\$ 2,949,620	\$ 1,413,560	\$ 78,085	\$ 0	\$ (1,457,975)	\$ 0	\$ (1,457,975)	\$ 0
Security of Persons and Property	4,782,823	531,820	29,678	0	(4,221,325)	0	(4,221,325)	0
Public Health	185,164	0	0	0	(185,164)	0	(185,164)	0
Leisure Time Services	214,158	15,400	29,238	50,821	(118,699)	0	(118,699)	0
Community Development	151,876	0	0	0	(151,876)	0	(151,876)	0
Transportation	2,089,178	10,137	620,057	0	(1,458,984)	0	(1,458,984)	0
Debt Issuance Costs	12,198	0	0	0	(12,198)	0	(12,198)	0
Interest and Fiscal Charges	102,203	0	0	0	(102,203)	0	(102,203)	0
<i>Total Governmental Activities</i>	<u>10,487,220</u>	<u>1,970,917</u>	<u>757,058</u>	<u>50,821</u>	<u>(7,708,424)</u>	<u>0</u>	<u>(7,708,424)</u>	<u>0</u>
Business-Type Activities								
Waterworks Operating	1,580,189	1,629,439	692	0	0	49,942	49,942	0
Sanitary Sewer Operating	2,149,331	2,107,132	692	135,473	0	93,966	93,966	0
<i>Total Business-Type Activities</i>	<u>3,729,520</u>	<u>3,736,571</u>	<u>1,384</u>	<u>135,473</u>	<u>0</u>	<u>143,908</u>	<u>143,908</u>	<u>0</u>
<i>Total Primary Government</i>	<u>\$ 14,216,740</u>	<u>\$ 5,707,488</u>	<u>\$ 758,442</u>	<u>\$ 186,294</u>	<u>(7,708,424)</u>	<u>143,908</u>	<u>(7,564,516)</u>	<u>0</u>
Component Unit								
Berger Health System	<u>\$ 79,726,267</u>	<u>\$ 73,216,995</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(6,509,272)</u>
General Revenues:								
Property Taxes Levied for:								
General Purposes					714,792	0	714,792	0
Police, Fire and Community Operations					112,071	0	112,071	0
Income Taxes Levied for:								
General Purposes					2,243,457	0	2,243,457	0
Police, Fire and Community Operations					1,946,255	0	1,946,255	0
Capital Projects					1,070,421	0	1,070,421	0
Debt Service					45,757	0	45,757	0
Other Taxes					103,845	0	103,845	0
Grants and Entitlements not Restricted to Specific Programs					451,055	0	451,055	0
Unrestricted Contributions					12,337	0	12,337	0
Investment Earnings					101,256	0	101,256	105,325
Miscellaneous					142,767	134,336	277,103	5,158,928
<i>Total General Revenues</i>					<u>6,944,013</u>	<u>134,336</u>	<u>7,078,349</u>	<u>5,264,253</u>
<i>Change in Net Position</i>					<u>(764,411)</u>	<u>278,244</u>	<u>(486,167)</u>	<u>(1,245,019)</u>
<i>Net Position Beginning of Year</i>					<u>26,495,792</u>	<u>23,144,655</u>	<u>49,640,447</u>	<u>57,562,413</u>
<i>Net Position End of Year</i>					<u>\$ 25,731,381</u>	<u>\$ 23,422,899</u>	<u>\$ 49,154,280</u>	<u>\$ 56,317,394</u>

See accompanying notes and accountant's compilation report.

City of Circleville
Pickaway County, Ohio
Balance Sheet
Governmental Funds
December 31, 2014

	General	Income Tax Fund	Safety Forces Tax Fund	General Obligation Bond Retirement Fund	Capital Improvement Fund	All Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Investments	\$ 808,476	\$ 9,222	\$ 540,757	\$ 11,595	\$ 1,283,443	\$ 1,418,420	\$ 4,071,913
Cash and Investments in Segregated Accounts	0	0	0	0	16,109	0	16,109
Cash and Investments with Fiscal Agents	0	0	0	34,831	0	0	34,831
Cash and Investments with Escrow Agents	0	0	0	0	166,436	0	166,436
Accounts Receivable	87,412	0	0	0	0	17,354	104,766
Accrued Interest Receivable	13,995	0	0	0	0	246	14,241
Intergovernmental Receivable	261,400	0	0	0	0	317,205	578,605
Property Taxes Receivable	686,430	0	0	0	0	120,878	807,308
Income Taxes Receivable	804,384	57,144	684,830	212,858	131,878	0	1,891,094
Loans Receivable	0	0	0	0	0	347	347
Prepaid Items	10,901	0	21,646	0	11,417	2,811	46,775
Materials and Supplies Inventory	11,984	0	0	0	0	107,278	119,262
<i>Total Assets</i>	<u>\$ 2,684,982</u>	<u>\$ 66,366</u>	<u>\$ 1,247,233</u>	<u>\$ 259,284</u>	<u>\$ 1,609,283</u>	<u>\$ 1,984,539</u>	<u>\$ 7,851,687</u>
Liabilities							
Accounts Payable	\$ 15,672	\$ 0	\$ 29,363	\$ 0	\$ 41,121	\$ 48,191	\$ 134,347
Accrued Wages	87,662	580	28,811	0	0	11,869	128,922
Contracts Payable	0	0	0	0	23,070	0	23,070
Retainage Payable	0	0	0	0	16,109	0	16,109
Intergovernmental Payable	62,983	772	88,387	0	0	15,332	167,474
Matured Interest Payable	0	0	0	14,831	0	0	14,831
Matured Bonds Payable	0	0	0	20,000	0	0	20,000
Accrued Interest Payable	0	0	0	0	4,224	0	4,224
Notes Payable	0	0	0	0	1,994,000	0	1,994,000
<i>Total Liabilities</i>	<u>166,317</u>	<u>1,352</u>	<u>146,561</u>	<u>34,831</u>	<u>2,078,524</u>	<u>75,392</u>	<u>2,502,977</u>
Deferred Inflows of Resources							
Property Taxes Levied for the Next Year	649,309	0	0	0	0	114,327	763,636
Unavailable Revenue	983,070	44,181	541,523	174,784	77,784	288,043	2,109,385
<i>Total Deferred Inflows of Resources</i>	<u>1,632,379</u>	<u>44,181</u>	<u>541,523</u>	<u>174,784</u>	<u>77,784</u>	<u>402,370</u>	<u>2,873,021</u>
Fund Balances							
Nonspendable	22,885	0	21,646	0	11,417	110,089	166,037
Restricted	0	0	0	0	0	1,247,760	1,247,760
Committed	82,110	20,833	537,503	49,669	0	148,928	839,043
Assigned	665,353	0	0	0	0	0	665,353
Unassigned	115,938	0	0	0	(558,442)	0	(442,504)
<i>Total Fund Balances</i>	<u>886,286</u>	<u>20,833</u>	<u>559,149</u>	<u>49,669</u>	<u>(547,025)</u>	<u>1,506,777</u>	<u>2,475,689</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 2,684,982</u>	<u>\$ 66,366</u>	<u>\$ 1,247,233</u>	<u>\$ 259,284</u>	<u>\$ 1,609,283</u>	<u>\$ 1,984,539</u>	<u>\$ 7,851,687</u>

See accompanying notes and accountant's compilation report.

City of Circleville
Pickaway County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2014

Total Governmental Fund Balances		\$ 2,475,689
 <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.		23,875,472
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Delinquent Property Taxes	\$ 43,672	
Income Tax	1,471,488	
Intergovernmental	482,392	
Investment Earnings	7,525	
Charges for Services	<u>104,308</u>	
Total		2,109,385
Accrued interest payable is not due and payable in the current period and therefore not reported in the funds.		(4,229)
Unamortized gain/loss on refunding represents deferred outflows, which do not provide current financial resources and, therefore, are not reported in the funds.		23,275
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(1,830,000)	
Bond Premium	(45,017)	
Capital Leases	(367,603)	
Compensated Absences	<u>(505,591)</u>	
Total		<u>(2,748,211)</u>
<i>Net Position of Governmental Activities</i>		<u><u>\$ 25,731,381</u></u>

See accompanying notes and accountant's compilation report.

City of Circleville
Pickaway County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2014

	General	Income Tax Fund	Safety Forces Tax Fund	General Obligation Bond Retirement Fund	Capital Improvement Fund	All Other Governmental Funds	Total Governmental Funds
Revenues							
Property Taxes	\$ 738,957	\$ 0	\$ 0	\$ 0	\$ 0	\$ 116,335	\$ 855,292
Income Taxes	1,961,454	176,924	1,874,440	915	1,134,320	0	5,148,053
Other Local Taxes	103,845	0	0	0	0	0	103,845
Charges for Services	371,479	0	435,414	0	0	32,130	839,023
Licenses and Permits	87,564	0	0	0	0	53,068	140,632
Fines and Forfeitures	523,027	0	0	0	0	437,766	960,793
Intergovernmental	502,099	0	0	0	0	899,801	1,401,900
Interest	103,731	0	0	1,174	0	8,302	113,207
Contributions and Donations	12,337	0	120	0	0	29,012	41,469
Other	75,867	277	20,408	12,795	10,648	10,406	130,401
<i>Total Revenues</i>	<u>4,480,360</u>	<u>177,201</u>	<u>2,330,382</u>	<u>14,884</u>	<u>1,144,968</u>	<u>1,586,820</u>	<u>9,734,615</u>
Expenditures							
Current:							
General Government	2,022,326	187,850	0	0	0	532,835	2,743,011
Security of Persons and Property	2,052,808	0	2,364,655	0	0	143,496	4,560,959
Public Health	185,164	0	0	0	0	0	185,164
Leisure Time Services	124,409	0	0	0	0	79	124,488
Community Development	7,104	0	0	0	0	143,717	150,821
Transportation	284,548	0	0	0	0	723,614	1,008,162
Capital Outlay	0	0	0	0	1,252,663	29,212	1,281,875
Debt Service:							
Principal Retirement	2,246	0	0	830,000	70,751	37,771	940,768
Interest and Fiscal Charges	725	0	0	72,320	27,324	5,317	105,686
Bond Issuance Costs	0	0	0	12,198	0	0	12,198
<i>Total Expenditures</i>	<u>4,679,330</u>	<u>187,850</u>	<u>2,364,655</u>	<u>914,518</u>	<u>1,350,738</u>	<u>1,616,041</u>	<u>11,113,132</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(198,970)</u>	<u>(10,649)</u>	<u>(34,273)</u>	<u>(899,634)</u>	<u>(205,770)</u>	<u>(29,221)</u>	<u>(1,378,517)</u>
Other Financing Sources (Uses)							
Inception of Capital Lease	0	0	0	0	166,436	0	166,436
Premium on Debt Issuance	0	0	0	12,821	0	0	12,821
Transfers In	0	0	0	0	318,640	0	318,640
Transfers Out	0	0	0	(318,640)	0	0	(318,640)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(305,819)</u>	<u>485,076</u>	<u>0</u>	<u>179,257</u>
<i>Net Change in Fund Balance</i>	<u>(198,970)</u>	<u>(10,649)</u>	<u>(34,273)</u>	<u>(1,205,453)</u>	<u>279,306</u>	<u>(29,221)</u>	<u>(1,199,260)</u>
<i>Fund Balance Beginning of Year</i>	<u>1,085,256</u>	<u>31,482</u>	<u>593,422</u>	<u>1,255,122</u>	<u>(826,331)</u>	<u>1,535,998</u>	<u>3,674,949</u>
<i>Fund Balance End of Year</i>	<u>\$ 886,286</u>	<u>\$ 20,833</u>	<u>\$ 559,149</u>	<u>\$ 49,669</u>	<u>\$ (547,025)</u>	<u>\$ 1,506,777</u>	<u>\$ 2,475,689</u>

See accompanying notes and accountant's compilation report.

City of Circleville
Pickaway County, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2014*

Net Change in Fund Balances - Total Governmental Funds \$ (1,199,260)

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

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

Capital Asset Additions	\$ 1,179,754	
Current Year Depreciation	<u>(1,366,621)</u>	(186,867)

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. (34,934)

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

Delinquent Property Taxes	(28,429)	
Income Tax	157,836	
Intergovernmental	(229,642)	
Charges for Services	30,350	
Investment Earnings	<u>(5,563)</u>	(75,448)

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	830,000	
Capital Lease	<u>110,768</u>	940,768

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

Accrued Interest Payable	972	
Amortization of Premium on Bonds	6,390	
Amortization of Deferred Charges on Refunding	<u>(3,879)</u>	3,483

Inception of capital lease in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues. (166,436)

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>(45,717)</u>
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Change in Net Position of Governmental Activities \$ (764,411)

See accompanying notes and accountant's compilation report.

City of Circleville
Pickaway County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Property Taxes	\$ 740,400	\$ 740,400	\$ 738,957	\$ (1,443)
Income Taxes	1,780,022	1,780,022	1,930,160	150,138
Other Local Taxes	102,000	102,000	103,845	1,845
Charges for Services	359,895	359,895	371,479	11,584
Licenses and Permits	102,400	102,400	105,870	3,470
Fines and Forfeitures	563,000	563,000	531,277	(31,723)
Intergovernmental	486,087	512,837	508,322	(4,515)
Interest	70,180	70,180	67,240	(2,940)
Contributions and Donations	0	0	12,337	12,337
Other	3,000	3,000	75,409	72,409
<i>Total Revenues</i>	4,206,984	4,233,734	4,444,896	211,162
Expenditures				
Current:				
General Government	2,250,208	2,268,364	2,081,450	186,914
Security of Persons and Property				
Police	1,388,393	1,389,388	1,364,241	25,147
Fire	729,029	729,520	673,091	56,429
Other	94,752	94,819	92,273	2,546
Public Health	183,664	186,800	185,914	886
Leisure Time Services				
Parks and Recreation	78,261	78,317	77,373	944
Swimming Pool	30,000	30,012	16,725	13,287
Other	30,000	30,020	27,445	2,575
Community Development	14,000	14,009	11,720	2,289
Transportation	317,400	322,622	304,128	18,494
<i>Total Expenditures</i>	5,115,707	5,143,871	4,834,360	309,511
<i>Excess of Revenues Over (Under) Expenditures</i>	(908,723)	(910,137)	(389,464)	520,673
Other Financing Sources (Uses)				
Transfers Out	(30,000)	(30,000)	(30,000)	0
<i>Net Change in Fund Balance</i>	(938,723)	(940,137)	(419,464)	520,673
<i>Fund Balance Beginning of Year</i>	964,776	964,776	964,776	0
Prior Year Encumbrances Appropriated	84,764	84,764	84,764	0
<i>Fund Balance End of Year</i>	\$ 110,817	\$ 109,403	\$ 630,076	\$ 520,673

See accompanying notes and accountant's compilation report.

City of Circleville
Pickaway County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Income Tax Fund
For the Year Ended December 31, 2014

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Income Taxes	\$ 182,329	\$ 182,329	\$ 177,830	\$ (4,499)
Other	0	0	277	277
<i>Total Revenues</i>	<u>182,329</u>	<u>182,329</u>	<u>178,107</u>	<u>(4,222)</u>
Expenditures				
Current:				
General Government	182,499	189,999	187,409	2,590
<i>Net Change in Fund Balance</i>	(170)	(7,670)	(9,302)	(1,632)
<i>Fund Balance Beginning of Year</i>	18,118	18,118	18,118	0
Prior Year Encumbrances Appropriated	170	170	170	0
<i>Fund Balance End of Year</i>	<u>\$ 18,118</u>	<u>\$ 10,618</u>	<u>\$ 8,986</u>	<u>\$ (1,632)</u>

See accompanying notes and accountant's compilation report.

City of Circleville
Pickaway County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Safety Forces Fund
For the Year Ended December 31, 2014

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Income Taxes	\$ 1,732,230	\$ 1,732,230	\$ 1,882,081	\$ 149,851
Charges for Services	439,500	439,500	435,414	(4,086)
Contributions and Donations	0	0	120	120
Other	1,200	2,969	20,408	17,439
<i>Total Revenues</i>	<u>2,172,930</u>	<u>2,174,699</u>	<u>2,338,023</u>	<u>163,324</u>
Expenditures				
Current:				
Security of Persons and Property				
Police	1,304,567	1,307,775	1,206,863	100,912
Fire	1,251,106	1,252,418	1,100,910	151,508
Other	52,633	49,882	34,340	15,542
<i>Total Expenditures</i>	<u>2,608,306</u>	<u>2,610,075</u>	<u>2,342,113</u>	<u>267,962</u>
<i>Net Change in Fund Balance</i>	(435,376)	(435,376)	(4,090)	431,286
<i>Fund Balance Beginning of Year</i>	424,375	424,375	424,375	0
Prior Year Encumbrances Appropriated	<u>113,814</u>	<u>113,814</u>	<u>113,814</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 102,813</u>	<u>\$ 102,813</u>	<u>\$ 534,099</u>	<u>\$ 431,286</u>

See accompanying notes and accountant's compilation report.

City of Circleville
Pickaway County, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2014

	Enterprise Funds		
	Waterworks Operating	Sanitary Sewer Operating	Total
Assets			
<i>Current Assets:</i>			
Equity in Pooled Cash and Investments	\$ 3,285,392	\$ 2,189,511	\$ 5,474,903
Cash and Investments in Segregated Accounts	0	6,573	6,573
Accounts Receivable	239,309	340,075	579,384
Intergovernmental Receivable	0	135,473	135,473
Prepaid Items	14,759	7,327	22,086
Materials and Supplies Inventory	82,198	16,759	98,957
<i>Total Current Assets</i>	<u>3,621,658</u>	<u>2,695,718</u>	<u>6,317,376</u>
<i>Non-Current Assets:</i>			
<i>Restricted Assets:</i>			
Equity in Pooled Cash and Investments	44,923	44,923	89,846
Non-Depreciable Capital Assets	345,571	578,276	923,847
Depreciable Capital Assets, Net	7,769,746	11,766,207	19,535,953
<i>Total Non-Current Assets</i>	<u>8,160,240</u>	<u>12,389,406</u>	<u>20,549,646</u>
<i>Total Assets</i>	<u>11,781,898</u>	<u>15,085,124</u>	<u>26,867,022</u>
Liabilities			
<i>Current Liabilities:</i>			
Accounts Payable	28,142	22,297	50,439
Accrued Wages	18,734	18,937	37,671
Contracts Payable	49,900	176,849	226,749
Retainage Payable	0	6,573	6,573
Intergovernmental Payable	18,024	24,665	42,689
Accrued Interest Payable	3,512	4,747	8,259
Compensated Absences Payable	27,706	39,161	66,867
Capital Leases Payable	27,845	27,845	55,690
OWDA Loans Payable	59,706	0	59,706
General Obligation Bonds Payable	55,000	80,000	135,000
Refundable Deposits	44,923	44,923	89,846
<i>Total Current Liabilities</i>	<u>333,492</u>	<u>445,997</u>	<u>779,489</u>
<i>Long-Term Liabilities:</i>			
Compensated Absences Payable - Net of Current Portion	55,620	59,176	114,796
Capital Leases Payable - Net of Current Portion	77,716	77,714	155,430
OWDA Loans Payable - Net of Current Portion	189,408	0	189,408
General Obligation Bonds Payable - Net of Current Portion	940,000	1,265,000	2,205,000
<i>Total Long-Term Liabilities</i>	<u>1,262,744</u>	<u>1,401,890</u>	<u>2,664,634</u>
<i>Total Liabilities</i>	<u>1,596,236</u>	<u>1,847,887</u>	<u>3,444,123</u>
Net Position			
Net Investment in Capital Assets	6,715,742	10,710,502	17,426,244
Unrestricted	3,469,920	2,526,735	5,996,655
<i>Total Net Position</i>	<u>\$ 10,185,662</u>	<u>\$ 13,237,237</u>	<u>23,422,899</u>

See accompanying notes and accountant's compilation report.

City of Circleville
Pickaway County, Ohio
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2014

	Enterprise Funds		
	Waterworks Operating	Sanitary Sewer Operating	Totals
Operating Revenues			
Charges for Services	\$ 1,629,439	\$ 2,107,132	\$ 3,736,571
Operating Expenses			
Personal Services	491,395	693,916	1,185,311
Fringe Benefits	219,463	327,238	546,701
Contractual Services	481,124	559,800	1,040,924
Materials and Supplies	21,323	80,492	101,815
Depreciation	293,964	419,211	713,175
Other	1,418	5,009	6,427
<i>Total Operating Expenses</i>	<u>1,508,687</u>	<u>2,085,666</u>	<u>3,594,353</u>
<i>Operating Income (Loss)</i>	<u>120,752</u>	<u>21,466</u>	<u>142,218</u>
Non-Operating Revenues (Expense)			
Operating Grants	692	692	1,384
Loss on Disposal of Capital Assets	(19,099)	(1,660)	(20,759)
Other Non-Operating Revenues	116,896	17,440	134,336
Interest and Fiscal Charges	(52,403)	(62,005)	(114,408)
<i>Total Non-Operating Revenues (Expense)</i>	<u>46,086</u>	<u>(45,533)</u>	<u>553</u>
<i>Income (Loss) Before Capital Contributions</i>	166,838	(24,067)	142,771
Capital Contributions	<u>0</u>	<u>135,473</u>	<u>135,473</u>
<i>Change in Net Position</i>	166,838	111,406	142,771
<i>Net Position Beginning of Year</i>	<u>10,018,824</u>	<u>13,125,831</u>	<u>23,144,655</u>
<i>Net Position End of Year</i>	<u>\$ 10,185,662</u>	<u>\$ 13,237,237</u>	<u>\$ 23,287,426</u>

See accompanying notes and accountant's compilation report.

City of Circleville
Pickaway County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2014

	Enterprise Funds		
	Waterworks Operating	Sanitary Sewer Operating	Totals
Cash Flows from Operating Activities			
Cash Received from Customers	\$ 1,635,148	\$ 2,111,713	\$ 3,746,861
Cash Payments to Suppliers for Goods and Services	(96,358)	(83,923)	(180,281)
Cash Payments to Employees for Services and Benefits	(697,528)	(1,034,213)	(1,731,741)
Cash Payments for Contractual Services	(507,809)	(550,130)	(1,057,939)
Other Cash Payments	(1,418)	(5,009)	(6,427)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>332,035</u>	<u>438,438</u>	<u>770,473</u>
Cash Flows from Noncapital Financing Activities			
Intergovernmental Revenue	692	692	1,384
Other Non-Operating Receipts	116,896	17,440	134,336
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	<u>117,588</u>	<u>18,132</u>	<u>135,720</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition of Capital Assets	(413,171)	(727,805)	(1,140,976)
Principal Payments on Debt	(118,098)	(87,163)	(205,261)
Interest Payments on Debt	(55,744)	(62,192)	(117,936)
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(587,013)</u>	<u>(877,160)</u>	<u>(1,464,173)</u>
<i>Net Increase (Decrease) in Cash and Cash Investments</i>	(137,390)	(420,590)	(557,980)
<i>Cash and Investments Beginning of Year</i>	<u>3,467,705</u>	<u>2,661,597</u>	<u>6,129,302</u>
<i>Cash and Investments End of Year</i>	<u>\$ 3,330,315</u>	<u>\$ 2,241,007</u>	<u>\$ 5,571,322</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities			
Operating Income (Loss)	\$ 120,752	\$ 21,466	\$ 142,218
Adjustments:			
Depreciation	293,964	419,211	713,175
(Increase) Decrease in Assets:			
Accounts Receivable	8,449	7,321	15,770
Prepaid Items	657	(404)	253
Materials and Supplies Inventory	(67,362)	(162)	(67,524)
Increase (Decrease) in Liabilities:			
Accounts Payable	(32,765)	9,064	(23,701)
Accrued Wages	4,888	(562)	4,326
Refundable Deposits	(2,740)	(2,740)	(5,480)
Compensated Absences Payable	12,917	2,705	15,622
Intergovernmental Payable	(6,725)	(17,461)	(24,186)
<i>Net Cash Provided by (Used For) Operating Activities</i>	<u>\$ 332,035</u>	<u>\$ 438,438</u>	<u>\$ 770,473</u>

Noncash Capital Financing Activities:

During 2014, OWDA decreased the principal balance of the City's loan by \$3,185.
The City has capitalized \$161,642 of assets that have been obtained on credit.

See accompanying notes and accountant's compilation report.

City of Circleville
Pickaway County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2014

	Private Purpose Trust	Agency Funds
Assets		
Equity in Pooled Cash and Investments	\$ 1,507	\$ 19,171
Cash and Investments in Segregated Accounts	10,000	68,359
<i>Total Assets</i>	11,507	\$ 87,530
Liabilities		
Intergovernmental Payable	0	\$ 3,731
Undistributed Monies	0	83,799
<i>Total Liabilities</i>	0	\$ 87,530
Net Position		
Held in Trust for Private Purposes	\$ 11,507	

See accompanying notes and accountant's compilation report.

City of Circleville
Pickaway County, Ohio
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Year Ended December 31, 2014

	Private Purpose Trust
Additions	
Interest	\$ 135
Deductions	
Payments in Accordance with Trust Agreements	600
<i>Change in Net Position</i>	(465)
<i>Net Position Beginning of Year</i>	11,972
<i>Net Position End of Year</i>	\$ 11,507

See accompanying notes and accountant's compilation report.

City of Circleville
Pickaway County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2014

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 one organization which is defined as a jointly governed organization. This organization is the Pickaway Progress Partnership and is presented in Note 18 to the Basic Financial Statements.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization’s governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization’s resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the organization’s budget, the issuance of its debt or the levying of its taxes.

The component unit column in the government-wide financial statements identifies the financial data of the City’s discretely presented component unit, Berger Health System. Berger Health System is reported separately to emphasize that it is legally separate from the City.

City of Circleville
Pickaway County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2014

Berger Health System

Berger Health System (the “System”) is operated by a Board of Governors pursuant to an agreement between the City of Circleville and Pickaway County. Four members of the Board of Governors are appointed by the Board of County Commissioners of Pickaway County and four members are appointed by the Mayor with the consent of City Council. The Mayor is the ninth and final member of the Board of Governors and serves as Chairman.

The City is obligated for the bonded debt of the System. The City issued the bonds on behalf of the System, who is repaying the City for the bonds through a loan agreement. The bond agreement is between the City and the original purchasers. The System is presented as a component unit of the City based on the extension of the City’s full faith and credit. The System operates on a fiscal year ending December 31. Separately issued financial statements can be obtained from Berger Health System, 600 North Pickaway Street, Circleville, Ohio 43113.

The information in Notes 2 through 20 relate to the primary government. Information related to the discretely presented component unit is presented in Note 21.

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.

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.

City of Circleville
Pickaway County, Ohio

Notes To The Basic Financial Statements
For the Year Ended December 31, 2014

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

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

B. Fund Accounting

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

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

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

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

City of Circleville
Pickaway County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2014

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

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

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

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

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

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

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

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

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.

City of Circleville
Pickaway County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2014

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

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

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

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

D. Basis of Accounting

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

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

City of Circleville
Pickaway County, Ohio

Notes To The Basic Financial Statements
For the Year Ended December 31, 2014

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

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

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of assets by the City that is applicable to a future reporting period. A deferred outflow of resources is a consumption of assets by the City that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of December 31, 2014, but which were levied to finance 2015 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows of resources. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at December 31, 2014, are recorded as deferred inflows of resources in governmental funds.

On governmental fund financial statements receivables that will not be collected within the available period have been reported as a deferred inflow of resources.

On the accrual basis of accounting, unamortized deferred charges on debt refunding are reported as a deferred outflow of resources. 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.

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.

City of Circleville
Pickaway County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2014

E. Cash and Investments

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

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

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

Interest income is distributed to the funds according to Ohio constitutional and statutory requirements. Interest revenue credited to the general fund during 2014 amounted to \$103,731, which includes \$81,991 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 expensed/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, 2014, 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.

City of Circleville
Pickaway County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2014

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 fair market values on the date donated. The City maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed.

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

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

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

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.

City of Circleville
Pickaway County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2014

K. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the enterprise funds are reported on the enterprise funds' 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, compensated absences that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds and capital leases are recognized as liabilities on the governmental fund financial statements when due.

L. 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.

M. Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing 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. Net position restricted for other purposes include funds for the operation of recreational activities and the improvement of the living environment of the City. The government-wide statement of net position reports \$1,589,641 of restricted net position, of which \$50,342 is restricted by enabling legislation.

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

N. 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:

City of Circleville
Pickaway County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2014

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.

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.

O. 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.

City of Circleville
Pickaway County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2014

P. 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.

Q. 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 2014.

R. Estimates

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

S. Budgetary Process

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

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

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Notes To The Basic Financial Statements
For the Year Ended December 31, 2014

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.

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

U. Implementation of New Accounting Principles

For the year ended December 31, 2014, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 69, *Government Combinations and Disposals of Government Operations* and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

GASB Statement No. 69 addresses accounting and financial reporting for government combinations (including mergers, acquisitions and transfers of operations) and disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the City.

GASB Statement No. 70 improves comparability of financial statements by requiring consistent reporting and specifying information required to be disclosed for extending and receiving nonexchange financial guarantees. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the City.

V. Accountability and Compliance – Fund Deficit

The fund deficit at December 31, 2014 of \$547,025 in the Capital Improvement Fund arose from the recognition of expenditures on the modified accrual basis that are greater than expenditures recognized on the budgetary/cash basis. Deficits do not exist under the budgetary/cash basis of accounting. Transfers are provided when cash is required, not when accruals occur.

NOTE 3: BUDGETARY BASIS OF ACCOUNTING

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

**City of Circleville
Pickaway County, Ohio**

*Notes To The Basic Financial Statements
For the Year Ended December 31, 2014*

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

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

	General Fund	Income Tax Fund	Safety Forces Tax Fund
GAAP Basis	\$ (198,970)	\$ (10,649)	\$ (34,273)
Net Adjustment for Revenue Accruals	(35,168)	906	7,641
Net Adjustment for Expenditure Accruals	(101,818)	677	29,200
Encumbrances	(53,212)	(236)	(6,658)
Funds Budgeted Elsewhere *	(30,296)	0	0
Budget Basis	\$ (419,464)	\$ (9,302)	\$ (4,090)

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

NOTE 4: DEPOSITS AND INVESTMENTS

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

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

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

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Notes To The Basic Financial Statements
For the Year Ended December 31, 2014

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Time certificates of deposit or savings or deposit accounts, including but not limited to passbook accounts;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio and STAR Plus); and
7. Commercial paper and bankers' acceptances if training requirements have been met.

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;

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For the Year Ended December 31, 2014

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.

Investments

Investments: As of December 31, 2014, the City had the following investments:

Investment	Fair Value	Investment Maturity		Total Investments
		1 to 4 Years	4 to 6 Years	
Federal Home Loan Bank Bonds	\$ 1,563,234	\$ 964,644	\$ 598,590	29.52%
Federal National Mortgage Association Notes	999,820	0	999,820	18.88%
Federal Farm Credit Bank Consolidation System Bonds	992,320	0	992,320	18.74%
Negotiable Certificates of Deposit	1,740,959	248,103	1,492,856	32.86%
	<u>\$ 5,296,333</u>	<u>\$1,212,747</u>	<u>\$4,083,586</u>	<u>100.00%</u>

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. All federal agency bonds and notes had a rating of AA+ from Standard & Poor's.

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.

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For the Year Ended December 31, 2014

NOTE 5: RECEIVABLES

Receivables at December 31, 2014, consisted of accrued interest, accounts for weed and litter assessments, billed charges for utilities, intergovernmental receivables arising from grants, entitlements or shared revenues, taxes, and loans. 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.

The City entered into a loan agreement with Berger Health System, in which Berger Health System is repaying the City for the bonds issued by the City on behalf of Berger Health System. The loan agreement is for the \$2,000,000 principal amount of bonds and the related interest. This loans receivable was paid in full at December 31, 2014. The City also had loans receivable related to program housing. At December 31, 2014, the balance of these loans was \$347, all of which is considered to be due within one year.

NOTE 6: MUNICIPAL INCOME TAX

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

Income tax proceeds are to be used to pay the cost of administering the tax, General Fund operations, capital improvements, debt service and other governmental functions when needed, as determined by Council. In 2014, the proceeds were allocated to the General Fund, the Income Tax Fund, the Safety Forces Tax Fund, the General Obligation Bond Retirement 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 2014 for real and public utility property taxes represents collections of the 2013 taxes.

2014 real property taxes were levied after October 1, 2014 on the assessed value as of January 1, 2014, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2014 real property taxes are collected in and intended to finance 2015.

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.

City of Circleville
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Notes To The Basic Financial Statements
For the Year Ended December 31, 2014

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. 2014 public utility property taxes which became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2014, was \$4.00 per \$1,000 of assessed valuation. The assessed values of real property and public utility tangible property upon which 2014 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
<i>Real Property</i>	
Agricultural/Residential	\$ 149,925,930
Commerical/Industrial/Mineral	50,372,410
Public Utility Real	80,380
<i>Tangible Personal Property</i>	
Public Utility	10,078,440
Total Assessed Value	\$ 210,457,160

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, 2014, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2014 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, 2014

NOTE 8: CAPITAL ASSETS

A summary of changes in capital assets during 2014 follows:

	<u>Balance</u> <u>12/31/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2014</u>
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 1,156,910	\$ 0	\$ 0	\$ 1,156,910
Construction in Progress	884,102	861,489	(1,132,820)	612,771
<i>Total Capital Assets, Not Being Depreciated</i>	<u>2,041,012</u>	<u>861,489</u>	<u>(1,132,820)</u>	<u>1,769,681</u>
<i>Capital Assets, Being Depreciated:</i>				
Land Improvements	1,260,849	22,385	0	1,283,234
Buildings and Improvements	8,397,644	40,150	0	8,437,794
Machinery and Equipment	2,224,867	69,333	(161,420)	2,132,780
Vehicles	2,030,479	0	0	2,030,479
Infrastructure	35,891,499	1,319,217	(46,243)	37,164,473
<i>Total Capital Assets, Being Depreciated</i>	<u>49,805,338</u>	<u>1,451,085</u>	<u>(207,663)</u>	<u>51,048,760</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(942,920)	(34,072)	0	(976,992)
Buildings and Improvements	(3,569,866)	(195,200)	0	(3,765,066)
Machinery and Equipment	(1,258,963)	(137,225)	126,486	(1,269,702)
Vehicles	(1,621,418)	(102,851)	0	(1,724,269)
Infrastructure	(20,355,910)	(897,273)	46,243	(21,206,940)
<i>Total Accumulated Depreciation</i>	<u>(27,749,077)</u>	<u>(1,366,621)</u>	<u>172,729</u>	<u>(28,942,969)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>22,056,261</u>	<u>84,464</u>	<u>(34,934)</u>	<u>22,105,791</u>
<i>Total Governmental Activities Capital Assets, Net</i>	<u>\$24,097,273</u>	<u>\$ 945,953</u>	<u>\$ (1,167,754)</u>	<u>\$23,875,472</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 127,416
Security of Persons and Property	203,134
Transportation	949,321
Community Development	1,055
Leisure Time Services	85,695
Total Depreciation Expense	<u>\$ 1,366,621</u>

City of Circleville
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Notes To The Basic Financial Statements
For the Year Ended December 31, 2014

	Balance 12/31/2013	Additions	Deletions	Balance 12/31/2014
Business-Type Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 149,180	\$ 0	\$ 0	\$ 149,180
Construction in Progress	853,243	1,113,711	(1,192,287)	774,667
<i>Total Capital Assets, Not Being Depreciated</i>	<u>1,002,423</u>	<u>1,113,711</u>	<u>(1,192,287)</u>	<u>923,847</u>
<i>Capital Assets, Being Depreciated:</i>				
Land Improvements	333,039	0	0	333,039
Buildings and Improvements	13,425,567	165,068	(17,349)	13,573,286
Machinery and Equipment	609,120	318,161	(32,935)	894,346
Vehicles	492,367	0	0	492,367
Infrastructure	20,609,266	897,965	(8,835)	21,498,396
<i>Total Capital Assets, Being Depreciated</i>	<u>35,469,359</u>	<u>1,381,194</u>	<u>(59,119)</u>	<u>36,791,434</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(323,006)	(771)	0	(323,777)
Buildings and Improvements	(8,951,563)	(323,275)	3,424	(9,271,414)
Machinery and Equipment	(478,466)	(50,982)	29,617	(499,831)
Vehicles	(181,227)	(31,277)	0	(212,504)
Infrastructure	(6,646,404)	(306,870)	(5,319)	(6,958,593)
<i>Total Accumulated Depreciation</i>	<u>(16,580,666)</u>	<u>(713,175)</u>	<u>27,722</u>	<u>(17,266,119)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>18,888,693</u>	<u>668,019</u>	<u>(31,397)</u>	<u>19,525,315</u>
<i>Total Business-Type Activities Capital Assets, Net</i>	<u>\$19,891,116</u>	<u>\$1,781,730</u>	<u>\$(1,223,684)</u>	<u>\$20,449,162</u>

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City of Circleville
Pickaway County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 9: LONG-TERM OBLIGATIONS

Changes in long-term obligations of the City during the year ended December 31, 2014, were as follows:

	Balance 12/31/2013	Additions	(Reductions)	Balance 12/31/2014	Due in One Year
Governmental Activities:					
<i>General Obligation Bonds</i>					
1997 - Berger Health System Bonds \$2,000,000					
Term Bonds 4.80% - 5.40%	\$ 575,000	\$ 0	\$ (575,000)	\$ 0	\$ 0
2008 - Various Purpose Bonds \$355,000					
Term Bonds 4.125% - 4.50%	210,000	0	0	210,000	0
Serial Bonds 3.00% - 4.25%	75,000	0	(15,000)	60,000	15,000
Premium on Bonds Issues	12,519	0	(835)	11,684	0
2011 - Various Purpose Refunding Bonds \$2,475,000					
Serial Bonds 2.00% - 3.00%	1,800,000	0	(240,000)	1,560,000	245,000
Premium on Bonds Issues	38,888	0	(5,555)	33,333	0
Compensated Absences	459,874	289,332	(243,615)	505,591	225,551
Capital Leases	311,935	166,436	(110,768)	367,603	136,655
<i>Total Governmental Activities</i>	<u>\$ 3,483,216</u>	<u>\$ 455,768</u>	<u>\$ (1,190,773)</u>	<u>\$ 2,748,211</u>	<u>\$ 622,206</u>
Business-Type Activities:					
<i>General Obligation Bonds</i>					
2008 - Various Purpose Bonds \$3,005,000					
Term Bonds 4.125% - 4.50%	\$ 1,800,000	\$ 0	\$ 0	\$ 1,800,000	\$ 0
Serial Bonds 3.00% - 4.25%	650,000	0	(110,000)	540,000	135,000
OWDA Water Treatment Plant Loan - 2.80%	\$ 293,233	0	(44,119)	249,114	59,706
Compensated Absences	166,040	96,250	(80,627)	181,663	66,867
Capital Leases	265,447	0	(54,327)	211,120	55,690
<i>Total Business-Type Activities</i>	<u>\$ 3,174,720</u>	<u>\$ 96,250</u>	<u>\$ (289,073)</u>	<u>\$ 2,981,897</u>	<u>\$ 317,263</u>

General Obligation Bonds

Berger Health System Bonds

On July 15, 1997, the City of Circleville issued \$2,000,000 in general obligation bonds for the purpose of constructing and equipping a building addition to provide maternity services at Berger Health System. The bonds were issued for a 20 year period with final maturity on December 1, 2017. This was paid in full during 2014.

City of Circleville
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Notes To The Basic Financial Statements
For the Year Ended December 31, 2014

2008 Various Purpose Bonds

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

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

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

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

City of Circleville
Pickaway County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2014

2011 Various Purpose Refunding Bonds

On August 30, 2011, the City issued \$2,475,000 in general obligation bonds for the purpose of financing a current refunding of the remaining balances on the Capital Facilities Improvement Safety Services Building Bonds and the Capital Facilities Improvement City Services Building Bonds. The difference between the amount of the refunding bond issue and the total of the outstanding principal on the debt issue refunded was used to pay for issuance costs, interest due at the time of refunding, and the amount paid to the escrow agent above the principal outstanding. The refunding resulted in a difference of \$38,791 between the net carrying amount of the old bonded debt and the acquisition price. This difference, reported in the accompanying financial statements as deferred outflows of resources – deferred charges on refunding, is being amortized to interest expense over the life of the bonds using the straight-line method. The unamortized deferred outflow amount at December 31, 2014, was \$23,275.

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

2012 Ohio Water Development Authority Loan

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

2014 Ohio Public Works Commission Loan

During 2014, the City was awarded \$449,305 from OPWC for the Force Main/Lift Station Project. This is made up of a \$300,000 grant and a \$149,305 loan that matures during fiscal year 2034. The City drew down \$135,473 of this in 2014. The remaining amount will be drawn by the City when expenses are completed and approved.

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

	Governmental Activities					
	General Obligation Bonds					
	Serial Bonds		Term Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 260,000	\$ 50,743	\$ 0	\$ 0	\$ 260,000	\$ 50,743
2016	265,000	45,280	0	0	265,000	45,280
2017	270,000	39,680	0	0	270,000	39,680
2018	280,000	33,980	0	0	280,000	33,980
2019	270,000	16,350	15,000	9,043	285,000	25,393
2020-2024	275,000	8,250	100,000	33,770	375,000	42,020
2025-2028	0	0	95,000	10,937	95,000	10,937
Totals	<u>\$ 1,620,000</u>	<u>\$ 194,283</u>	<u>\$ 210,000</u>	<u>\$ 53,750</u>	<u>\$ 1,830,000</u>	<u>\$ 248,033</u>

City of Circleville
Pickaway County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2014

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

	Business-Type Activities							
	Waterworks Operating				Sewer Operating			
	General Obligation Bonds		OWDA Loan		General Obligation Bonds		Total	Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 55,000	\$ 42,149	\$ 59,706	\$ 6,560	\$ 80,000	\$ 56,957	\$ 194,706	\$ 105,666
2016	55,000	40,086	61,389	4,877	80,000	53,958	196,389	98,921
2017	60,000	37,886	63,120	3,146	75,000	50,757	198,120	91,789
2018	60,000	35,486	64,899	1,366	75,000	47,758	199,899	84,610
2019	65,000	32,936	0	0	85,000	44,570	150,000	77,506
2020-2024	355,000	122,663	0	0	480,000	166,898	835,000	289,561
2025-2028	345,000	39,288	0	0	470,000	53,575	815,000	92,863
Totals	\$ 995,000	\$ 350,494	\$ 249,114	\$ 15,949	\$ 1,345,000	\$ 474,473	\$ 2,589,114	\$ 840,916

Compensated Absences/Capital Leases

Compensated absences will be paid from the general fund, income tax fund, street construction and maintenance fund, city permissive motor vehicle fund, safety forces tax fund, municipal probation fund, waterworks operating fund and sewer operating fund. Capital leases will be paid from the general fund, street construction fund, legal research and computer maintenance fund, capital improvement fund, waterworks operating fund, and sanitary sewer operating fund.

Conduit Debt

During 2014, the City issued revenue bonds in the aggregate principal amount of \$24,000,000 for Berger Health System. The proceeds were used to retire prior obligations and to fund future capital purchases. The bonds are to be repaid by the recipient of the proceeds and do not represent an obligation of the City. There has not been, and currently is not any condition of default under the bonds or the related financing documents. The City is not obligated in any way to pay debt charges on the bonds from any of its funds, and therefore they have been excluded entirely from the City's debt presentation. Neither is the full faith and credit or taxing power of the City pledged to make repayment. The balance outstanding as of December 31, 2014, is \$23,570,000.

NOTE 10: SHORT-TERM OBLIGATIONS

The City has the following short-term obligations outstanding at December 31, 2014:

	Balance 12/31/2013	Issued	Retired	Balance 12/31/2014
<i>Bond Anticipation Notes:</i>				
2013 - Capital Facilities Bond Anticipation Notes \$2,160,000, 1.125%	\$ 2,160,000	\$ 0	\$ 2,160,000	\$ 0
2014 - Capital Facilities Bond Anticipation Notes \$1,994,000, 1.25%	0	1,994,000	0	1,994,000
	<u>\$ 2,160,000</u>	<u>\$ 1,994,000</u>	<u>\$ 2,160,000</u>	<u>\$ 1,994,000</u>

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

On October 30, 2014, the City issued a Capital Facilities Bond Anticipation Note in the amount of \$1,994,000 to retire the 2013 Capital Facilities Bond Anticipation Note. The note has an interest rate of 1.25% and is due to mature October 31, 2015. The note was issued for the purpose of paying the costs of roadway improvements for the City.

NOTE 11: CAPITAL LEASES – LESSEE DISCLOSURE

In 2014 and in prior years, the City has entered into capitalized leases for copiers, radios, and rescue equipment, an ambulance, vehicles and a telephone system. The leases meet the criteria of a capital lease and have been recorded as capital assets on the government-wide statements. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reported as general government for the general fund expenditures on the budgetary statements.

Capital assets acquired by lease were initially capitalized in the amount of \$584,417 for governmental activities and \$273,241 for business-type activities, which is equal to the present value of the minimum lease payments at the time of acquisition. Corresponding liabilities were recorded on the Statement of Net Position for governmental activities. Principal payments in 2014 totaled \$110,768 in the governmental funds and \$54,327 in the enterprise funds.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2014:

		Governmental Activities	Business-Type Activities
Year ending December 31,	2015	\$ 153,302	\$ 60,296
	2016	85,601	60,296
	2017	85,676	60,296
	2018	37,655	40,195
	2019	36,013	0
Minimum lease payments		398,247	221,083
Less: amount representing interest		(30,644)	(9,963)
Present value of net minimum lease payments		\$ 367,603	\$ 211,120

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NOTE 12: DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description – 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 in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 1-800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

For the year ended December 31, 2014, members in state and local classifications contributed 10.0 percent of covered payroll while public safety and law enforcement members contributed 12.0 percent and 13.0 percent, respectively.

The City's 2014 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 18.1 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of postemployment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 2.0 percent during calendar year 2014. The portion of employer contributions allocated to health care for members in the Combined Plan was 2.0 percent during calendar year 2014.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2014, 2013, and 2012, were \$366,111, \$414,950, and \$258,423, respectively. For 2014, 95 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012. Contributions made to the Member-Directed Plan for 2014 were \$13,100 made by the City and \$9,305 made by the plan members.

City of Circleville
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B. Ohio Police and Fire Pension Fund (OP&F)

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. 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 for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at www.op-f.org.

Funding Policy - From January 1, 2014 through July 1, 2014, plan members were required to contribute 10.75 percent of their annual covered salary. From July 2, 2014 through December 31, 2014, plan members were required to contribute 11.5 percent of their annual covered salary. Throughout 2014, employers were required to contribute 19.5 percent for police officers and 24.0 percent for firefighters. The City's contributions to OP&F for police and firefighters were \$234,523 and \$209,502 for the year ended December 31, 2014, \$155,094 and \$148,353 for the year ended December 31, 2013, and \$139,432 and \$152,563 for the year ended December 31, 2012, respectively. 97 percent for police and 98 percent for firefighters has been contributed for 2014. The full amount has been contributed for 2013 and 2012.

NOTE 13: POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan – a cost sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan, which includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 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 Postemployment Benefit (OPEB) as described in GASB Statement 45. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the 2013 stand-alone financial report referred to below.

City of Circleville
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Notes To The Basic Financial Statements
For the Year Ended December 31, 2014

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 1-800-222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, state and local employers contributed at a rate of 14.0 percent of covered payroll, 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 members do not make contributions to the OPEB Plan.

OPERS' Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan and Combined Plan was 2.0 percent during calendar year 2014. Effective January 1, 2015, the portion of employer contributions allocated to health care remains at 2.0 percent for both plans, as recommended by OPERS' actuary. The OPERS Board of Trustees 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 OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and coverage selected.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2014, 2013, and 2012 were \$56,325, \$31,919 and \$103,369, respectively. For 2014, 95 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

City of Circleville
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Notes To The Basic Financial Statements
For the Year Ended December 31, 2014

B. Ohio Police and Fire Pension Fund (OP&F)

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

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

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 healthcare 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. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at www.op-f.org.

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 Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24.0 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contribution allocated to health care was 0.5 percent of covered payroll from January 1, 2014 through December 31, 2014. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

City of Circleville
Pickaway County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2014

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$40,144 and \$28,231 for the year ended December 31, 2014, \$33,789 and \$25,356 for the year ended December 31, 2013, and \$73,817 and \$59,698 for the year ended December 31, 2012. 97 percent has been contributed for police and 98 percent has been contributed for firefighters for 2014. The full amount has been contributed for 2013 and 2012.

NOTE 14: RISK MANAGEMENT

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

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

NOTE 15: OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Insurance Benefits

For the year, the City's health insurance was provided by United Healthcare; vision insurance was provided by Vision Service Plan; dental insurance was provided by Principal Financial Services; and life and accident insurance was provided by Principal Life and Colonial Life and Accident Insurance Company.

City of Circleville
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C. Deferred Compensation

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

NOTE 16: SIGNIFICANT COMMITMENTS

A. Contractual Commitments

The City has entered into various contracts for the construction and acquisition of capital assets. At December 31, 2014, the City had the following outstanding contractual commitments:

Project	Contract Amount	Expended	Outstanding Commitment
Hargus Creek Sanitary Sewer relining	\$ 210,841	\$ 170,392	\$ 40,449
Clark Drive and Brookhill Lane Lighting/Signalization	402,400	364,720	37,680
Switchgear Upgrades at Wasterwater Treatment Plant	178,700	0	178,700
OCU Sanitary Sewer	734,237	82,158	652,079
High Street Waterline Replacement	243,234	218,911	24,323
Wastewater Treatment Plant Improvement Engineering	78,500	2,169	76,331
Lift Station and Force Main at OCU	73,296	48,673	24,623
Emergency Water Service	21,000	3,135	17,865
#4 High Service Pump & Motor Control Center	89,700	39,800	49,900
Engineering Connector	233,612	159,477	74,135
	<u>\$ 2,265,520</u>	<u>\$ 1,089,435</u>	<u>\$ 1,176,085</u>

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City of Circleville
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Notes To The Basic Financial Statements
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B. Encumbrances

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

Fund	Amount
<i>Governmental Funds</i>	
General	\$ 50,544
Income Tax	236
Safety Forces	3,899
Capital Improvement	232,339
Other Governmental Funds	51,436
	338,454
 <i>Enterprise Funds</i>	
Waterworks Operating	167,210
Sewer Operating	365,766
	532,976
 <i>Total Encumbrances</i>	 \$ 871,430

NOTE 17: CONTINGENCIES

Litigation

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

Grants

The City received financial assistance from State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2014.

City of Circleville
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For the Year Ended December 31, 2014

NOTE 18: JOINTLY GOVERNED ORGANIZATION

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 \$39,470 in support payments and provided office facilities to P³ during the year.

NOTE 19: INTERFUND TRANSFERS

During the compilation of the financial statements, a \$318,640 transfer was recorded from the General Obligation Bond Retirement fund to the Capital Improvement fund in order to report the debt service principal payment on the note payable issued by the Capital Improvement fund.

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City of Circleville
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Notes To The Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 20: FUND BALANCE

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

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

	General Fund	Income Tax Fund	Safety Forces Tax Fund	General Obligation Bond Retirement Fund	Capital Improvement Fund	Other Governmental Funds	Total
Nonspendable for:							
Inventory	\$ 11,984	\$ 0	\$ 0	\$ 0	\$ 0	\$ 107,278	\$ 119,262
Prepaid Items	10,901	0	21,646	0	11,417	2,811	46,775
Total Nonspendable	<u>22,885</u>	<u>0</u>	<u>21,646</u>	<u>0</u>	<u>11,417</u>	<u>110,089</u>	<u>166,037</u>
Restricted for:							
Road Improvements	0	0	0	0	0	235,414	235,414
Safety Forces	0	0	0	0	0	114,584	114,584
Legal Computer Maintenance	0	0	0	0	0	750,916	750,916
Municipal Court	0	0	0	0	0	114,538	114,538
Leisure Time Services	0	0	0	0	0	19,154	19,154
Community Development	0	0	0	0	0	12,517	12,517
Capital Improvements	0	0	0	0	0	637	637
Total Restricted	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,247,760</u>	<u>1,247,760</u>
Committed for:							
Future Severance Payments	82,110	0	0	0	0	0	82,110
Income Tax Administration	0	20,833	0	0	0	0	20,833
Safety Forces	0	0	537,503	0	0	0	537,503
Debt Service Payments	0	0	0	49,669	0	0	49,669
Capital Improvements	0	0	0	0	0	20,000	20,000
Cable Franchise Operations	0	0	0	0	0	128,928	128,928
Total Committed	<u>82,110</u>	<u>20,833</u>	<u>537,503</u>	<u>49,669</u>	<u>0</u>	<u>148,928</u>	<u>839,043</u>
Assigned:							
Encumbrances							
General Government	30,446	0	0	0	0	0	30,446
Community Development	4,439	0	0	0	0	0	4,439
Transportation	15,659	0	0	0	0	0	15,659
Subsequent Year Appropriations	614,809	0	0	0	0	0	614,809
Total Assigned	<u>665,353</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>665,353</u>
Unassigned	<u>115,938</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(558,442)</u>	<u>0</u>	<u>(442,504)</u>
Total Fund Balance	<u>\$ 886,286</u>	<u>\$ 20,833</u>	<u>\$ 559,149</u>	<u>\$ 49,669</u>	<u>\$ (547,025)</u>	<u>\$ 1,506,777</u>	<u>\$ 2,475,689</u>

City of Circleville
Pickaway County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 21: BERGER HEALTH SYSTEM

As indicated in Note 1 to the Basic Financial Statements, the following disclosures are made on behalf of Berger Health System (the System).

A. Basis of Accounting

The System uses the government model of *GASB Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. The System follows the “business-type” activities reporting requirements of GASB Statement No. 34, which provides a comprehensive look at the System’s financial activities.

B. Budgetary Basis of Accounting

Budgetary information for the System is not presented because it is not included in the entity for which the “appropriated budget” is adopted and does not maintain separate budgetary financial records.

C. Deposits and Investments

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the System’s deposits may not be returned to it. The System does not have a deposit policy for custodial credit risk. At year-end, the System had approximately \$14,533,000 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured but are collateralized with securities held by the pledging financial institution. The System believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the System evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The System does not have a policy for custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The System does not have an investment policy that addresses interest rate risk.

City of Circleville
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For the Year Ended December 31, 2014

Credit Risk

The System does not have an investment policy that addresses credit risk. At the end of the year, the credit quality ratings of debt securities (other than the U.S. Government) are disclosed in the preceding table.

D. Capital Assets

Capital assets activity for the year ended December 31, 2014 was as follows:

	Balance 12/31/2013	Additions	Deletions	Balance 12/31/2014
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 3,259,958	\$ 0	\$ (24,227)	\$ 3,235,731
Construction in Progress	1,584,237	1,861,857	(2,248,270)	1,197,824
<i>Total Capital Assets, Not Being Depreciated</i>	<u>4,844,195</u>	<u>1,861,857</u>	<u>(2,272,497)</u>	<u>4,433,555</u>
<i>Capital Assets, Being Depreciated:</i>				
Land Improvements	1,892,375	125,033	0	2,017,408
Buildings	35,656,641	0	(123,736)	35,532,905
Building Improvements	23,497,106	2,031,936	(35,314)	25,493,728
Equipment	53,387,658	1,424,703	0	54,812,361
<i>Total Capital Assets, Being Depreciated</i>	<u>114,433,780</u>	<u>3,581,672</u>	<u>(159,050)</u>	<u>117,856,402</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(1,783,797)	(54,782)	0	(1,838,579)
Buildings	(20,317,998)	(1,381,715)	130,410	(21,569,303)
Building Improvements	(15,728,026)	(1,145,363)	24,267	(16,849,122)
Equipment	(45,641,726)	(1,975,564)	0	(47,617,290)
<i>Total Accumulated Depreciation</i>	<u>(83,471,547)</u>	<u>(4,557,424)</u>	<u>154,677</u>	<u>(87,874,294)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>30,962,233</u>	<u>(975,752)</u>	<u>(4,373)</u>	<u>29,982,108</u>
<i>Total Capital Assets, Net</i>	<u>\$ 35,806,428</u>	<u>\$ 886,105</u>	<u>\$ (2,276,870)</u>	<u>\$ 34,415,663</u>

City of Circleville
Pickaway County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2014

E. Long-Term Obligations

The change in the System's long-term obligations during the year consisted of the following:

Types/issues	Balance 12/31/2013	Issued	Retired	Balance 12/31/2014	Due in One Year
1997 - 5.036% - 5.400% City of Circleville Loan \$2,000,000	\$ 563,750	\$ 0	\$ (563,750)	\$ 0	\$ 0
<i>Revenue Bonds</i>					
2010 - City of Circleville Hospital Facilities Revenue Bonds Series 2010A \$12,391,500 3.87%	7,789,000	0	(7,789,000)	0	0
2010 - City of Circleville Hospital Facilities Revenue Bonds Series 2010B \$12,391,500 3.87%	7,789,000	0	(7,789,000)	0	0
2014 - City of Circleville Hospital Facilities Revenue Refunding and Improvement Bonds Series 2014 - 2.67% (maturing in June 2034)	0	24,000,000	(430,000)	23,570,000	920,000
<i>Total Governmental Activities</i>	<u>\$ 16,141,750</u>	<u>\$ 24,000,000</u>	<u>\$ (16,571,750)</u>	<u>\$ 23,570,000</u>	<u>\$ 920,000</u>

Scheduled principal payments of long-term obligations are as follows:

	Long-Term Debt	
	Principal	Interest
2015	\$ 920,000	\$ 628,899
2016	955,000	605,164
2017	980,000	577,360
2018	1,020,000	550,492
2019	1,030,000	522,743
2020-2024	5,635,000	2,175,228
2025-2029	6,435,000	1,360,652
2030-2034	6,595,000	432,155
Total	<u><u>\$ 23,570,000</u></u>	<u><u>\$ 6,852,693</u></u>

On May 1, 2014, the System entered into a financing agreement with the City, in which the City issued \$24,000,000 of Hospital Facilities Revenue Refunding and Improvements Bonds. The proceeds were used to retire prior obligations and to fund future capital purchases. The Series 2014 Bonds mature in quarterly principal installments ranging from \$215,000 in September 2014 to \$390,000 in June 2034 at a fixed rate of 2.67 percent.

In conjunction with the Series 2014 Bonds, the System is required to maintain certain financial covenants as defined in the debt agreements. The System believes it is in compliance with these covenants at December 31, 2014.

City of Circleville
Pickaway County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2014

Substantially all assets and the assignments of profits from the System have been pledged as collateral against retirement of the Series 2014 Bonds.

F. Self-Insured Benefits

The System is partially self-insured under a plan covering substantially all employees for health benefits. The plan is covered by a stop-loss policy that covers claims over \$125,000 per employee. Claims, charged to operations when incurred, were approximately \$4,700,000 for the year ended December 31, 2014.